

Mayor David B. Cohen FY'10 Budget Address



Tuesday, April 21, 2009
Newton City Hall

Honorable members of the Board of Aldermen and School Committee, distinguished members of the Massachusetts General Court, department heads, employees, friends and fellow citizens, thank you for being here this evening as I present to you the City of Newton municipal budget for fiscal year 2010.

In my twelve years as mayor these are the most difficult circumstances under which we have had to deliberate upon a budget. There are two reasons for this: The state of the economy, and the uncertainty.

Worldwide, the economy is still reeling from the collapse of the financial services sector. Nationwide, we are in the worst recession since the Great Depression. The federal deficit is climbing to the \$1.75 trillion mark. The Massachusetts deficit, which began this 2009 fiscal year at a staggering \$2 billion is now \$156 million further in arrears, with a swell to more than \$500 million by July still possible. The fiscal 2010 state deficit is estimated to be at least \$3 billion.

Unemployment rates are an indicator of personal economic security. They are also key bellwethers, not only for the economy as a whole but for sales and income tax revenue as well. At the national level, unemployment has soared to 8.1% - the highest rate in more than 25 years – and labor market experts predict it may reach as high as 10% by the end of this year. At the state level, unemployment in Massachusetts reached 7.8% in February, a dramatic jump from February 2008 when the rate was 4.6%. Projections for Massachusetts unemployment continue to be bleak, with economists predicting 9.1% perhaps as soon as this summer, which would put that rate at its highest level in well over a decade. This has been devastating to many Massachusetts and Newton families and has had such an impact on state revenues that in January, the Governor's FY'10 budget contained an across the board 10% reduction in state aid to cities and towns. In Newton this amounted to a \$2 million cut in the upcoming fiscal year.

Through good financial planning and the fiscal restraint exercised in last year's budget, we were ready for those cuts in state aid. As a result, the Fiscal Year 2010 budget before you this evening, based on the Governor's state budget, contains no reductions to programs or services on the city side, and it provides funding for the latest school department's budget as set forth by the superintendent last week.

The other reason developing the FY'10 budget was so challenging is the uncertainty. Last Wednesday the Massachusetts House Ways and Means Committee did something I've very rarely seen done in my twelve years as Mayor or in my nineteen years as a legislator. It cut the amount of local aid called for in the Governor's budget. This has thrown the budget process in communities throughout the state into disarray and dismay. For Newton it could mean an additional cut of \$275,000 in lottery aid, and \$450,000 in possible lost Quinn bill aid should the House version of the budget prevail. In addition, the schools could lose as much as \$1 million in state special ed. circuit breaker funds. While circuit breaker money is under the exclusive control of the school department and is not part of our budget process, its loss would have a significant impact on the quality of education for our students.

Fortunately our Newton legislative delegation is trying to change things. Representative Ruth Balsler has filed a series of budget amendments aimed at restoring these funds. Debate on the House budget is set to begin next Monday. We would all do well to contact our colleagues in other communities to urge them to lobby their legislators to support these amendments. We cannot predict the outcome of this debate, nor can we predict what the State Senate will do with local aid when they publish their budget in May.

However, amid the uncertainty there are three things that are beyond a doubt. First, because the legislature does not speak with one voice on local aid, we need to understand that for now uncertainty is unavoidable.

Second, we need to proceed collaboratively. I want all Newton officials and residents to know that the executive branch is ready to work with your Honorable Board as you start your deliberations on the budget I have filed. Together, we must also monitor the House debate next week. Based on the outcome I will then notify your Board and the School Committee of any further reductions we will be forced to make.

Third, we must remember that we are all in this together and that ultimately we all have a common goal: To do what is best for Newton. If we are to achieve this goal, especially amid the uncertainty we're faced with, it is especially important to keep the lines of communication open.

So let me proceed to talk about this year's budget with the hope that our legislative delegation can restore those desperately needed funds, but with the understanding that further cuts might be necessary. This budget is the result of a lot of hard work from a number of talented and dedicated employees I would like to recognize. First I want to thank my staff in the Executive Office: Chief Administrative Officer Sandy Pooler, Chief Budget Officer Susan Burstein, our Director of Policy and Communications Jeremy Solomon, our Citizens' Assistance Officer, Maureen Grimaldi, and the Executive Assistant in my office Mary Morgan. Thank you for all you do for the City of Newton. I also want to thank our Department Heads, who have had to endure cuts to their budget seemingly every year but still manage to keep their departments running smoothly and efficiently. I also want to thank our Comptroller David Wilkinson for his work on this budget. I want to thank City Clerk David Olson and his staff, the members of your Honorable Board and the members of the Newton School Committee for your passion, innovation, advice and support as I crafted this budget. I also want to take a moment to recognize someone who has given his considerable talent, intelligent and steadfast integrity to the City of Newton. Dr. Jeffrey Young has led our School Department for the past 11 years with distinction, ultimately ensuring its excellence and its place among the best in the state. Jeff, thank you for your leadership, and I wish you the very best in your new challenge.

All of us are united in a common purpose: to serve the residents of Newton by making this the very best community it can be. In order to fulfill our responsibility to the citizens to construct a balanced budget, with as few painful cuts as possible, and pending final state decision on local aid, we are recommending several things.

We are offering a zero per cent cost of living adjustment this year for all employees. We are finding less expensive ways of providing the same level of services. And we are implementing several new programs and technologies that will achieve savings and still meet Newton residents' high standards of quality.

It is due to our adherence to prudent fiscal policies, and to an important collaboration between City departments and your Honorable Board that we will save \$750,000 this year on a new trash collection and single stream recycling system. This new system is only possible thanks to the foresight of your Honorable Board. By calling for a pilot program, you have helped prove an automated trash collection system would work on our City's steepest hills, narrowest roads and snowiest months. We now have the confidence to expand this important program Citywide beginning in October, or even sooner. By October first, all Newton residents will have their trash picked up by automated trash trucks. And if we are able to

complete the logistics necessary and implement this program earlier than October, we will save an additional \$90,000 a month. The system is both cost effective, saving three quarters of a million dollars, and environmentally sound as well: We experienced a 27% increase in recyclable collections during the trial. And it is also an example of City government at its best.

A collaboration of City officials like DPW Commissioner Tom Daley, Deputy Commissioner Dave Turocy, Environmental Affairs Director Elaine Gentile, and Solid Waste Manager Angie Sotille; members of your Honorable Board, and especially Aldermen Sydra Schnipper and Paul Coletti; a volunteer Solid Waste Commission; along with members of our community has enabled us to improve an important municipal service in a very difficult fiscal environment.

Another reason that we are able to avoid cuts in this most difficult of years is due to our environmental initiatives. The Public Buildings Department converted 12 municipal and school buildings from oil to natural gas for heating, and installed other control devices that reduced energy consumption. For example, School Department energy use was down 25% in FY'09, saving over \$1 million. Our Energy Savings Company, Noresco, has performed an energy audit and started work at Day Middle School this Spring to implement its recommendations. Back in March, your Honorable Board appropriated my docket item to expend \$82,000 for Noresco to perform audits on six more City buildings this year. Good environmental policy is good fiscal policy, and by improving the energy efficiencies of our buildings we will realize savings in maintenance and heating and cooling costs in fiscal year 2010 and for years to come.

We have also taken advantage of the decline in energy prices brought on by the recession. We have locked in our liquid fuel purchase earlier than usual this year, to take advantage of favorable prices throughout fiscal year 2010. At \$1.97 per gallon of gasoline, we are buffered from the volatility of the market for the next 12 months. We can also be more precise with our energy line items in this year's budget, reducing the City energy budget by \$650,000.

Similarly, by taking advantage of the historic lows in interest rates accompanying the recession, we not only locked in rates on 30-year bonds for the Newton North project but also moved up our bonding schedule as well thereby saving an estimated \$5 million on interest rates over the lives of the loans. This was an important part of our ability to present a municipal budget with no service reductions.

With the cooperation of your Honorable Board, we are in the process of changing out our antiquated water meter readers to a state-of-the-art electronic system. The new meters will enable the City to track the water usage of each home and business, and pro-actively notify owners if we notice an unusually high reading. It will mean less water wasted, more accurate and timely billing and meter reading, and reduced costs due to the automated collection of data.

In the Inspectional Services Department there is money in this budget to wirelessly connect our building inspectors with City Hall. Outfitting our inspectors with laptop computers enable them to access building codes, review online reports, enter new data in real time, and file their reports remotely. This is a change that is long overdue and its implementation means our inspectors will realize greater productivity in a time when we have to do more with less.

I know many are concerned about the impact of the new Newton North on the budget. Let me say that the construction continues on time and under budget. We've been able to pay its costs while providing a budget with no cuts in services. And I expect that I will not ask to use any of the \$5 million set aside as the Aldermen's contingency.

So despite the uncommon fiscal challenges we faced this year, we continue to make important investments in education, the environment and technology. And I feel fortunate to present a budget this evening that makes sound investments and avoids disastrous cuts. It is due to the foresight in previous budgets that we are able today to tap our reserve accounts, balance this budget, and continue to appeal to our state leaders for fair, adequate and reliable revenue sources. Our outstanding State House delegation – Senator Creem, and Representatives Balsler, Khan and Koutoujian, along with Newton's champion, the State Auditor Joe DeNucci – have fought hard on our behalf, and we are grateful for their efforts. But until there is a commitment from a majority of legislators throughout the state to reverse the trend of cuts to local aid, and to give cities and towns the tools we need to increase revenues, Massachusetts municipalities will continue to struggle to maintain services residents rely on. And while I am grateful that we can present a budget to you this evening that does not contain drastic cuts, if our local aid revenues are cut further by the state, we will have no choice but to implement cuts to our budget as well.

Also, though this budget avoids the massive and devastating cuts so many communities are enduring in FY2010, we shouldn't be overly pleased. There are things we know we need to do but simply can't, because the funds required would throw our budget out of balance. Our aged buildings will continue to receive less attention than they require, and our fields and parks will continue to be under-maintained – not because we don't know how to maintain them, but because we lack the resources to maintain them. While we may breathe a sigh of relief that we are not making huge cuts, just staying in the same place is not enough. We must keep our City moving forward.

In that regard, our Citizens Advisory Group has done an immense service for us in outlining a plan to move Newton forward.

I want to thank the 14 volunteers who spent countless hours to offer tremendous insight and important suggestions on the City's current and future fiscal affairs, and I believe the best way to show our appreciation for their work is to respond with thoughtful and insightful actions. The nine key recommendations – the “game changers” as the Group calls them – will require collaboration and dialogue, further examination and determination. I am committed to exploring each of these recommendations, act on those I can act on immediately, and begin the process of evaluating and implementing the other more long-term ones.

Within this budget are four initiatives that are aligned with four of the nine “game changers.” We agree with the assertion that we must invest in our capital assets by taking advantage of our triple-A bond rating. Increasing our percentage of debt service to be more aligned with other triple-A bond rated communities is a sensible method of funding the needed repairs to our City and school buildings. We also concur with their recommendations to invest wisely in a select few new positions, both of which will ultimately offer a favorable return on our investment as they achieve savings and efficiencies for years to come. The first position we have included in the budget is a budget analyst in the Executive Office. As the CAG report reads, evidence suggests that a Budget Analyst position “will more than pay for itself in relentlessly identifying and acting upon cost-saving opportunities from a data-based foundation.”

We also believe the CAG recommendation for a broader performance management system is warranted and should begin in a few departments. We therefore recommend adding a position in the Executive Office to develop, implement, and oversee such a system. We have also restored a crime analyst position in the Police Department to fortify their compstat activities. A performance management system can bring with it measurable strategic goals, greater transparency and accountability, money saving efficiencies, and greater cross departmental collaboration; all of which helps makes the City more customer friendly, efficient, and better prepared to meet the challenges of the future.

I am also fully supportive of the recommendation to tie employee compensation growth to the City's revenue growth. Our salary and benefits requirements must reflect our ability to pay. We can only avoid future layoffs and deep cuts to all departments by setting a collective bargaining position that recognizes the unprecedented national fiscal condition and that looks at all employee benefits in the aggregate, ultimately reflecting our ability to pay.

I believe the five other game changers should be implemented as well. Their implementation must involve a thorough examination and detailed analysis on how we can best implement them. The five include the re-engineering of school and City operations to see where we can produce excellence at a lower cost; taking a comprehensive look at the size and scope of our City programs and services and determine whether we can afford to keep them all given the fiscal realities; deciding what services should be funded by fees, what by tax revenues, and how much they should cost residents; how to enhance transparency and overall communications with citizens; and finally, once all the game changers are acted on, determine whether debt exclusion and/or operating override votes will be necessary to sustain Newton's level of excellence. I have spoken to President Baker and Chairman Laredo, and we have agreed to convene a working group to ensure that we continue to follow up until all the recommendations are thoughtfully implemented; because we know that how we proceed with these issues in the long run will likely define our City's ability to sustain our current standards of excellence in Newton.

In closing, I want to express my deep sense of optimism for our City. There is no doubt that we face sizable challenges in the months and years ahead. We are going to have to work very hard this year just to maintain funding for the level services budget I present this evening. In the long term, the CAG report has put into focus the structural deficit that we have become all too painfully aware of over the past several years. They have challenged us with a series of initiative to take a well-run City government to the next level – a level we will have to attain if Newton is to remain a leader among cities.

I believe it is a challenge we are uniquely qualified to meet. We are a community of passionate and involved citizens who, above all else, take pride in and care about our City. It is up to all of us in this chamber tonight to engage in a transparent, dignified and respectful community discussion about how the City we all love will meet the challenges it faces. If we are able to do that, in the end, we will be a stronger, closer community, and we will be forever known as pioneers of positive change in Newton.

Thank you, and good night.