

FY 2008 Budget

Mr. President and Members of the Council. The budget I submit tonight marks the 4th year in a row that we have submitted a budget with no request for an override or debt exclusion, and with no cuts in vital services.

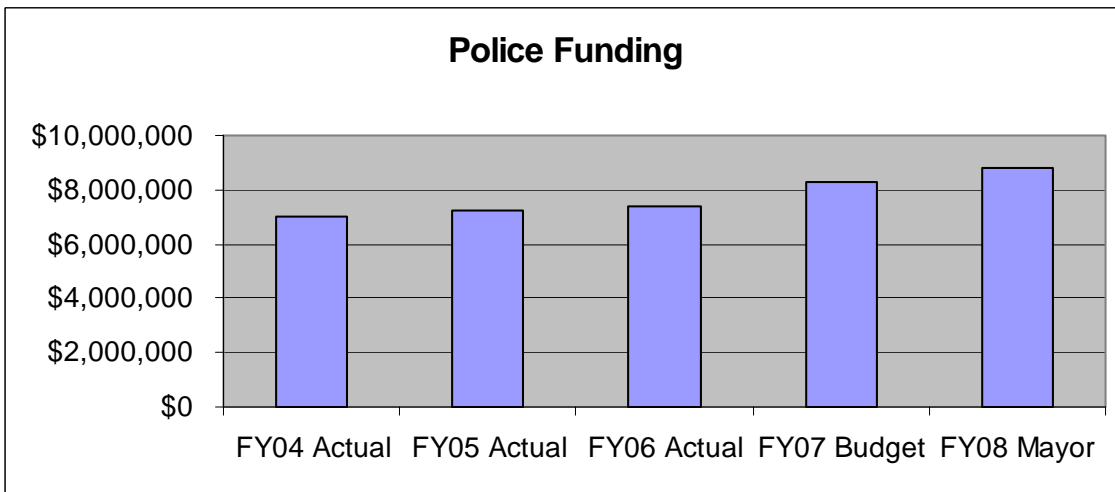
Given the fact that about 100 other communities have indicated that they cannot provide vital services to their taxpayers without an override, this is no small accomplishment.

Our priorities in this year's budget are public safety, and public education, which are both key elements to the continued financial viability of our city.

Budget Summary

Police

This budget increases the funding for police by over \$500,000.

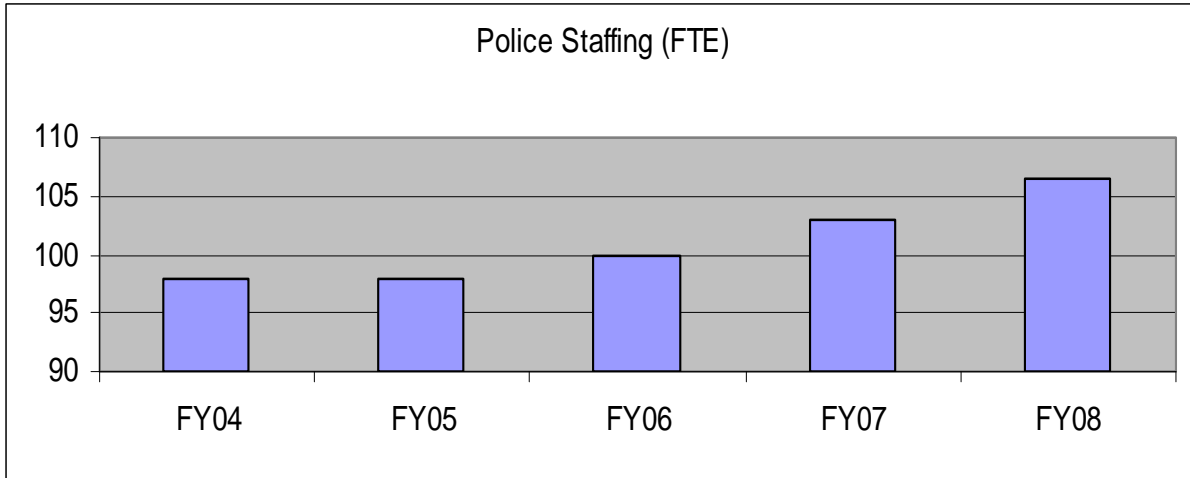


The overall increase in the police budget is part of a three and half year trend to increase police funding. Over the past three and half years, police department funding has increased by \$1.7 million,

Increase from	
FY04 to FY08	
Police %	24.8%
Police \$	\$1,745,996

This year's budget for the police includes a request for two additional police officers. This increases to eight the number of police personnel who have been added in the past three and half years—including patrol

officers, crime analysts, and others.



Those additional police officers and the additional patrols will be concentrated where they are needed—in high crime areas.

Additional Staff FY04—FY08	
Captain	-1
Lieutenant	1
Sergeant	1
Patrolman	4
Crime Analyst	1
Data Collection	0.5
Parking Control	1
Other	1

While it is important to increase funding for public safety, and this budget does so, it is just as important to make a smart allocation of those resources and to increase efficiency.

This budget also, once again, calls for civilians to give out parking tickets in the downtown area.

Education

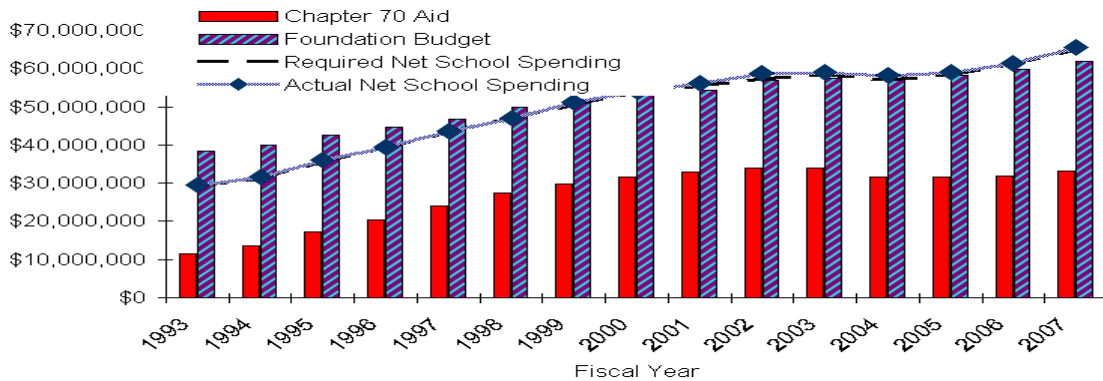
This budget also calls for a dramatic increase in funding for public education. The total budget for public education is up by over \$3.5 million—from last year.

School %	16.3%	Increase from FY04 to FY08
School \$	\$7,732,883	

From FY04 until now, the city has increased

funding for public education by over \$7 million—a 16% million increase. This does not include the funding for the high school renovation project, a \$27 million project.

Increases in School Funding 1993 to Date



While increased education funding is important, as with police, it is not the only answer.

It is also important that we wisely use the money that we have.

For that reason, I have earmarked money in this budget which can only be used to improve MCAS scores—money for MCAS tutoring and money for mandatory summer school.

Summer School	25,000	
Computerized MCAS tutoring HHS	16,000	
Operating Appropriation	54,990,163	
Total School Committee Appropriation =		55,031,163

The money for MCAS tutoring will be used to provide computerized MCAS tutoring to every child at Haverhill High school. We know this computerized tutoring program works, and we need to implement it.

This budget earmarks funds to continue the mandatory summer school program which was instituted a few years ago. We know that mandatory summer school works, and that the majority of students who are in summer school are promoted to the next grade. It is a strong and effective program and we need to continue it.

Use of non-recurring revenues.

This year's budget uses \$6.8 million non-recurring revenues. Using non-recurring revenues is not ideal budget planning, but the alternatives are even worse.

The alternative to using non-recurring revenues is to either cut back on vital services or ask our citizens for override or debt exclusion. We can not do either.

In the long run, we have to use non-recurring revenues. In the long run, this is not sustainable.

Tonight, I invite the city council to join with me in supporting the Municipal Partnership Act, which will bring in a total of \$ 2million a year in nonrecurring revenues to our city. I want the council and the public to know that we have been in active talks with the Patrick administration and told them that we need their help next year. I invite you to join with me to find lasting, recurring solutions, and to work with me to solve next year's budget problem, before it gets to be a crisis.

Expenses

Increasing revenues is only one part of solving our problems.

An even more important part is controlling and unfixing fixed expenses. Once again, we need to start with health care.

Health Care

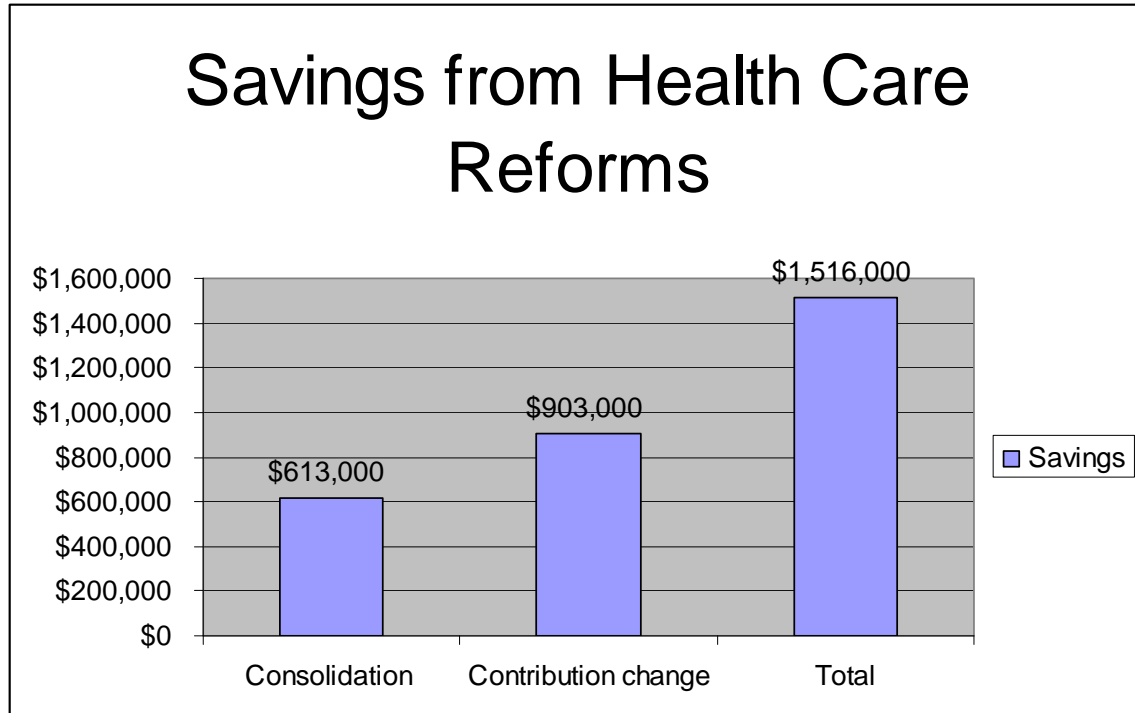
We've enormous strides in controlling health care costs.

We have consolidated five health care plans into one plan, and used our increased bargaining leverage with the one remaining carrier to save hundreds of thousands of dollars. We have worked with all nineteen (19) of our unions, to persuade them to have their members pay more of the total health care premiums.

Tonight, the last of the 19 unions agreed to health care concessions. The first phase of health care reform is over, and we can declare a partial victory.

This budget shows savings of \$1.5 million from health care reforms in this year's budget. In no small part, the success we show this year is due to the health care reforms we instituted three years ago, and I thank the employees of this city who made this all possible.

Savings from Health Care Reforms



But that victory is only partial. For all our efforts, and for all that has been done, health care costs in this city, and in every city in the State, continue to outstrip our ability to pay.

This year, the health care expenses in our budget are at \$20.6 million, and increase of \$1.6 million from last year. Think of how much more we can do as a city without that health care increase. Instead of ending programs in our school department, we would be restoring them. We need to do more.

The Next Phase of Health Care Reform

Co-Pays and Deductibles

Controlling health care costs has to be a multi-pronged effort. Once again I call upon our unions to work with us, this time to increase co-pays and deductibles.

Those of us who work for the city continue to pay a \$5 co-pay whenever we go for a doctor's visit. In effect, we are getting 2007 medical care at 1950's prices. No local industry provides such an arrangement—in fact, it is impossible to buy a package for private industry that is as generous as the package we offer. That needs to change.

Unfortunately, to change health care deductibles requires the consent of every union in the system. Thus far, three unions have agreed—two police unions and the library union—but there are 17 other left to go.

Low Cost Consumer Plans

Co-pays and deductibles is only one change, but there are others. We need to implement, as an alternative for our employees, low cost consumer drive health plans, similar to the ones in private industry and similar to the ones which the State offers its employees.

We have obtained bids from several health care carriers, and we intend to offer this alternative in the fall.

The GIC

We also need to explore the option that Governor Patrick has offered, of joining the State insurance plan, the GIC. This has the potential to save us money, and we need to carefully study this.

Hale Debt

Health care is not our only long term problem. Even though we've paid down \$4 million in the Hale debt, because part of the debt is health care costs, as health care costs rise, our debt rises.

Hale Hospital Costs	Total	Annual
	Liability	Cost
Deficit Debt	25,300,000	1,600,000
Facility Debt	12,700,000	1,400,000
Retiree Health Liab	32,000,000	2,500,000
Retiree Pension Liab	24,200,000	1,600,000
Other Debt	800,000	200,000
Totals	95,000,000	7,300,000

We've been meeting with the State to make the point that we need to continue to make,—the Hale Hospital was not just our hospital, people from all over the region used it. Although they paid to go there, those payments were never enough to balance the budget. When 30-35% of the consumers of the hospital came from outside the city, it is simply unfair for 100% of the burden to fall upon the taxpayers of Haverhill.

The Way Ahead

Our way ahead has to be related to four items:

- State wide relief from the Hale debt
- Continuing to slow the rate of increase in health care costs through the next phase of health care reforms

- Improving government efficiency
- Increasing revenues through the Municipal Partnership Act

Government Efficiency

Our first step in improving efficiency has to start with the highway department. Over the next few months, we'll be hiring a new director, reorganizing the department, and taking steps to improve customer service.

We have lots more to do, but let me tell you what we've done thus far:

- We've increased accountability, with better methods for tracking time
- We are instituting GPS in some of the vehicles and with some of the private crews. We want you, the public, to know where our hardworking crews are all the time
- We're working with the new acting director to change the weekend shift, so that instead of having people answering telephones at overtime rates, we have people out doing productive work, cleaning your streets, and giving you the service you deserve.

We know we have more to do, but we are getting started.

The Way Ahead—The Municipal Partnership Act

As important as these items are, we also need to rally behind the Municipal Partnership Act proposed by the Governor.

The Municipal Partnership Act would bring in close to \$2 million a year in additional revenue to our city, without raising real estate taxes.

Conclusion

The budget we propose tonight offers more money for police, more money for public schools. This budget was made possible, in part, by the health care reforms we initiated three years ago, health care reforms that clearly worked and must be continued.

But for all our success, the road ahead is still fraught with danger. The Municipal Partnership Act offers our best chance for the long term structural relief we need so that when our one time money runs dry, there is an alternative.

Respectfully submitted,

James J. Fiorentini, Mayor