



RICHARD C. HOWARD  
MAYOR

# City of Malden

Massachusetts

OFFICE OF THE MAYOR  
200 PLEASANT STREET  
MALDEN, MASSACHUSETTS 02148

TELEPHONE (781) 397-7000  
FAX (781) 397-7073  
[www.cityofmalden.org](http://www.cityofmalden.org)

June 15, 2010

The Honorable Members of the City Council  
Malden Government Center  
200 Pleasant Street  
Malden, MA 02148

Dear Members of the City Council:

As a follow up to my preliminary budget submitted on Tuesday, June 8, 2010, I am submitting herewith a final advertised budget for Fiscal Year 2011 with several adjustments and several notations about possible future changes.

As I highlighted in my budget address last week, the single most important initiative in this year's budget is the overhaul of our plan design for the group health insurance benefit. I mentioned that for approximately the past two months I have been meeting with union leadership in an effort to outline to them the steps that must be taken to lower our costs in this line item. Accepting this as a basic tenet for this year's budget, and for future budgets, is unavoidable. The need for reform is heightened in this era of rapidly declining state revenues. This point bears repeating - in less than two fiscal years, Malden has lost nearly \$10 million in state aid and resources.

Over the past several years we have taken every reasonable step to cut expenses and raise revenue while not overburdening the owner occupied, residential taxpayer. We have closed McFadden Manor and have introduced the Pay-As-You-Throw program, which has spread the cost of trash hauling services to all residents while saving more than a million dollars on our disposal costs. Through the years, we have allowed many positions, especially in the general government sector, to remain unfilled to the point where throughout City government we have several hundred fewer employees than when I entered office fifteen years ago.

We have provided residential owner occupants with a 20% tax reduction with the implementation of the residential tax exemption program. Our combined water and sewer charges for residential users are among the lowest in the MWRA system. And, as I have pointed out in every budget address, our average real estate tax burden is among the lowest in the state and is well below the average state-wide single family home tax bill of \$4,200.

In short, I believe we have taken every step to cut costs, retain essential services and invest in our schools, public facilities and parks with the limited resources we have, and, in the process, improved the quality of life for all residents - from the very young to the very old.

The Honorable Members of the City Council  
June 15, 2010  
Page Two

In order to sustain the level of workforce that we have, we must reign in the highest and fastest growing line item in our budget – the cost for group health insurance, now estimated to cost \$25.9 million and projected to grow at an average of 10% annually.

Over the years, we have negotiated fair and reasonable contracts for all departments, providing for incentives for specialized skills and for productive, long-term service to the City. Our salaries in all categories of service match up very well to those paid to similar employees in surrounding cities and towns and to other communities in the Commonwealth with similar size population and demographics.

Taking this into account, I believe we have proposed a fair and reasonable adjustment to our cost sharing arrangement with employees for the overall cost of health insurance coverage. The table that was attached to last week's message to you shows that what we are proposing for the year does not amount to what municipal employees and state employees who are covered under the state's GIC program pay for the same benefit package. After years of waiting for the state legislature to enable municipalities to enact similar changes at the local level, without success, many cities and towns are moving in the same direction as Malden is now.

Although the health insurance plan design changes are being proposed only for one year, it is my hope that all employees will understand that these changes, together with a rigorous commitment to a well conceived wellness program, are essential for the long term viability of this benefit and, in turn, to the underlying dynamics of the City budget.

If I can stress only one point to you this evening, it would be that with the level of revenue we expect to receive this year and in the coming years, we cannot sustain the level of workforce we currently have, and failure to reform the health insurance plan design and its cost worsens that equation by half or more.

To date, two union bargaining groups, the school teachers and the librarians, have negotiated the needed health insurance plan design changes and, therefore, I have made the corresponding changes to those budgets.

In the Schools, I have halved the cuts previously submitted to \$1.5 million. This smaller cut, together with the health insurance plan design changes and the use of one time resources that the Superintendent and his leadership team have accumulated through good management of past budgets, will allow the system to absorb no more than ten layoffs for the upcoming year, together with elimination of certain vacant positions.

Similarly, I have restored cuts proposed to the Library to have its budget reflect the acceptance of the health insurance plan design changes.

As I have mentioned on other occasions, I intend to implement these changes throughout the general government, non-unionized workforce, again without layoffs, unless the Council were to signal to me that it would intend to cut from the ranks of those departments.

The Honorable Members of the City Council  
June 15, 2010  
Page Three

It is my hope that before the end of the Council's deliberation on the budget, all or nearly all of the employee groups will reflect on this proposal, will embrace it for at least the one year and will commit to engaging in dialogue to reform the health insurance plan for the benefit of all employees. If we at least get to the first step, then many of the losses contained in this budget document can be reversed.

I will close in saying that despite these very serious challenges to our year-to-year operating capacity, we will continue to roll out a series of important capital projects by the judicious use of capital borrowing and attracting state and federal resources from grant programs.

Over the next year we will triple the amount of neighborhood investment in streets, sidewalks and infrastructure. This was accomplished due to the good work of Jack Russell, City Engineer, and our consultants who identified federal funds to add to our usual Chapter 90 and MWRA loan programs. Due to the hard work of Councillor Christenson, we will celebrate the 100<sup>th</sup> anniversary of Bell Rock Memorial Park by repairing the World War II archway and expanding it to include the names of more than 8,000 Malden residents who served our country during World War II. With state grants, CDBG funds and partnership investments, we will substantially upgrade several large parks with better, more durable playing surfaces for both open field and hard court activities.

It is clearly a challenging fiscal time in the state's history and for Malden. We are at a true crossroad and our employees have some say on which path is traveled. Without renewed state resources, our residents will also face the question of what level of service and quality of life we want for Malden. There is a lot of hard work ahead.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard C. Howard", written over a horizontal line.

Richard C. Howard  
Mayor