

October 16, 2008

To: Cabinet Officers, Department Heads
From: Lisa C. Signori
Director, Administration and Finance
Re: Cost management actions being implemented

In this time of rapid changes in the global, national and local economies, I want to take the opportunity to update you on how these changes will affect the City of Boston and to outline the steps we must take in order to maintain a balanced budget in FY09 and plan for FY10.

While the financial markets, bank and other financial institutions have been severely impacted by the fallout from the mortgage crisis, the City core assets remain secure. As a result of the City's judicious financial management through the last economic downturn and in the years prior to that, we have minimal exposure to the failing institutions, hold no variable rate debt and all of our deposits are fully collateralized. However, sources of revenue are expected to decline in this time of economic uncertainty, including economically sensitive revenues like excise taxes, grants and contracts made directly to departments from the Commonwealth of Massachusetts and/or the federal government, and state aid.

The City's, and the nation's, financial situation is evolving daily. We will be closely monitoring all factors affecting our revenue and expenditure projections.

As a result of declining revenues, the City of Boston must implement the following actions:

- A hiring freeze will be implemented immediately. The Personnel Review Committee will analyze all currently posted positions and make recommendations for filling only strategically critical roles across all departments of our organization.
- We will begin a critical review of all non-personnel expenditures, taking a look at expenses such as equipment, travel, and vehicles.
- We are undertaking a comprehensive review of capital spending projects.

The Office of Budget Management and the Personnel Review Committee will be reaching out to departments with further guidance.

The steps we are taking to maintain a balanced budget will be challenging. However, Mayor Menino is committed to maintaining the highest possible level of services for our citizens. Under his leadership and with your cooperation we will make the necessary financial adjustments so that these challenging times will have a minimal impact on our workforce.

We will strive to keep you informed as financial conditions cause us to adjust our management plan. Thank you for your continued cooperation in managing your budget.