

**CITY OF DOVER**  
**STATE OF THE CITY**

7:30 am Tuesday May 4, 2010

Coheco Country Club

Remarks of J. Michael Joyal, Jr.

City Manager

*[Title slide – J. Michael Joyal, Jr.]*

Thank you all for attending this morning and let me once again thank the Greater Dover Chamber of Commerce and Federal Savings Bank for hosting this event as part of the bank's ongoing Forum Series.

It is wonderful to look out across this room this morning and see all of you, people who are invested in and care deeply about our community, people who are interested and involved in making Dover the exceptional, vibrant community that it has become today and, hopefully, will continue to be long into the future.

Of course, I'm also happy to see those few of you who couldn't get an earlier tee time to get out on the course this morning.

Of course, I kid. Truly, I'm pleased to have this opportunity, presenting this, the fifth annual, State of our City address. Keeping with the tradition that we have developed these past few years, my remarks this morning will touch upon some current projects as well as some economic and financial trends evident here in Dover. However, as was advertised and so as not to disappoint, our forum this morning will also focus on the current budget proposal now being deliberated by the City Council and the likely impacts

that are necessary in light of our own local funding constraints. Please ready yourself with questions and comments as, at the end of my remarks, I do want to open the floor to what I expect will be an engaging and hopefully enlightening conversation regarding the future direction of our community and the difficult decisions soon ahead for our councilors.

When we met to discuss the state of the City last year, I think it is safe to say many of us were pre-occupied with the state of the national economy. At this time last year the economic meltdown gripping our country and the world had become reality. Although we have not been immune from the fallout, here in NH and specifically Dover, we have fared better than others. However, with a still slowly recovering economy, a worsening state fiscal crisis and new forthcoming federal mandates, we are not clear of the woods and still have a long road ahead.

[Slide – City at a Crossroads]

With those thoughts in mind, it is clear that “Our City is at a Crossroads”.

In past years, I have stood here and asserted that the State of our City is Good and Poised to Get Even Better and that although excellent, is still continuously improving.

This year, the Dover community has come to a crossroads and needs to determine which way it is going to go....Down the path of continuing to settle for less and less?...Or continue down the path of the vibrant community we are today? Will we drive along the road that achieves success or will we simply follow along a path that heads toward failure?

Dover is not alone in this regard. Communities across the country are facing what is being termed a “new normal”. The economic crisis, state financial challenges and other limits on budgeting capacity are requiring that more and more difficult decisions be made in the way local governments operate. The choices being made will be critical in distinguishing between those communities that are destined to succeed and those that will fall by the way side in failure.

The confluence of events driving the move to a “new normal” – the lingering effects of the great recession across the country and the world, our own State’s persistent financial struggles, and our own ongoing local challenges – are unprecedented in magnitude. However, Dover HAS struggled through difficult times before.

Many, if not most, in this room will recall the bursting bubble of the late 80’s and the financial havoc of the early 90’s. Then as now, choices were critical, decisions difficult. Some choices then were made for the short-term with lasting consequences that have been troublesome today. Specifically decisions to defer maintenance needs and utilize debt financing for routine, regular, recurring capital costs. Meanwhile, many other choices during that time required vision and courage to do the right thing and realize long term benefits that continue to be enjoyed by the community today.

[Slide – Enterprise Park Site Plan]

During the early 90’s, the investment in Enterprise Park is one example of the choices made during a time of economic strain that has had lasting benefits. The decision for the community to undertake and fund the construction of a new business park along Sixth Street along with the required zoning changes and infrastructure investments has resulted in a net

positive return on the investment. Today, nearly 20 years later, new commercial buildings have been constructed, businesses have relocated and expanded, taxable commercial property has been added to the roles and 100's of jobs have been either created or retained. A critical choice for our community made then with a significant positive return on the investment continuing not only today but far into the future.

[Slide – Liberty Mutual Aerial Photograph]

The attraction, retention and expansion of Liberty Mutual here in Dover is another example. Efforts undertaken only a few short years ago to encourage Liberty Mutual's campus expansion off Sixth Street required a multi-million dollar commitment by the City Council to improve the Indian Brook Drive corridor. Today, following the City's contribution for its share of the road expansion costs, the addition of Liberty's new office building and the resulting construction of nearby hotels, restaurants and a medical office building have more than returned the community's investment by adding new taxable property, not to mention even more job opportunities.

[Slide – Cocheco Dredging Aerial Photograph]

The Cocheco River Dredging project and the overall waterfront development plan are also examples of critical choices requiring vision that will have long term benefits for the community well into the future. New retail, commercial and residential properties, additional riverfront recreation opportunities and of course more jobs are developing now and will further develop into the future. The need to keep an eye to the future when making decisions for our community today cannot be overemphasized.

[Slide – projects and activities]

Several notable projects and activities have been moving forward over the course of the past year and remain underway today.

Continuing investments are being made in our City's schools with renovations ongoing at Horne Street School with the addition of new classroom space and other building improvements. This follows the renovations of the Garrison School and major expansion of the Woodman Park School in recent years.

Land has been purchased for the siting of a new Water Tower to boost water pressure throughout the north end of the city and ensure that adequate reserve capacity is available for fire flows throughout the City. Engineering of the tower is getting underway and construction will soon follow. At the same time, efforts continue to resolve the high water problems at Willand Pond and include pump testing this summer of an older City well that, if successful, will supply additional drinking water into the City system while at the same time provide a means for regulating water levels in the pond.

The initial implementation of the Pay and Display public parking system has proven successful and rollout of a citywide system is being coordinated by the City's newly formed Parking Commission. Funds generated by the Pay and Display system will eventually be used for the construction of a public parking facility in the downtown. At the same time, the Parking Commission working with our Dover Business and Industrial Development Authority has started exploring possible public/private partnership opportunities for developing existing parking lots in the downtown.

Despite the slowing of the economy, work in anticipation of the Waterfront Development project taking off has proceeded including the completion of

the Washington Street vehicular bridge, scheduled to open this summer and rehabilitation of the River Street Pump Station. Meanwhile, the Army Corp of Engineers is proceeding with arranging the final phase of the Cocheco River Dredging project for this winter.

The City has joined with other communities as part of the Southeast Watershed Alliance concerned about the water quality in the Great Bay estuary. Studies are currently underway to determine the most cost effective means for communities to work together in protecting the health of the Great Bay. Depending on the permitting requirements being established by the State of NH at the urging of the EPA, communities such as Dover will be subject to mandates and multi-million dollar expenses in the next 3 to 5 years impacting our storm water and wastewater systems.

Several major road reconstruction projects are or will soon be getting underway in the City. Work is currently moving forward with the relocation of Old Rollinsford Road along Central Avenue to make way for a major expansion of WDH's facility. Additional reconstruction work along Henry Law Avenue and in the Applevale neighborhood will be underway later this year. Engineering work for Tolend Road reconstruction is now underway and will begin later this year with the installation of a new sewer line extending from the Tolend Road landfill across the Cocheco River and out to the County complex. Lastly, construction work on the initial phases of the Little Bay Bridge expansion project will be getting underway this year. This project will eventually include widening the bridge between Dover and Newington along with major changes to the roadways connecting the Spaulding Turnpike with Hilton Park, Dover Point Road, Boston Harbor Road and Route 4.

[Slide – City Finances]

Although we are in the midst of a very difficult budget season, our City finances currently remain healthy. To sustain and hopefully improve upon our position will require a concerted effort and discipline to maintain a long term perspective in decision-making as we weather the budget challenges ahead. Shortfalls in the current budget year are being addressed with service adjustments and spending reductions for the remainder of the year.

[Slide – Moody's and Standard & Poors – words will fly in automatically]

Evidence of the City's financial health was recently affirmed in credit rating reports issued by Moody's Investor Services and Standards & Poors. Moody's affirmed the City's rating of "A1" citing our moderately-sized tax base, average wealth levels and satisfactory financial position as positive factors. Standard & Poor's affirmed the City's rating of "AA" citing in their report the City's sound local economy, moderate debt burden and commitment to maintain balanced budgets.

[Slide – General Fund balance chart]

The maintenance of adequate Fund Balance reserves is a key financial indicator of the health and soundness of a municipalities finances. The City's unreserved general fund balance at the end of fiscal year 2009 was approximately \$5.1 million down nearly \$500,000 from the prior year. Our current fund balance represents 6.4% of the annual budget and remains above the 6% minimum level established as a financial policy by the City yet still well below the upper 10% threshold preferred by credit rating agencies.

[Slide – full value assessment chart]

This past year the City's overall full valuation did fall slightly. This was expected due to the softening of market prices in all property sectors.

[Slide – unpaid property taxes]

Unpaid property taxes for 2009 have trended upward from the prior year both in terms of the % of property parcels being taxed and also the % outstanding in relation to the total tax levy. These levels remain below the higher levels experienced in 1999 and significantly lower than the levels seen during the early 1990's. It needs to be noted that although property taxes may remain unpaid at the end of any given year, generally the full amount plus interest is paid by the taxpayer within 3 years.

[Slide – vehicle registration chart]

A clear indication of a slowing economy here in Dover is the decline in the number of vehicles being registered. For the fourth straight year, the number of permits issued has declined and is equivalent to levels seen earlier in 2000.

[Slide – general assistance expense chart]

General assistance expenses have trended upwards over the past several years, however much of that trend can be attributed to inflationary increases in food, shelter and medical care.

[Slide – student enrollment growth chart]

Student population in Dover has declined slightly two of the last three years. This past year, enrollment in Dover's public schools was 4,234 - a net overall increase of 52 students from 2008. This equates to a 1.2% overall growth in student enrollment. Increases were split almost evenly between elementary grades and the High School while the Middle School saw a decrease of 22 students. Per pupil amount of all school expenditures is \$10,151 which compares quite favorably to a statewide average of \$13,915



[Slide – development activity chart]

Overall Development activity in the City has declined for the fourth year down to 349 permits issued in 2009 as compared to a high of 654 issued in 2004. Interestingly, despite the decline in the overall number of permits the average dollar value has remained relatively consistent when factoring out the value associated with the new Liberty Mutual building and the Indian Brook office building in 2007 and 8

[Slide – Labor Force and Unemployment chart]

The relative strength of our local economy as compared to the State and country is evident in the labor force and unemployment rates. NH has had a lower unemployment rate than the rest of the nation and Dover has been lower than the NH rate. Although sharp increases were realized in the past year, our better condition than elsewhere continues to hold true.

[Slide – Dover/NH Advantage]

With the weaknesses in the economy widespread across the country and here at home, NH and Dover, in particular, still have the advantage when it comes to many measures pertaining to quality of life issues.

[Slide – overall quality of community]

In 2009, the City participated in a national citizen survey in which Dover residents were asked a series of questions relating to quality of life issues and municipal service priorities. Dover residents, like most residents in other communities surveyed across the country, are proud of their community and rank our quality of life highly.

[Slide – 2009 Property Tax Per Capita]

When one considers that NH has the lowest tax burden in the country and then compares the per capita property tax burden to like communities in our state, Dover compares quite favorably. Dover remains an affordable community with a full range of services supporting a high quality of life.

[Slide – average home tax bill chart]

In recent years the increases in the average homeowner's property tax bill have been slowed considerably. Through the tremendous efforts of our employees, our department heads and with the support of the City Council, we have scoured budgets, leaving no stones unturned and managed to propose and hold spending by City departments in check these past five years.

[Slide – General Fund Budget]

As noted at the end, the sacrifices made by all of the City's employees and department heads were unprecedented. Benefit savings in addition to pay freezes and pay reductions offered by our employees in this current budget amounted to \$670,000 - \$670,000 that would have otherwise been required to be absorbed elsewhere. Not only did those savings avert much deeper service reductions in the current year budget but also have a compounding effect each and every year going forward.

[Slide –Budget Development Issues]

There are three key issues which overshadowed the development of the budget proposal now before the Council this year...

All of these issues, when taken in combination, have and will continue to significantly impact the capacity to budget for service delivery and manage

the community's finances responsibly not only this year, but long into the future.

[Slide – Revenue Constraints]

Net reduction in GF non tax revenue of \$816,469 (including schools)  
State revenue sharing \$1.2 million suspended over the course of our current budget extending into 2011 FY  
Further state downshifting now being discussed – not reflected in budget  
State budget crisis and provisions for suspending revenues not likely to be reversed as was intended or at least stated when first adopted last year

[Slide – Declining State Aid]

One of the more significant issues affecting our budget development and that of other NH communities this year and likely going forward into future years is the declining amount of local aid from the State. In an attempt to close the State's budget shortfalls, revenues sharing and state grants have been reduced and costs downshifted onto local property taxpayers.

What is most troubling about the reduction in state aid during the current state budget biennium is the fact that much of the aid currently being paid to Cities and towns is coming from one-time stimulus funds provided by the federal government. Deeper reductions are likely to come in the years ahead.

The state is currently faced with a budget shortfall approaching 300 million dollars and is considering further reductions in state aid for the remainder of this biennium. In the next biennium it is estimated that the State will face an additional shortfall of between 500 and 650 million due to expiration of the federal stimulus funds. The writing is on the wall. The state will be looking to

make further, deeper reductions in local aid to cities and towns. This in conjunction with our tax cap limitation will either force unwarranted increases onto local property taxpayers or more likely further cripple our ability to fund basic, essential municipal services in the years ahead.

[Slide – 2011 Tax Cap Calculation]

38,165 for city

180,900 school

County gets what they proposed 130,885

[Slide – Proposed Property Tax Bill]

[Slide – Citizen Service Priorities]

Aside from ensuring that we address basic yet essential public education, public safety and community infrastructure needs in developing a budget proposal, engaging and responding to our citizen interests is obviously a key concern.

One very important question that was included in the citizen survey completed earlier this winter asked residents to identify which City services they would give the highest priority to for budgeting. In the order in which they were ranked, the five highest or most important services reported by residents were...

There were nearly 40 different services provided by City departments that were rated. Of those, the ones receiving medium priority included storm runoff drainage maintenance, Community policing and drug/alcohol prevention outreach, public transportation and parking, inspection services,

fire safety education, parks and playgrounds maintenance and school resource officers.

Those ranked as having lower priority were availability of public meeting space, community fitness center and gym related recreation activities, animal control, indoor and outdoor pools, library and recycling center hours and streetscape maintenance.

This information along with other considerations factored into the budget now proposed for FY2011.

[Slide –Budget Adjustments - Planner]

To achieve the budget reductions required to conform with the revenue constraints, the budget proposal includes a reduction of 15.2 FTE positions. These additional position losses will result in the elimination of nearly 31 positions from across all City departments over the last 4 years.

[Slide –Budget Adjustments – Admin/Clerical]

Bulk of budget reductions are borne by staffing changes across all departments. Staff adjustments also include eliminating and replacing positions with less hours and benefit costs

[Slide –Budget Adjustments - Police]

[Slide –Budget Adjustments - Capital]

First full year of energy savings estimated to be \$162k offsetting related debt cost of \$136 – savings of \$26k helping to absorb cost pressures in other areas of the budget

[Slide –Budget Adjustments - Other]

Other specific program reductions include

Main Street grant eliminated

Cochecho arts festival

Fireworks – donor for next year

In wrapping up my remarks this morning, let me close with remarks of Thomas Jefferson. As assertion that still rings true today.

[Slide –Quote – Good Government]

*"The care of human life and happiness, and not their destruction, is the first and only object of good government" – Thomas Jefferson*

Thank you.

###