

The Honorable Thomas M. Menino
Annual Report to the Boston Municipal Research Bureau

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Prepared for delivery

Thank you to the Municipal Research Bureau for supplying objective and insightful views on City and State issues. The Bureau represents accountability and strategic thinking, and that's what I want to talk to you about today.

I will be open about the challenges we face and specific about the actions I am taking to address them.

The crisis we're facing is historic, but I am confident about what we can achieve together. If we take action together, we can rise to meet the future.

I am here to present a plan to save jobs and protect core services, to stabilize the public sector, and help the private sector grow.

Thankfully, Boston confronts these challenges from a position of real strength. Few cities can match Boston's diverse collection of leading academic, health, financial, and life science industries – many of which continue to grow even in a down economy. Even fewer cities can say that their main businesses are recognized as international leaders.

Compared to most American cities, our housing prices are more stable. Our unemployment rate is lower, and our office occupancy rates are higher.

In city government, we continue to be smart financial managers. In fact, this week, Standard and Poor's and Moody's reaffirmed the City's Aa1 bond rating. Yesterday, we sold \$100 million in bonds at 3.89 percent interest to support our capital plan. In this market, investors flock to quality.

Fourteen investors bid on our bonds – up from nine last year. That’s a strong statement that the markets are confident in Boston.

Earlier than most, we saw an economic crisis coming, so we took actions to maintain our financial health. We instituted a strategic hiring freeze that saved taxpayers millions of dollars. We made the tough decision to cancel two fire recruit classes and a police class, and we curbed all discretionary spending.

But still we face a \$131 million budget gap in Fiscal Year 2010.

Let me tell you how we are going to close this gap to keep our city moving forward.

I am leading on three fronts: one, aggressive reform and cost cutting; two, the responsible use of reserves and stimulus dollars; and three, a shared sacrifice which will minimize, but not eliminate the need for layoffs.

I don’t want layoffs. To me, a layoff is not a number. It’s a person. It’s a family. I’ll do everything I can to protect Boston’s families.

Our work starts with reform. Already, we negotiated with health care providers to reduce premiums, saving taxpayers nearly \$5 million. Now, we are consolidating services and cutting activities that are not at the core of our mission.

Let me give you a few examples.

We will move the services of the Public Library’s Kirstein Business Branch down to Copley Square. This will strengthen our resources for entrepreneurs, and save the City \$250,000 every year while maintaining services.

Also, I am announcing today that we are closing the City’s printing operations. This will save taxpayers \$400,000 next year and \$1 million every year thereafter.

Throughout the administration, we’re finding ways to cut personnel costs while still preserving frontline staff at the neighborhood level.

For example, in our Community Centers we will eliminate a layer of management, which will save a half-million dollars a year.

We're doing the same thing in the Fire Department, restructuring management in order to protect frontline services.

In the school department, we are reducing central office management in order to protect teachers.

This kind of tough decision-making is not new for me. I've been doing it in good times and in bad times. That's how we built up a rainy day fund. We will absolutely need to draw on these funds, but we will do so responsibly – just like you would do in your own family budget. You don't spend all of your savings in one shot.

A smart use of our reserve funds will narrow the budget gap. And next year, we will be able to supplement our use of reserves with one-time funds from the American Recovery and Reinvestment Act. We have already been awarded nearly \$150 million in federal funds.

However, President Obama has stressed this is an economic stimulus package – not a blank check for cities. Only \$21 million can be used to address our budget gap.

Which brings us to the most challenging and sensitive piece of my plan.

Right now, we all must bear a share of the burden in order to keep Boston on solid financial footing. In that spirit of common commitment, my cabinet and I volunteered to take a 3 percent pay cut. We will not ask anything of others that we haven't already done ourselves. We are committed to this city and the people we serve. Boston's municipal union leaders need to join us in shared sacrifice for the good of our city.

Let me be crystal clear about what we're asking. We simply want unions to wait one year before they receive their pay increase.

Already, five unions have agreed to the wage freeze.

Today, I am proud to announce the sixth union to join them – AFSCME – the people who work in public works and transportation, and other basic city services. The 1,239 members of this union earn an average salary of \$44,000. They've agreed to forgo about a thousand dollars each, so we can protect nearly 50 jobs and keep services strong for city residents.

Think about this: one thousand dollars per union member saves 50 people from the unemployment line.

AFSCME follows the lead of the Superior Officers Federation, the Boston School Police, the EMT Union, the Public Health Nurses Union and the Steam Firemen and Oilers Union. Please join me in recognizing these unions and their commitment to our city.

The actions of these men and women reflect what I hear in the neighborhoods every single day. In bakeries and diners, I run in to members of unions that have not yet agreed to the wage freeze, and these men and women tell me something different than what I hear from their union leaders. They tell me they would rather agree to a wage freeze than lose their jobs or watch their co-workers lose theirs.

Right now, union leaders have a chance to impact the quality of life in our city. Without their cooperation, I will have no choice but to lay off roughly 700 city workers. This includes more than 100 teachers. But with union cooperation, we will keep more teachers in our classrooms, more officers on our streets. We will continue to look after parks and offer services to seniors. We will make sure that our city remains a place that values people, protects people, and empowers people.

With the wage freeze, I've asked for a shared sacrifice. But what I am really talking about is shared responsibility. A responsibility to Boston's neighborhoods and to the men and women we represent.

That's why I am calling on the leaders of those unions that have not yet agreed. Listen to your membership. You may think you have the luxury of waiting. You don't. You may think I will

bow to political pressure. I won't. Because I believe that leadership means facing facts. I believe that leadership means looking people in the eye.

I work for all of Boston's taxpayers, and I will not jeopardize our city's great future.

There's no way to completely avoid layoffs, which absolutely keeps me awake at night. But together, we can keep those cuts to a minimum, and we can ensure that city services stay strong during this downturn.

All of the challenges we've discussed are real and pressing, and nobody should minimize them. But I do think it's important to put them in a context of some of the good things that remind us why we should have faith in Boston's future.

I know that people are concerned about a few key construction projects that have stalled. So am I. But let's not overlook the fact that Boston has \$5 billion worth of projects under construction right now. In the weeks and months ahead, we will expand that activity by putting federal stimulus money to work to kick-start capital projects.

We are pursuing every dollar we can in the Federal Recovery Act to bring resources to Boston. Already we have secured an additional \$39 million for roadway improvements in our neighborhoods.

I've challenged my staff to make Boston the first city in the nation to break ground using federal recovery funds.

I am also using funds from the Recovery Act to launch Renew Boston – a public private partnership that will create 100 green jobs, and cut energy costs for homeowners. Renew Boston will help build a brighter future for our city.

So will summer jobs for Boston's young people. When you open your door to a teenager, you open their mind to a whole new world of opportunity. This year, I ask you to please do what you can for the next generation of Boston's leaders.

I know how much pressure businesses are under. I am committed to finding ways to help them weather this downturn, and I am determined to keep Boston's business community strong.

Not a week goes by without me talking to our city's business people.

I have directed my economic development team to identify companies in Boston whose leases end in the next 24 months. The competition for business is steep, and I want to make sure we don't lose jobs to other cities. Working with commercial real estate companies, we will target these businesses, get a firm grasp on their needs, and we will provide financial and technical assistance where appropriate. Boston will give businesses every reason to stay in our city.

For me, I see reasons for faith in Boston's future every day.

Last weekend, I opened the Mattapan Library. It's a real gem. We filled that library with computers and books, and neighborhood residents filled it with energy and hope. I saw grandparents read to their grandchildren. I watched teens exploring state-of-the-art technology. And more than anything, I saw a community come together in a new way.

A few days earlier, I went to an event for the upcoming Volvo Ocean Race. This event is going to be spectacular. It's an around-the-world race making its only North American stop right here in Boston. Thousands of people from all over the world are coming. Already, they have booked nearly 18,000 hotel nights. The race organizers selected Boston because the world understands how special our city is.

I was reminded of that at last week's launch of Boston World Partnerships. This is a campaign to raise the world's awareness of everything that Boston offers. It's built on a core network of both new and established business people. These are global citizens who work all over the world, and, boy, are they bullish on Boston.

As one of them said to me, "Mayor, I can build my business anywhere in the world, but Boston is where I want to be."

We are at a defining moment in Boston's history. To fulfill our great promise and to reach our full potential, we must act with energy and courage. We must be quick to partner and willing to sacrifice. I know together we can create a better future for Boston.

A stronger city that generates even more economic opportunity.

A more progressive city that brings fresh hope to all its citizens.

A forward-looking city that realizes our dreams.

I am excited and energized to lead our city in creating that future.

Thank you, and have a great afternoon.