



CITY OF WORCESTER, MASSACHUSETTS

Michael V. O'Brien
City Manager

cm2009feb20163255

Attachment for Item #

8.42 D

February 24, 2009

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

As I have stated, my Administration and I are focused on adapting our current FY2009 Budget and preparing a FY2010 Budget to incorporate the real and the immediate impacts of the economic crisis faced by the Commonwealth and Nation, while ensuring core municipal services are provided. The goals remain to: preserve core services; provide fiscally responsible solutions to current and projected deficits; pursue opportunities, applying these same standards that will require additional actions by this City Council and others in the immediate future; and most importantly, balance our budgets within our means for FY2009 and FY2010. We must factor only what is real and tangible in our work to achieve these goals and, as always, all options must be on the table. We must also recognize that there are specific points along our timeline to July 1, 2009 (FY2010) that compel us to act decisively to achieve the budgetary savings necessary to address the projected deficits. As additional information/data becomes available, we can hopefully adjust and restore or, in a worse case, further reduce, municipal services. The full summary, as of this writing, is below:

FY 2010 Updated Projections* - As of February 24, 2009

**Unless Otherwise Noted, All Amounts and Conditions are As Per My Memo of February 10, 2009*

• Governor's Proposed 2010 Local Aid Reductions & Other Cuts	(\$16,800,000)
• City's FY 2010 Adjusted Exp. / Revenue Projection (Non-State Aid)	(\$ 7,000,000)
• FY2009 Snow and Ice Removal Carry-Over to FY2010	(\$ 2,500,000)
Subtotal City-Side Projected FY2010 Deficit	(\$26,300,000)
• FY2010 City-Side Pension Deposit	(\$ 4,500,000)
City-Side Projected FY2010 Deficit	(\$30,800,000)



REAL SOLUTIONS – IMMEDIATE ACTIONS TO REDUCE PROJECTED 2010 BUDGET

City-Side Projected FY2010 Deficit (\$30,800,000)

- Home Rule Legislation to Extend Pension Funding Schedule \$4,500,000
City Council Orders and Home Rule Legislation for consideration for adoption forwarded for this City Council Meeting under separate cover.

Subtotal City-Side FY2010 Deficit w/ Adopted Pension Sch. Extension (\$26,300,000)

- One Time Revenues/ One Time Costs – Snow Removal Carryover \$2,500,000
- One Time Revenues for Recurring Costs to Stabilize Services \$1,500,000
- Seventy Current - Projected Open/ Frozen Positions - FY2010 \$2,000,000
The current 50 open/ frozen positions and the projected additional 20 projected open and frozen positions are now combined in this line item.

Subtotal City-Side FY2010 Deficit w/ Recommendations as of 2/10/2009 (\$20,300,000)

- Home Rule Legislation to Allow for up to 100 Early Retirements \$2,000,000
City Council Orders and Home Rule Legislation for City Council's consideration for adoption is forwarded for this City Council Meeting under separate cover. This was previously identified as an "Other Consideration" in previous memorandum. The reference "up to 100" is detailed for the eligible employees must opt-in as it is their sole decision. The vetted savings identified for this action factors in both the additional pension obligation due to early retirements and that approximately 20-25% of the positions vacated as a result of the adoption of this Home Rule will need to be refilled on a case-by-case basis. Please note that the balance of 75-80% of the vacated positions would likely be eliminated permanently from the City's table of organization. This is the only way to achieve the real, tangible operational savings. The elimination of 75-80% of the positions upon the vacancy of individuals opting into early retirement will have permanent operational impacts that will be identified if, and upon, adoption and then once we know which employees have opted in by position and Department. Public safety (these critical positions must be refilled) and public school personnel would not be eligible under this recommended legislation.

Subtotal City-Side FY2010 Deficit w/ Recommendations as of 2/24/2009 (\$18,300,000)

As stated above, we must work from known conditions and realities. From a risk-management perspective, I believe it is prudent and responsible to include these savings on both the pension extension and early retirement for planning purposes. I recognize that these require City Council and State Legislature action and the Governor's approval. Similar legislation has previously been adopted by City Council and has been signed into law at the State House. The alternative of such presuppositions is to cut and to reduce services far more dramatically now, for actions to balance FY2009 and FY2010 must begin as soon as possible to materialize the savings necessary to address our known deficits. The revised, projected FY2010 deficit of \$18.3 M now must be the benchmark from which we begin to develop our 18-month Budget, exclusive of all measures that require others to act in partnership and conjuncture with the City (detailed later in this memo).

I have held off as long as possible and identified as many real, tangible solutions as possible prior to the start of the actual lay-off process to address these budget shortfalls. I must act now to generate the budgetary savings required to address the Governor's \$5 M FY09 reduction. Civil Service and collective bargaining contracts require proper notification, lay-off hearings and other requirements for lay-offs that may take weeks to complete. Employees also are able to exhaust accumulated vacation time prior to removal from the payroll. It is for this reason that I formally notified our unions today of our need to undertake lay-offs for as many as 400 employees to address our FY09 9C cut of \$5 M and the revised, projected deficit of \$18.3 M for FY2010. The timing will allow for the necessary lay-offs to begin materializing these savings by April 30, 2009. The following is a summary of these necessary lay-offs:

- **Public Safety Unions**
 Current Total Positions – 877
 Lay-off % Range Per Union: 15-20%
Union Locals – 1009, 911 and 504. Lay-off ranges presented include recruit classes.

- **Other Unions**
 Current Total Positions – 646
 Lay-off % Range Per Union: 20-30%

The letters submitted to each individual union identifies the number of positions required to lay-off for said union as of this juncture and the current projected deficit. As mentioned, this begins the statutory process of impact bargaining and the exact numbers of lay-offs per union are subject to change based on good-faith negotiations and other factors. In addition, I have identified the need to lay-off up to 100 non-represented employees, nearly 30% of the total, to reach the required savings to address the projected deficits. We are currently in the process of identifying these by position and by title per Department/ Division and this action will require additional analysis and the direct interaction with the various Cabinet members. However, the substantial additional timelines required for lay-offs of union represented personnel (due to collective bargaining and Civil Service provisions) provide a narrow window of time for continued evaluation of these non-represented lay-offs and then management communication with the affected employees. I expect this to be complete within the next two weeks. The date of individual layoff notices will be identical for both union represented and non-represented employees. I must admit that my actions weigh heavy on me. Each of these numbers and totals are dedicated individuals and, as you would echo, each has been part of the re-building of a stronger, more efficient organization since the devastating FY2003 State 9C cuts (that we had yet to fully recover from).

Our ability to reduce the number of lay-offs and salvage our ability to stabilize core City services, are, of course, ultimately dependent on other real solutions that require others to act in partnership and conjunction with the City.

REAL SOLUTIONS – ACTIONS TO REDUCE FY2010 DEFICIT REQUIRING PARTNERSHIP

LEGISLATIVE

Emergency Recovery Bill – State Estimated Net New City-Side Revenues \$11,276,707

COLLECTIVE BARGAINING – CITY-SIDE ONLY

Employee Health Care Cost Reforms – Contribution Rates 75/25 All \$1,500,000

Employee Health Care Cost Reforms – Co Pay Changes All	\$ 850,000
Wage – Zero Percent for FY2010 All	\$2,000,000
Furloughs – One Week (Non-Public Safety)	\$ 500,000

OTHER CONSIDERATIONS

Fee Increases – Departmental (Parking, IS, etc.)	\$ 500,000
Pay as You Throw – Trash Bag Fee 50 Cent Increase	\$1,000,000
Increase from 1% Administrative Service Fee to 2% for Grants & Capital Projects	\$ 500,000

This is the administrative service fee cross-charged to all grants, to include CDBG and capital projects, for all services and personnel hours dedicated to their implementation. These services and personnel hours are directly associated with the macro management of these activities and include such tasks as payroll, procurement, auditing, legal, collections and much more. The research into this consideration continues as it must be reviewed in the context of the terms, conditions and laws that govern each grant, capital project, etc. It must also be noted that each percentage increase to cover such direct costs to macro-manage grant and capital project activities will reduce the final amount available to address the purposes of the grant or capital appropriation.

As mentioned in previous memoranda, the following scopes are also under final evaluation: program reductions, elimination of divisions and services in their entirety (reduction below core mission), further Departmental/ Divisional reorganization, the transfer of the airport, public-private partnerships to assist City services, and much more. I will report in much more detail next week on these efforts and opportunities. City Council Orders have asked for program cuts prior to any personnel cuts. We believe it is best at this juncture to identify the limited “programs” that remain within our budget after five years of prioritizing personnel at the expense of programs. The following are a summary of these programs. These are respectfully presented without any recommendation for your information and your frame of reference:

<u>Program</u>	<u>FY10</u>
WPD Summer Impact OT	\$394,000.00
WPD Special Events OT	\$35,700.00
Library – Sundays	\$50,000.00
African American Elder Outreach	\$4,200.00
Senior Aide Program	\$28,200.00
Latino Elder Program	\$8,800.00
Elder Home Maintenance Support	\$10,000.00
Transportation to Meals at Senior Center	\$40,700.00
RSVP	\$10,000.00
Emergency/Holiday Food Delivery	\$4,000.00
Elder Outreach, 911 Follow Up	\$39,700.00
Community Events (Parades, Festivals)	\$32,000.00
Yard Waste Drop Off	\$40,000.00
Neighborhood Clean Ups	\$10,000.00
Long Patch	\$90,000.00
Crosswalk Repainting	\$100,000.00
Emergency Sidewalk Repair	\$10,000.00

Guardrail Installation and Repair	\$10,000.00
Berm Repairs	\$10,000.00
City Bridge Repair	\$5,000.00
Streetscape Maintenance	\$10,000.00
Downtown Saturday Morning Sweeping	\$13,000.00
Cemetery Temporary Labor	\$40,000.00
Summer Pools	\$400,000.00
Summer Beaches	\$35,000.00
Elm Park Concert Series	\$5,000.00
Holiday Lighting	\$20,000.00
Tree Stump Removal	\$50,000.00
March Madness Basketball Tourney	\$20,000.00
Special Park Maintenance	\$ 63,000.00
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We must build an 18-month budget from known revenues and expenditures and we must make decisions to stabilize services that will result in a balanced FY09 Budget and a balanced FY2010 Budget. We will continue to research, evaluate and identify any and all real, tangible solutions to this projected deficit and present these to City Council as soon as possible as we work collectively to preserve the core municipal services that assist to define our community's quality of life.

Regards,



Michael V. O'Brien
City Manager