

MICHAEL V. O'BRIEN  
CITY MANAGER



CITY OF WORCESTER

FROM: City Manager Michael V. O'Brien

TO: Worcester City Council

DATE: April 16, 2009

RE: Fiscal Year 2010 Budget

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My FY2010 Budget Recommendation now before you reflects the priorities of this City Council and our community. This recommendation is a balanced budget and addresses the projected City's FY2010 deficit of \$31.4 million dollars through fiscally sound reforms, new revenues and dramatic reductions. The Commonwealth's House Ways and Means FY2010 Budget proposal, as detailed yesterday, seeks to cut our State assistance by \$21.35 million in all, or \$4.55 million dollars more than the Governor's FY2010 Budget proposal.

It is for this reason that we will now be required to undertake more significant reforms, deeper reductions and/ or seek new revenues for as I stated in my FY2010 Budget Recommendation's presentation, we have "played all our cards". Clearly, we must continue the process to adapt and we will again have to reassess priorities for over 25% of our City-side operation is funded by the Commonwealth. This will require partnership, tough decisions and deeper cuts.

I am pleased to report that the City and Teamsters Local 170 (DPW Clerical) have partnered in cost-savings measures necessary to preserve jobs and City services. The Union agreed to a FY 2010 contract that includes a zero percent wage increase and the 75/25 employee health insurance contribution rate change (from the current 80/20 contribution rate). Local 170 had agreed to the industry aligned co-pay changes in their previous contract (FY2009). Furloughs were not part of the final proposal.

There are roughly 35 members in Local 170, serving throughout all the divisions within the Department of Public Works. Their leadership and willingness to partner with the City will allow me to restore two Local 170 positions. I am grateful for their leadership and their responsible actions that allow me to reinstate their membership's jobs while concurrently stabilizing service to our citizens.

Our collective goal must be to redirect tax dollars wherever possible to preserve services and jobs in these unstable economic times. Actions within reason must be taken to achieve this. Last year, I reached impasse in negotiations with Local 495 on the requested changes to City employee health care – 75/25 contribution rates and industry aligned co-pays. Our push for these reasonable changes in their contract was due to the knowledge of pending State FY2009 mid-year "9C" cuts to Local Aid and our need to adapt to preserve services and jobs. At that time, I proceeded with only the

implementation of the industry aligned co-pay changes. I notified the Union that I reserved the right to proceed with the 75/25 contribution rate change if our financial situation continued to deteriorate. These actions are allowed under law once, and if, impasse is reached. I notified the Union tonight that I must now exercise our right to implement the 75/25 health care contribution rate for their membership, once again to preserve their jobs and City services. I will now be able to restore seven critical Local 495 positions within DPW, including five positions within our Parks Division (hit particularly hard by the cuts within the FY2010 Budget Recommendation).

The House Ways and Means FY2010 Budget proposal, if and when adopted, will more than likely require further City personnel reductions. The non-public safety departments personnel levels have already been cut from approximately 14% to 40%. Some departments and divisions have been eliminated in their entirety. These nine position restorations at DPW will mitigate their near 14% losses and I intend to proceed accordingly. I have made the commitment to preserve jobs/membership in each respective Union when these reasonable reforms are implemented and I must honor that commitment.

We have worked very hard with the Chiefs to mitigate the necessary reductions to our public safety departments within my FY2010 Budget Recommendation, holding these at a range of 6-8% in overall personnel losses. The additional steep reductions to State local assistance proposed by the Legislature's House Ways and Means Committee will now leave us little choice but to reassess the recommended 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 and Local 170, would assist in our ability to restore additional positions lost as a result of further State cuts.

I continue to assess the House Ways and Means FY2010 Budget proposal and to develop fiscal plans to adapt to these deeper State cuts. I will be candid that we will have few options other than the unfortunate rhythm of further reductions, reforms and/ or new revenue. I will continue to appraise the City Council of further developments.