

Mayor Mitchell presents New Bedford's FY 2024 Budget, healthcare reform to manage tax burden

"New Bedford, Massachusetts – Mayor Jon Mitchell presented his Fiscal Year 2024 City Budget to the New Bedford City Council on Wednesday, May 17, 2022. In total, the Fiscal Year 2024 budget totals \$513,169,319, of which the General Fund is the largest component at \$458,910,392.

A Careful, Conservative Spending Blueprint

Mayor Mitchell expressed optimism regarding the City's continued economic progress, while also acknowledging global, national, and regional trends which could have impacts on the City in the future, and which demand "the same careful, conservative approach to budgeting that has served us so well in the past."

Mitchell cited several reasons for local optimism, including the City's substantial decline in unemployment since the pandemic, saying, "The local economy has demonstrated remarkable resilience and remains on a firm footing following the COVID-19 pandemic. The City's unemployment rate for the first six months of Fiscal Year 2023 has averaged 5%, having fallen from an average of nearly 17% during the first six months of the pandemic three years ago."

The Mayor also highlighted the positive impact of the development of offshore wind energy and the role of federal ARPA funding, saying, "After more than a decade of work to establish New Bedford as a leader in offshore wind energy, this month the first turbine components are arriving in our port from Europe in support of the first industrial-scale

offshore wind project in America. In the months and years ahead, we can expect the economic impact of Vineyard Wind and successor projects to become increasingly evident, as New Bedford continues to be a focus of both public and industry investment.”

“Additionally, the American Rescue Plan Act (ARPA) funding from the federal government has allowed us to direct critical resources toward a range of local needs from housing to small business assistance, and helped the City pay for one-time costs and other budgetary expenses that we would have otherwise gone unfunded.”

Concern About Erosion In Key Services Without New Spending Reforms

The Mayor made clear that new budget tactics were needed in key areas, like healthcare, saying, “It has become clear that there are limits to our strategy of lean budgeting. Over many years the City has pursued multiple rounds of budgetary belt-tightening. As a consequence, we are at, or nearly at, the point where we risk just not having the bodies to perform the necessary work.

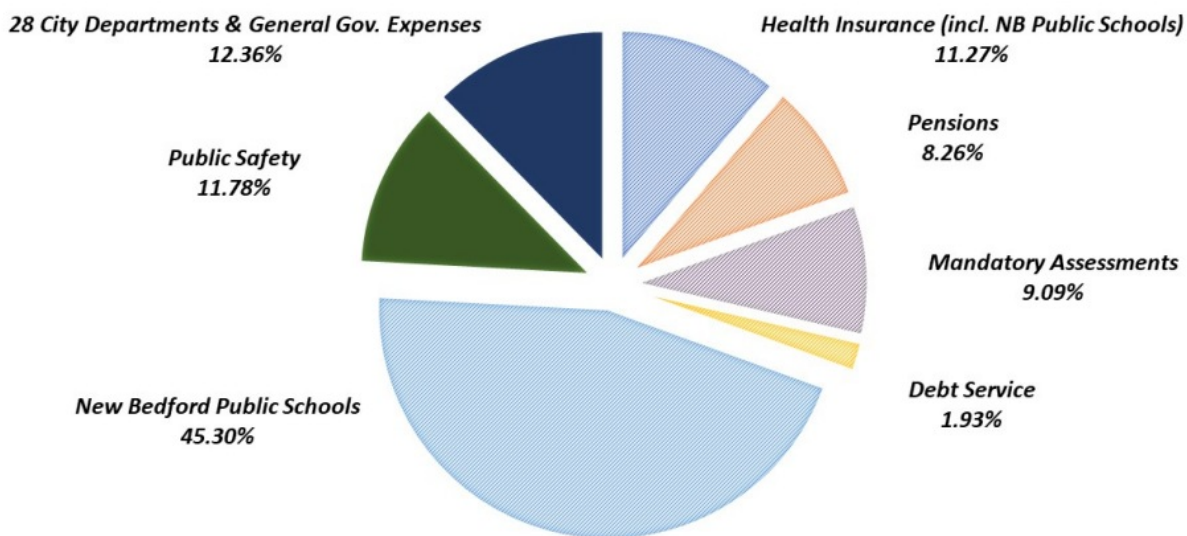
When I took office in 2012, there were 1,136 full-time municipal (i.e. non-school department) employees on the payroll of the City of New Bedford. Fast-forwarding ten years later, in 2022, that figure was 1,029, or about 10% fewer full-time employees. In 2023, the figure likely fell further still.”

Now a reduction in the size of the organization is not necessarily a bad thing. After a decade of modernization and reform, city government today is more efficient in many service areas than it has ever been, despite the elimination of positions. But it is also true that city government is now at risk of an erosion in its basic capacity to deliver effective services when the overwhelming share of the operating budget remains comprised of fast-growing, legally-

mandated spending—while state aid and revenue growth fail to keep up. We have acted responsibly, but we also need to do more and consider reform in the key places in the budget that can deliver savings at a scale that can make a difference.”

The Mayor noted that fixed costs and mandated assessments now account for \$110 million of General Fund expenditures in Fiscal Year 2024, while Net School Spending requirements account for another \$238 million. These total \$348 million in a \$458 million General Fund spending plan, which means 75% of the spending in the budget cannot be reduced, with the remaining 25% shared among more than two dozen city departments.

Fiscal Year 2024 General Fund Appropriations by Category



Note: Cross-hatched sections indicate mandated expense categories.

City of New Bedford photo.

Key To Managing Spending Is Reform of Healthcare

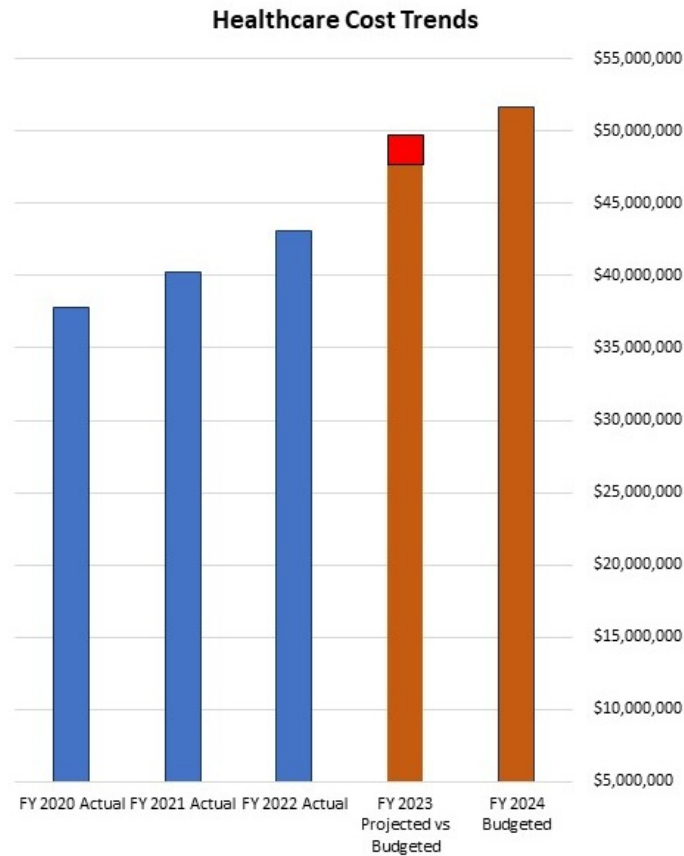
The Mayor argued that, with so much of the budget beyond the City’s ability to control, the path forward must include strategic action in the areas that remain within its capacity to change, saying, “Without a doubt, healthcare reform is the area of the budget that would have the most positive impact on municipal finances.

That is why I intend to refile my previous request for the City Council to vote to adopt Sections 21-23 of Chapter 32B of Massachusetts General Law, as so many other localities have done to better manage spiraling upward healthcare costs.”

He added, “There is nothing particularly earth-shattering about these sections of state law. The Administration and public employee unions will continue to negotiate health insurance benefits as they have always done. The adoption of the state law will simply restore a level-playing field and equalize the negotiating positions of the two sides by allowing an independent, neutral arbiter to resolve differences when an impasse arises during negotiations.”

“It is hard to understate how much healthcare spending contributes to the property tax burden on our residents. Between 2012 and 2023, employee health insurance costs rose from approximately \$35 million to \$46 million, or nearly \$1 million per year every year.

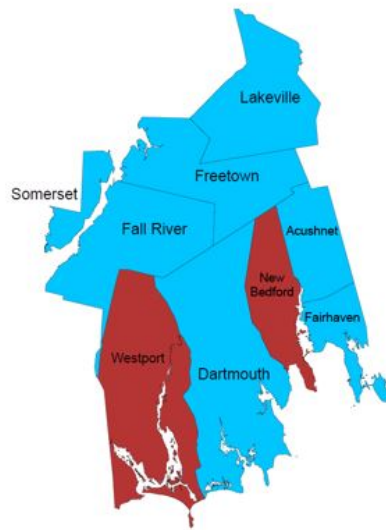
“Worse yet, the rate of spending increase is growing fast this year, and there is good reason to believe healthcare spending may increase faster still in future years. It’s a problem that is not going away, and could get a whole lot worse. We are already long overdue in taking action on this issue. This budget includes \$51.7 million to cover healthcare costs, a full 10% increase over last year’s budget.”



City of New Bedford photo.

The Mayor also noted that virtually every local government in Southeastern Massachusetts has now adopted Sections 21-23, saying, “New Bedford taxpayers deserve relief from the outsized budget pressure caused by the current health insurance program, every bit as much as their neighbors in other communities.”

Cities & Towns That Allow A Neutral Arbiter in Local Government Healthcare Negotiations



City of New Bedford photo.

Other Sources of Fiscal Pressure

Mitchell noted that pension costs are another major budget item contributing to the burden on taxpayers, noting that both the Retirement Board and the City Council both possess a measure of local control that they could exercise to reduce the impact of rising pension costs on taxpayers—and, equally important, help ensure the future solvency of the pension system for today’s active employees who are counting on it to be there for them when they retire.

The Mayor cited the troubling unfunded liability of the City’s pension fund, which is only 52% funded. Out of 104 government retirement systems in Massachusetts, only six other systems are less funded than New Bedford’s. Taken together, health insurance, pension payments, and other insurance programs are increasing in FY 2024 by more than \$8 million.

The Mayor said, “New Bedford is near the very bottom of the list because we have been chronically unrealistic about the affordability of pension benefit expansions in the past, and that needs to change.

He added, “The notion that we can successfully restrain

overall spending by trimming elsewhere in the budget, but doing nothing on these key budget drivers, is simply ignoring the elephant in the room.”

Funding for the School Department is projected to increase by \$23.1 million, or 10.5% to comply with the Commonwealth’s minimum Net School Spending requirements. Likewise, mandatory assessments, which consist of funding for charter schools, continue to consume a larger share of the City’s resources. The City’s contribution to Charter School Sending Tuition has risen from approximately \$27 million in FY 2023 to \$30 million in FY 2024.

Concluding Remarks

The Mayor summarized the FY 2024 budget exercise, saying. “The preparation of any budget proposal is always a complex undertaking, and the current proposal has presented its fair share of challenges. Mandated expenses, recovering local receipts, cost pressures from inflation, and an uncertain economic environment are all significant considerations this year.

But we will meet these challenges by relying on the same cautious, deliberative approach and the effective partnership between the Administration and the City Council that has served us well in the past.”-City of New Bedford.