

COUNCIL PASSES \$120.6m BUDGET

The City Council unanimously adopted City Manager Jay Ash's \$120.6m spending plan for the upcoming fiscal year, which begins July 1st. The FY'11 budget, which is up a nominal 0.7% over the current budget, funds school, public safety and general government operations, and includes spending on debt service for capital projects, state assessments for services like the MBTA and employee and retiree benefits.

"We're weathering a horrendous storm," forecasted Council President Leo Robinson. "City government is certainly battered from the effects of what many believe is the worse municipal finance period since the Great Depression, but we continue to find a way to balance budgets, offer good to outstanding levels of service and avoid a dreaded Proposition 2 ½ override.

"Given that twenty years ago we were about to fall off a cliff into the valley of receivership, being able to deliver yet another balanced budget during such tough times has to be cause for celebration."

Robinson's illustrative description of 1990, the year prior to the City's financial collapse and subsequent placement into State Receivership, stands in contrast to the City's current financial management. In fact, Ash's FY'11 budget is entitled "Steadfast." Ash says the adjective describes a mindset at City Hall where the City Council and his Administration hold an unwavering committed to not succumbing to the pressures and challenges of the current era of municipal finance difficulties.

"The good news," suggested Ash, "is that we are two decades removed from our worst of times and continue to apply the lessons we learned then to not repeat those same awful mistakes that plunged us into near bankruptcy.

"It's not by accident or luck that we've outlasted far worse financial times than the early 1990's while avoiding the cataclysmic impacts that others are suffering today. The Council has done an outstanding job overseeing our fiscal prudence and our dedicated staff continues to find ways of doing more with less."

The avoidance of a budgetary collapse, as well as last year's bond rating increase and a favorable audit report all suggest that the actions of the City Council and Ash's Administration continue to provide for good municipal budgeting during very volatile budgeting times. Yet, despite that good budgeting, Ash says that continuing problems do pose future concerns.

"Budget busters are eating away at our financial foundation," stressed Ash. "When I began here as City Manager in 2000, health insurance comprised about 5% of our budget. It now takes up 13% and is growing. For this upcoming year, health premiums alone are up nearly 10%, debt service is up 7% and state assessments are up 4%. Conversely,

general government aid is down 18% from the budgeted amount this year and 35% down from its FY'01 highs.

“The fact is that no matter how much we brag about our budgeting success and come up with new ways of affording to offer the same services, the current model of financing employee benefits and receiving less local aid to do so is unsustainable.”

In order to address the impact of budget busters in both the current and next fiscal year, Ash has cut 32 positions out of municipal operations and the School Department has pared its staff by 44. While school spending is up 2% for FY'11, non-school spending is actually down a fraction for FY'11. General government, paying for City Hall employees and services is down 10%, public works is down 7% and public safety for the upcoming year. Of all the major service areas, only human services is up significantly, at 9%, almost exclusively because of a 39% increase in anticipated benefits to be paid to veterans. That number continues to rise as more veterans return home after tours of service in Iraq and Afghanistan.

“We're right up against a point where any more bad news will cause a major service disruption,” warned Ash. “We especially need the State to provide a path for us to reduce our employee overhead costs or find a way to send more non-school local aid out to cities and towns, and preferably both. Otherwise, our reserves can only hold us for so long while we wait for a day that might not be coming, one in which a robust economic rebound again gives us record economic development receipts.”

Reserves are part of the budget balancing formula again for FY'11, with the City planning on drawing down \$2m from Free Cash to avoid making deeper cuts. That drawdown is 33% less than the \$2.9m the City used to balance the FY'10 budget, an indication, says Ash, that the Council and he remain serious about being fiscally responsible. Meanwhile, Chelsea may be leading the way in terms of a rebound in regional development activity.

“The general slide of the economy has temporarily halted a number of important development projects, which, in turn, has cut into our new building permit fees and overall growth in our tax base,” reported Ash. “We've seen some signs that things are loosening up, and we are hopeful that a new hotel, a major housing start and a second phase of Mystic Mall happenings will all occur in FY'11. That, in turn, will mean new tax revenues for us, just not enough, I'm afraid, to ever fully overcome the budget busters. That's why help on those budget busters from the State is so critical.”

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