

Mayor Jon Mitchell presents Fiscal Year 2020 budget proposal

Mayor Jon Mitchell presented his Fiscal Year 2020 City Budget before the New Bedford City Council on Wednesday, May 8, 2019.

The \$356.5 million General Fund spending proposal continues to reflect pressure in nondiscretionary areas, including state mandated school spending, pension costs, employee healthcare, and public safety payroll obligations subject to binding arbitration. In all, 86.5 percent (\$308.4 million) of the \$356.5 million budget is predetermined by nondiscretionary costs; 13.5 percent (\$48.1 million) remains to fund City government operations outside these areas.

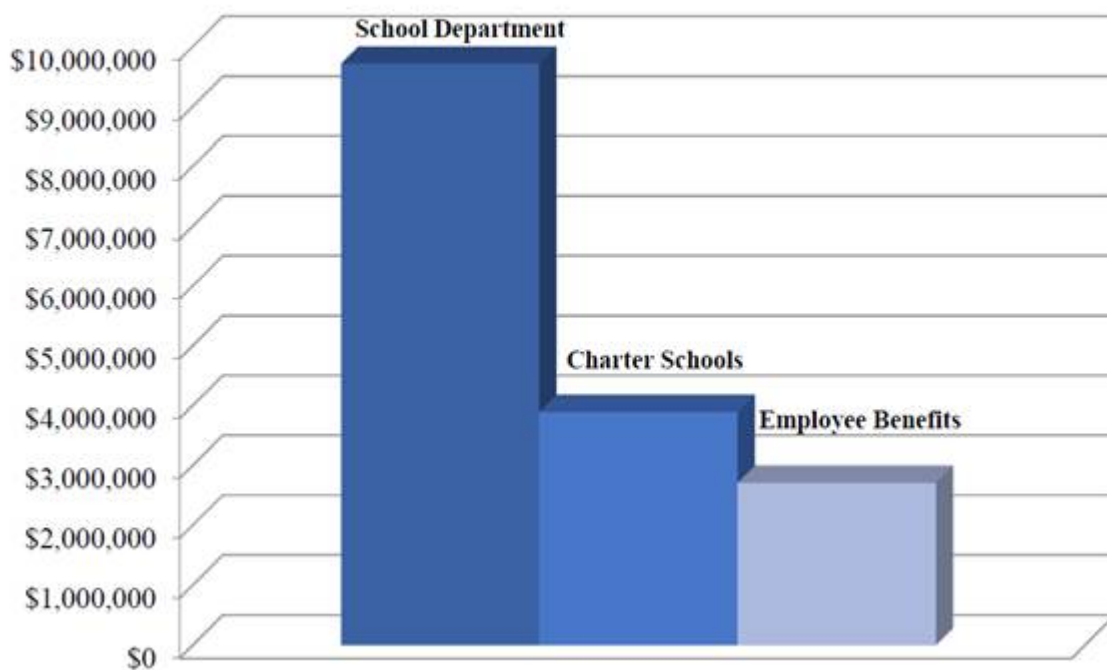
City finances remain tight despite New Bedford's modest but steady economic growth and marked improvement in business activity, property values and employment. According to the Massachusetts Office of Labor and Workforce Development, employment in the City increased by 2,357 jobs, or 5.4 percent, between 2017 and 2018, and by 5,809 jobs, or 14.4 percent, since the beginning of 2012.

Mayor Mitchell noted in his accompanying letter to the City Council: "As you know, I have resisted raises in collective bargaining agreements that I believed were unaffordable, even when the state's binding arbitration law put the City at a disadvantage. The Commonwealth has complicated this process by not meeting its statutory funding obligations and continuing to impose requirements that serve as roadblocks to effective reform. In addition to the binding arbitration process, some significant examples include limitations placed on pension and health care management, as well as the state's failure to meet its commitments to fund the school system foundation budget

and to provide its legally-established levels of support for charter schools.”

“These constraints have made it more difficult to ensure that the City remains on a fiscally-sustainable path while providing the reliable and effective services that our residents expect,” the Mayor wrote. “Our ongoing efforts to improve efficiency and operational readiness have produced a lean organization where the most advantageous efficiencies have already been implemented. Nevertheless, we must continue on this path in order to move New Bedford forward.”

FY 2020 Significant Budget Drivers



The Mayor elaborated on the key factors driving the City’s FY 2020 budget:

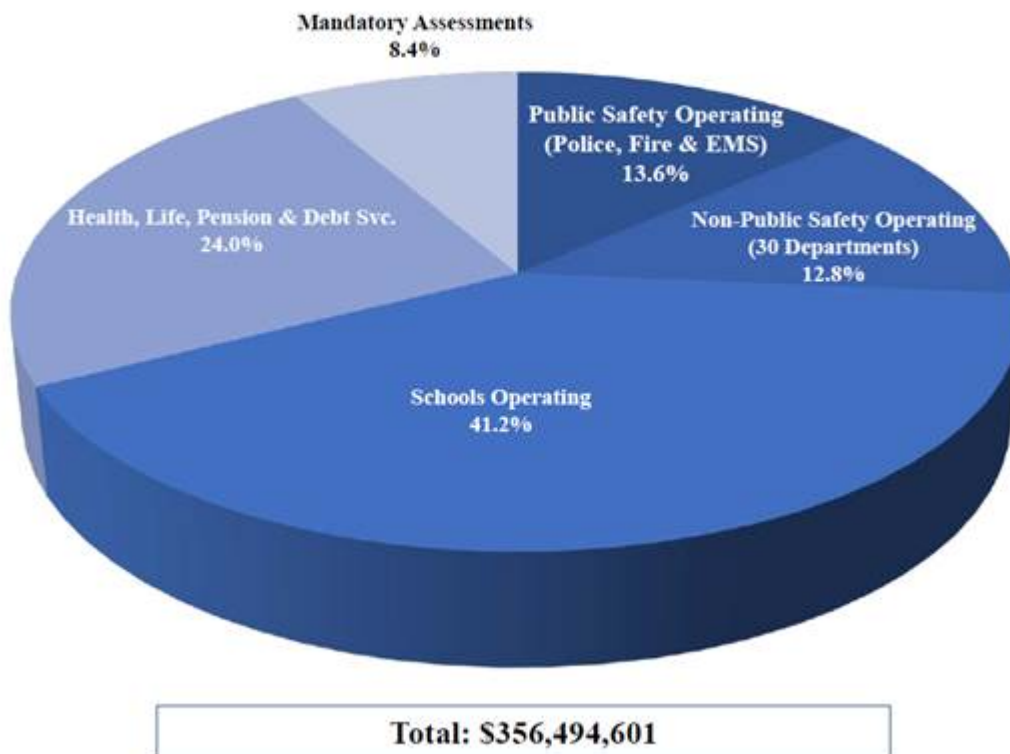
- **Modest Revenue Growth Has Not Kept Pace with Costs:** Despite a growing local economy, baseline revenue growth remains insufficient to maintain pace with increases in the prices of goods and services, as well as the various other costs of doing business. For example, completion of the transfer of firefighter positions from the expired federal SAFER grant

will cost the General Fund an additional \$500,000 in FY 2020. Collective bargaining agreements with the City's four bargaining units will be up for renewal in FY 2020.

- **Mandated Education Costs:** The FY 2020 budget under consideration by the Massachusetts Legislature takes some welcome steps to alleviate pressure placed on New Bedford taxpayers to meet the mandated funding requirements for education. Nevertheless, the State-mandated level of net local support to operate the City's school system will continue to rise: the local share of School Department operating expenses required to meet Net School Spending requirements will increase by about \$1.3 million from FY 2019 to 2020. At the same time, the City's net obligation toward charter schools will total \$15.7 million, an increase of nearly \$1.7 million.

- **Healthcare and Pension Costs:** Employee benefits costs will continue to place an increasing strain on overall finances. Projected increases in medical claims and the City's pension assessment will require \$2.7 million in additional support.

FY 2020 General Fund Appropriations by Category



Mayor Mitchell also noted in his letter that the City recently received its third consecutive Distinguished Budget Presentation Award from the Government Finance Officers' Association, and has advanced fiscal transparency efforts through the City's Open Checkbook initiative, the development of the first-ever Comprehensive Annual Financial Report (CAFR), and the implementation of NB Compass, the City's new online dashboard.

The Mayor concluded, "The development of the FY 2020 budget has been greatly aided by the active engagement of the City Council, utilizing the mechanisms that we have built together to ensure that everyone's priorities are heard, and that the City's core needs are addressed. The City Council has consistently demonstrated its commitment toward effective fiscal oversight, and I look forward to continuing our partnership in the weeks ahead."