

*Mayor Donnalee Lozeau  
State of the City Address  
Board of Alderman Chambers  
February 17, 2009*

Thank you President Bolton, members of the Board. I appreciate the opportunity to join you tonight to talk about the state of our city.

At 156 years young, Nashua is financially sound and full of opportunity. It's a tremendous place to raise children and has the good fortune of having an incredible number of citizens who pour their hearts into this community through volunteerism, leaving their special mark on our city.

One year ago, I stood at this same podium as your new mayor, ready to assume the challenge of running New Hampshire's second largest city.

As a Nashua native, I thought I knew just about everything about my home town, but this past year has given me an even deeper knowledge of just what a remarkable place it really is.

Over the past year, I've had the honor of:

- Dedicating our new Vietnam Veterans Memorial,
- Helping to pack Christmas stockings for our troops in Iraq and Afghanistan as a volunteer for Moore Mart,
- Inducting four awesome local bands in to Nashua's Rock-and-Roll Hall of Fame,
- Administering the oath to the newest class at City Year,
- Kicking off the Summer Food Drive,
- Attending Eagle Scout Courts
- I've also been made an honorary member of Brownie Troop 10307 just to name a few.

Both as a city and as individuals, we experienced an amazing year. The strength of our community shined when we pulled together to deal with record spring flooding and let's hope, a once-in-a generation ice storm in December.

Time and time again, we witnessed neighbor helping neighbor. Non-profit groups like the Red Cross rushed in, while local businesses also stepped up to the plate. An unprecedented amount of damage was topped only by the willingness of our citizens and emergency responders to rally under difficult circumstances.

The response to the *100 Days 100 Ways* campaign was beyond my expectations. More than one hundred new people have been confirmed to city boards, commissions, advisory groups and task forces, making Nashua even stronger. I want all of these folks to know just how much I appreciate their willingness to volunteer their time and talents.

Nashua is indeed a remarkable place. As your Mayor, I am very proud.

### ***First Year Reflections***

Preparing for the *State of the City* gave me the opportunity to reflect on my first year in office. Looking back, it seems as if new mayors spend a lot of time learning the internal culture of their city hall in order to set the table to succeed. Then in your second year, you use that knowledge to figure out where change can be made most effectively.

I talked a lot about the “challenge of change” in my first *State of the City* address. We were just at the beginning of experiencing a wave of retirements by long-time city staff, men and women who were taking valuable institutional memory with them.

Our challenge continues to be learning how to balance their loss while, at the same time, opening ourselves up to new ways of doing business.

As mayor, one of the most common questions I’m asked is, “What’s been your biggest surprise?” And you know what? My answer is always the same: I arrived with a pretty good understanding of how city government works but have been amazed at what I refer to as the “City of Silos”, followed closely by its cousin the Language Barrier.

First, by a “City of Silos” I’m referring to when divisions and sometimes even departments within divisions all seem to operate in separate camps. It’s a way of doing business where you don’t pick your head up often enough to see how things relate to one another. It creates unnecessary roadblocks to getting things done.

I don’t believe for one minute our departments want it this way. It’s just what frequently happens when you don’t look up or have the benefit of interacting with other divisions or other departments within your own division.

You can see the same thing happening within our community whenever we break off in to our natural groups like the elderly, families, business and even education. We focus on our individual struggles, instead of looking for the broader themes that bind us together. When we get caught up in this type of thinking, it never occurs to us that things could be different or how working together can make us stronger.

Well I want to break down those silos. In their place I want to build bridges.

It begins with my cabinet. These fourteen Directors are the people I count on every day to help me understand their departments, their needs and their strengths.

In turn, they work with their managers right down to the last worker on the city's frontline. Together, we are beginning to see the city from a greater distance. By breaking down barriers starting at the top, we're setting a new tone and expectations. We are already receiving the benefits of this change in thinking.

Second to breaking down silos is creating the ability to speak the same language. One of my priorities as mayor is to ensure that that happens. What do I mean by that? Well for instance, if you examine the mayor's office budget and it doesn't include employee benefits, then that isn't reflecting the true associated costs of my budget.

The same thing can happen when we talk about the school budget. We say it's \$86 million, but in reality, it's much more because that number doesn't include employee benefits and other associated costs. Ditto collective bargaining. A two to three percent pay increase may not include any accompanying step increases or rising benefit and pension costs.

You get the point here. When we can speak the same language, we break down barriers and clarify discussions all at the same time. That means better and more efficient city government for everyone. This will also increase our ability to trust one another when we talk.

Speaking the same language also goes a long way to increasing Transparency.

Not only do we in government need to speak the same language, we need to share that with our constituents.

This past year the two tax bills that went out included an explanation of what the different taxes were and how the city spent its tax income and other revenue. Residents responded well to this, along with changes on the city web-site, all of which are done with the goal of increasing awareness of city operations. This is another way to say we're speaking and understanding the same language.

Nashua is remarkable because of its people. The same ones who step up in a disaster run for public office or volunteer, leaving their mark on our community. Only through transparency and accountability in city government can we as leaders and policy makers uphold our commitment of service to them.

## ***State of our Local Economy***

To talk more about where we stand as a city, I want to begin with the number one topic on everyone's mind lately: the economy and more specifically, our local economy.

Despite serious economic worries at the state and national levels, Nashua's unemployment rate for December is 4.1% with January numbers yet to come. That's lower than the state average and it's expected to remain much below the national rate that now sits at 7.1%

Nashua's business sector is diverse – that plays to our advantage with all of the uncertainties we're already experiencing in the new year. Our industries range from large defense contractors, high tech and healthcare to small business, even to the smallest mom and pop outfits.

One of our most interesting businesses is Two C-Pack.

Two C-Pack took over the site that was being developed for Corning. This is a company that came in to Nashua and not only saved another small company it had purchased and the 120 jobs there, but Two C-Pack took over a vacant site, invested in geo-thermal and is the only business of its size in Nashua that can boast it sends no solid waste to landfills. Top down, this company is committed to being green.

We also enjoy two very distinct and popular retail districts - downtown and the Daniel Webster Highway. Following a national trend among big stores, Circuit City and Linens 'n Things closed their doors. We've lost Main Street merchants and real estate offices as well.

As mayor, I understand these closures mean much more than just lost jobs and opportunities. For some, they're lost dreams.

But the good news is we've also had success stories as well. Our downtown welcomed Stella Blu which joins the other delicious award-winning downtown restaurants as the newest addition. A new women's clothing store named Fresh found a home, and Seedlings Café found itself in such demand it expanded its seating.

And two of downtown's longest-running businesses are celebrating 100 years of service to the community: Aubuchon Hardware and Burques Jewelers. One World Trading and Verdi Salon are carving out a green niche for themselves. Also, despite fourteen car dealerships closing across New Hampshire last year, Nashua's twenty-five franchises are all open for business.

## **End of Year Fiscal Highlights for 2008**

All businesses have a financial bottom line, city hall does too. Taxpayers expect us to handle their money in the most responsible and prudent way possible.

So, I'm happy to report for 2008:

- We've got \$28.7 million in our undesignated fund balance, a balanced operating budget and no deficit. That's quite an accomplishment, especially after the *Wall Street Journal* reported recently that 84 percent of U.S. cities are currently in the red.
- We had \$3.8 million dollars more in revenues than expenses. These are actual numbers, not budget estimates.
- In terms of the FY'08 budget, we took in \$3.1million more in revenue than we projected and had \$1.4 million less in expenses than we appropriated. These numbers reflect how well we planned while estimating our numbers.
- This allowed us to allocate funds to a variety of capital needs like, city hall renovations and a new roof for the Library along with additional money for infrastructure projects like paving roads.
- Despite the weakening economy, snow storms and high fuel prices, we were able to stay within our operating budget, while at the same time increase our surplus and reserves.

This is a tremendous accomplishment for our city. I want to thank the members of this board for helping to steer Nashua through these rough waters.

There are, of course, areas that still need improvement:

- Financially, our Enterprise Funds (landfill and waste water) are not at the level we want them to be.
- Capital Spending is suffering from underfunding. Because we have put off certain paving and building repair projects this likely means higher future costs for maintenance and renovations.
- The realities of our Enterprise Funds and Capital Spending decisions are an excellent example of the constant push and pull between how much to save and how much to spend.

Clearly, our financial position is solid as we are half-way through the 2009 budget and begin to craft our next budget for 2010. However, it is still too early to calculate the impact any changes in state funding will bring.

So while I'm keeping a careful eye on how that unfolds, I am much more concerned with the challenge of how to best serve our citizens and businesses that will find themselves in new and financially uncomfortable situations in the coming weeks and months.

We will need to be more creative than ever before. We must avoid adding on more burdens as they weather the financial storms to come. And we will be forced to make many tough decisions, but they won't be as tough as some of the decisions our families, businesses and neighboring communities are facing.

**2008 Accomplishments**

I like to think that many of the things we did well in 2008 will have a positive impact in the future:

Tax Rate

Our budget came in under the spending cap and the tax rate for 2008 was set at \$17.55. This represents an increase of only fifteen cents or 0.8%, which is less than one-percent over our 2007 rate and is one of the smallest increases over the last ten years.

Teacher's Contract

Settling our Teacher's contract was another major accomplishment. I think it's fair to say, that due to that on-going dispute, I hit the ground running from my very first day in office.

One year ago tonight, many of you had to deal with the picket line outside the front door of city hall. I could see and hear it all from my office on the second floor as I was putting the finishing touches on my first *State of the City* speech. Thankfully, things are much quieter now.

But you know, just when I thought I was in the clear, next came the Firemen's contract. More on that later.

New Directors

Another highlight? We have three new Directors on staff – Mike Gilbar is our Chief Financial Officer, Kerran Vigroux heads up Public Health and Community Services while Tom Galligani is our new Economic Development Director.

Not to leave out any of Mike and Kerran's accomplishments, but I wanted to share with you three businesses that are true Economic Development success stories here in Nashua. I had the honor of visiting each one this past year:

Dell Equal Logic: Is Dell computer's lab in New Hampshire. Its \$1.4 billion dollar buy-out was the single largest cash sale acquisition in the country last year. They are 300 employees strong and counting.

Bathchelder Biodiesel: takes a quarter million gallons of waste oil grease from restaurants and turns it in to diesel fuel – the first commercial processing facility of its kind in New Hampshire.

Axsys Technologies: manufactures surveillance equipment and infra-red imaging systems. Axsys employs 330 with 50 new hires expected soon. As mayor I am proud these three companies call Nashua home.

### Citizen Services, CitiStat and Legislative Liaison

As someone who has employees myself, I took a good long look at the Mayor's staff as it had been traditionally set up. I decided to allocate my resources differently.

I changed our priorities to:

- Emphasize and improve customer service
- Track city department resources more efficiently
- Develop better communications with our legislative delegation in Concord

Our Office of Citizen Services is improving customer service both through the Mayor's Office and in the rotunda.

On the first floor, our resource desk is the place where residents are welcomed to city hall and pointed in the right direction if needed. While just one floor up, people have a new place to turn when they have a problem. Best of all, they have people to talk to.

In my first *State of the City*, I said that Citizen Services would be a place where residents can go not only to have their needs addressed, but also to have someone intervene on their behalf before problems had a chance to escalate. I also stressed it would create an opportunity for our aldermen and other elected officials to serve their constituents in a better and more coordinated effort. I think both of those goals have been met. Next stop: taking the city into the new century with credit card and on-line payments.

Complimenting Citizen Services.....is CitiStat.

Our CitiStat program got up and running last June. So far it is working with nine different city departments. Each of these departments reports on budget items, payroll issues and performance.

Significant progress has been made with how performance is tracked and evaluated. The city's work order software, "IntelliGov" is operational. It continues to improve and expand its capabilities and features through the joint efforts of CitiStat and our IT Department.

Through this innovative program, we have been able to bring departments and divisions together to view a clearer picture of where they have been focusing their resources and whether they would like to make changes.

The biggest benefit? For the first time, city management can now track citizen requests for services and manage performance. A presentation of CitiStat will be held over the next month providing an opportunity to see some of the information CitiStat is able to analyze.

Another great benefit to our city is our Legislative Liaison is former state representative David Alukonis.

We started with a legislative breakfast at Nashua North back in December, now the legislative session is in full swing. Some 800 bills have been filed for 2009, about one-hundred fifty of which have been identified as having possible impacts on city operations.

By working with David, we have refined the list to some three dozen that warrant a greater level of attention, not to mention the state budget.

One piece of legislation that made news last week is House Bill 379, concerning proposed changes to our state's Right-to-Know Law. You may have read criticism of it on the Telegraph's editorial page.

But I would remind you how, in the throes of the teacher's contract, everyone wanted the Aldermen and the School Board to talk to try and resolve things. When the time came to bring all the parties together, the Right-to-Know Law simply did not permit it.

Now this is one of those times that we could ignore the problem until we found ourselves in the same situation again. Instead, we can do what we're doing, proactively working to change the law, improving our ability to negotiate and communicate.

It's important to note here that what is pending is a narrow change that if adopted will only let the boards meet in a limited circumstance to discuss strategy and negotiations of a collective bargaining agreement. It will require notice of the meeting, a vote to go into non-public, minutes to be kept and at some point released.

Now here's why it's important:

I firmly believe you always strike the best possible deal when someone else doesn't have the upper hand. Making certain talks public prematurely can create situations where one side has an unfair advantage. That's exactly what HB379 will prevent.

By now you know I call them like I see them. I have said very clearly that *people don't trust what they can't see*. I believe that now more than ever and this legislation is not a contradiction to that.

It simply means that people will absolutely get information concerning what their elected officials have been discussing. The difference is merely when, not if.

### ***What's ahead for FY'10***

So what's ahead for Fiscal Year 2010?

Well to start with, I like to think over the past year that the relationship between the Board of Aldermen and the mayor's office has been positive. We've had the chance to work together and share ideas. Sure we've disagreed in some areas as well, that's healthy because I know that in the end we all have the best interests of Nashua at heart.

So now, as we head into the serious business of creating a new budget, I want us all to keep one thing in mind: February is Friendship Month!

### The Budget

Currently, we're in the middle of preparing the budget. We know that our Spending Cap is 3.4%, which would allow for an increase of approximately \$7.7m over our current budget.

However, I asked all city departments to stay within a one-percent increase in their budgets which would mean an increase of \$2.3 million.

I made this request because I was anticipating declining revenues and was pretty certain we'd be facing pending state cuts.

Since the governor's *State of the State*, I've learned that the proposed state cuts are deeper than I anticipated. Governor Lynch laid out the state's fiscal crisis to Granite Stater's very plainly last Thursday. What the budget in Concord will look like by June is really anyone's guess and certainly no one has a crystal ball clear enough to know now what it will all mean for Nashua in the end.

Let me share a quick snapshot of some of the specific cuts the governor mentioned - Revenue Sharing, Meals & Rentals and Retirement and what they mean to Nashua:

- Last year, our Meals & Rentals collected by the state totaled \$3.9 million
- Other Revenue Sharing brought in another \$3 million or more
- Cutting five-percent from their share of Retirement equals a half-million dollar loss.

These three cuts add up to more than seven million dollars and would equal more than a 4-percent tax increase before we even begin.

While it would be easy to pick on the governor or make demands on the state, I happen to believe that we're all in this together. Without a fiscally healthy state, we are challenged to maintain a fiscally healthy city. We have to find a way to reevaluate our dependence on each other and find the best way to share resources in support of one another. As I say frequently, Nashua is not an island.

### Budget Busters

Besides the loss of state revenues, we have potential budget-busting expenses that must be reined in or recalculated including: building and infrastructure repair costs, negotiated union salary increases and about one-million dollars in Retirement System costs.

Still another challenge: Revaluation. We're expecting a decrease in our tax base of 2.4 percent which will equal \$4 million less in tax revenues.

All of these budget-busters will have a direct impact on our tax rate.

### Budget Priorities

So what will some of our budget priorities be going forward?

Last year I presented my budget at the end of March. This year I am working with Budget Committee Chairman Alderman McCarthy to plan a timeline that will give me the necessary time to get a better picture of our revenues, the impact of the potential cuts from the state and what the economic stimulus funds mean to Nashua.

This should also provide the time to meet with you all to discuss the cabinet's lengthy and comprehensive look at the city. This review and discussion will provide what I hope to be a shared consensus of the direction we as policy makers would like the city to go, and how we might allocate resources accordingly as we move forward.

## Tax Rate

Now when it comes to setting the tax rate for 2009, my number one goal is stabilization. I am hoping to keep the increase to 3-percent or under by holding department budgets to a 1-percent increase. But we're also running up against a hard reality which is: keeping last year's rate so low may create a spike in '09.

## Union Contracts

After a year on the job, I can tell you the only thing that's second to the artistry/creativity needed to set the city's tax rate, is successfully negotiating a union contract. Last year when I stood here, six of Nashua's fifteen collective bargaining agreements, had been expired for more than two years.

Today, two remain expired (Fire/AFSCME) an additional six end on June 30<sup>th</sup>.

Regarding our Firefighters, last October, I made the difficult decision to veto the cost items of the proposed Firefighter's collective bargaining agreement.

I took that action because I believed that the cost of that agreement to the taxpayers was more than they should be asked to bear in these harsh economic times.

The decision was difficult because I know that Nashua has one of the most professional and well-trained fire departments in the state. In the past two weeks alone, the department responded to two major fires – one on Amherst Street, the other on Lake - knocking both down with no deaths or serious injuries.

The Board of Fire Commissioners and the Union have returned to the bargaining table and have been working diligently at reaching an agreement.

I have good reason to believe that the city and the Union will reach an agreement in the near future which will fairly meet both the needs of the firefighters and the city and which I will be able to support.

Up next, the Police contract!

Nashua remains one of the safest cities in the country.

That type of security for our residents does not happen by accident. We are truly fortunate to have a Police Department with extremely high professional standards, a department that is often the envy of others across the state.

Our police officers pride themselves on a proactive approach with community policing and community partnership programs. I know how pleased everyone is that they are at full compliment.

I am counting on our chief, working with our Police Commissioners, Chair Tom Maffee, along with Commissioners Bill Barry and Tom Pappas, to sharpen their pencils and find a way to protect public safety while keeping an eye on costs. We have discussed these challenges and I am grateful that they understand the city's competing needs and the request I have made.

### Search for new School District Superintendent

Next to public safety, I believe that education is the most important responsibility of city government. Providing our public school students with the best education possible depends on strong leadership and vision at the Nashua School District.

As you know, we are in the process of searching for a new Superintendent. I am confident that our School Board will make skills, experience and the willingness to stay in Nashua over the long run top priorities during its search.

I also want to thank our out-going Superintendent Chris Hottel.

Chris took the reins at a time when we needed quiet stability and a strong focus on our kids. He introduced performance-based budgeting and reached out to people. The school board supported him participating on my cabinet, and he has proven to be a valuable member.

The school board has also included me in their new strategic planning initiative. This willingness to work together gives us all a clearer picture of the issues facing us from each others perspective. Again, it's all about building bridges, tearing down silos and speaking the same language.

### The Arts

A subject that always dovetails with education is The Arts.

Following up on a promise I made to enhance our artistic community, we held a one-day summit this past November. This led to the creation of a steering committee with a directive towards creating a single Arts Commission here in Nashua. This of course will include a review of our venues and their needs, such as Court Street and the Keefe Auditorium.

### Transportation, BSP and Commuter Rail

Besides the Arts, another area getting renewed attention is Transportation.

My Transportation Advisory Committee has been meeting and taking the 10,000 foot view of the city and the region. I expect their work to be complete before the end of the fiscal year.

Overall, our Transit System had another record-breaking year as ridership rose to over 416,000.

2008 also brought a final vote on the Broad Street Parkway.

I have put together an executive management team that is working on mapping out the next steps to ensure that we stay on track and on budget. We are hopeful that some of the economic stimulus money from Washington might be used toward this project.

After all these years, completing the Broad Street Parkway will open up new areas of economic development with new jobs following right along.

Support for the proposed Commuter Rail Project is also likely to pick up steam again, especially with stimulus money in play. The economic benefits of rail service for our area have been well-documented. And since Nashua is the economic engine for the state, personally, I think a locomotive would feel right at home in the Gate City.

### **Some Unfinished Business – Pennichuck**

While many initiatives are moving forward, some city business does remain unfinished. Its name of course is Pennichuck.

As you recall, last July, only six months after I took office, the Public Utilities Commission (PUC) issued its unanimous decision stating that the public interest favors Nashua taking the assets of Pennichuck Waterworks by eminent domain.

Although I have repeatedly stated that I do not favor eminent domain, I also understand that decision is the result of over six years of city efforts to protect the watershed and secure stable water rates for our citizens.

I have therefore committed city resources to continue the proceedings at the PUC.

At this point both Pennichuck and the city have filed requests that the P-U-C reconsider certain aspects of its July decision. Pennichuck has indicated that it will appeal to the New Hampshire Supreme Court if it' is not satisfied.

Bottom line? It's not over yet.

However, given the importance of this issue, I will continue to pursue a resolution that is in the best interests of the City of Nashua.

**Close**

In closing, I want to share just a few final thoughts.

I know I've covered a great deal of ground tonight and we've talked a lot about numbers. Numbers are helpful, particularly as we head in to budget negotiations. But as all of you know, numbers never really tell the entire story, you need people to do that.

I am so proud over this past year, by partnering with our alderman, school board and other commissions, we are successfully improving city services, inspiring renewed community activism and taking a different approach to government during our contract negotiations.

In the end, it's the people of Nashua who are the real heart of this *State of the City* address. I want to leave you with some of the accomplishments they helped make possible:

- Nashua was named one of the *Best Places to Raise Children* in the country by Business Week magazine
- Our citizens cast a record number of votes in last November's Presidential election
- Two city treasures, our old City Hall Bell and Cotton Transfer Bridge, are now restored
- We proudly hosted events ranging from an International Sculptor Symposium, to a robotics competition
- Our annual *Holiday Stroll* still attracts thousands of people to downtown
- We are a city of champions. Our students win state titles in athletics, receive National Merit Scholarships and get invited to sing at the White House.
- And finally, thanks to a diverse group of individuals dedicated to keeping our historic Holman stadium alive and well, professional baseball will be back in Nashua when the American Defenders take the field Memorial Day weekend.

In the year ahead, we'll be focusing a lot on the economy and rightly so.

But just as our mills gave way to high tech industries, our economy will rebound. Granted, it may look and feel differently, but it will come back. The outlook for Nashua is bright because we've always been a city that attracts new ideas and welcomes new industries.

One year ago, I stood at this podium as your new mayor, ready to assume the challenge of running New Hampshire's second largest city.

I thought being mayor would be a great job -- now, I know that it is.

I wondered what challenges might come my way -- they did, in every shape and size and they will continue.

I hoped to make city hall work better for our citizens -- it does.

What a year. What a city. Nashua, New Hampshire, what great place to call home.

Thank you.

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