



**Mayor Jon Mitchell  
City of New Bedford  
Fiscal Year 2027 Budget Address  
[remarks as prepared]**

**Wednesday, May 13, 2026**

As we gather tonight for the annual presentation of the City's proposed budget, you no doubt have sensed that this year is no ordinary year. Amid reports of local governments struggling to pay their bills, and after years of warnings from me and others about the growing sources of pressure on the City's finances, I am here to tell you that your instincts are right. Going into this budget season, the gap between what is needed to run the City and the money available to us was \$32 million. This is more than twice the largest gap in the last fifteen years – far too large to be addressed by the incremental measures of years past. The only responsible way to balance the budget for the coming fiscal year, as we must under state law, is to increase revenue and reduce services.

That is only for the coming fiscal year. The budget still has a long term imbalance. Because the cost of city government is

projected to rise faster than the revenue coming in, still more sacrifices will be necessary to stabilize the budget.

This is a difficult reality. The current state of our finances feels out of place with the City's hard-earned recent success: lower crime rates, waterfront construction, new housing, a growing arts and restaurant scene, an improved reputation, and so much more. But to those who have observed or participated in the budget process of late, it should not be the least bit surprising.

Over the last several years, in budget presentations, state-of-the-city addresses, and countless media appearances, I have explicitly warned that our ability to operate city government effectively and affordably was being suffocated by diminished state aid and growing non-discretionary costs such as pension and healthcare obligations. New Bedford is hardly alone among Massachusetts cities and towns that are struggling with the fact that the state has not kept up its obligation to fund general government aid. This Spring there have been nearly daily reports of layoffs of municipal employees across Massachusetts. But I also have repeatedly said that the Council's unwillingness to reign in the growth of healthcare and pension costs would make our budget unsustainable. As I stand here today, I wish I had been wrong.

For a few years, we were able to keep things going through a series of efficiency measures. These steps were appropriate, but not nearly enough. The reality is that the budget has reached a boiling point. The tough decisions cannot be avoided any longer. Today, I am presenting to you my best effort at achieving a balanced

budget while minimizing the impact on city services and the disruption in the professional and personal lives of our employees.

In the next few minutes, I will explain in detail how we got here, what steps are necessary to balance this year's budget, and what we must do together to set the City's finances on a more stable course.

### State Aid

Let's begin with the revenue side of the budget. City government relies on a variety of funding streams. Many of them support specific activities, such as user fees for water and wastewater services, and federal and state grants for discrete programs. Most of city government, however, is funded from two sources: property tax receipts and local aid from the state. Massachusetts has two major local aid programs for city services: state education aid, otherwise known as "Chapter 70 aid," which can only be used for schools, and Unrestricted General Government Aid, which is used for the rest of city government.

In the last several years, thanks to legislation called the Student Opportunity Act, state education aid has increased significantly, and our school department is better funded than it has been in a long time. But as you no doubt have heard in the media, unrestricted aid has fallen far behind.

The problem originated with the 2008 financial crisis, which prompted the state to impose significant local aid cuts and merge two existing local aid programs into one. As you can see in this graph, once the financial crisis passed, it didn't restore the earlier funding level. Instead, it increased aid each year from its lowest

point in 2012, at rates lower than inflation.

Remarkably, this current fiscal year was the time we received more unrestricted aid than in 2009. Stop and think about how much more expensive everything is now than then. The red line shows where aid would be if it kept growing at the rate of inflation. Had the state kept up its local aid commitment, we would have received approximately \$13 million more this current year. Last week, to much fanfare, the state Senate proposed an increase in unrestricted aid that would result in about six hundred thousand dollars more for New Bedford than the House of Representatives number. The Senate's effort was laudable, but it will barely make a dent in that \$13 million shortfall.

As the state has steadily closed off the spigot of local aid, local taxpayers of course have footed more of the cost for local government. You might ask, how could that be allowed to happen? The simple answer is that state officials don't have to answer for higher local property tax bills. However unfair it may be, local officials get the call when their tax bills go up, even if the reason is that the state has not kept up its end of the bargain.

Lest anyone listening to this would suggest that we're simply begging the state to bail us out, or that we're casting blame in the general direction of Boston, it is important to point out that state aid is not charity. For various reasons, the state has an obligation to help fund local government. For one thing, the benefits of municipal services are enjoyed by people who don't live in town. This is especially true of a center city like New Bedford, in which residents of our suburbs frequently come and go, and rely on our services. When someone from Fairhaven decides to go out to dinner in the City, we don't tell them, I'm sorry but because you don't pay taxes in New Bedford, we won't

send an ambulance if you get into a bad car accident here. It's only fair the responsibility for funding such services is spread beyond the City's borders.

The state also imposes all sorts of mandates on municipalities that require us to spend money. For instance, as we'll discuss in a moment, we are required to pay for employee health care and pensions under very specific terms that are quite costly. If the state doesn't back up these mandates with funding, local taxpayers must foot the bill, and they have.

For years, I have advocated that the state must do more. I appreciate that some councilors also have raised their voices. We cannot let up in this effort.

### The Cost of City Government

Then there's the cost side of the equation. This year's general fund budget totals \$535 million. This familiar pie chart depicts the major components of the budget. As the Council is aware, the City's ability to control certain items in the budget is constrained by state law.

### Schools

The largest component of course is the school department, which now comprises nearly 66% of the general fund budget. The most important thing to remember is that we budget schools at the so-called "foundational level." We do so, not because we believe the schools don't need more money, but it's all that we can afford. Because the foundation level is the minimum allowed by the state, we cannot reduce the size of that slice of the pie.

Many councilors will recall that the school department was only about forty percent of the budget pie a decade ago. One reason that it's much larger now has to do with an accounting decision we made a few years ago to assign the cost of healthcare for school department employees to the school department's budget, which was appropriate.

But the other reason is that the Student Opportunity Act, which, as I noted, significantly increased the amount of state education aid, also required the City to raise its contribution to the school foundation budget. That share has gone up 6.6 percent in each of the last three years. The upshot is that the school department budget has grown faster than the rest of the budget, and it has required a larger contribution from the city each year.

### Pensions and Health Care

Pensions are another major cost contributing to the burden on taxpayers. State law dictates that the City must make yearly payments to the retirement system to eliminate the system's unfunded liability, in other words, to ensure that sufficient funds are in place for retiree pensions. As the next chart starkly shows, the City will be obligated to make larger payments every year because, thanks to some short-sighted decisions in the past, locally and at the state level, New Bedford has one of the lowest funded retiree plans in the state.

On this front, too, city government is constrained in its ability to control costs. State law does not allow the City or the City's retirement board to achieve savings by narrowing pension eligibility rules or reducing benefits. But the retirement board,

along with the City Council, do have the authority to increase benefits, which they have repeatedly done in recent years, adding millions to our unfunded pension liability and raising the City's required annual contribution to the fund. I agree that under normal circumstances, we should figure out how to support retirees, especially as things are getting more expensive. But when pension costs are contributing to the crowding out of government services and a rise in property taxes, we cannot afford to add more to that bill.

Then there's health care costs. As you know, employee health insurance is a substantial driver of cost increases in the city budget, and as such, it is a major contributor to the property tax burden on New Bedford residents. Healthcare costs have risen ten percent in each of the last two years, and will do so again this year. This far outstrips the new growth in the tax base, which is running at about two percent a year.

The increasing cost of healthcare is of course a national problem. But there are two reasons why healthcare costs for the City of New Bedford, as an employer, are higher than they could be. The first is that we pick up a large share of employee premiums. As is starkly reflected in this chart the City pays 75% of premiums, which is far more than what our suburbs pay.

The CFO's office has calculated that for every percentage point we would save \$320,000. So, you might ask why don't we don't we do that? The reason is simple. Changes to premium splits require negotiations with the public employee unions, and they have been unwilling to entertain a lower premium split.

The other reason healthcare is more expensive here than it could be is that we have not adopted a law, namely Sections 21-23 of the Municipal Health Care Reform Act, that would give the City greater authority to make sensible changes to health care benefits. In the absence of this authority, the unions wield an effective veto over any City proposal.

It doesn't have to be this way. Virtually every city and town in our region, along with a majority of municipalities and school districts statewide, have adopted Sections 21-23 and with good reason. They have realized measurable cost savings over time, while still meeting the obligation to cover the healthcare of their employees.

Sections 21-23 level the playing field between the unions and taxpayers when healthcare plan redesigns are considered. When the parties don't agree, an independent arbitrator decides whether the benefit levels are reasonable compared to similar plans in Massachusetts. I believe our employees deserve reliable healthcare coverage. But as the slogan for the Liberty Mutual insurance commercials go, we should only pay for what we need. Without placing taxpayers on a level playing field, the City can expect more of the same—occasional, tactical compromises from employee unions that yield no significant budgetary savings.

On four separate occasions, I have proposed that Council adopt this modest measure. I did so because I believed it would enable us to achieve savings without an onerous imposition on employees so that we did not have to resort to

more painful measures. Nearly everyone else around here has done it, and the sky hasn't fallen. Yet, the Council has rejected it every time. These were missed opportunities.

### Use of One-Time Funds

There are other decisions that have made matters more difficult this year. In the last two years, in an evident attempt to demonstrate its responsiveness to those who understandably complain about the increasing costs of government, the Council resorted to measures that lent the appearance of fiscal responsibility, but actually made it more difficult to manage the budget. The Council made cuts to items that the City could not realistically cut, either for legal or practical considerations. For instance, the Council cut the health care trust fund, even though the City would be on the hook for employee health care claims no matter how much it budgeted for health care. It cut the employer share of Social Security and Medicare payments, even though federal law requires us to pay them. It even cut the amount set aside to pay the electricity bills of city buildings, which of course is not realistic.

These and similar other measures kept the tax levy down, but artificially so, as the bills still had to be paid. We were forced to use reserve funds to fill the void. As I pointed out in my state of the city address and elsewhere, this is not a sustainable practice. It prevents the tax levy from keeping up with the rising costs of government. Because costs such as mandated education, health care and pension costs are going up fast, we are left with a wider gap between the amount of money we're taking in and what is being spent. This has made the budget gap this year feel more sudden.

When we add it all up, the gap between the city's total revenue and costs this year is \$32 million. To put that number in perspective, the largest gap during my tenure had been \$12 million.

How do we eliminate a gap that large so that we can balance the budget? Where do the funds come from, and what needs to be cut? The financial team and department heads have been working for weeks to figure out the answer. We invited councilors in to get your ideas, and I am grateful to those of you who participated.

As you look across the budget pie chart, there are few places to go. In the biggest category, we picked up approximately \$3 million by using the most conservative calculation of net school spending. We cannot reduce pension benefits, nor can we reduce healthcare benefits without the assent of the unions, in the absence of the Council adopting Sections 21-23 of the municipal healthcare law. The only way to save on those items otherwise is to reduce the number of employees slated to receive those benefits.

To round out our picture, I point out that mandatory assessments to the county and Greater New Bedford Voc-Tech cannot be reduced because they are, well, mandatory. And of course we are obligated to pay the debt the City has issued. I note that for a city of our size, we carry a modest amount of debt.

### Service Reductions and Revenue Increases

So the place we have to make up this historically large budget gap is in this roughly eighteen percent of the general fund budget that supports traditional services. This is the part

of the budget that funds the activities we most closely associate with municipal government – public safety, libraries, parks, street maintenance, and so forth. Given the size of the gap, we have had to reject more than \$8 million in service enhancements proposed by department heads. Nearly all of them would have been worthwhile to our residents, but right now we cannot afford to expand services.

Addressing the gap we face now – and will continue to face beyond this year – will require much more. We must raise more revenue, and we must eliminate services. We will be calling on everyone to sacrifice, some more than others.

On the revenue side of the equation, there is no avoiding the raising of the levy. Going into this year, we had a healthy balance of what is referred to as “excess levy capacity,” which is the cumulative amount of taxing authority we do not use each year. We will need to use all of it this year. This will be an imposition on our residents, at a time when many are struggling to pay their bills.

Nevertheless, this additional revenue will close only about half the gap. There’s no getting around the fact that services must be reduced. I believe the Council will agree that there is no low hanging fruit to pick. No service we provide is frivolous.

So we began by identifying which services can be eliminated or deferred to another year with modest disruption. A few are relatively straightforward.

For example, we will reduce the hours of operation across our library system.

We will not renew our contract with Shot Spotter, the gunshot detection system, as we shift to greater reliance on a fixed camera system.

We will defer the start of the process to construct the new police headquarters on Coggeshall Street.

DPI will be cutting back on holiday decorations and support for public events.

In the new trash contract, we will reduce the frequency of yard waste pickup.

Unfortunately, these and many other non-personnel cuts don't add up to nearly enough. Because 78% of the cost of city operations are personnel salaries, there's no way to a balanced budget without eliminating positions.

Suffice it to say, balancing the budget by cutting positions is really difficult. City government is not overstaffed. We don't have positions to spare. In fact, the general fund supports nearly one hundred fewer positions than it did in 2009. And as the Council also knows, our employees work hard, and they work efficiently. I'd put them up against their counterparts in any city government in America.

The task isn't as simple as eliminating vacant positions. Every position turns over at some point, and just because a position happens to be vacant during budget season does not mean it is expendable. The question rather is, what services can we most afford to reduce or eliminate?

These are difficult judgments, but it's our responsibility to

make them. In general, the largest departments can absorb the largest service reductions. The two departments with the most employees supported by the general fund by far are the police and fire departments. Although we have been rebuilding the police department after years of declining ranks, we will need to tap the brakes on recruitment. We will end the signing bonus for new officers, and we will eliminate some twenty-four positions scheduled to be filled this year. The consequence will be that the ranks of the police department will not return to pre-pandemic levels as quickly as we had hoped. I am confident that with the reforms that are being implemented by Chief Thody, the department will continue to perform at a high level.

In the fire department, we have run up against the hard fact that we provide a level of staffing well beyond that of other municipalities that has become extremely difficult to afford. As you can see from this slide, New Bedford is one of three departments in Massachusetts that still staffs a minimum of four firefighters to an apparatus. The other two are Boston and Brookline, two municipalities whose tax bases per capita are far higher than New Bedford's.

We can no longer afford a fire department that both runs nine companies and staffs them with four firefighters. In the absence of an agreement with the fire fighters union to reduce manning per apparatus, we will be forced to shut down a fire company. Although Chief Medeiros is understandably reluctant to close any company, closing Engine 9 on Ashley Boulevard would have the least impact on overall operations. Unfortunately, this will result in the laying-off of recently hired firefighters at the beginning of the fiscal year.

And even then, still more reductions will be necessary in the

non-public safety departments, which comprise the remaining sliver of the general fund budget. Because these departments are much smaller than fire and police, the elimination of positions can disable the department entirely from performing its mission. The way to achieve savings is to consolidate departments, and then reduce specific services. Accordingly, we intend to merge Parks, Recreation and Beaches, Community Services, Veterans Services, Licensing, and the Health Department to create a new entity called the Department of Health and Human Services, an agency that existed in essentially the same form twenty years ago. We also will eliminate certain community services, including after-school programming. This unfortunately will result in layoffs of non-union personnel.

All in all, the proposed budget will entail the reduction of 94 positions, including 36 layoffs. We have built a vacancy savings into the budget as we have done in recent years, but because we've eliminated most of the vacant positions, only a modest vacancy savings can be achieved.

In addition, I will file a proposal with the Council suspending the cost-of-living adjustments and step increases in the coming fiscal year for Unit C management positions. This will slow the rate of increases in personnel costs for the coming fiscal year and beyond, but realistically it's a measure we can only use once, or we risk losing still more people.

There's no sugar-coating the personal impact of these decisions. Being laid off is jarring, not only for the recipients of pink slips, but their families as well. Many of those on the list have worked for the City for a long time. Some I consider to be personal friends. In all cases, they are committed public

servants who care deeply about New Bedford. My pledge to them is that we will do everything we can to ease the inevitable disruption in their lives.

But all of us should be clear about one thing: given the reality we face, the steps we're taking to balance the budget are the responsible thing to do.

We'd of course prefer not to be in this position. But we don't have to look hard to find examples of cities that ignore their financial reality, the ones that decide to kick the problem down the road. They might use rainy day funds to fill budget gaps with the false hope that they will grow their way out of the problem. Or they figure that the next occupants of their positions will be forced to fix it after it finally comes home to roost. The result is inevitably a much larger problem.

We're not going let that happen here – not in New Bedford. Our City is better than that.

It's no mystery what we need to do from here: we must get serious about dealing with healthcare and pension costs. On that front, I look forward to a discussion about reasonable steps we can agree on that preserve employee benefits in a way that is affordable to taxpayers. At the top of the list is the adoption of municipal health care reforms and deferring the expansion of pension benefits. The unions must have a seat at the table, but they must be willing to acknowledge that the financial stability of the city is in the long term interest of their members.

Each of us who has the privilege of serving in public office does so out of a love of the place and the people who live it. We owe them our very best.

Avoiding hard decisions is always the comfortable thing to do in the moment. But that's what makes them hard. Whenever we are done with our time in office, we want to be able to look at ourselves in the mirror and say we made the city better off for our efforts, even when it wasn't easy. This is one of those times that demands our best. We know what to do, and I know we have the resolve to do it.

Thank you for listening, and I look forward to the work with you in the days ahead.