

Fiscal Year 2014 Budget Address to the New Bedford City Council

May 15, 2013

Mayor Jon Mitchell

President Duarte, City Councilors, Department Heads, residents of the great City of New Bedford:

A municipal budget is a statement of policy priorities in light of present and forecasted economic conditions. From my first day in office I promised that fiscal prudence would be a hallmark of my Administration. In the times we live, it is imperative to govern with a steady hand on the wheel, to navigate the economic crosscurrents whose intensity has not let up since the financial fall of 2008, while preparing to seize opportunities that will make us stronger in the long run.

Consider the conditions our City faces:

Each of us knows retired seniors in our city living on fixed incomes. They comprise a significant portion of our households. They are fighting each month to make ends meet and to pay the tax, insurance, and utility bills that allow them to remain in their own homes.

Working families throughout our City continue to face the threat of job losses or reduced income for breadwinners.

And middle-class households with good jobs might be tempted to relocate to other communities should the tax burden increase.

With the bottoming out of real estate values, revenue growth remains sluggish. This year the total amount of General Fund revenue available to fund operations is forecast to increase about 2.6% from the level approved last year by the City Council, but the lion's share of new funds comes in the form of state aid.

Meanwhile, the City must continue to guard against a range of specific fiscal threats that have been simmering for a while. Budget decisions by the prior administration on furlough policy, on fire department staffing grants, on collective bargaining, and on environmental clean-ups, may have been made with the best of intentions, but they have forced the city into long-term structural constraints.

And then there are the problems we have uncovered in our school system. As much as I am proud of the current school administration's work in rooting out antiquated and deficient

practices created by years of mismanagement, we need to deal with the fiscal implications of those practices.

So we've been a dealt a difficult hand.

The trick is play our hand skillfully, so we can avoid larger problems, and set ourselves up better in the long run.

What's needed is prudent fiscal stewardship, and that requires four things: (1) holding the line on spending; (2) finding more efficiencies especially by reorganizing government to use limited resources more efficiently and effectively; (3) squarely facing up to immediate challenges (especially education); and (4) addressing unmet needs that have been long put-off, while planning for a rainy day.

Today I am submitting for your consideration a fiscal year 2014 municipal budget for the City of New Bedford which achieves all four of these goals.

HOLDING THE LINE ON SPENDING

In developing the fiscal year 2014 budget we worked hard to live within our current means and spend only what we have. So like last year, I am offering you a budget that is effectively level-funded. It would therefore require no change in the tax levy and minimal growth in overall spending. Total general fund expenditures equal \$262.8 million, excluding enterprise accounts. This represents a 1.7 percent increase over the revised FY13 budget.

The operating cost of city departments increases by only 1.5%, and the School Department by just 1.7%. Moreover, "general government unclassified" expenditures are reduced by about 6%. The Mayor's Office budget has been downsized through the elimination and reassignment of positions. But generally, across city government, it's essentially "steady as she goes."

The real challenge in the long run will be to restrain the "fixed" costs of providing employee healthcare and pensions. When combined, these costs account for more than \$61 million dollars, nearly one quarter of all spending in fiscal year 2014. Holding the line on these costs long run and crafting a sensible, balanced budget blueprint, has been made far easier this year with the hiring of the City's Chief Financial Officer, Ari Sky, the first person to hold the CFO position in more than seven years.

REORGANIZING GOVERNMENT TO USE RESOURCES MORE EFFICIENTLY

In an era of general belt-tightening, our city government has no choice but to find ways to deliver better services with existing resources. We need to make the most of what we have; and make sure taxpayers are getting more value for the support they give government.

That is why, after careful consultation with several departments, I am proposing a departmental reorganization to improve coordination and lay the groundwork for additional streamlining of operations and efficiencies in years ahead.

First, the budget proposes to put an end to New Bedford's dubious distinction as the only municipality in the Commonwealth that operates what are essentially two separate public works departments. The Department of Public Infrastructure (DPI) and the Department of Public Facilities (DPF) will no longer exist in their present form under the budget being submitted today.

Going forward, each department will take on distinct assignments so that it is clear to both the public and city employees who exactly does what. Many responsibilities that have been shared in the past will be rationalized. For example, snow plow crews assigned to the North End of the City will now work for the same managers as those assigned to South End routes. Today's arbitrary lines of responsibility for sidewalks, tree-trimming, and other work on streets and public spaces will be also redrawn appropriately.

In broad terms, DPI will take over the traditional assignments of a public works department, retaining its name and its leadership under Ron Labelle as the new Commissioner of Public Infrastructure. New Bedford will finally have a "one-stop shop" for maintenance and development of the City's rights of way.

In the case of DPF, the new Department under Director Ken Blanchard will take over responsibility for city buildings and city vehicles so that we can implement the Capital Improvement Plan now being developed by the CFO as well as reform the operation of the City's central garage. It will be known as the Department of Facilities and Fleet Management.

Second, I have consolidated the Department of Community Development and the Planning Department. Under the capable leadership of Pat Sullivan as Director of Planning and Community Development, the new Department of Planning and Community Development will coordinate our investments in neighborhoods with the City's overall planning agenda.

We are also continuing to invest in new approaches that can save the City significant money in the years ahead at minimal up-front cost. The “Citistat” program launched last year has produced a wealth of knowledge about departmental operations and allowed us to begin to compare our departments with those in peer communities. In the coming year will begin to implement operational reforms based on the data we have collected. The Citistat program itself is being reformed by centralizing the Citistat function in the Office of the CFO rather than splitting responsibility between the Department of Management Information Systems and the Mayor’s Office, as was done in last year’s budget.

I am firmly convinced that clean, renewable energy is our future, and the impact of green energy technologies on New Bedford will be multifaceted and far-ranging. In fact, we are already seeing a glimpse of our future in the City’s ongoing effort to make New Bedford the epicenter of the new offshore wind energy industry and, likewise, in our efforts to bring solar power to municipal buildings. For this reason, I have chosen to continue to make energy initiatives a focus of my budget proposal.

The Office of Energy Efficiency has proven instrumental over the past year in pushing forward with the City’s aggressive solar power program. A major new solar farm recently broke ground at our water treatment plant, and another project is soon to get underway at New Bedford High School. Taxpayers will benefit from the electricity cost savings from these and other upcoming projects for the next twenty years.

The Energy Office is also ramping up efforts, through a so-called performance contracting initiative to reign in lighting, heating, and cooling costs at our nearly one hundred City-owned buildings. The initiatives pursued by the Energy Office today are going to help us hold down property tax bills tomorrow.

SQUARELY FACING UP TO IMMEDIATE CHALLENGES – EDUCATION

I would like to speak now to the situation in our public school system--both in general terms and more narrowly on budgetary matters.

More than at any time in our City’s history, we are at a pivot point for our schools. I began my term last year on the receiving end of a threat from the state that, unless our schools changed dramatically, the state would take over the school system. A state takeover would have been a huge black eye for our City.

Since then, we have charted a dramatically different course. The installment of Interim Superintendent Mike Shea has stabilized the district in ways that we could only have hoped for. Confidence is being restored in administrators, teachers, and parents, as a culture of accountability has been introduced throughout the system.

This is especially evident when it comes to budgetary matters. When the last school administration mistakenly undercounted the number of low-income students, Superintendent Shea got to the bottom of it. Similarly, when the last school administration could not explain disturbing discrepancies in payroll this past fall, the new school financial team led by Business Manager Barry Haskell, worked to expose a \$3.5 million budget gap created when more than fifty positions were found to have been left unbudgeted. The problem was brought into the light of day promptly, before the fiscal consequences got out of control.

Today I propose to do what we are paid to do as public servants, namely to deal with collective problems head on, even if they are not of our own creation. Let us support the diligent, high-minded efforts of Superintendent Shea, Business Manager Haskell, and other finance officials to squarely face up to financial challenges of our schools and end the old ways of doing business once and for all. Specifically, I am filing a funding measure with the City Council which will tap unused “free cash” balances to close the \$3.5 million schools budget gap, a measure that, in other words, will not require the City to reach into the Rainy Day Fund or seek a tax increase.

Neither the City Council nor this administration created these problems, but we need to deal with them. We don’t have the luxury of saying that we’ve already done enough, and just walk away. Think about it. If the New Bedford-Fairhaven Bridge became stuck in the open position, we wouldn’t say, “Well, officials in the past didn’t maintain it well, and we’re tired of throwing good money after bad; we’ll just leave it as it is.” We wouldn’t do that. Just as our residents need and expect to have operating bridge, they need and expect to have a school system that provides a quality education to our children, even if someone else caused the problems in the school system.

This is of course a lot of money. I share your misgivings, and those of many residents, about having to spend it to address a problem created by poor management.

More than anything else, people rightfully want to know, as many Councilors have wondered aloud, whether these problems are being fixed once and for all, or will the filling of a large school operating deficit be an annual exercise.

I'm here to say that that is the right question.

Over the years, the City Council has complained that the school district's presentation of the budget has been unclear.

And I'm here to say that you have been right.

For far too long, the School Department's budget procedures have been as clear as mud to the City Council and the public alike. Both deserve better.

And I'm also here to point out that those days have ended. Any casual observer of the school system would admit that things are fundamentally different now than they were a year ago. We wasted no time in making a necessary leadership change. Historic revisions to the collective bargaining agreement have been implemented. We are putting in place new accounting systems that will track every dollar spent. Bad, old practices are being abolished left and right.

Just as importantly, I submit that you have seen greater transparency in the school system's operations. The City Council has already received more information about the status of school finances than it has in many years. You have had productive formal and informal sessions with Mike Shea and Barry Haskell. We have attempted to answer all your questions about school system operations because frankly, that's how it should be. As Mayor and as School Committee Chair, I am committed to making sure the City Council receives this same level of reliable, clear information, not at the eleventh hour in June, but over the course of the fiscal year.

It will take some time for our school system to become everything we hope it will be, and believe it can be. Our school system did not develop either its financial problems or its student performance problems overnight.

But things are moving in the right direction now. We have reason to be optimistic.

Mike Shea has shown each of us how good leadership can make a difference. Our incoming superintendent, Dr. Pia Durkin, is widely considered to be one of the best in Massachusetts. After seven years in the City of Attleboro, her leadership transformed the school district from a community liability to a source of civic pride. She can do the same here in New Bedford.

It is vitally important though for us to make sure Dr. Durkin hits the ground running when she takes command this July. That is why my budget funds the School Department at the necessary statutorily-required level of \$109 million—no more, no less.

Dr. Durkin and the school financial team have said that they can get the job done with this level of resources. It will not be easy. It will mean considerable restructuring and reform throughout the School Department. We will need to make hard choices. But we most all, at some level, rely on their professionalism, experience, and judgment as proven school administrators. And so I would therefore ask the Council to join me in supporting their assessment of what is necessary to fund our schools at a critical point in their history.

ADDRESSING UNMET NEEDS AND PLANNING FOR A RAINY DAY

Finally, knowing the City Council's strong commitment to bolstering the City's reserves—a commitment I share—I have taken great pain to restrict the use of the City's certified free cash balance to only the most pressing needs. Because of this restraint, in fiscal year 2014 we will be able to increase the City's Rainy Day Fund by fully one-third from \$5.8 million to just under \$7.7 million. I am filing today, separate from the budget, a transfer measure for this purpose.

Having set these funds aside in reserve, I am proposing to use a small fraction of the free cash balance (\$568,075) in the fiscal year 2014 budget for modest but critical one-time capital needs that we should not, in good conscience, put off any longer. Examples of such needs include long-overdue upgrades of security systems at the City's parking garages, libraries, and offices. Restroom renovations at public beaches and the repaving of the North End police station parking lot are also included. These are, quite simply, things that need to get done. They items follow on the Council's recent approval of more than \$1.1 million for the replacement of police cruisers, snow plows, an ambulance, and other fleet vehicles.

MOVING FORWARD

Despite the necessity of a cautious approach to the budget and the long-term vulnerabilities I have presented, I am confident in our ability to navigate our way through our financial difficulties. That is because the prospects for New Bedford as a place to live, work, and raise a family, remain strong. I draw strength from the knowledge that, not only does New Bedford have assets other cities lack, but that we are making the most of our assets.

We have a lot going on right now, and it is an exciting time in the life of our City. We just broke ground on an exciting new urban park for Custom House Square. By the fall of this year, tourists, shoppers, and office workers will enjoy a welcoming green space in the heart of our business district.

Just last week we witnessed the groundbreaking of the \$100-million New Bedford Marine Commerce Terminal (South Terminal Project). With construction of the Terminal, the prospects for New Bedford playing a critical role in the burgeoning offshore wind energy industry have never been better. Word is quietly getting out across the nation and across the globe that New Bedford can be a key launch pad for America's new offshore wind industry.

We are a city on the move, and despite our fiscal challenges, I, like you, remain bullish on New Bedford.

Thank you for your consideration of my budget submission. I look forward to working with each of you in the weeks ahead, and encourage you to bring any and all questions to me about what I have proposed.