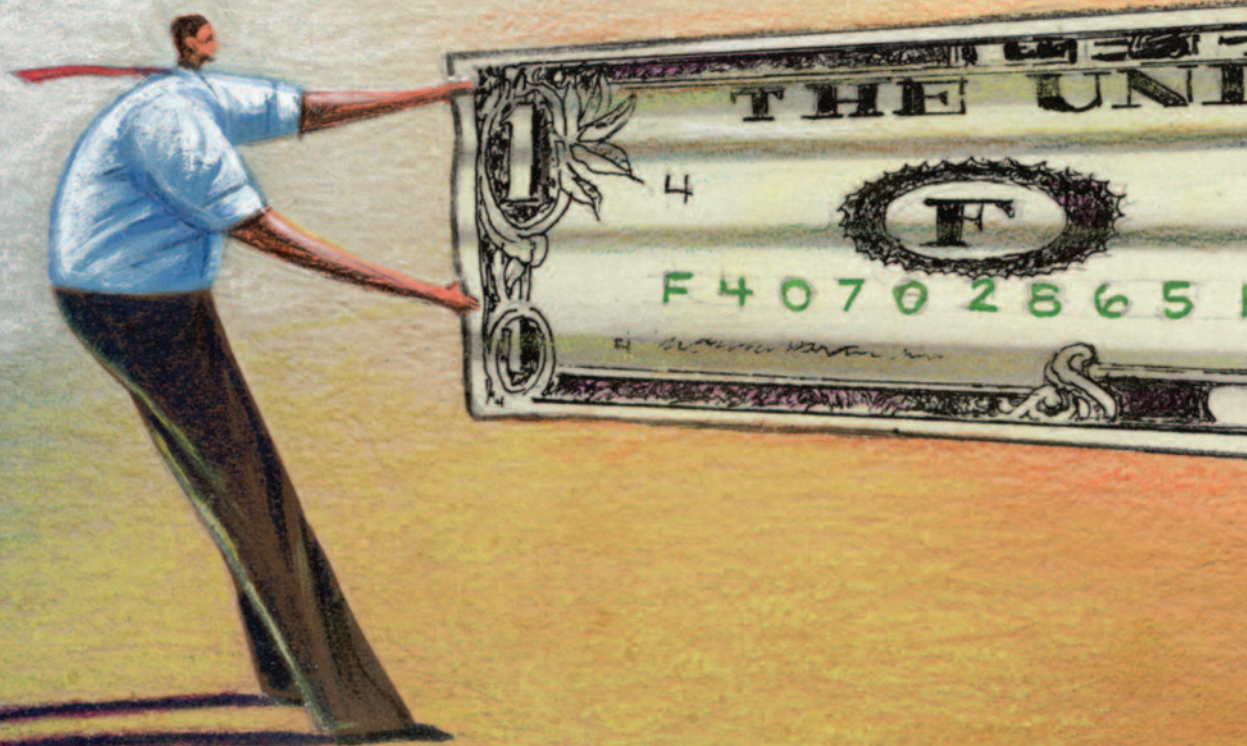


City Looks to Savings,



Efficiency

to Persevere in Troubled Times

By JOSEPH CURTATONE



It's a question that echoes through the corridors of every city and town hall in Massachusetts: In this time of economic turmoil, sinking real estate values and reduced revenue, how can we save money without cutting essential services and programs? • • •

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● ● ● Of course, even the best-run cities and towns are never free from serious financial concerns. No matter how well we manage, we struggle to keep up with continued rapid growth in the classic budget-busters: health benefits, energy, pensions, education and infrastructure. We are limited in the types of revenue we can raise, primarily from an archaic, regressive property tax system. At the same time, we all face the challenge of a historically significant deficit in local aid from a state government that itself must wrestle with declining revenues and rising costs.

Even in good times, these pressures are difficult for cities and towns; the current economic crisis makes everything worse. Declining real estate values are harming property tax revenue; the state's mounting budget crisis endangers local aid; and working families need more help and more services from their government at a time when there is less money to spend on providing those services.

Cities and towns have been feeling the pinch for years, and are constantly striving to stretch every dollar. It's never easy. Still, there may be opportunities to take advantage of emerging technologies, economies of scale and improved management practices in order to manage municipal resources with greater efficiency. These innovations may not lead to a huge pool of savings, but they can offer a way for communities to cope more effectively with tough economic times, while directing limited resources where they are needed most and freeing up money that can be invested in other needed services and facilities.

In Somerville—a city with a high percentage of low- and moderate-income households and a relatively modest 26 percent commercial property tax base—we have been able to implement a number of “best practices” that have freed up resources to restore laid-off positions in public safety and education while maintaining a high level of quality city services across the board. We have added police substations, hired more firefighters and purchased new equipment, expanded school music, after-school and recreational programs, and restored weekend library hours. We have introduced a popular new communications service: the Connect CTY telephone and e-mail mass notification system. And we have done all



JACKIE ROSSETTI PHOTO

Somerville Mayor Joseph Curtatone (center) and Assistant City Assessor Marc Levy (left) stand with auto dealer Herb Chambers at the delivery of four new city-owned Smart Cars last July. The fuel-efficient cars, which can get up to sixty miles per gallon, will help the city control its fuel costs.

this during a period when growth in state aid has been essentially flat, while also preserving Somerville's rank as the lowest per capita user of municipal tax dollars of any Massachusetts city with a population of 50,000 or more.

Savings Opportunities

How have we saved in order to reinvest? The following are several key areas where we have made significant changes in the way we do business:

Energy: In April 2007, Somerville issued its first-ever Environmental Strategic Plan. A central feature of the plan was contracting an energy services company (ESCO) to design and install a series of energy-saving projects in municipal buildings. The contractor, Honeywell, has already enabled us to begin reducing costs and emissions by replacing traditional electricity and energy sources with renewable energy. By installing a 10 kW solar photovoltaic system at Somerville High School, the city is saving 17 percent on its electric bill for the school while also replacing some of the school's traditionally generated electricity with more environmentally friendly power. A solar hot water heating system on the roof of the John F. Kennedy Elementary School helps heat the school's swimming pool. Honeywell has also installed a cogeneration system at the public safety building and added \$20,000 in wind energy credits

to the city's renewable energy pool. Guaranteed savings over the life of the project will be \$2.7 million, and we believe the ESCO contract will be the key factor in helping us reduce our annual energy costs by 20 percent before the end of fiscal 2011. The ESCO contract is only one element of a larger plan, however. For example, we recently implemented an automated shutdown program that puts city computers in sleep mode when not in use and turns them off entirely at the end of the business day unless workers specifically ask for them to be left on. The savings from this single initiative is estimated at \$25,000 per year. We have also pioneered the use of tiny, fuel-efficient Smart cars to replace larger city vehicles where appropriate. There are compelling reasons to pursue energy efficiency simply in order to cut emissions and reduce our carbon footprint, but in the current fiscal climate the cost savings are very welcome as well.

Health care: Since 2004, beginning with our non-union workforce, we have worked steadily to bring our health policy premiums more in line with the private sector. Some other Massachusetts communities have already gone much further down this road, but Somerville is making progress. All non-union and non-school union employees have agreed to pay at least 15 percent of the cost of their health insurance premiums, with half of the city's

non-school workforce having agreed to an 80-20 split of these costs. These changes have come with the recognition that health care contribution levels must be seen as part of the overall compensation package, and that flexibility on health care creates the opportunity for more productive contract discussions. We hope that, in the near future, changes in federal and state policy will help reduce the steady growth in health care costs. But, in the meantime, cost-sharing is helping Somerville cope with these costs.

Police details: As every municipal official knows, most police details aren't paid for by taxpayers but by utilities and other businesses that need officers to manage safety and security for their projects or operations. But collecting detail revenue and tracking the reimbursement system for police officers does impose costs on municipalities, and these costs often exceed the 10 percent add-ons that communities have been allowed to charge to cover their administrative overhead. In Somerville, we attacked this problem from two different directions. First, we lowered our costs by "civilianizing" clerical functions that had previously been performed by sworn police officers. Second, we carefully documented that the 10 percent surcharge wasn't covering our actual administrative costs, and, by Home Rule petition, we obtained permission from the state to raise our administrative surcharge to 15 percent. The resulting efficiencies are saving our taxpayers more than \$28,000 per year in previously un-recovered operating costs. The changes have the even greater benefit of allowing us to get more police officers out from behind desks and onto the street where they can do the most good.

Outside legal counsel: Building a more capable and comprehensive in-house legal staff has been one of the city's most effective cost-saving measures. Except in certain highly specialized areas, Somerville's five-attorney legal department handles most city litigation and all labor negotiations. Even with the larger salary base, our Legal Department saves more than \$100,000 per year compared to immediately preceding administrations.

311 constituent services: Most Somerville residents feel the city's adoption of a 311 call center has been a

successful initiative. By channeling most customer requests for city services through an automated work order system, 311 enables a faster and smarter allocation of city resources and allows for more precise predictive budgeting. The problem for many cities and towns, however, is that 311 service usually comes with a high price tag. (A study by the City of San José, California, estimated baseline 311 startup costs at \$3 million.) In Somerville, we took a radically different, homegrown approach to setting up a 311 operation. As a result, we were able to provide multi-language, multi-departmental 311 service (and staff a new Welcome Desk at City Hall) with start-up costs of less than \$75,000. We have even been able to join the relatively small number of cities that offer twenty-four-hour 311 service—and we did it by cross-training overnight non-emergency police console operators to provide 311 service.

SomerStat: Somerville's data-driven performance management system has been a vital tool for allocating resources with maximum efficiency. Top city officials meet monthly with departmental representatives to analyze service data, expenditure levels, and sick-time usage. Strategies are developed and employed, managers held accountable, and results measured frequently. These meetings often evolve into discussions beyond the pure data, creating a dialogue that would otherwise only happen at annual budget meetings. As a result, city officials are able to better assess where assets should be used, often allowing them to save money without service reductions, and gauge where agencies can work together instead of doing the same job twice. SomerStat is noteworthy not because it has resulted in a large, quantifiable savings, but because it changes how the city's managers, supervisors, and staff think about city operations.

Technology: The city has realized significant cost savings by upgrading and increasing efficiencies throughout its

telephone infrastructure. Over the past three years, the city migrated all of its departments and schools to a Voice Over Internet Protocol (VOIP) infrastructure. At the same time, the city eliminated copper pair lines that were no longer in use. These actions have resulted in an annual recurring savings of approximately \$170,000. The city aims to reduce its spending in this area by another 30 percent by the end of the fiscal year. Additionally, the city expects to save \$18,000 this year by switching vendors for wireless push-to-talk, cellular and data-card service.

Looking Ahead

Somerville will continue pressing ahead with other potential areas of cost management, including the promising concept of regionalizing 911 emergency centers. We recognize that not all of our cost control and performance management measures are available to, or attainable by, other communities across the state, and we also recognize that there are other cities and towns in Massachusetts that are generating best practices that offer valuable lessons for us.

Above all, we recognize that Somerville has been very fortunate to be able to reinvest the proceeds of efficiency improvements. Many cities and towns, through no fault of their own, have had to make unavoidable and painful cuts rather than using their cost-savings efforts to support enhanced services and programs.

If Massachusetts is in for a long and deep recession, it's all too likely that we will be looking for ways to save money that, instead of helping us do more with less, will simply allow us to get by until better times return. Like all Massachusetts communities, Somerville will continue its best efforts to be more efficient so that we can keep our city moving forward. But in these difficult times, it's going to take all of our skill and ingenuity just to keep our communities from sliding back. ■

