



Michael V. O'Brien
City Manager

CITY OF WORCESTER

cm2009may15105159

Attachment for Item # 7.34 A

May 19, 2009

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

The Legislature's Senate Committee on Ways and Means released their proposed Fiscal Year 2010 State Budget on May 13, 2009. The numbers are stark: our preliminary analysis indicates that the City's unrestricted Local Aid, which supports general government services, has been reduced an additional \$4.3 million from the Governor's FY 2010 proposal.

Additionally, the Senate Ways and Means proposed budget eliminates the State's reimbursement for the Police Career Incentive Program ("Quinn Bill"), resulting in an additional FY 2010 reduction to the City of \$1.7 million, above and beyond the \$1.1 million dollars the Governor's FY2010 proposal had cut from the Quinn Bill reimbursements. The total cost to the City of this benefit is over \$5.6 million annually, of which \$2.8 million was reimbursed by the State in FY 2009. Please note, the Senate Ways and Means proposal does not provide language to relieve the City's of its obligation to pay the entire Quinn Bill benefit. In addition to the elimination of community policing grant funds, the Senate Ways and Means budget also eliminates the Shannon Grant line item, which had provided the City \$850,000 to support community policing strategies through overtime and programs. This funding supported street violence programs, gang violence prevention, and youth intervention programs.

All told, City-side State support in the Senate Ways and Means proposal has been reduced an additional \$6.85 million from the Governor's proposed reduction of \$16.8 million. The total proposed reduction of State Aid to the City would be \$23.65 million under this proposal. To place this in perspective, we began FY2009 with \$60.4 million in City-side State Local Assistance. The Governor exercised his 9C powers in January 2009 to cut this assistance by \$5.5 million. This results in a revised FY2009 City-side State Assistance total of \$54.9 million. A cut of \$23.65 million in State Local Assistance would effectively be one year 43% reduction to overall City-side State Local Assistance.

Please be advised that this \$6.85 million proposed reduction is over and above the \$31.4 million dollars of budget reforms, revenues and reductions that have balanced the FY2010 Budget Recommendation as adopted by City Council on May 12, 2009. This could represent the elimination of an additional 150 positions from the FY2010 Budget, bringing the total number of eliminated positions from the FY2010 Budget to over 440.



The Early Retirement and Pension Schedule Extension Home Rule Petitions are still before the Legislature. These two local reforms are inclusive of all necessary financial checks and balances. If these responsible local reforms are not approved, we will then be forced to reduce our FY2010 expenditures by an additional \$6.5 million, requiring further draconian cuts in personnel and services. This would bring our total number layoffs and position eliminations to almost 630 if all these scenarios were to materialize. This equates to a 35% reduction in the City-side workforce.

The Senate Ways and Means Fiscal Year 2010 Budget proposal, if and when adopted, will require further City personnel reductions. The non-public safety departments' personnel levels have already been cut in the FY2010 Budget from approximately 14% to 40%. Some departments and divisions have been eliminated in their entirety. We have worked hard with the Chiefs to mitigate the necessary reductions to our public safety departments within the adopted Fiscal Year 2010 budget recommendation, holding these at a range of 6-8% in overall personnel losses. The addition steep reduction to State local assistance proposed by the legislature's Senate Ways and Means Committee, and/ or our Home Rule Petitions (previously referenced) do not secure final adoption, would leave us little choice but to reassess the adopted budgets of these key departments.

Clearly, any reforms agreed to with WFD's and WPD's respective bargaining units, in step with the Worcester Clerks, Local 170, and implemented for Local 495, would assist in our ability to restore additional positions that will be lost through further state cuts. Their willingness to adjust to a 25% contribution rate (from the current 20%) and to industry aligned co-pays (\$10 Office, \$20 specialty, \$75 ER, \$150 outpatient, \$250 inpatient) for their employee health care would allow over \$1.2 million taxpayer dollars to be redirected to preserve their membership's jobs and to preserve the City public safety services.

This is a preliminary evaluation of the Senate Ways and Means 2010 Budget proposal at this time. I will forward updates to the FY2010 State Budget process as additional information becomes available.

Respectfully submitted,



Michael V. O'Brien
City Manager