

RICHARD C. HOWARD
MAYOR

City of Malden

Massachusetts

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June 8, 2010

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

Dear Members of the City Council:

It is with great concern that I submit to you this preliminary budget proposal for Fiscal Year 2011. As you know, the Commonwealth of Massachusetts continues to find itself in the most difficult fiscal condition in recent history. Unfortunately, what this means is diminishing resources for communities like ours.

Projected revenue from the State will decline again in Fiscal Year 2011 by another \$1,074,343. This is on top of the unprecedented cut delivered in Fiscal Year 2010 of \$6,117,760 for a total of \$7,192,103 from Fiscal Year 2009 to proposed Fiscal Year 2011. At the same time, state assessments from Fiscal Year 2009 to proposed Fiscal Year 2011 have increased by \$708,525, which results in a total reduction in state aid of \$7.9 million over these two fiscal years. Additionally, the one time ARRA funds of \$1.5 million for Fiscal Year 2010 will not reoccur in Fiscal Year 2011.

This loss in revenue is compounded by the spiraling expenses associated with the City's healthcare benefit, which is estimated to increase by \$2 million to just shy of \$26 million. The cost of this benefit continues to grow at an average rate of 10% per annum for self-insured programs like ours. The increased annual cost of this benefit now surpasses our entire tax levy and new growth capacity by an average of \$500,000 annually. In an era of perpetually declining state aid, the growth of this one line item handcuffs our ability to consider any other budgetary initiative with regard to personnel. In fact, without any substantial increase in our revenue sources, the cost of this benefit will perpetually keep the City's budget alignment in deficit mode forcing the reduction of personnel in order to accommodate the increase.

Without reform of this benefit, we must begin to align our expenses to our estimated revenue in this fiscal year. This means that for Fiscal Year 2011, we will have to reduce our budget by approximately \$5 million while using one time available resources of approximately \$5.25 million to avoid even deeper cuts.

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The departmental cuts that are being proposed are as follows:

School Department	\$3 million (see Superintendent Smith's memorandum regarding proposed reductions attached)
Police Department	\$750,000 (15 positions and vacancies)
Fire Department	\$750,000 (15 positions)
DPW	\$350,000 (12 positions and vacancies)
Public Facilities	\$250,000 (10 positions and vacancies)
Library	\$150,000 (2 positions and vacancies).

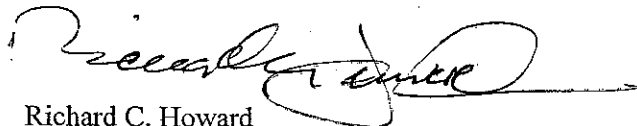
Since the House Ways and Means numbers were released in April, we have been meeting with representatives of all employee groups and have outlined the impact of the state aid numbers and our fiscal condition.

As an alternative to the reduction in personnel made necessary by our revenue shortfall, as outlined above, I have proposed that we change the plan design of the healthcare benefit for at least Fiscal Year 2011 with the intention of reforming the plan for long range savings. With the cost sharing and plan design features, this benefit is unsustainable in its current form. Additionally, the employer/employee cost sharing of this benefit is significantly out of step with other cost sharing ratios for similar public benefit plans. Accepting this change, for at least one year, will allow us to avoid layoffs and possibly retain some vacant positions in critical public safety departments. Without the change, we are left with no alternative but to cut expenses to meet revenue and one-time funding sources and we will be faced with similar shortfalls in Fiscal Year 2012.

We have proposed that for at least one year employees accept a revised co-pay and deductible schedule. This change is similar, but not as expensive as the cost to state and municipal employees under GIC (Group Insurance Commission) plans (see the attached schedule). To date, none of the employee groups have accepted this change. Therefore, I am presenting this preliminary budget outlining the cuts that would be necessary without the concessions on the healthcare plan. Prior to your adoption of the final budget, I hope we will receive word that the union membership would accept the proposed change. In that case, we would eliminate some of the cuts I have referenced above.

I look forward to discussing this with you further when I present the detailed Fiscal Year 2011 budget.

Very truly yours,



Richard C. Howard
Mayor



CITY OF MALDEN, MASSACHUSETTS

THE PUBLIC SCHOOLS

Sidney Smith
Superintendent of Schools

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MEMORANDUM

To: Mayor Richard Howard, Chair, School Committee, Malden Public Schools
Members, School Committee, Malden Public Schools
From: Sidney Smith, Superintendent *Smith*
Re: June 7 School Committee Meeting - Background Information & Documents
Date: June 2, 2010

Superintendent's Report:

Please find below background information for consideration during the June 7, 2010 School Committee meeting.

Superintendent's Report:

1. Accomplishments: I will report on recent student, teacher and school accomplishments at the meeting on Monday.
2. Budget Update:
 - FY10: Please see the attached, updated FY10 budget data submitted by Ms. Irene Oliver, Business Manager.
 - FY11: I do not have a final FY 11 budget figure. However, please see item #3 below for a related issue.
3. Unit A Teacher and Administrator Layoff Letters:

Prior to the distribution of Unit A layoff notices on June 1, the Mayor provided me with a target figure of \$3,000,000 in cuts that may have to be made for next year (FY11). In addition, the district will assume an additional \$1,439,441 in fixed costs next year (e.g., for step increases, longevity, utility costs, SPED tuitions, etc). The net effect is a potential decrease of FY11 revenue amounting to \$4,439,441.

As a product of this loss in revenue, fifty layoff letters were distributed to teachers and administrators who would otherwise have been employed by the Malden Public Schools next year. Four of the letters went to employees who had professional status (tenure). Forty-six of the letters went to employees who did not have professional status. Nineteen additional letters were distributed to short-term employees who were covering for teachers on leave or for teachers who had retired during the school year.

The positions that have been cut to date are included in the list below and in the attachment. I will review all of this information with you, in detail, at our meeting on June 7.

- Assistant Principal: 1
- Guidance Counselors : 3
- Librarians: 5
- Teachers: 42
 - Kindergarten: 11
 - Elementary (K-6): 4
 - English Language Arts: 1
 - ESL: 3
 - Mathematics: 2
 - Science (6-8): 2
 - Chemistry: 1
 - Social Studies: 3
 - Foreign Languages: 3
 - Puentes (Dual Language): 1
 - Physical Education: 2
 - Health: 1
 - Business: 1
 - Computers: 2
 - Art: 1
 - Music: 2
 - Technical Education: 2

It is my hope that our final revenue figure and our collectively bargained agreements (regarding health care and professional development days) will allow us to decrease the number of teachers and administrators who have been laid off. For example, the savings from a decrease in one professional development day would allow us to bring back four teachers or other affected employees. Savings from a decrease of three PD days would allow us to bring back twelve or more teachers or other affected employees.

In addition, other measures could be applied to offset some of the current cuts (e.g., user fees). At the same time, we need to remember that these projected cuts could also increase should collectively bargained agreements (e.g., salary increases) add to our obligations.

The most significant impact of the current layoffs are as follows, should these cuts go into effect next year.

- Class sizes would increase in grades 6-12 and possibly in some elementary grades in some K-8 schools.
- Half-day kindergarten would be guaranteed; full-day kindergarten would need to be fee-based.
- Common planning time would decrease in most schools, in most or all grades
- The number of academic coaches would decrease; those who remain would be Title I-funded.
- The position of Science Director would remain unfilled next year.
- Three of our five middle school guidance counselor positions would be cut; many of our new guidance and student support initiatives K-12 would be severely jeopardized.
- Four and one-half of our five K-8 librarian positions would be cut.
- Beebe School would have one instead of two Assistant Principals.

Finally, \$306,008 in cuts to the OM portion of the budget (e.g., supplies, materials) and other personnel cuts (e.g., 15.5 paraprofessionals, 3 certified medical assistants) are included in the \$4,439,441 that has been cut in preparation for the distribution of the layoff letters.

I look forward to discussing all of the above at our meeting on June 7.

City of Malden
MEDICAL PLAN COMPARISON
Harvard Pilgrim HMO
May 2010

	Existing HMO	Proposed Malden Plan HMO Best Buy 500	GIC Independence Plan	
Lifetime Maximum	Unlimited	Unlimited	Unlimited	
			<i>In-Network</i>	<i>Out-of-Network</i>
Annual Deductible	NA	\$500 Individual \$1000 Family	\$250 Ind. \$750 Family	\$400 Ind. \$800 Family
Covered Services	You Pay	You Pay	You Pay	
Outpatient Care				
<i>Day Surgery Copay</i>	Covered In full	Covered in full after Deductible has been met	\$150 copay then deductible	20% after deductible has been met
<i>Office visits</i>	\$15 per visit	\$20 per visit	tier 1 \$20 tier 2 \$35 tier 3 \$45	20% after deductible has been met
<i>Well-child care</i>	\$15 per visit	\$20 per visit	tier 1 \$20 tier 2 \$35 tier 3 \$45	20% after deductible has been met
<i>Routine checkups</i>	\$15 per visit	\$20 per visit	tier 1 \$20 Tier 2 \$35 Tier 3 \$45	20% after deductible has been met
<i>Emergency room visits (waived if admitted)</i>	\$75 per visit	\$100 after the deductible has been met	\$100 copay then Deductible	\$100 copay then Deductible
<i>X-rays, laboratory tests, and other tests</i>	Nothing	Covered in full after Deductible has been met	Covered in full after deductible has been met	20% after deductible has been met
<i>Routine hearing and vision exams</i>	\$15 per visit	\$20 per visit	tier 1 \$20 tier 2 \$35 tier 3 \$45	20% after deductible has been met
<i>Short-term rehabilitation therapy (up to 60 visits per calendar year)</i>	\$15 per visit.	Covered in full after deductible has been met	Covered in full after deductible has been met	20% after deductible has been met
<i>High End Radiology including CT Scans, MRI's, PET Scans and Nuclear Medicine</i>	Covered In full	Covered in full after the deductible has been met	\$100 copay then Deductible, maximum of one copay per day	20% after deductible has been met
Inpatient Care (including maternity care)				
<i>Hospital care (as many days as medically necessary)</i>	Covered In full	Covered in full after the deductible has been met	tier 1 \$250 tier 2 \$500 tier 3 \$750	20% of reasonable charge after deductible has been meet
<i>Care in a skilled nursing facility (up to 100 days per calendar year)</i>	Covered In full	Covered in full after the deductible has been met	20% of the reasonable charge after deductible has been met	20% of reasonable charge after deductible has been met
<i>Care in a rehabilitation hospital (up to 60 days per calendar year)</i>	Covered In full	Covered in full after the deductible has been met	tier 1 \$250 tier 2 \$500 tier 3 \$750	20% after deductible has been met
Prescription Drug Benefit				
<i>Retail - 30 day supply</i>	tier \$10 tier 2 \$20 tier 3 \$40	tier 1 \$10 tier 2 \$25 tier 3 \$45	tier 1 \$10 tier 2 \$25 tier 3 \$50	tier 1 \$10 tier 2 \$25 tier 3 \$50
<i>Mail Service - 90 day supply</i>	tier \$20 tier 2 \$40 tier 3 \$120	tier 1 \$20 tier 2 \$50 tier 3 \$90	tier 1 \$20 tier 2 \$50 tier 3 \$110	tier 1 \$20 tier 2 \$50 tier 3 \$110
Wellness				
<i>Fitness Benefit</i>	\$150/year per contract	\$150/year per contract	Not a covered benefit	