

The Honorable Thomas M. Menino

Annual Report to the Boston Municipal Research Bureau

Tuesday, February 25, 2003

Thank you, Sam Tyler, and thank you, ladies and gentlemen.

It is a pleasure to be with so many people who are so secure in their jobs that they can take all this time off for lunch. Those of you who have a job to go back to are the luckiest people in this current economy.

There is nothing wrong with the cities and towns of America that a significant federal job-producing program won't cure, but convincing the people in Washington to address this crisis is difficult. Their attention is focused elsewhere.

I have spent my whole life working to improve Boston, and never has our city, or any municipality in Massachusetts, faced what we confront today. In Washington, as on Beacon Hill, there is a broad retreat from the longstanding commitment to help local government. Local government is what is closest to the people, and delivers most of the services citizens have a right to expect. This is where you live and work.

The wolf is at every municipal door, and that wolf is howling. The feds and the state are telling us all, "Do more with less." That's easy for them to say. Let's get past the sound bites. Let's get real. We had the big blizzard eight days ago. Who plows the streets, if we don't? Not the federal government. There's no money coming from the state for snow removal. Look at the terrible fire tragedy in Rhode Island. Who answered that call for help? The First Responders, the public safety crews of nearby cities and towns, but the federal government has not even delivered the First Responder money they promised local governments a year ago.

Uncle Sam has stiffed the cities and towns of America on homeland security money. It's now 17 months since 9/11. Washington promised the government of Turkey \$26 billion last week, but the cities of America have been waiting since 9/11 for the \$3.5 billion we were promised for First Responders. I say it is time the cities and towns of America start to talk turkey to Uncle Sam. We need help! We cannot shortchange the security needs of our country's First Responders. The administration is simply not paying enough attention to Main Street.

However, on the local level, there is some good news. The city has 77 development projects underway worth \$4.6 billion. It's not the Big Dig, but it is a lot of Little Digs, and some Medium Digs. The powerful economic thrust of the '90's is still bearing fruit for Boston.

When I talk about Boston as the locomotive of the regional economy, that means our progress pulls all the other cities and towns along with us. Boston is doing the heavy lifting for the whole state's economy. A million people a day come into the city to work and play. Look around as you go back to your offices this afternoon. Boston does not stop building in a recession because of economic events well beyond our city limits, and well beyond our control. The city is doing its best against the bitter economic tide.

This is the worst year for state budgets since World War II. The country is transfixed by Iraq, Afghanistan and Al Qaeda. With all the war talk and terror threats, the economy is at its most precarious point in a long time. The recovery we expected is stalled. Investors are frightened. The stock market has cratered. The administration seems paralyzed on the domestic front. Our country has lost two million jobs. Many economists say we desperately need short-term stimulus for job creation, but we see none of that. Boston cannot escape these trends.

The Bush administration made a series of ill-advised decisions. They shoved off to the states and cities responsibilities that used to belong to the federal government. I'm talking about medical care, housing, homelessness, the elderly, the very young, and the very poor. The Medicaid burden devours other programs and crushes state budgets. On a hundred different fronts, Washington has retreated from obligations incurred and funding promised. The strategy of the current administration is to dish off a lot of burdens on to the states and cities. These are costs that the Bush White House decided not to fund for political reasons.

So when the waiter comes with the bill, it is the cities and towns that are left fumbling for the check. The federal government has left us to deal with problems they don't want to pay for. Now our state government is doing the same thing, curbing local aid as state tax revenues fall. It is a shell game, but we at the local level are the ones left holding the bag. Clearly, we need more federal money for Medicaid, and funds for infrastructure jobs and medical care. We are facing the greatest cutbacks since the safety net was put together.

As president of the U.S. Conference of Mayors, I go around the country to rally municipal officials to confront this challenge, but the political gridlock in Washington is incredible. When it comes to delivering city services here, we don't think Republican or Democrat, but down in D.C. the partisan divide is the worst in my lifetime.

Back here in Boston, for the past decade, our office market was on a roll. Now, look out the windows on the airport side of this hotel, and you see an airline industry in meltdown over at Logan. Look out the windows on the downtown side, and you see empty office space where thousands of financial workers have been laid off. In both airlines and finance, one worker out of every ten lost his or her job.

It's a whole new ballgame for those of us sworn to protect the citizens and make decisions about public policy. We're in contract talks in an atmosphere that has changed dramatically for the worse, but we've seen this storm gathering for some time. That's why I imposed a Workforce Reduction Plan in November of 2001, 15 months ago. That

forced managers to justify any backfilling of vacant job slots. In January, I put in a hiring freeze for the city. We took 476 city employees off the payroll with an early retirement incentive. We have reduced our number of full time equivalents.

The three main bond-rating agencies have rewarded our efforts. They are keeping our ratings at the highest level they have ever been. Moody's has us at Double-A Two. Standard & Poors and Fitch kept us at Double-A-Minus. Our report from Moody's said, "Management's demonstrated fiscal control and forward-looking budgetary approach... sufficiently addresses increasing financial pressures..." That's music to my ears!

We are relentless in searching out new ways to shift costs off the taxpayers, who are the backbone of our city. We have to rely on the property tax, which is a challenge because 53 percent of Boston real estate is tax-exempt. The straitjacket on Boston's ability to raise its own revenue is an outdated one-size-fits-all approach.

Overall, 72 percent of all our appropriations go to schools, fire and police. Two-thirds of our spending goes for salaries. We cannot save every program or every job. Governor Romney's opening round of budget cuts reduced us by \$24 million before the end of this fiscal year. That came on top of \$29 million cut last July. Those two cuts alone were three percent of our budget. We've heard from Beacon Hill to expect a cut of another \$100 million dollars or more in our State Aid.

What are our options? We are looking at just about everything and anything, up to and including layoffs. We are adjusting some shifts, outsourcing some services, eliminating or reducing programs, closing facilities, identifying unnecessary space, consolidating functions or changing the way we deliver some services.

The city does have a rainy day reserve, but we cannot use all or even the bulk of it to stem our short-term problem, because that would not be prudent. We are not in just a one-year crunch. You spend the reserve, and it's gone! We are not going to go back to the kind of short-term thinking that in the long run does no one any good. Exhausting that rainy day fund would cause more problems than it would solve.

I met with Governor Romney just this morning and discussed a bit of what he has in mind for cities and towns. We had some scrambled eggs, and it looks like all our municipal budgets may be scrambled too. The state economy actually continued to shrink in December. However, we will not jeopardize the substantial progress we have made as a city, as we adjust to the new fiscal realities.

Boston generates about 20 percent of the state's revenue. I repeat: Boston is still the locomotive of the state's economy. As the state tries to get back on track, we must do everything possible to ensure that Boston stays on the rails and keeps pulling this whole train of communities along the tracks.

People say to me, "But Mayor, Boston has only nine percent of the state's population." I say, "Yes, but we provide 17 percent of all the jobs. We furnish 22 percent of the gross

state product. We provide the state government with one-fifth of all its tax revenues. We provide 16 percent of the state's meals tax, and Boston gets none of that to keep!" We generate \$2.5 billion in state taxes, but we only get back about \$440 million in direct state aid. So I tell people: let's do the math! That's a five-to-one advantage for the state.

While the state needs to get back on the fiscal tracks, let's not derail Boston. Boston is the engine delivering the goods for the other cities and towns, and for the state government as well. A lot more people depend on us than just the folks who live in Boston. We are the capital not just of Massachusetts, but also of New England.

Let me turn to the Longwood Medical Area. Some folks think this is just a place to try to park before a Red Sox game at Fenway. Instead, think of it as a vast medical, educational and research complex. Two dozen institutions there employ 50 thousand people, some of them doing brilliant things that will reshape science and medicine. Boston hospitals and universities bring in \$1.2 billion a year in National Institutes of Health funding. There is nothing like this anywhere else. This area is absolutely critical to the Massachusetts comeback. We are planning the future of Longwood to incorporate jobs, housing, and how to get to and from work.

In that same vein, the city has a vital interest in the debate about how best to restructure the 27 acres of urban parkland being restored by the Big Dig. It is a once-in- a-lifetime opportunity to thrust Boston forward into the realm of the Parises and Romes of the world. We have to lift our eyes toward the promise of the future. Cities are the glorious places where civilization developed.

Boston has a proud role to play here. Don't let recession and gloom rob our descendants of a fabulous opportunity. We can make Boston a model for the world. Too many people in this town think small and sell us short. We have these marvelous natural assets, the harbor, green spaces, and priceless commercial and academic facilities. Best of all, we have human scale. We have the best of both worlds. We are strong enough economically, and still small enough geographically, to be a city made for people. Our goal is that residents and visitors find our city charming, comfortable, and convenient. If we do this right, if we recreate old Boston the right way, our city will thrive long after memories of recession fade.

There is something still troubling me despite our upbeat future, and that is the mood of the people I meet every day as I move around the city. People are down. You can feel it. Sit down at the coffee shop or at the kitchen table, and they tell you they are anxious about what's happening. They are really worried about their jobs, or their kids' education.

As I go about the neighborhoods, folks are not as confident as they used to be, and not as confident as they should be, to function and perform at their best. I am not some kind of amateur shrink, but I get around the city as much as anybody, and more than most. I am seeing a big, big, shift in the public's attitude. What I see now in the eyes and hearts of the people I meet is something that wasn't there before. People are not charging ahead,

with big plans for launching a small business or getting their kid into college. This should be important to all of us.

The whole country took a hit on 9/11. We've had a lot of bad news since. The stock market, energy costs, and the price of medical care are all going the wrong way. Uncle Sam and Beacon Hill are cutting drastically, just when people need the help the most. A big part of my job is to reassure folks about how we are battling our way out of this temporary downturn. The way I look at life, when times get tough, the tough get going. That is not the time to ditch your values and your priorities. It is time to cling harder to your values, and fight for what you believe is right and just. I can't control everything they do in Washington or on Beacon Hill. My job is to help the people of this city.

Every spring, I come around and ask for help to get private-sector summer jobs for our kids. Well, I'm back, a little earlier this time, because the need is greater. Let me tell you, a summer job is the best insurance you can buy for kids to have a safe and productive summer. You buy that kind of insurance one kid at a time, one job slot at a time. The state has walked away from summer jobs. I need Boston's businesses to help fill this gap.

Last year, John Hancock hired 40 kids. This year, they'll take 150. We need more companies like that. I invite each one of you here to examine what you can do to step up to the plate. You have cards at your table. If you can give us a hand, fill out a card and drop it off at the door on your way out. Help me show these kids that there is a bright future for them. Give these kids a seat on the job train. This helps a kid, it helps the city, and it helps *you*.

Be my partner as I urge people to keep focused, stay together, and keep moving ahead. We can lick this thing by helping each other. We're making steady, measurable progress despite the dip. Boston is not idling in neutral, or stalled on some remote siding. We are still rolling down the tracks pulling our weight, and a whole lot more. Of course, we can only control what is within our grasp at the local level. But with the steps I outlined today, with the development in the pipeline, and the planning underway for our future, I am totally confident that Boston is poised for a comeback that is hopefully just over the next hill.

Now, in closing, I want to call Sam Tyler back up here, and present him with a little gift from the City. Don't worry, Sam, the taxpayers aren't paying for this. It came out of my own pocket. Sam, with this engineer's cap you will never forget that Boston is the locomotive of this economy.

Ladies and gentlemen, thank you for coming, and let's all keep Boston rolling.