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THE STATE OF OUR CITY: MARCH 2004

“WE ARE MAKING PROGRESS”

Mayor James J. Fiorentini

Ladies and gentlemen.

Eleven weeks ago, in my inaugural address, I spoke to you of the difficult journey that lay ahead. Eleven weeks ago, I told you that the seas would be rough but that we would get there to build a new and better city.

I am here tonight to tell you that the roughest seas are yet to come, but the journey has begun and we are making progress.

I) The Steps we have taken so far

As I stand before you this evening, the papers are filled with stores that we may become another Chelsea and sink into receivership. I am here tonight to tell you that although our problems are great, we are making progress and if we work together, this will not happen.

Let's examine where we are and how far we have traveled.

Eleven weeks ago, our library, our citizen's center, our elderly services, our fire stations, and our leaf drop off services had all been cut from the budget, only to be saved by the use of our one time money from the settlement of the Quorum lawsuit. Eleven weeks ago, our deficit stood at \$4.2 million and our situation seemed hopeless.

That was eleven weeks ago. Working together, our journey as begun and look at what we have accomplished today.

A) Steps to cut expenses

1) Reorganization of city government

We began by reorganizing city government. We merged four departments into one, eliminated positions at the top, merged our economic development and community development departments, and in the next year and a half saved taxpayers of the city over \$300,000.

2) Hiring and spending freeze

We instituted a spending and hiring freeze and stopped all *nonessential* spending. We refused to fill any position until we were sure that the person we hired would not be the same person we laid off in July. I've taken some heat for that: but I would rather take the heat than have the taxpayers pay the salary and then pay the unemployment costs for someone we hire and then lay off. I won't do that to a new hire: and I won't do it to the taxpayers. Partially because of our actions, this July we will \$500,000 in free cash to apply to next year's deficit.

B) Increasing revenues

But just looking cuts has not been enough. The Council and I have worked together to search for every possible means of increasing new revenues.

I've been to Boston and spoke with our legislative delegation. Our legislative delegation, led by State Representative Brian Dempsey, listened was able to find an additional \$500,000 to help us with next year's budget deficit. Our delegation is here this evening, and I want to publicly thank them for their work on our behalf: State Representative Brian Dempsey, Representative Harriett Stanley, Representative Barbara *L'Italien* and Senator Steven Baddour.

Then the Council worked with me to institute a tax amnesty program. In slightly over two weeks, the amnesty program has brought over \$36,000 —money that we might have never seen, and certainly would not have seen in this year's budget.

But the best part of the tax amnesty program did not have to do with money. One elderly woman was about to lose her house because the combination of back taxes, interest and penalties was too much for her to bear. By offering an amnesty on the back interest payments, the amnesty program allowed us to get all the tax dollars we were owed and allowed her to stay in her home.

A young man who could not afford to pay the excise tax he owed and the interest was able to pay us the tax the city is owed and to get his license back. Both of these folks came to the office to thank me, and on their behalf I thank you for voting for it.

We've e looked everywhere for extra revenues and sometimes our search paid off. An increase in the State's fiscal outlook allowed us to make adjustments in projected State aid. We've reexamined our budget to see if

we can allocate more from free cash or from new growth. We have asked the legislature to help us speed up the sale of land. Then this council had the courage to do the right thing, and voted to bring in an additional \$1.1 million in funds by partnering with Aggregate Industries to bring in dirt for our landfill. It was a tough decision, but together we made the right decision.

C) Results—a \$4.2 million deficit is now a deficit of less than \$ 1.8 million

Working together, look where we are today. Eleven weeks ago, our budget deficit was \$4.2 million. Today, that deficit has been more that cut in half and stands today at less than \$1.7 million. It has been extraordinary progress in an extraordinarily short period of time and to all those who worked together to make this possible, thank you.

The progress we have made, and the steps that remain, call to mind the words of Winston Churchill:

“This is not the end, this is not even the beginning of the end, but perhaps, this is the end of the beginning....”

D) Efforts to improve the quality of government service

But the budget cutting is not enough. Our job isn't to deliver the least government possible; it is to deliver the **best** government affordable. Make no mistake about it, just because we were spending less does not mean we are doing less. Last year, because of budget cuts, the city was forced to cut a literacy program at the library that taught literacy and job skills to adults. I am happy to report this evening that with the help of the United Fund and with block grant money, we have been able to restore that program at no cost to our taxpayers.

At city hall, we instituted customer satisfaction survey forms to ask our customers for opinions and to see if we were delivering good service.

Our customer survey forms are in, and over 98% of our customers feel that the service they received was excellent.

Many of our customers went out of their way to write us notes about the good service they received.

- When Sam, a real estate broker went into the assessor's office, he wrote: "I have been in many assessors' offices. The fantastic expertise in this office is awesome."
- When Steve went to the building inspector's office, he wrote, "Sandy was very helpful and walked me through all of the procedures. She is a great and friendly employee."
- When an attorney from Lowell went to the tax collector's office, he wrote, "Everyone was friendly, capable and ready to assist."

Our police department is overworked and understaffed, but I am pleased to report to you that in the first three months of this year crime is down 2.5%. We are going to work as hard as we can to keep that trend going.

I want all of you to know that all of the people who are working at city hall are giving it their all under very trying circumstances and I am very proud to be their Mayor.

E) The use of volunteers and interns

Our top flight team at city hall has been aided by a top flight team of ordinary citizens who have done something extra ordinary—they have volunteered their time, day after day, at city. They have made the Mayor's office a joy to work in. This volunteer team is the greatest, many of the volunteers and interns are here today, and I ask them to stand and be recognized.

II) The Road ahead—a Roadmap to Fiscal Stability

A) The scope of the problem

But if we have started the journey -- and we have -- this only shows how far we have to go.

It was difficult in 11 short weeks to cut our deficit in half. To get from a \$1.7 million deficit to the balanced budget we are required to produce will be even more difficult.

To see how difficult, let us go back one year. My predecessor, after making millions of dollars in budget cuts, was still faced with a \$1.1 million deficit. To meet that deficit, he had to close the library, and was able to save it only when the Quorum lawsuit settled.

Our deficit is even greater, and we have no rabbit we can pull out of the hat, no Quorum lawsuit to settle.

We all know the problem—the problem is the Hale debt. Every single day I struggle with this problem: on top of all we do, we have to pay a debt of \$7 million a year to pay for a hospital we no longer own.

But my struggling with it on a daily basis is not what is important. What is important is that you struggle with it daily. When you go to city hall and there are not enough people to serve you, you struggle with the Hale debt. When you drive by the Bradford Fire station and see it closed, you struggle with the Hale debt. And when you read that we not have enough policemen on our streets, you struggle with the Hale debt.

Our challenge is great, but our determination to save our city is even greater.

My goal for the first 100 days really comes down to this: avoid receivership and balance the budget. We know we are half way there. I'll present a detailed plan in May to complete the journey and I present some broad outlines here tonight.

The basics are simple and really just the same common sense plan you would use if you had a deficit in your own household budget: you would spend less and try to earn more.

B) Spending reductions

1) Reorganize Government

To spend less, we need to complete the job we started in January to reorganize city hall. Next month I will present the Council with a plan to cut the number of city owned vehicles, merge the engineering department with the waste water department, make better use of block grant money, establish a true public works department and make many other changes and cuts.

Some of these cuts will be painful. But our responsibility is to present a balanced budget and our responsibility is to lead. This is our challenge and we will meet it.

2) Health Care reform

Of all the expenses we need to cut, the largest and most important is the cost of health insurance for city employees. To cut the cost of health insurance, we need to consolidate the number of health care plans, and become a self-funded health care plan. We are working with our unions and our insurance advisory committee, a committee that has done some

great work, we are moving in the right direction. It is critical that our unions work with us to consolidate the number of health care plans. That work must continue and it must succeed.

But, real health care reform can only be achieved if we work with our unions.

When times were good, we tried to be good to our employees.

Now our employees, who have the challenge of working for the city, must be asked to meet a challenge once more. The unions must work with us to save the city and to save their jobs. Let me put it bluntly: the plan I lay out tonight if enacted by the council in full means that we can balance out budget without layoffs. That plan is contingent upon health care reform. We can do this. That is your challenge and my challenge to work with you to achieve this.

C) Making cuts is not enough

But making cuts is not enough. There are only so many cuts that we can make; there are only so many positions that can be eliminated.

To understand this fully, look at what has already been done.

- Our school department has already eliminated 293 positions over the past – 3 years and during that period has already cut \$15,000,000 from its proposed operating budgets.
- Our so-called city side of the budget has already been cut W\$5.7 million since FY02 and over 80 employees had already lost their jobs even before I took office.

We have to balance the budget, but our first job is to deliver service and to keep our city safe. It is critical that we consider new sources of income.

The plan I outline here tonight does this—but only if there is insurance reform.

1) Parking

The first stop on our search for revenues has to be the parking lots in Haverhill.

For decades, we have pretended that parking is free, but we all know better. We all know that **someone** is paying to pave the parking lots, someone is paying to plow them, someone is paying to light them and someone is paying to sweep them. That someone is the taxpayers of this

city. We all know that economist Robert A. Heinlein was right when he said “there is no such thing as a free lunch.”

Yesterday, when I was called for jury duty in Lawrence, I went to the courthouse parking lot and I paid to park. If visitors go to a courthouse in Salem, or Lawrence or Lowell, they are charged to park. In Haverhill they are not. Every year, thousands of people come to park in commuter lots downtown and we welcome them. If they park in the commuter lot maintained by the MBTA, they are charged. If they park in the lots owned by the city, our taxpayers are charged.

It really comes down to this: Free parking isn't free. Someone is paying and that someone is you. Free parking forces us to lay police officers and firefighters. It is time we joined with nearly every other city in the area and charged. We have talked about this for years; It is time for action.

2) Impact fee on development

Our next stop in our search for revenues has to be at new development. We can not, and we should not, halt new development, but we can and we must control it. New development on the outskirts of our city costs us, and it is time for new development and developers to pay their fair share. It is time for fee, a site review fee or an impact fee, to help defray the cost of new development and help keep the city affordable for the rest of us.

3) Public Private Partnerships

To save other services, we need to study the best practices of cities throughout the country and we need to copy their successes. Let me tell you about a few of them.

- When Washington, DC found itself with an old and crumbling stadium they sold naming rights to that stadium.
- When Braintree, Massachusetts found it had a shortage of money in its school budget, they sold advertising on their school buses.
- When Oakland, California found it could not pay for recreation services, they sold advertising on their ball fields and stadiums.

In the next few weeks, I will file an ordinance to allow us to sell advertising on city owned ball land and to engage in public partnerships throughout the city. This is not a panacea, but we need to try everything.

4) Composting fees

Sometimes our search to save an important service in our city will mean that we have to charge for that service. This isn't anything we want to do; it is something we must do.

One of those services is the composting facility on Primrose Street. Our citizens deserve to have a facility where they can take their leaves and garden debris. To save this service, we need to charge for this service. I will present to the council a plan to save the composting service by charging a fee for it.

5) Other charges:

We are also going to have to examine our trash services. The rising costs of picking up trash may force our city to scale back on some services to charge for some or perhaps even for all of the rest. This will not be easy, and it is not going to be popular, but we were elected to lead and lead we must.

It is too early to say if all of this will be enough to close the gap. We all hope that it is, but we will not know the answer to this until the State budget numbers are in.

To close the gap, we may have to consider even stronger measures. I have heard many say now is the time to ask for debt exclusion for the Hale debt. But before we go down that road, before we ask the voters for more, we need to try every other option first. But I made a promise to the voters in November that I would look down every road before I proposed an override or a debt exclusion. That was the promise I made in November and that is the promise I keep tonight.

6) Balancing the budget is not enough

But just balancing the budget cannot be our only goal. That has to be where we start, not where we end. Our job is to provide our citizens with good service and to take care of those in need. We need to expand our senior citizen volunteer program so that senior citizens who want to join our volunteer corps can do so and get some money off on their taxes. Then we need to have a hardship tax exemption program so that seniors and others who are having trouble staying in their homes because of high tax bills have a chance of getting to stay in their homes. This program will only help

a few—but part of our job is to help the neediest of our citizens and we cannot shrink from it.

III) The Plan for Tomorrow—Growth in the Urban Core to Bring in new Tax Dollars

The gap we face is enormous, and for all we have done, and as far as we have traveled, it remains enormous. In the long run, we can only meet this gap with a permanent stream of new revenues. Our long-term permanent solution has to be growth: but the right kind of growth and in the right places. This is our plan for tomorrow.

A) Transit Oriented Design: Haverhill Can be the leader

I am happy to report that our plan for tomorrow started today.

Today, I have before the Council an ordinance that will start the process of rezoning downtown. Our plan is to bring to Haverhill young consumers, not as tourists, not as visitors, but to live and to work downtown in what planners call a live work district. Our plan is centered around old factory buildings and around the train station downtown.

The most exciting part of this is that the Romney administration has exactly the same plan. They are looking for cities that have old factory buildings downtown, and have train stations near those old buildings. We have lots of them. They are looking for cities with train stations in their urban core. We have two of them, one in Haverhill and one in Bradford. Their plan is called transit oriented design and it fits exactly together with our plan.

This Friday, March 26th, we will announce our plan for tomorrow in a conference to be held downtown.

Our plan is to be the prototype of transit oriented design, to be the city that the Romney administration can point to and say, here, we did it.

In the downtown area, we have the potential, if our old shoe buildings are all built out, to bring in an additional \$3.5 million in new taxes. We have the potential to bring in new young consumers who will go to our restaurants and our arts zone, and who will provide us with the long term solution. We know that this can not happen tomorrow, but it will never happen unless we start today.

B) Attracting Consumers with Clean Streets

To attract those young people to Haverhill, we need clean streets.

Our short-term solution is that I will have our block grant funds and our waste-water funds pay to help keep our streets clean. Our citizens deserve a city that is clean and we can do better in that department. In the long run, I will work with our business community to ask them to develop what is called a Business Improvement District to provide the long term funding to keep streets downtown clean and safe.

C) Attracting Consumers with good schools

We also know that to attract young people to Haverhill we need good schools. In the eleven weeks I have been in office, I have established a dropout commission to study ways to we can help our poorest performing children. I have established the Mayor's Excellence in Education awards to reward the best performing students.

IV) Fixing Our High School

Now it's time to tackle the most important education job of all: fixing Haverhill High School.

After decades of talk we have made some progress and there is, finally, a glimmer of hope. That glimmer of hope comes because our legislative delegation got us approved to be on the State building assistance board funding list and I thank them for it.

I am happy to report that this summer, we will stop talking about fixing our high school and we will start actually fixing it. Next summer, we will put in new windows and begin to reverse decades of neglect.

But, once again, our greatest challenges lie ahead. We have to find a way to pay for high school fix up until 2009 when the increased state funding will kick in.

A) Selling off city owned land to front load the high school project

Part of that plan will include the vacant land that once was the Ornstein Heal Factory in Bradford.

This land sits between the railroad tracks and the river and is valued between \$1 and \$2 million. It is time to sell that land. The council has had this property in committee to study it since Mayor Rurak was in office. It has been studied and studies and studied. Now is time to act.

In the next few months, I will present the council more property to sell more property to front load the repair of our high school and to provide what the

people who rate our bonds so desperately want: a stabilization fund to provide for rainy days. We simply can not go on the way we are; with no reserves of any type.

V) Summary

Our journey has made great progress. In 11 short weeks, we have made incredible progress by working together. We have cut the deficit in half, improved customer service, brought back the literacy program at the library, and—how could I forget this—we brought back the left hand turn onto Merrimack Street. We have made progress and that progress needs to continue.

Based upon the progress we have made, I am able to make you this promise and this pledge: on my watch Haverhill will not go into receivership.

My goals for the first 100 days in office are simple: present a balanced budget and avoid receivership. Working together we can and we will achieve those goals.

President Kennedy once said:

“all this will not be completed in the first one hundred days....but, let us begin.” I say to you tonight, “we will not complete it all within the first 100 days, but we have made great strides and let us continue, on our journey to build a new Haverhill.”

Haverhill can be and it will be, great once again. With your help, we will arrive at our destination.

Thank you and good evening.