

CITY OF WORCESTER



Worcester Common and City Hall

FISCAL 2009 BUDGET MESSAGE

Michael V. O'Brien, City Manager
Worcester, Massachusetts

To the Worcester City Council

Councilors:

I respectfully recommend your approval of the appropriations shown in the Statement of Amounts included in the attached Annual Budget for Fiscal Year 2009 (FY09). This recommendation calls for total expenditures of \$562.4 million. This reflects a 3.44%—year over year—spending increase over the current fiscal year's budget. The largest item of this total expenditure recommendation is the Operating Budget (General Fund) of \$503.5 million, an increase of \$16.05 million, or 3.29%. My total expenditure recommendation includes \$58.8 million for all Enterprise Accounts, an increase of \$2.6 million, or 4.71%, over the FY08 Budget. The accompanying Annual Budget Document details the amounts and the purposes of the recommended appropriations for each department.

I will be submitting my recommendations for the Five-Year Capital Improvement Program, which will appropriately align with the City's Economic Development Action Agenda, for consideration by the Worcester City Council. It is consistent with the bond caps instituted with the adoption of Worcester's Five Point Financial Plan and provides the long-range needs and respective spending plans to meet those needs.

Introduction

Over the past four years, we have taken innovative, bold and proactive steps to reorganize and to reform government to address the most critical needs of our community, to preserve our neighborhoods, to improve public safety and the delivery of core services, to bolster economic development, and to stabilize our long-term fiscal standing. I am proud of all that we have accomplished in a relatively short period of time with limited resources but always with a keen commitment to fiscal discipline. All of these efforts are rooted in the principles of sound financial management and have no doubt been the result of hard work, difficult choices, and never easy, but necessary, reforms in all areas of government.

Through all of this work, I have maintained that we are in a competition for our lives and we must stay competitive as we seek to attract residents, businesses and visitors. Across the Commonwealth, other communities are struggling to stay afloat—76 communities sought Proposition 2 ½ overrides to increase taxes last year and another 50+ are anticipated for FY09. Municipalities much smaller than Worcester are looking to increase the property tax above and beyond the allowable 2.5 percent simply to stabilize service levels: Canton (*population 21,000*): a \$4.5 million override; Brookline (*population 55,000*): a \$6.2million override; and Newton (*population 82,000*): a \$12 million override. Level funding of the Commonwealth's Lottery Aid to cities and towns, combined with an economic downturn and increasing fixed costs, are taking their toll and municipalities are left with few options other than increased property taxes.

Worcester faces the same pressures as many of these communities: escalating costs, slowing revenues, and a legitimate increased demand for services to meet our shared public priorities. All of this taking place in an environment where thoughtful reforms are politically risky, often difficult to enact, and, in many cases, take years to come to fruition.

In Worcester, we have taken those risks, have completed the hard work, and—over the last four years—have seen the fruits of our efforts. FY09 is a sound example of what can be achieved with disciplined and thoughtful reform over time, as I am presenting to this City Council a balanced budget that preserves core services, provides for recruit classes for both Police and Fire, provides for a significant increase in additional funding for education, and does not increase taxes through the use of our unused levy capacity.

The work of reform, however, is never done and I intend to bring forth additional measures—through the FY09 Budget submission and throughout the year as we prepare for the challenges of FY2010. These efforts will include operational improvements and efficiencies, new ways of doing business, new revenue strategies, collective bargaining proposals, and additional health insurance reforms. All of these are necessary to preserve our quality of life while preparing to address the revenue challenges ahead in FY2010. With the foresight of Five Year Forecasts and the available information regarding the trends in the economy before us, it would be irresponsible to pursue any course other than one of continued reforms. We know now that the economy is showing signs of recession, and there is typically a one-year lag between the onset of such a downturn and the effects that will be recognized in the Commonwealth's revenues, and therefore our future State Aid amounts. Hence, it is FY2010 when we should expect an even bigger revenue challenge than the one we face this year.

For FY09, we may enjoy the fruits of reform as we stabilize our core service levels, but we must be resolved to continue to pursue an agenda of reform so that we will continue on this path of progress.

This Fiscal Year 2009 Budget Process

In November 2007, as part of the Quarterly Updates called for in the Five Point Plan, I forecasted a \$5.1 million Budget deficit for FY09. At that time, I presented a number of revenue categories that would become challenges, particularly Lottery Aid, Motor Vehicle Excise, New Construction Growth, and other Local Receipt revenues, such as Building Permits, which are sensitive to national and regional economic trends. Most of those revenue forecasts have proved accurate, and while this Budget contains few changes from that November forecast, our revenue growth has slowed, particularly in the areas of State Aid and Local Receipts, such as Interest Income. That forecast included expenditure projections reflective of the known budgetary challenges at that time, including climbing health insurance costs, anticipated collective bargaining costs, and estimates for City-wide energy costs.

Revenue Challenges in Fiscal Year 2009

Revenues Net Increase From Fiscal Year 2008

	FY08	FY09	Inc	%
Property Taxes	187.4	195.7	8.3	4.4%
State Aid	251.0	258.2	7.2	2.9%
Local Receipts	41.2	41.1	-0.1	-0.2%
Other Sources	7.8	8.5	0.7	9.0%
Total	487.4	503.5	16.1	3.3%

State Aid—Net \$7.1 million Increase (\$6.1 million for Worcester Public Schools)

State Aid to the City is level-funded with the exception of Quinn Bill reimbursements of \$1 million. Remaining State Aid increases were associated with Chapter 70 and provided for net \$6.1million increase for the Worcester Public Schools after accounting for charter school charges. In February, both the Governor and the Legislature—through the Joint Resolution of the House and Senate Ways and Means Committees—recommended level-funding of Lottery Aid (unrestricted Local Aid) at \$39.9 million for Worcester to fund general government operations. Both the Governor and the Legislature recognize that Lottery revenues are in fact insufficient to provide this level of funding, so both have proposed level-funding Lottery with other funding sources in place to make-up for the declining Lottery revenues. In the absence of a new revenue stream at the State level to replace these lost Lottery revenues on a sustainable basis, this is a significant budgetary exposure for all cities and towns for FY2010 and beyond. This stark reality only reinforces that we must look inward to address our financial challenges. We must continue to chart our own path if we are to stay on a path of progress.

Local Revenue Challenges—Local Receipts Reduced \$112,000

Recognizing changes in the national and the regional economy, adjustments to our estimated Local Receipts resulted in a net decline from the FY08 budgeted levels. The State has warned communities that Motor Vehicle Excise receipts are down statewide. Worcester recognized this trend as early as FY07, reducing the estimated receipts from this revenue source from \$13.5M million in FY06 to \$12.9 million in FY07 to \$12.4 million in FY08. Due to these annual adjustments, combined increased commitments and improved collection activity, we can recognize an increase in the Motor Vehicle Excise revenue category of \$600,000 for FY09. This serves to balance the anticipated losses in earnings on interest of \$475,000. This is reflective of dramatically reduced interest rates, which have limited our ability to earn interest income on funds in the City's accounts. The other major variant in the Local Receipts category is the reduction of \$1.5M in Medicare Part D reimbursements. In FY09, Medicare Part D reimbursements are no longer identified as a revenue source. Instead, the savings from this reimbursement are "wrapped" into the Senior Plan premiums, generating a higher amount of savings through the premium reduction and serving to reduce the City's OPEB liability. Other local receipts are projected to remain level with FY08 with small adjustments for known variances for FY09.

Property Taxes

Property taxes were increased by Proposition 2½ and new growth; no use is made of the City's \$12 million in unused tax levy capacity. The net tax levy available for appropriation is \$195.7 million, an increase of \$8.3 million over FY08, of which \$5.06 million of that increase is associated with Proposition 2 ½. The remaining \$3.2 million is regular new growth. The total is net of the City's overlay reserve amount of \$5.74 million, inclusive of \$3.1 million in regular overlay and \$2.64 million associated with the telecom tax decision

New Revenues in FY09: Telecom Tax Decision—\$2.64 million

The other development that aided in balancing the FY09 Budget was the Appellate Tax Board's (ATB) decision to close the Telecom Tax Loophole. As a result of that decision, the Commonwealth's Department of Revenue has instructed cities and towns to recognize and to collect taxes on this property in FY09. Furthermore, the Department of Revenue has directed all cities and towns to allocate revenues from the telecommunications tax to the overlay account in FY09. It is anticipated that the City would receive an additional \$2.64 million in net new revenues in FY09 through this revenue source. This revenue will be recognized in the FY09 budget as New Growth in the tax levy base, and we will comply with the directive and intend to make a contribution to the overlay account equal to \$2.64 million, leaving no effect on the tax levy available for appropriation in Fiscal Year 2009.

Other Available Funds/Overlay

I asked the Chief Financial Officer to conduct an advance review of the overlay reserve account and that review identified several balances, which are now more than four years old and are expected to be declared surplus by the City Assessor at the end of FY09. The overlay reserve is included in the calculation of the City's General Fund balance—reserves—which is scrutinized quarterly by the Bond Rating agencies. By recognizing the telecommunications tax revenues in the overlay at the same time that surplus overlay funds are being appropriated in the FY09 Budget, we are maintaining our existing fund balance levels. This is a prudent use of the overlay reserve at this time and will allow the City to balance its FY09 Budget without using unused levy capacity or initiating widespread service reductions. These \$2.64 million in surplus overlay funds will be recognized and appropriated as "other available funds" in the FY09 Budget.

I am confident that this recommendation will meet with the approval of Bond Rating agency review, as we have crafted it in such a way as to preserve the City's overall reserve levels while balancing our current budget. The overlay surplus is technically a one-time funding source, but in this case, it is a placeholder for the anticipated recurring revenue, which will result from the telecommunication taxation issue that is now before both the Legislature and the Judiciary. I have confidence that through either legal or legislative actions, cities and towns will be permitted to collect these taxes in future years increasing a recurring revenue stream for the City of Worcester.

Other Sources

Other sources of revenue include an increase of \$1.12 million in MSBA reimbursements associated with construction costs for the Woodland and All Schools that are the result of State audits of those projects.

Expenditure Summary

This proposed FY09 Annual Budget reflects a continued commitment to this community's shared public priorities—our classrooms, our economy, our parks and our pools, our safe and affordable neighborhoods, and public safety. It also provides for additional solutions toward achieving long-term fiscal stability and a focus on reining in our biggest cost centers, investing in areas key to our quality of life and addressing the strains on the housing market. I firmly believe that Worcester's taxpayers, with all of the pressures facing homeowners today (e.g., rising energy costs, mortgage resets, a slowing economy) do not have the appetite for new taxes or additional service cuts.

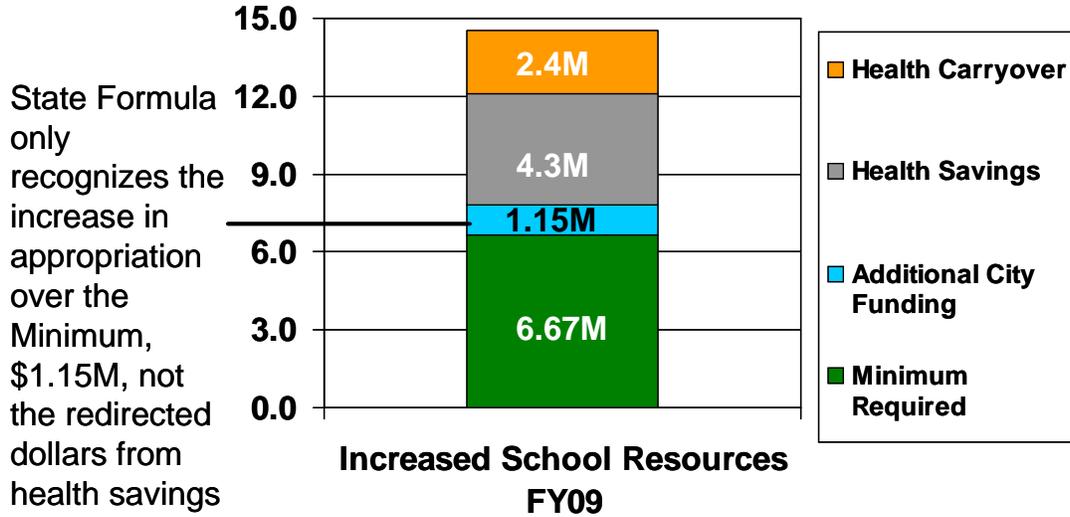
The recommended FY09 Budget—a balancing act at best—accomplishes three important goals: 1) stabilizes core service levels, 2) does not increase property taxes or fees, 3) meets the parameters for fiscal responsibility established by the City's Five Point Financial Plan. Included in this Budget are the preservation of core services, to include an allocation for a new Fire and Police recruit class, increased funding redirected to the Worcester Public Schools, resources to stabilize our housing market, a continued commitment to fund the construction of the new North High School, resources to open our pools and beaches this Summer, and the appropriation required to keep the Worcester Public Library open for 19 Sundays of the year.

However, preservation of these core services in future years will be dependent on our continued efforts to improve departmental operations, increase new revenues, and enact reforms to health insurance, energy expenses, and other major cost centers. I have outlined a series of recommendations for your consideration for implementation throughout Fiscal Year 2009. Failure to adopt these reforms will require further service reductions and very difficult decisions in FY2010.

This Budget recommendation has a positive impact on the Worcester Public Schools in FY09 and beyond. With the overlay appropriation, it is possible to provide for an additional \$1.15 million above the minimum required school funding. In addition, the Worcester Public Schools will be able to redirect \$2.4 million in health care premium holiday savings deferred into FY09 and \$4.3 million in employee health insurance cost savings achieved for FY09. Combined, these contributions and avoided costs generate over \$7.85 million in resources that would otherwise have been unavailable or consumed by skyrocketing benefit costs. This effective increase to the WPS to provide services in the classroom is more than 103% over the state-mandated minimum. While the State formula does not recognize redirected health insurance costs as increased net school spending, we know that dollars are better spent in the classroom than on health care costs. The chart on the next page shows that of the \$7.85 million in funds now available for classroom spending at the Worcester Public Schools, only \$1.15 million is included in the state calculation of increased Net School Spending.

Impact on the Worcester Public Schools—103% of minimum available to WPS

Actual increase in WPS ability to provide direct services in the classroom is \$14.52M, \$7.85M over the minimum—103%



In addition, the telecommunications tax will be recognized as “New Growth” in the City’s tax levy, which is built into the State’s calculation for the City’s required contribution to the Worcester Public Schools. By recognizing this revenue as New Growth, the Worcester Public Schools will see a related increase in the City’s required contribution in future years. The formula for the contribution uses a three-year average of New Growth, so the impact would be felt at the Worcester Public Schools for next three years.

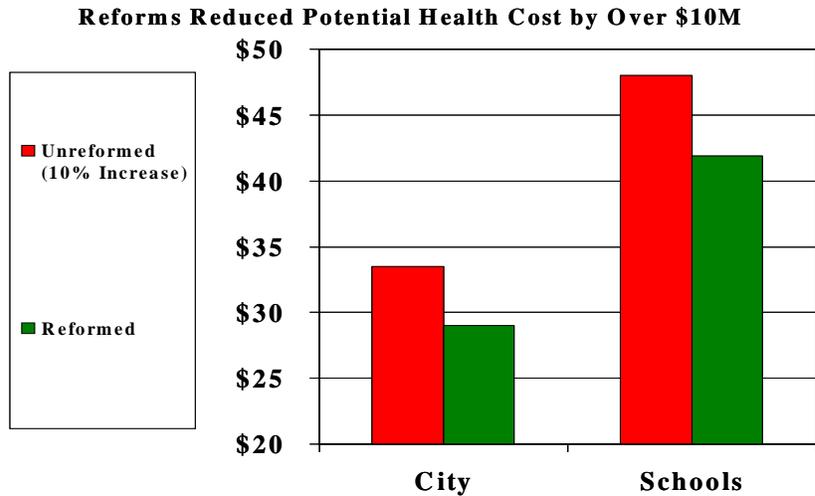
Balancing the Fiscal Year 2009 Budget: The Fruits of Health Insurance Reform

FY09 Health Insurance Reforms—\$10M between City and Schools

The adoption of Section 18 and reform to contribution rates for retirees on conventional plans, combined with the effect of separating our prescription drug coverage from our medical coverage, as well as the exploration of multiple options for less expensive plan options for employees and retirees, have resulted in a combination effect of over \$10 million in savings to our employee health insurance budgets in FY09, compared with an estimated increase of 10% to all premiums.

The City-side savings from these efforts is more than \$4.4 million in savings in FY09 alone, making a significant impact in the City’s work to balance the FY09 budget, allowing taxpayer dollars to be redirected to core municipal services, rather than disproportionately consumed by employee health benefits.

The following table and graph show the combined positive impacts of our reforms on the City and the Worcester Public Schools. The red columns on the left are the premium costs based on status quo health insurance costs with no reform and the standard of a 10% increase in premiums. The green columns on the right are the actual budgeted enrollment and premiums, inclusive of reforms enacted to date. The combined City's and School's health insurance costs have been reduced by over \$10 million as a result of these reforms. This has materialized in over \$6 million in savings to the Worcester Public Schools and over \$4 million in savings to the City-side budget (\$2 million of which was assumed in previous forecasts for both the City and WPS). Savings have grown well beyond initial projections due to the degree to which premium growth has been controlled through changes in the risk pool.



These savings do not yet represent the full impact of the adoption of Section 18, as continued migration to Medicare Plans will take effect on July 1st, a change estimated to generate an additional \$1.2 million in savings above what is illustrated above.

With these reforms in place, employee health insurance costs are actually reduced from FY08 in this Budget. This is a feat that will not be repeated in FY2010 without continued City-wide health insurance improvements. I have stated the next steps of those reforms and I am enacting them for non-represented employees on July 1st. These employees will experience a premium reduction this upcoming fiscal year for their willingness to migrate to co-pay changes as of July 1, 2008. These changes are as follows: \$10 for an office visit (*no change*) and \$20 for a specialty office visit (*currently \$10*); \$75 for an emergency room visit (*currently \$50*); \$150 for outpatient surgery; and \$250 for inpatient surgery. Under these new plan designs, non-represented employees may experience a net reduction in their weekly deduction for health insurance. It is my full intention to negotiate these changes with all represented employees (union members) and to move all employee groups to a 75/25 contribution rate by or before FY2010. These additional reforms will reduce premiums City-wide and will generate another significant reduction in our annual health insurance obligations for FY09. This next wave of health reforms is already in place for City retirees on conventional plans and all new employees hired after the institution of our original model contract health reforms. These rates are consistent with the private sector, will provide fair wage and benefit packages to employees and will reduce the City's/ WPS's employee health insurance cost by multiple millions in FY2010. In the absence of these reforms, we will need to go back to the drawing board to identify reductions or revenues where we can least afford them, through additional cuts in core service levels or the other option—raising Real Estate taxes.

Despite all this progress, we must prepare for more challenging years ahead. Not only will employee health insurance costs continue to grow now that the realignment under Section 18 is complete, but also we will see increased “pay as you go” recognition of our OPEB liability for retiree health insurance. This benefit obligation is akin to a tsunami on the horizon, an unfunded liability in the hundreds of millions of dollars, which we can see coming but for which we have no identified funding source. While there is no mandate to fund this liability, we are obligated to count this cost and face up to the fiscal reality that awaits us in future years. If these retiree health benefits are to be preserved in their current form—where employees are fully vested with health benefits long before they are fully vested in the retirement system and where no distinction is made between employees with 10, 20 or 30 years of services—then a long-term funding plan will be both necessary and onerous.

New Challenges and New Reforms—Balancing FY09 and Preparing for FY2010

Challenge: Continued Revenue Slowdown and Economic Downturn

The national economic slowdown, the downturn in the housing market, the possibility of creeping inflation, climbing gas prices and slow job growth all point to likely revenue challenges at the State and Local level in the coming year. Economic slowdowns often take a year lag to become fully apparent through tax collections and job losses. We must prepare now for the likelihood that this current economic cycle will hit the Commonwealth as well as the City of Worcester directly, most likely in the form of reduced State Aid and reduced revenues in FY09 and FY2010.

Recognizing the fiscal realities of the market, I have addressed this issue in the proposed Budget by generating conservative but realistic revenue estimates. Motor Vehicle Excise Taxes and Interest Income have been forecasted conservatively, although excise tax revenue shows an increase from FY08 in recognition of observed collection trends and commitment data from the State. In FY09, the Governor and the Legislature are proposing to “hold cities and towns harmless” in the area of Lottery Aid. However, this is only possible if alternate revenue sources are identified, and the combination of the State’s declining revenues and the escalating costs of the new mandatory state health insurance program are likely to make finding such a funding source unlikely next year. The preparations for FY2010 will equate to preparing for a reduction in State Aid.

Challenge: Achieve High Productivity with Baseline Resources

Significant sacrifices have been made and are made on a daily basis to maintain the level of municipal services that we are currently providing to our residents. The position reductions set forth in FY08 are still in effect and we continue to operate at minimal staffing levels. All areas of government continue to do more with less. More recently, we have brought forth recommendations to align, to cross-train and to manage the City’s enforcement of City ordinances by reorganizing Inspectional Services. This will result in a focused effort to address the housing market and the City’s problem properties through a singular, overarching inspectional services department that monitors private property. This is accomplished with direct lines of authority and enforces the State laws and the City ordinances that have been established to protect the safety of our residents, as well as the condition of entire neighborhoods. In my continuing effort to maximize resources and to create a more cohesive, streamlined and coordinated system, I am working with the Fire Chief and the Commissioner of Inspectional Services to centralize our Fire Prevention team within our

Division of Inspectional Services. This will improve operational capabilities, most notably the ability to coordinate building and fire prevention inspections, thereby saving additional dollars and providing homeowners and potential developers a consolidated "one-stop" shop for building enforcement, housing enforcement and fire prevention.

Improved Customer Service and Expanded Productivity Tracking: Additionally, it is my intention to utilize the technology and the systems that are currently being used by the City's Department of Public Works and Parks Customer Service Center to ultimately consolidate incoming resident calls, to improve customer service and productivity, and most importantly, track work-orders to completion.

Emergency Response: I have initiated the process for a comprehensive review of the existing Emergency Dispatch Protocols and First Responder System employed by our Communications Department as it relates to all branches of public safety. I intend to submit a preliminary report to this City Council that identifies areas in which we can improve upon and streamline service delivery, as well as to improve the emergency incident command structure. These recommendations will also look to reduce City-wide carbon emissions and gasoline expenditures, as fuel prices continue to increase. With the opening of the new Franklin Street Fire Station, I intend to work with the Chief to appropriately allocate the Department's Fire Companies and rolling stock to make the best use of this new resource and to improve the City's overall emergency response. This will incorporate recommendations brought forth by the Emergency Dispatch Protocol and will take into account new and enhanced community partnerships.

Controlling Energy Costs: Current economic conditions are ripe for inflation, which is evident in the rapidly escalating cost of commodities worldwide. We are not immune from this escalation as well as the price fluctuations associated with the supply, demand, and international refining capacity. These factors increased the costs of diesel and unleaded fuels by more than 25% this year, creating a significant budgetary pressure, particularly in the departments that are heavy users of fuel: Police, Fire, and the Department of Public Works. Electricity and natural gas are not as volatile this year as we have contracts in place, but we must still prepare for the possibility that these costs too will begin to climb in the coming years.

City-wide Conservation Plan: During FY09, the City will embark on a Department-wide energy initiative to reduce consumption by 5%. Benchmarks will be established and performance tracked in key energy usage areas while we work to conserve energy, recognizing that while we cannot control global energy cost structures, we can control our usage. Without seeking to disrupt mission critical operations, I will charge each department to find ways to reduce consumption of energy during FY09, creating savings that may be available as we prepare for FY10.

Climate Action Plan: An Energy Manager for the Climate Action Plan has been included in the Budget and funded through the City's ESCO project funding. This will provide needed oversight and management of the Climate Action Plan implementation, in particular the elements of that plan related to ESCOs.

Energy Reserve: In addition to these steps identified above, I have included in the City Manager's Contingency \$150,000 as an energy reserve to address the potential for continued spikes in oil prices.

Financial Controls and the Five Point Plan: I have implemented quarterly Budget schedules for each department with a commitment to understanding our cost centers and expenditure drivers. We will continue to monitor trends to be able to make operational adjustments during the course of a fiscal year when they are needed.

New Challenges—New Reforms

Over the past four years, since my appointment as City Manager, we have tackled major cost centers, targeting those areas where costs are growing at a rate well beyond a sustainable level. These fixed cost centers, particularly employee health insurance and debt service, were robbing the City of core services by siphoning tax dollars away from our public priorities. Through thoughtful health insurance reform, a clearly stated borrowing cap, departmental reorganizations and fair collective bargaining, we have addressed some of our most challenging cost centers.

Challenges: Collective Bargaining

We continue to face another challenge in FY09—unsettled contracts from FY08. In the absence of settlements in FY08, proper funding must be appropriated in FY09 to pay the potential retroactive portion of any new agreements. As a result, the City Manager's contingency account is recommended to be funded at \$723,286 in addition to the \$150,000 energy reserve described above. Our ability to meet this challenge requires more than simply budgeting adequately to fund potential agreements. We must identify those areas of contracts which can be improved to provide for better services, greater accountability, and compensation that rewards excellence whenever it is demonstrated. Fair wages are the least of what our dedicated public employees deserve. They also deserve to work an environment where improved performance can mean improved compensation.

To this end, I am proposing the initiation of a merit pay system in the Communications Dispatch Center, which would provide a stipend for dispatchers who have demonstrated excellence in all three areas of the dispatch center: 911, Police Dispatch and Fire Dispatch. Having a staff that is fully cross-trained will increase the productivity, flexibility and professionalism of this Department and also allow for employees who desire to increase their compensation to do so while improving departmental operations. This is the structure of a City-employee win-win that acts as a cornerstone of our bargaining strategies.

Our challenges are well known in the areas of Public Safety collective bargaining, but we have a precedent set with the arbitration decision regarding the Police Officials, I.B.P.O. Local 504, who were granted mid-year 2% in FY08 and FY09. This is the new model contract for all City employees with unsettled bargaining agreements. Adhering to this proposal will be required to maintain a reasonable salary growth rate in these years.

Proper Snow Removal Funding

FY08 confronted the City of Worcester with a challenging winter that resulted in expenses to the City in excess of \$5.05 million. We have steadily increased the budget for snow removal to more

properly fund that account which mitigated somewhat the year-end challenge that we will face in addressing this year's snow deficit of \$3.0 million. As a result, it is expected that we will carryover into FY09 at least \$1 million in snow removal costs from FY08. In FY09, we continue to build-up our snow removal budget, but we must face the reality that it is still underfunded and even an average snowfall will create a year-end deficit again in FY09.

Outsourcing Options

Recent efforts to outsource City functions through an RFP process have resulted in improved delivery of services and more efficient use of City resources. The privatization of tax collections and the inclusion of parking ticket collections with the same firm which collects excise taxes are expected to generate improved revenue collections in FY08 and FY09. I anticipate that the decision to outsource Worker's Compensation is an area where we will reap benefits in terms of cost savings and time lost from the job. To that end, I instructed all departments, in coordination with the Budget Office, to identify opportunities in which outsourcing could potentially reduce costs and improve delivery of service. We have issued Request for Proposals for outsourcing the custodial services function at City Hall, the Worcester Public Library, 25 Meade Street, and the Worcester Senior Center to assess the potential cost-savings benefits associated with this action.

Worcester Regional Airport

I have been open and honest with this community about ongoing negotiations with MassPort and my quest to have MassPort take over operations of the Worcester Regional Airport. I continue to negotiate in good faith to transfer 100 percent ownership to MassPort.

Conclusion

In closing, this budget is a demonstration of the fruits of reform as well as the need to balance our shared public priorities when confronted with limited resources. This budget stabilizes our service levels in a year when many communities are facing more difficult choices. I am pleased to present the FY09 budget to your Honorable Body. The specifics of revenues and expenditures included therein are described in the following financing plan section of this budget message. I look forward to your review, deliberation, and ultimate approval of a Fiscal Year 2009 Budget to improve the quality of life for the residents of our City, address our shared public priorities, and do so without raising new taxes or undermining core services.

Respectfully submitted,



Michael V. O'Brien
City Manager

FY 2009 City Financial Plan
City of Worcester, MA
April 2008

The City of Worcester's financial plan is best understood by identifying the various categories of revenues and expenditures making up this budget. FY09 General Fund revenues total \$503.54 million, an increase of \$16.05 million or 3.29%, from the FY08 General Fund budget. Revenue sources are budgeted into six major categories: Property Taxes, State Aid, Free Cash, Local/Departmental Receipts, Massachusetts School Building Authority (MSBA) Reimbursements and Other Available Funds. The largest source of revenue used for the FY09 budget is State Aid the amount of \$258.2 million, an increase of \$7.1 million, or 2.86%, from the FY08 State Aid distribution. The FY09 budget assumes \$195.68 million will be raised from Property Taxes, an increase of \$8.2 million, or 4.41%. Local/Departmental receipts are estimated at \$41.1 million, a decrease of \$111,780, or 0.27%. Other Available Funds to be used to finance the FY09 budget total \$3.6 million a decrease of \$120,276, or 2.9% from the amount available for the FY08 operating budget. Lastly, this budget includes the use of \$4.6 million in additional State reimbursements from the Massachusetts School Building Authority for school construction projects originally paid for by the City, an increase of \$1.12 million

In addition to these General Fund revenues, the City will also generate \$58.85 million within four Enterprise Funds; Water, Sewer, Worcester Regional Airport, and Municipal Golf Course. This figure represents an overall increase of \$2.6 million, or 4.71%, from the FY08 Enterprise budget. Enterprise Funds were created to remove the financial support from the municipal tax rate and charge users a fee for services received from the Enterprise's operation. The FY09 budget assumes \$25.6 million in Water Department revenues, \$29.6 million in Sewer Department revenues, \$2.3 million in revenues from the Worcester Regional Airport exclusive of a tax levy subsidy, and \$1.2 million from the Municipal Golf Course at Green Hill. The assumptions and details used to formulate the general fund revenue sources and enterprise accounts are detailed later in this section.

All categories of expenditures, whether supported by general fund revenues or through enterprise funds, are described within the next several pages.

General Fund Revenues

State Aid – \$ 258,205,224

State Aid is the City's most important financing source. State Aid to the City is projected to be \$258.2 million, an \$7.16 million increase from the \$251 million received in FY08, based on the House of Representatives Ways and Means Committee FY09 Budget. State Aid represents over half of the total General Fund Budget and continues to exceed real estate tax revenue as the major source of revenue available to the City. This

\$7.16 million increase in State Aid comes in the form of a \$6.46 million increase in Chapter 70 Education funding the impact of which is reduced by a reduction in Charter School Reimbursements, for a net increase of \$6.1 million. The remaining \$1 million increase in General government Aid is associated primarily with an increase in the reimbursement from the state for the Police Career Incentive Program (Quinn Bill).

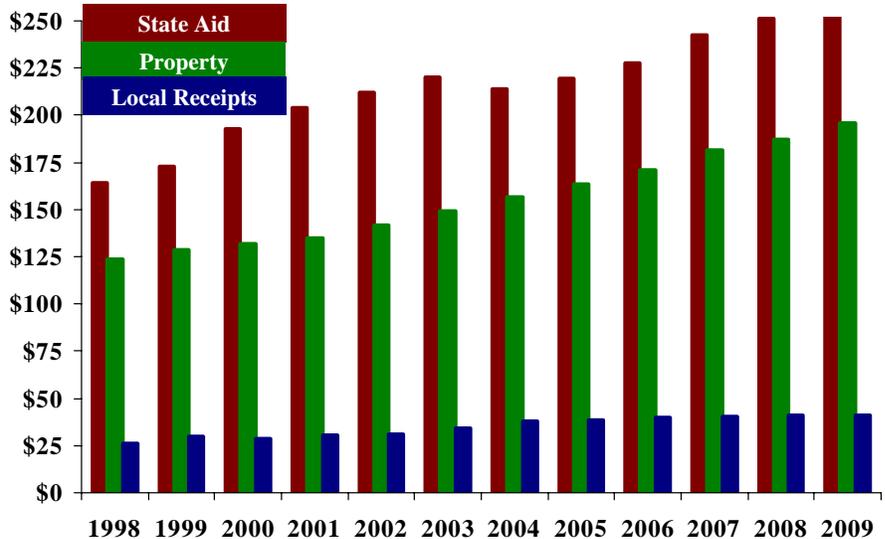
The Lottery Aid for FY09 is level funded. This represents the single largest portion of unrestricted state aid to the City. The Additional Assistance revenue line is level funded at \$11.8 million, nearly \$3.0 million less than the amount received in FY02. Other categories are level funded as well, with small decreases in areas such as State Owned Land and elderly exemptions.

The City is projected to receive \$180.5 million to fund public schools through Chapter 70 aid in FY09, which is \$6.46 million more than the amount received in FY08. This educational aid represents 70% of the total amount of State Aid projected in FY09. Charter School Reimbursements will amount to \$4.7 million in FY09, a reduction of \$0.20 million from FY08.

Real Estate Taxes – \$195,687,884

Real Estate taxes are budgeted to generate \$195.6 million in FY09, an increase of \$8.25 million, or 4.41%, over the \$187.4 million raised in FY08. The increase in tax revenues will be generated by the Proposition 2 1/2 allowable increase of \$5.06 million and tax base growth revenue generated from new housing, commercial developments, and business equipment purchases of \$3.2 million. In addition, as a result of the decision by the Appellate Tax Board, and in accordance with guidelines issued by the Department of Revenue, the City will recognize as New Growth the revenue due from

Revenue Sources: 1998 to 2009



the closing of the Telecom tax loophole. This represents an increase of \$2.64 million for FY09; however, also per the recommendations of the Department of Revenue, we have increased the City's contribution to the Overlay Reserve for abatements and exemptions by the same amount. The net result is no increase in the real estate tax revenues available for appropriation in the Fiscal Year 2009 budget. Real Estate taxes will account for 38.8% of the total FY08 General Fund budget and leaves \$12 million of unused tax levy capacity that the City accumulated during the past 12 years. The City's estimated property values are expected to increase by 1.4%, from \$12.6 billion in FY08 to about \$12.73 billion in FY09 although it is premature to speculate on the final amount of the City's real estate valuation prior to its finalization in the Fall. The City's effective single tax rate is likely to increase from \$14.47 per thousand dollars of value in FY07 to approximately \$14.97 per thousand dollars of value in FY08.

Local Receipts - \$41,114,905

In FY09, Local Receipts are estimated at approximately \$41.11 million, a decrease of approximately \$111,780, or -0.27% less than the FY08 revenue budget. Motor vehicle excise tax revenues are projected to be \$13 million in FY09, an increase of \$600,000 over the FY08 budget estimate of \$12.4 million. This increase recognizes actual collection trends in FY08 as well as increased commitment trends, indicating that the City's Motor Vehicle Excise collections should be higher in FY09 than in prior years. Over the last four years, Motor Vehicle Excise revenue estimates were reduced in recognition of a slowing of this revenue area. Current short-term projections for FY09 indicate that this higher revenue estimate is warranted. Penalties and interest on taxes are level funded at \$2.27 million with the FY08 budget. Fees are estimated at \$4.22 million. School Medicaid reimbursements are expected to increase by \$835,000, from \$4.775 million in FY08 to \$5.610 million in FY09. Medicare Part D Reimbursements, estimated at \$1.5 million in FY08 have been removed as a revenue source as the City has opted for health insurance plans that "wrap" this reimbursement into premiums, reducing both our fiscal year costs and our long term OPEB liability. Hotel Taxes are estimated at \$150,000 higher than FY08 based on actual receipts. Licenses and Permits are increasing by \$21,400 in FY09 to \$2.16 million from higher permits and licenses being issued by the city for Liquor Licenses, Street Opening Permits, and Dog Licenses. Sales from Yellow Trash bags are expected to remain at \$4.3 million in FY09 for the disposal of solid waste in the City. Interest Income revenue estimates were reduced by \$465,000 in recognition of the changes in interest rates during the year. Lastly, Federal 1% reimbursement funds used to offset indirect expenses incurred on behalf of federal and state grant programs are estimated to be level this fiscal year.

MSBA reimbursements \$4.6 million

The City will recognize a \$4.6 million reimbursement from the Massachusetts School Building Authority. Per the Five Point Plan, \$3.4 million of this amount is to be allocated to the Capital Campaign stabilization fund, the North High Construction Fund, and the bond rating stabilization fund. An additional MSBA reimbursement is anticipated in FY09 for \$1.127 million.

Other Available Funds \$3.9 million

Other available funds appropriated in the FY09 budget include two major categories: Reserve funds and an Overlay Surplus amount. The Reserve funds represent those amounts from Chapter 90, Off Street Parking, and other reserves which were previously budgeted as credits and received as increased appropriations during the course of the year. Beginning in FY08, these funds have been recognized as funds available for appropriation and included in the budget. In FY09, these reserve funds increased by \$.21 million to \$1,273,443. The second category included in Other Available Funds is the Overlay surplus. Balances in the overlay account may be declared surplus when the outstanding liabilities have been eliminated. An analysis of the overlay indicates that a surplus may be declared in time for application in the FY09 budget of \$2.64 million. This will not result in a reduction in the City's overall fund balance, as the telecom tax collections (See Property Tax, above) which will begin in FY09 will be placed, according to Department of Revenue guidelines, into the Overlay account, maintaining the current level of reserves in that account.

Enterprise Funds Revenue

An analysis of expenditures and revenue billings and collections dictate that the FY09 Water and Sewer rate increase to \$2.84 per cubic foot (ccf) and \$4.27 ccf respectively.

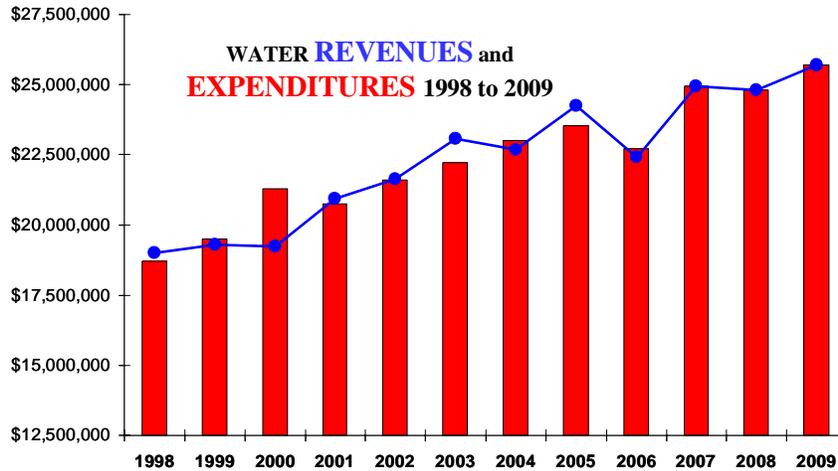
The water rate for FY09 is recommended at \$2.84 ccf, which is a \$0.10, or 3.6% increase over the Fiscal 2008 rate of \$2.74. Additionally, the Fiscal 2009 sewer rate is recommended at \$4.27 ccf at 80% of water used which is a 7.6% increase from the FY08 rate.

Water Enterprise Account

The FY09 budget for the Water Enterprise Account is expected to be \$25.7 million, an increase of \$750,850.34 million or 2.89% over last year's approved budget. The increase is attributable to a combination of Personal Services increases of \$545,312, as well as increases in Ordinary Maintenance of \$209,400, Debt Service expenses of \$86,736 and Indirect Services of \$67,655. Fringe Benefits will decrease by \$60,751 in FY09 from the FY08 budget of \$4,054,662.

Revenue sources to finance this budget will be derived from \$23.0 million in user fees, \$1.9 million in out of town revenues, and \$1.8 million in miscellaneous revenues. The water user fee for in-city users is recommended to be \$2.84 per hundred cubic feet (ccf) for FY09, a 3.6% increase from the FY08 rate of \$2.74. This rate increase is to address increased contractual salary costs, much needed staffing for vital maintenance such as valve maintenance and system flushing, as well as properly funding utility and chemical needs. The water rate for out-of-town users will increase to \$3.40 per hundred cubic feet (ccf); this rate is 9.7% greater than the in-city rate. The City also charges fees for various water department services including water service installation and repairs, back flow inspections, and hydrant use. This revenue is also used to support the Water utility operations.

Included in the recommended FY09 Water rate is the prorated debt service to implement the Fiscal 2009 Water capital improvement plan totaling \$7.9 million that will require \$620,000 for infrastructure improvements debt service and \$111,000 for capital equipment purchases.

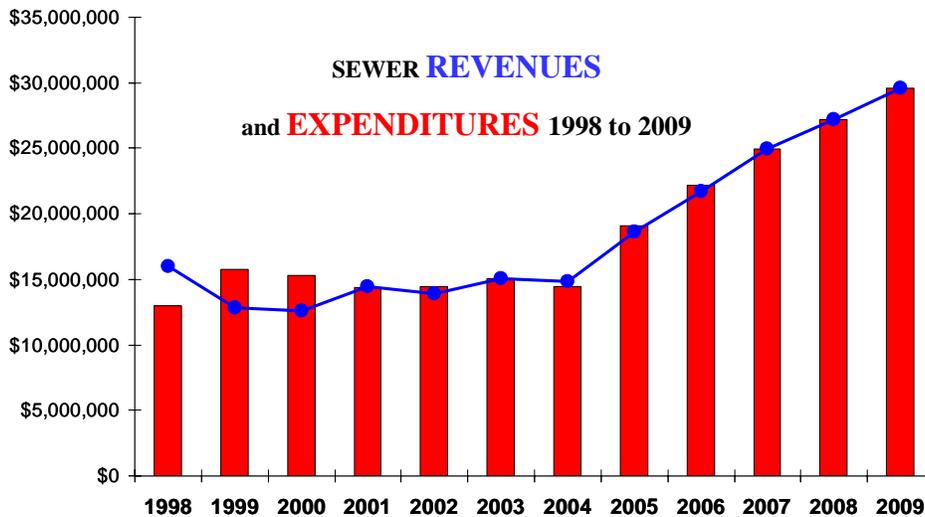


Also included in this budget are all of the costs to operate the department, along with continued capital improvement projects and the water filtration facility. The City's Water Treatment Plant became operational during the fall of 1996. The treatment plant facility, coupled with the modest capital equipment improvement and replacement strategy, is an important component to maintain an effective and efficient level of service to the community.

The above is a graph that illustrates the revenues and expenditures for the water enterprise account from 1998 to 2009 (projected figures). Since FY01, the financial stability of this enterprise is improving through controlling costs, aggressive revenue collections, and accurate water meters, which is resulting in revenues meeting, or slightly exceeding the water operations expenses. Recent years are showing declining usage which puts downward pressure on revenues, creating the potential for deficits if usage falls below projected levels.

Sewer Enterprise Account

The FY09 budget for the Sewer Enterprise Account is at \$29.6 million, an increase of \$2.4 million or 8.1%, over the FY08 approved budget. This increase is attributable to a significant increase in ordinary maintenance primarily due to higher sewerage treatment costs in the amount of \$734,455 and \$1,000,000 in stormwater expenditures, higher debt service costs of \$201,158 for sewer improvements, an increase in Charges for Services in the amount of \$108,869, and an increase of \$81,604 in Personal Services.



Revenue sources to finance this budget are derived from, \$28.7 million in user fees, \$2.0 million in miscellaneous sewer charges that include sewer assessments, sewer connections, sewer rate relief, and reserve revenue. With level sales of water, the amount of CCF billed by the Sewer utility is expected to remain level as well.

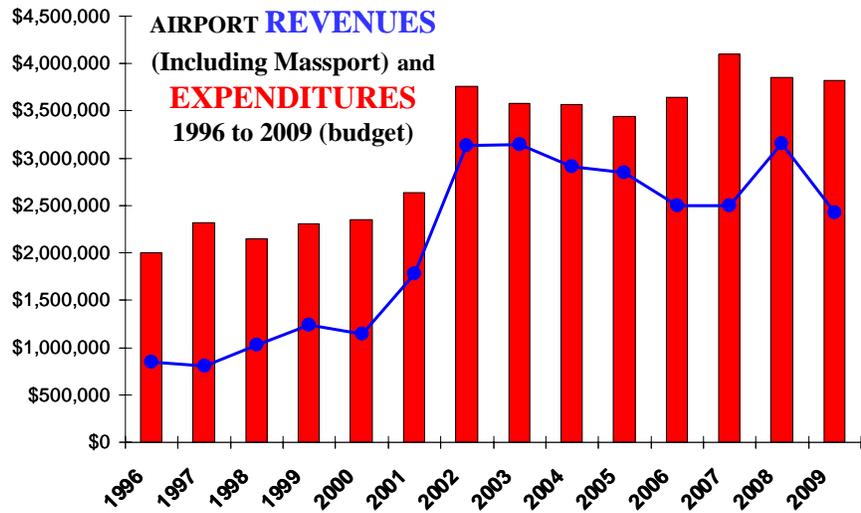
Sewer rates contain the prorated debt service expenses on the utility's FY09 capital plan totaling \$10.5 million that require \$824,000 for infrastructure improvement debt service, and \$152,000 in equipment debt service for FY09. The FY09 sewer rate is recommended to be \$4.27 per hundred cubic feet (ccf) at 80% of water used, an increase of \$0.30 per ccf, or 7.6%, above the FY08 rate.

The sewer enterprise experienced revenues lower than the expenditures during fiscal years 1990 through 1994. In the most recent years, the variances between the revenues and expenditures have stabilized. The annual budget gaps between revenues and expenses will narrow as more conservative budgeting, lower usage estimates, and reducing the department's reliance on reserves gets implemented each year. As a result of these actions the City expects sewer revenues to be in line with expenses for FY09.

Worcester Regional Airport

The Worcester Regional Airport total expenditures are budgeted to be \$3.82 million. Operating and non operating revenues are projected to be \$818,806 in FY09. Under the current operating agreement, Massport assumes 68% of the operating deficit, providing additional revenue to the airport of \$1.6 million, for total non-tax levy revenues of \$2.3 million. The budget includes \$1.48 million in tax levy support to pay for the Airport terminal debt and the balance of the projected operating deficit.

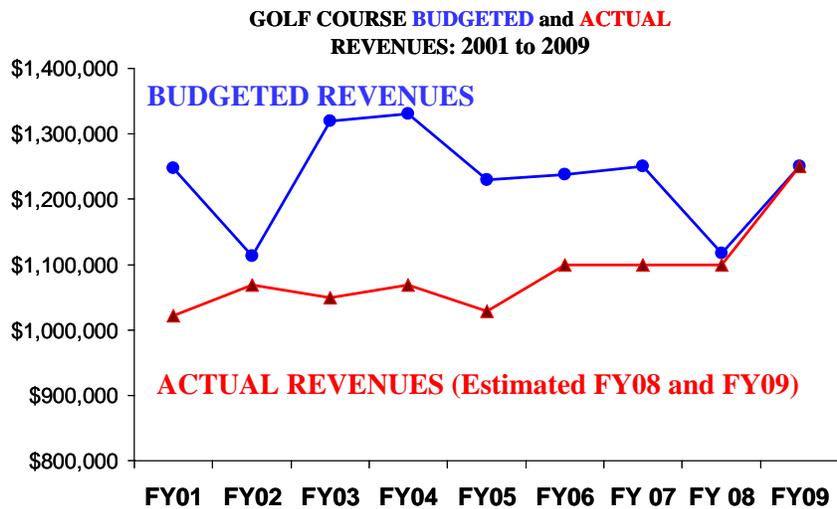
The graph at right compares the expenditures and revenues for the Worcester Regional Airport between Fiscal Year 1996 and the FY09 projections. This graph uses revenues generated through the operation of the airport and Massport's share of the operating deficit. It does not include transfers from the general fund or reserve revenues that have been used to finance Airport operations.



Worcester Municipal Golf Course

The mandate of municipal golf is to ensure that it is accessible and affordable to the entire population served. The City, through the Department of Public Works & Parks' Parks/Recreation/Cemetery Division and the Park and Recreation Commission, takes this mandate seriously. This mandate is competing with the stark fiscal reality that revenue generating capabilities of the Worcester Municipal Golf Course have peaked.

The FY09 golf course operating budget is projected to generate \$1.25 million in revenues. There is no tax levy subsidy assumed for the Golf Course in FY09. This operating budget is \$30,898.44 greater than the amount budgeted in FY08. As the chart indicates a delicate balancing act is



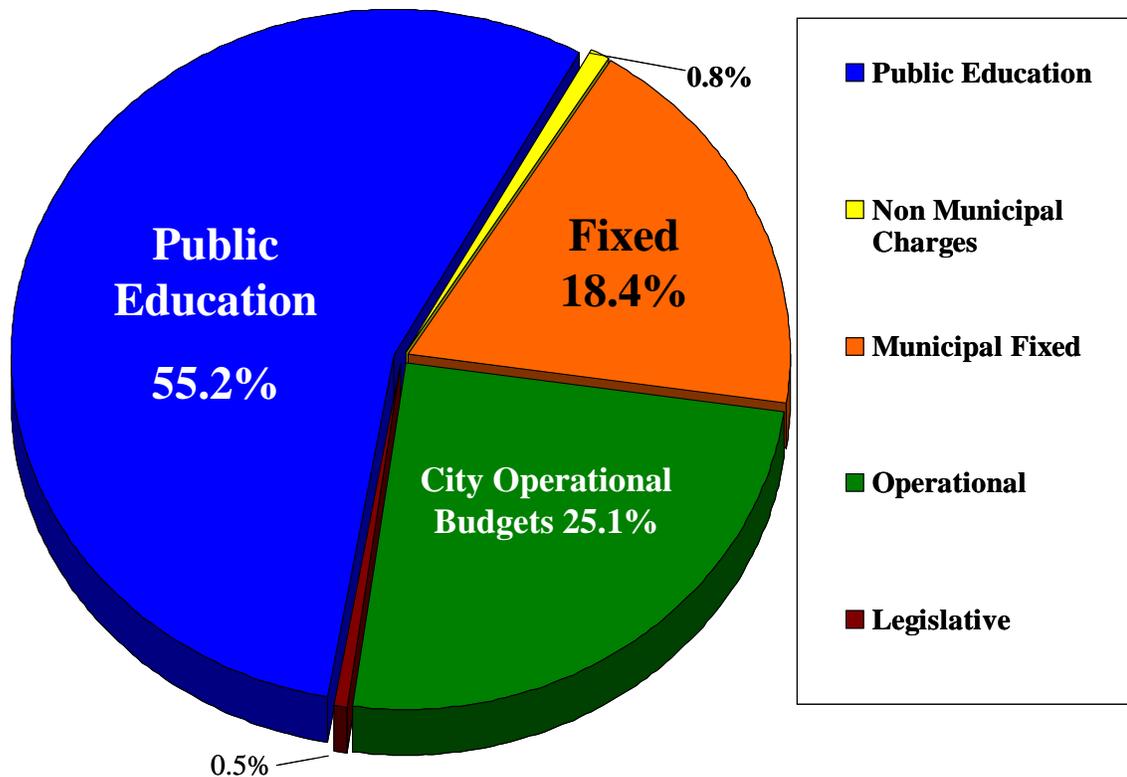
taking place in past years as revenues have failed to meet expectations. Through spending freezes and delaying of capital projects the past five years, the Course has been operating on extremely thin margins with weather conditions being a major factor on whether the Course revenues meets or exceeds course expenses. After careful review, changes have been made in fee structures to ensure that the golf course can remain self sustaining, and the effect of those reforms are expected to eliminate the need for a tax levy subsidy in FY09.

General Fund Expenditures

The City's budget is best understood using the classifications as follows: Public Schools, Operational Budgets, Municipal Fixed Expenses, Non-Municipal Charges, and Legislative Offices.

When reviewing the budget in this context, funding for public education is a clear priority in the City. The budget for the Worcester Public Schools exclusive of Charter School Tuition Payments is \$256,148,238. This budget accounts for 50.9% of all general fund expenditures. Charter School and Choice tuition payments account for 4.3% of the overall budget at \$21 million in FY09, a \$1.2 million increase over FY08. Combined, spending for education absorbs 55.2% of all General Fund Expenditures in FY09. Operational Budgets account for an additional 25.1% of the total tax levy budget at \$126.2 million. Municipal Fixed Expenses account for \$92.87 million or 18.4% of the tax levy budget. Non-Municipal Charges – including intergovernmental charges and the Snow Removal Carryover account for 0.8% of the overall City budget at \$4.1 million. The remaining 0.5%, or \$2.27 million, will fund all Legislative Office functions in FY09.

Tax Levy Budget \$503,545,903



Legislative Offices

This budget category provides necessary resources to maintain the Offices of the City Council, Mayor, City Clerk, and City Auditor. This area now includes the Elections division, which is now included under the Department of the City Clerk. The recommended FY09 budget amount for this

functional group is \$2.27 million, or 2.41% more than the \$2.21 million budgeted in FY08. The entire group of departments account for 0.5% of the recommended general fund tax levy budget.

Non-Municipal Charges

Non-Municipal charges total \$4.098 million, an increase of \$1.08 million, or 36.0% over last year's budget amount. The increase is due to the \$1 million snow carryover budgeted for FY09. State and County Charges total \$3.098 million; this amount represents an increase of \$84,869 and will be used to pay for charges levied by the State for operations associated with the Worcester Regional Transit Authority, the Regional Planning Council, Air Pollution, Parking Surcharges for using the services of the RMV to collect outstanding excise bills, Special Education, and an assessment is made for the State Supervision of the Retirement System and Retiree Health Insurance.

Municipal Fixed Expenses

This allocation funds employee benefits, such as health insurance, retirement pensions, worker's compensation, and others. Debt service costs for capital spending and pension obligation bonds are also included in this section as well as the contributions to the City's reserve funds which are fixed as part of the Five Point Plan. Fixed costs for FY09 are expected to be \$92.87 million. This is an increase of \$471,226, or 0.51% over the FY08 amount of \$92.4 million. This increase is the result of an increase in the City's contribution to the Capital Campaign of \$1 million and increases in the contributions to the North High Construction Fund and the DIF reserve fund. Other increases are associated with the retirement contribution, an increase of \$448,752, and \$58,085 in Pension Obligation bonds. These increases were offset by reductions to health insurance of \$1,270,843, reflective of the savings resulting from reforms enacted in FY08 and prior which slowed the growth of premiums, encouraged migration to less expensive plans, and increased contribution rates for employees and retirees.

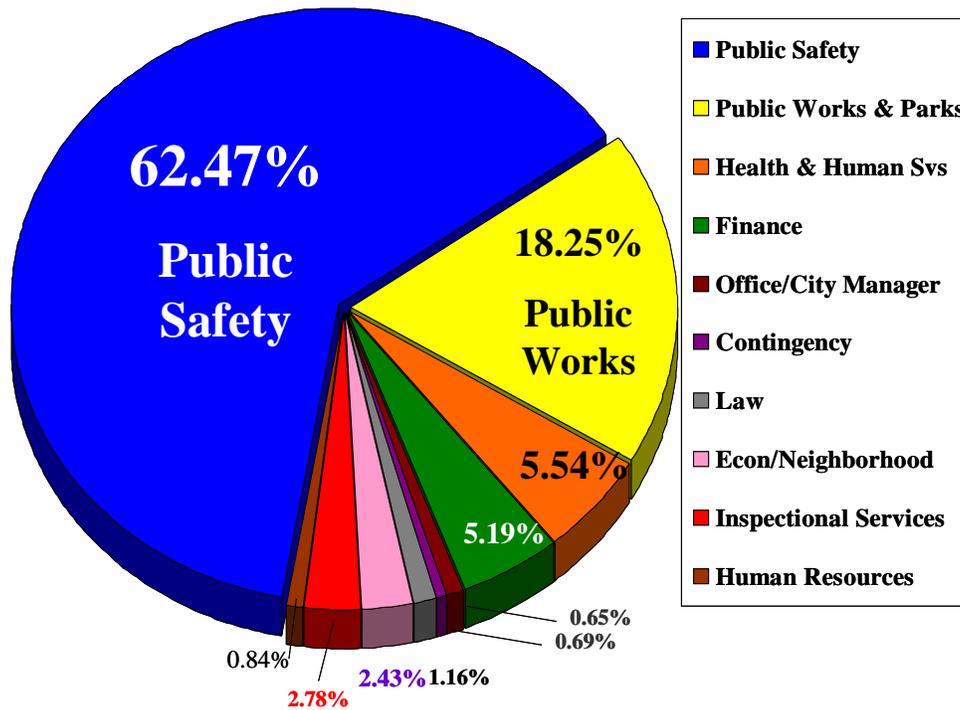
This budget contains \$25.4 million in pension costs for active and retired city employees (excluding Housing Authority and Public Schools Personnel). This amount is a \$506,837 increase, or 2.02% increase over the FY08 amount budgeted for these categories. This funding level pays for the assessments for normal pension costs for active employees, Section 90 pension increases previously awarded to retirees in 1988, 1994, 2000, and 2004, the two early retirement programs offered employees in 2002 and 2003, and the amortization of the City's Unfunded Actuarial Accrued Liability (UAAL).

The recommended Debt Service line is nearly level funded, showing an increase of \$61,567, or 0.22% to \$28.0 million in FY09.

Worcester's Capital Building Campaign will see an increase to \$8.3 million to finance the debt services costs mainly from the completion of the Worcester Technical High School, along with the debt issued for the Public Library expansion, the Senior Center, and Forest Grove Middle School. The budget also includes \$2.8 million from the MSBA reimbursements to fund the debt on these projects. A new North High Construction Fund is being funded at \$851,537 in FY09 in accordance with the Five Point Financial Plan. Lastly, \$344,463 is being placed in the City's Bond Rating Stabilization fund to boost reserve levels commensurate with the City's Low A bond rating.

Operational Budgets

Departmental operational budgets are projected to be \$126.25 million, a \$5.2 million or 4.3% increase over the FY08 operational budget of \$121.0 million. This funding is used to finance the operations of Public Safety, the Office of the City Manager, the Office of Economic Development and Housing, Administration & Finance, Health & Human Services, Human Resources, Inspectional Services, the Law Department, and the entire department of Public Works & Parks. This section reflects the costs for employee salaries, overtime, departmental ordinary maintenance (OM) accounts, and operating subsidies to certain entities owned by the City. The increase stems primarily from the following factors.



The largest notable change within the Operational Budgets for each department is the financing of the City Collective Bargaining Agreements and the implementation of the New Model Contract reflective of mid-year 2% increases for FY09. Police and Fire budgets include additional funding for recruit classes. Furthermore, the increase in Police is associated with the end of the Federal Universal Hiring Grant. Line items for the operating costs of the Convention Center and reductions in operating expenses for Union Station are included in this section of the budget. Departmental electricity, unleaded fuel, and natural gas expenses are reflected in each operating department's budget in addition to a \$150,000 fuel reserve in the City Manager's Contingency account. The increased cost of solid waste and recycling is reflected in this area of the budget

The FY09 resource allocation plan for all City operational sources totals \$563 million. The General Fund Operating Budget for FY9 will be \$503.5 million, an increase of \$16.0 million, or 3.29%. Total Enterprise expenses are budgeted at \$60.3 million for all Enterprise Accounts, an increase of \$4.1 million or 7.34%, over the FY08 budget. This budget seeks to meet the challenge of rising energy costs, continues to instill structural reforms in employee wages and benefits, seeks to restructure organizations to maximize operating efficiencies where appropriate, uses recurring revenues to finance annual expenses, and implements the provisions included in the City's Five Point Financial Plan.

CITY OF WORCESTER, MA
SUMMARY OF REVENUES & EXPENDITURES
FY 2009 vs. FY 2008

DESCRIPTIONS	FY 2009	FY 2008	Inc / (Dec)	%
REVENUES				
Total Tax Levy	\$ 195,687,884	\$ 187,431,381	\$ 8,256,503	4.41%
State Aid	258,205,224	251,035,284	7,169,940	2.86%
Free Cash Appropriation	-	264,907	(264,907)	-100.00%
Local Receipts (All Sources)	41,114,905	41,226,685	(111,780)	-0.27%
MSBA Reimbursements	4,624,447	3,496,679	1,127,768	32.25%
Other Available Funds	3,913,443	4,033,719	(120,276)	-2.98%
TOTAL GENERAL FUND REVENUES	\$ 503,545,903	\$ 487,488,655	\$ 16,057,248	3.29%
TOTAL ENTERPRISE REVENUES	\$ 58,850,909	\$ 56,204,848	\$ 2,646,062	4.71%
TOTAL REVENUES	\$ 562,396,812	\$ 543,693,503	\$ 18,703,310	3.44%
EXPENDITURES				
EXPENDITURE SUMMARY:				
Non-Municipal Charges	\$ 4,098,442	\$ 3,013,573	\$ 1,084,869	36.00%
Legislative Offices	2,270,347	2,216,936	53,411	2.41%
Public Education	278,048,810	268,846,960	9,201,850	3.42%
Municipal Fixed Expenses	92,873,062	92,401,836	471,226	0.51%
Operational Budgets	126,255,242	121,009,350	5,245,892	4.34%
TOTAL EXPENDITURES	\$ 503,545,903	\$ 487,488,655	\$ 16,057,255	3.29%
EXPENDITURE DETAIL				
Enterprise Expenditures:				
Municipal Golf Course	\$ 1,249,741	\$ 1,116,997	\$ 132,743	11.88%
Sewer Enterprise	29,603,888	27,203,884	2,400,004	8.82%
Water Enterprise	25,655,596	24,808,687	846,909	3.41%
Worcester Regional Airport	2,341,684	3,075,280	(733,595)	-23.85%
Subtotal (Enterprise Expenditures)	\$ 58,850,909	\$ 56,204,848	\$ 2,646,062	4.71%
Non-Municipal Charges:				
Intergovernmental Charges and Obligations	\$ 3,098,442	\$ 3,013,573	\$ 84,869	2.82%
Snow Removal/Judgments Carry-over	1,000,000	-	1,000,000	
Subtotal (Non-Municipal Charges)	\$ 4,098,442	\$ 3,013,573	\$ 1,084,869	36.00%
Legislative Offices:				
Office of the City Council	\$ 350,867	\$ 325,576	\$ 25,291	7.77%
Office of the Mayor	103,787	96,059	7,728	8.04%
Office of the City Clerk	700,611	610,218	90,394	14.81%
Office of Election Commission	398,741	499,380	(100,639)	-20.15%
Office of the City Auditor	716,341	685,702	30,638	4.47%
Subtotal (Legislative Offices)	\$ 2,270,347	\$ 2,216,936	\$ 53,411	2.41%
Public Education:				
Public Schools	\$ 256,148,238	\$ 248,193,046	\$ 7,955,192	3.21%
Charter and Choice Tuition Assessments	21,900,572	20,653,914	1,246,658	6.04%
Subtotal (Public Education)	\$ 278,048,810	\$ 268,846,960	\$ 9,201,850	3.42%
Municipal Fixed Expenses:				
Health Insurance (City Portion)	\$ 25,277,488	\$ 26,548,331	\$ (1,270,843)	-4.79%
Retirement Contribution (City Portion)	14,672,539	14,223,787	448,752	3.15%
Pension Obligation Bonds (City Portion)	10,811,211	10,753,126	58,085	0.54%
Principal/Interest	28,018,688	27,957,121	61,567	0.22%
Workers Compensation	1,590,440	1,417,619	172,821	12.19%
Unemployment Compensation	100,000	100,000	-	0.00%
Stabilization:				
City Manager's Capital Campaign	8,344,263	7,344,263	1,000,000	13.62%
Bond Rating Stabilization Fund	344,463	478,672	(134,209)	-28.04%
Capital Campaign Mitigation Plan	2,800,000	2,800,000	-	0.00%
North High Construction Fund	851,537	718,007	133,530	18.60%
Citysquare/DIF Stabilization Fund	62,433	60,910	1,523	2.50%
Subtotal (Municipal Fixed Expenses)	\$ 92,873,062	\$ 92,401,836	\$ 471,226	0.51%

CITY OF WORCESTER, MA
SUMMARY OF REVENUES & EXPENDITURES
FY 2009 vs. FY 2008

DESCRIPTIONS	FY 2009	FY 2008	Inc / (Dec)	%
OPERATIONAL BUDGETS				
<u>Office of the City Manager:</u>				
Executive Office of the City Manager	\$ 815,958	\$ 838,812	\$ (22,854)	-2.72%
City Manager's Contingency	873,287	1,484,410	(611,123)	-41.17%
Subtotal (Office of the City Manager)	\$ 1,689,245	\$ 2,323,222	\$ (633,977)	-27.29%
<u>Human Resources:</u>				
Human Resources	\$ 1,060,733	\$ 1,045,411	15,322	1.47%
Subtotal (Human Resources)	\$ 1,060,733	\$ 1,045,411	\$ 15,322	1.47%
<u>Office of Economic Development & Neighborhood:</u>				
Neighborhoods & Housing Development	\$ 24,704	\$ 11,798	\$ 12,905	109.38%
Economic Development	636,088	526,150	109,938	20.89%
Planning and Regulatory Services	355,972	315,817	40,155	12.71%
Marketing Campaign	-	500,000	(500,000)	-100.00%
Union Station/WRA	577,007	681,360	(104,353)	-15.32%
Worcester Regional Airport	1,479,511	783,213	696,298	88.90%
Subtotal (Economic Development & Neighborhood)	\$ 3,073,282	\$ 2,818,339	\$ 254,943	9.05%
<u>Administration & Finance:</u>				
Administration and Finance	\$ 596,392	\$ 586,752	\$ 9,640	1.64%
Assessing	691,648	687,708	3,940	0.57%
Purchasing	282,493	268,271	14,222	5.30%
Technical Services	3,042,784	2,798,164	244,620	8.74%
Treasury	1,934,678	1,933,447	1,231	0.06%
Subtotal (Administration & Finance)	\$ 6,547,995	\$ 6,274,342	\$ 273,653	4.36%
<u>Inspectional Services:</u>				
Inspectional Services	\$ 3,505,866	\$ 2,994,806	511,060	17.06%
Subtotal (Inspectional Services)	\$ 3,505,866	\$ 2,994,806	\$ 511,060	17.06%
<u>Health & Human Services:</u>				
Human Services	\$ 955,221	\$ 944,696	10,525	1.11%
Elder Affairs	715,658	693,767	21,891	3.16%
Public Health	612,853	690,170	(77,318)	-11.20%
Worcester Public Library	4,596,705	4,429,594	167,111	3.77%
Regional Library	119,655	119,655	(0)	0.00%
Subtotal (Health & Human Services)	\$ 7,000,092	\$ 6,877,882	\$ 122,210	1.78%
<u>Public Safety:</u>				
Police	\$ 41,214,002	\$ 39,272,498	\$ 1,941,504	4.94%
Fire	34,893,712	33,348,730	1,544,981	4.63%
Communications	2,760,497	2,688,071	72,427	2.69%
License Commission	1,200	1,200	-	0.00%
Subtotal (Public Safety)	\$ 78,869,411	\$ 75,310,499	\$ 3,558,912	4.73%
<u>Law Department:</u>				
Law Department	\$ 966,424	\$ 928,484	\$ 37,939	4.09%
Court Judgments	377,750	352,750	25,000	7.09%
Property & Liability Insurance	119,948	109,044	10,904	10.00%
Subtotal (Law Department)	\$ 1,464,122	\$ 1,390,278	\$ 73,844	5.31%
<u>Public Works & Parks:</u>				
Administration	\$ 578,845	\$ 539,510	\$ 39,336	7.29%
Engineering	1,937,496	1,985,598	(48,102)	-2.42%
Streets	2,780,597	2,432,003	348,594	14.33%
Sanitation	5,685,231	5,450,899	234,332	4.30%
Central Garage	1,745,158	1,606,839	138,319	8.61%
Parks & Hope Cemetery	4,076,374	3,811,298	265,076	6.96%
Street Lighting	3,087,828	2,997,618	90,210	3.01%
Snow Removal	2,259,114	2,048,000	211,114	10.31%
City Messenger	525,025	537,944	(12,919)	-2.40%
Auditorium	119,706	117,716	1,990	1.69%
DCU Center General Fund Subsidy	249,121	345,299	(96,178)	100.00%
Golf Course General Fund Subsidy	-	101,845	(101,845)	100.00%
Subtotal (Public Works & Parks)	\$ 23,044,496	\$ 21,974,570	\$ 1,069,926	4.87%
Subtotal (Operational Budgets)	\$ 126,255,242	\$ 121,009,350	\$ 5,245,892	4.34%