

State of the City Address

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Portsmouth City Manager

Good morning. It is my great pleasure to be with you here this morning to share with you the “state of our city.”

This marks my seventh year as City Manager and the eighth budget I have submitted to the City Council for approval.

And this year, for the first time since 1999, I am cautiously optimistic that we are finally shedding the unfortunate title of “donor” community.... after “donating” over \$10.8 million of local property taxes to Concord to pay for education in other communities.

However, nothing is certain until the Legislature ends its session in June. We also are very cognizant that it is extremely likely that we will be required to preserve our non-Donor status when the new Legislature convenes in January. The battle may have been won, but efforts must continue until the Legislature eliminates the statewide property tax forever.

After many years of extremely tight budgets and delays in implementing desired programs and initiatives in order to hold the line on the Portsmouth tax rate for our citizens, I feel sufficiently confident to recommend somewhat increased spending in certain areas – particularly following last year’s no-growth budget.

Over the past few years, our Municipal, Police, Fire and School departments have struggled mightily to hold the line in the face of our rising “donations” under the statewide property tax.

One of my top priorities is to begin restoring funding to these departments to allow them to reach their desired level of service, and to prepare for the future. In addition, I believe it is time to return to our recommended level of annual capital improvements spending. And finally, we have been working on ways to accomplish these goals while preventing a substantial increase in the tax rate.

This change in Concord does not mean that we suddenly will have millions of dollars more to spend. The situation remains unstable in terms of education funding, to say the least, and at the same time 81 percent of our budget – salaries, health insurance and other fixed costs – continues to rise. This also includes our share of the Rockingham County taxes, which is \$3.7 million.

Therefore, I asked all city Departments to refrain from increasing the number of staff or programs for FY05, and my goal was to ensure that any FY 2005 tax rate increase fell below the rate of inflation of 3% in calendar year 2003.

We have met our goal. The tax rate is proposed to increase by 22 cents, or 1.2% over last year -- less than half the rate of inflation. I believe it is essential for our citizens that this year’s tax rate be as close as possible to the rate last year.

In addition, the City’s financial house remains very much in order today due to steps we have taken over the past eight years. We continue to enjoy bond ratings of double-A from both Standard and Poor’s, and Moody’s Investor’s Service, literally saving us tens of thousands of dollars annually in reduced borrowing costs. This shows

the national and international business communities that the City of Portsmouth remains a sound financial investment.

Local economic indicators also are pointing to positive trends. It appears the region is emerging from a broad economic slowdown that began two years ago. For example, the local unemployment rate was slightly lower in 2003 than the year before.

In addition, office vacancy rates fell while rents slightly increased at the end of 2003.

Meanwhile, activity at the Pease Tradeport also is beginning to pick up.... with 80,000 square feet of development added last year, bringing the total to 4.6 million square feet.

Private investment increased 200% in 2003 -- to \$608 million – primarily due to the expansion at Lonza Biologics.

But again this year, airport activity continues to be a challenge as the airline industry struggles to recover from 9-11. Pan Am and the Pease Tradeport administration are still continuing to explore new markets.

In our central business district, we completed two significant projects that enhanced our downtown landscape for residents, businesses and our visitors. The Vaughan Pedestrian Mall and the first phase of the Court Street reconstruction project are examples of how the City's investment is leveraged with state and federal grants.

The City also has obtained over \$1.5 million in federal and state grants to build a 400-foot Riverwalk along the commercial portion of the Bow Street waterfront. We intend to complete the final engineering and design this year, and are working to obtain the necessary permits so that work may begin late next year.

Also, the City Council has authorized me to work with the Economic Development Commission and the owner of the Sheraton Hotel to explore a public/private partnership for construction of a parking garage at the Russell Street site.

As many of you know, during the last quarter of 2003 the City's Northern Tier became the focus of two proposed development projects. One would redevelop the Parade Mall while the other would expand the Sheraton Hotel and Conference Center. The developers are working with the city's land use agencies and staff to move these projects forward.

Another downtown project that undoubtedly will change the downtown landscape is the redevelopment of the two-acre McIntyre federal building site. We are launching a major multi-year effort to accomplish this. The City will be seeking community input on how to develop this key downtown property with a carefully balanced mix of commercial, public and residential uses. As you might expect, a major goal is to add this property to our tax rolls.

This project is one of the highlights of our Capital Improvement Plan, for 2005 through 2010, that was recently adopted by the City Council. The City intends to spend \$1 million on capital improvements in the FY05 Fiscal Year beginning July 1. This will be leveraged with \$8.7 million in other funding, including federal and state grants.

Our 5-year Capital Improvement Plan also calls for:

- Continuing to upgrade our roads and sidewalks
- Continuing to improve our municipal and school buildings, and facilities
- Continuing to upgrade City parks and playgrounds, including the playground in Maple Haven and Hislop Park in the Atlantic Heights neighborhood.

- Making technology improvements, beginning with updating and expanding the computer management system serving the Library and all school libraries.
- And continuing to improve our sewer and water systems, such as the Lincoln Street sewer separation project currently under way.

Meanwhile, the City's Planning Department is working on completing the new Master Plan for Portsmouth by June, to be followed by Planning Board consideration by this fall. The "Portsmouth Listens" study circles were extremely successful in gaining input from various segments of our community, some of which were not usually heard from.

Public transportation projects are included in both plans. The City intends to undertake a \$25,000 study of our transportation facilities within the City limits, and how to make safe connections to existing bicycle and pedestrian routes.

We already have plans to begin design work for a bus transfer area in front of the High Hanover parking garage. With the Market Square bus stop at capacity, there is a need to move this congestion away from the city center, especially during the summer. This new transfer area would include bus pullouts, a shelter, an information kiosk, and new sidewalks.

We also plan to begin installing bus shelters, benches, bike racks and schedule displays at some of the city's higher-use bus stops.

Also this year, we will use matching transportation funds to install a synchronized traffic control system on Middle and Maplewood Avenues to enhance traffic flow and reduce congestion.

We are continuing to invest in year-round trolley service serving downtown

Portsmouth, Lafayette Road and the Tradeport. We estimate the two trolleys will generate about 60,000 rides this year. Our figures show that since we have modified and expanded our routes – ridership has grown 83% over the previous year. This project is funded under a grant that is 80% federal, 10% city and 10% from the Pease Development Authority.

The popular open-air downtown trolley will continue to run from June through September, serving many of our tourist destinations, with half of the cost financed by the City. This year, the City, COAST and the Greater Portsmouth Chamber of Commerce will be implementing changes to improve tourist connections to hotels and visiting cruise ships.

This is just one example of cooperation between the City and the Chamber. We also cooperate on ways to serve the local business community. Just last week, the City Council voted to extend our partnership with the Chamber on business development, tourism and the e-Coast. Over the past four years, this partnership has proved to be an effective way to capitalize on our respective strengths to promote our city while maintaining Portsmouth's quality of life AND the appropriate balance between tourism and overall economic diversity.

As many of you know, recreational facilities are key elements in the high quality of life we enjoy in Portsmouth. And, in an attempt to make the best of our recreational resources, we have completed many of our planned improvements for Peirce Island.

We also plan to begin reclamation of the former stump dump along Highway 33 for use of a multi-purpose recreation field.

Another major factor in our quality of life, is our local cultural community. It also

is a major draw for our City. The most recent available figures show our cultural community contributes at least \$26 million annually to our local economy. Of that, nearly \$18 million is spent by the visitors and audiences who frequent local restaurants, hotels, parking garages and other businesses.

The City supports the Arts through “Art Speak,” which was established by the City Council to implement the cultural plan approved in 2002. This volunteer group has accomplished a great deal over the past 14 months. The group has been working to secure more space for cultural activities within our City, and hopes to launch a web site soon that features the cultural activities of over 80 organizations and 200 individual artists in our Seacoast area.

These are just some of the reasons that Portsmouth in recent years has been named one of the top places to retire by *Money*, *AARP* and *Where to Retire* magazines.

But one challenge the City continues to face is rising housing costs. With limited supply and high demand, purchase prices have steadily increased to a point where most of our housing is not affordable to median wage earners. New supply is limited because of our limited amount of developable land. In addition, the regional housing supply has not kept up with workforce demand.

Unfortunately, there are no easy solutions to this regional problem. But the City is committed to working with our local and regional housing partners on innovative solutions to this dilemma.

The City of Portsmouth is always looking to the future. And our ability to plan ahead and leverage state and federal funding has allowed us to accomplish great things even in tight budget periods.

For example, this spring we are celebrating the opening of the \$36 million High School renovation, benefiting our entire community. We already have begun focusing attention on either renovating, or rebuilding our Middle School.

We are extremely hopeful that work finally will begin this summer on building a new and long-awaited Library to serve the citizens of our community.

And this summer, 20 new units of senior citizen housing will be available through the conversion of the 1895 Building, also known as Cottage Hospital, which is being done at no cost to our taxpayers.

Finally, I have attempted today to outline just a few of the exciting projects and plans underway for the City of Portsmouth. We intend to continue to work with the Economic Development Commission, the Pease Development Authority, business community and appropriate City departments to foster economic growth and to increase our tax base.

I believe that we have been able to maintain a strong sense of place and remain an attractive community for businesses, visitors and our citizens through careful planning and the dedicated efforts of many people who believe in our city and its future.

Even as the state and national economies continue to ebb and flow around us, Portsmouth has been able to maintain a fairly stable economy and to continue on a path of controlled growth that maintains a quality of life envied by many.

In conclusion, I believe the state of our city remains strong and will continue to thrive in the years to come with the proper planning and support from our policy makers, our businesses and most importantly, our residents.

Thank you.

