



MAYOR JON MITCHELL
Fiscal Year 2013 Budget Address

City Council Chamber
Tuesday, May 15, 2012
[Remarks as Prepared]

Thank you President Martins, honorable Members of the City Council, department heads, invited guests, and citizens of New Bedford.

I am pleased to stand before the City Council tonight to present a municipal budget for the City of New Bedford for the coming fiscal year 2013.

A budget is more than a blueprint for spending.

It is a reflection of values and priorities. From my first day in office I have intended for my first budget proposal to reflect as clearly as possible my values and priorities as Mayor.

The budget directive I gave to the City's financial management team was therefore succinct and unambiguous:

First, hold the line on taxes and spending.

Second, find me initiatives where a modest, targeted new investment will pay for itself and then some, by generating future savings.

Third, cobble together what limited resources remain to help us meet the unprecedented crisis facing New Bedford Public Schools.

My decision to establish these three priorities was not an easy one. In an extremely tight fiscal environment, it was more important than ever to make careful, thoughtful decisions so that scarce resources were directed toward the right priorities. In fiscal year 2013 we may not be able to do everything we'd like to do. But if we are smart, we can still accomplish important goals for our City.

It is not news to anyone that we live in an era of diminished resources. Four years after the financial meltdown in 2008, government at all levels is still struggling. New Bedford is no exception. The City may have weathered the 2008 economic storm, but four years later we have yet to recover.

We are still navigating through dangerous financial currents with no safe harbor on the horizon.

Members of the City Council appreciate well the precariousness and vulnerability of the City's fiscal position. Difficult budget decisions by the prior administration on furlough policy, on fire department staffing, on collective bargaining, and on environmental clean-ups, were made with the best of intentions.

In all these cases, decisions intended to keep the City's head above water in the short-run, have also imposed significant long-term structural constraints and created challenges for the fiscal year 2013 budget. Consider more closely the following:

During the next two fiscal years, city government will operate under the threat of a multi-million dollar court judgment which could erase the savings originally envisioned by the mandatory furloughs imposed on city employees during height of the financial crisis.

I have vowed to put up the best legal fight we can to defend the furlough policy. We have little choice. If the policy is invalidated by the court, my Administration will be faced with no good budgetary options--all of them potentially painful.

Second, the past decision to maintain Fire Department personnel strength through the use of a short-term federal grant means that by the end of the coming fiscal year the sole source of almost one-third of our Fire Department's payroll will permanently dry up.

Three major collective bargaining agreements--with the police, fire, and teachers unions--have expired, with the fourth, the municipal workers contract, set to expire next month. All four must now be renegotiated at potential additional cost, and with no obvious source of funding to meet the requirements of the new contracts.

Finally, the City must wrestle with the enormous potential expense of proposed environmental cleanups at properties bordering the Keith Middle School and New Bedford High School. Final agreements establishing responsibility for these clean-up costs were still unresolved when I took office in January.

We are working hard to partner with the EPA and DEP and pursue the polluters. But whatever the particular outcome, what is more clear than ever is that long-avoided clean-up bills will soon come due. And the City will have to find a way to pay some portion of those bills.

Let me be clear: My purpose in recounting these budget decisions is not to cast blame. I am not inclined to revisit the past for its own sake.

My point is only that, for better or worse, the budget proposal submitted today is, by necessity, shaped by these decisions.

I will say again what I have said a number of times since taking office in January.

It's the Mayor's job, on behalf of the people of New Bedford, to play the best hand we can, with the cards we have been dealt. That is what citizens expect of me. That is what I intend to deliver.

Leaving aside structural constraints let me turn to the big-picture fiscal and economic climate in which my budget proposal has been prepared.

Here I regret to report that the general prospects for next year's budget are more of what has become the new normal.

The days of healthy revenue growth are nowhere in sight. Growth in revenues from local property taxes is projected to fall along with property valuations more generally. The total amount of money available to fund operations is forecast to increase just three-quarters of one percent.

The precise level of state aid remains uncertain, even as we have had to finalize our budget. The ever-present difficulty in forecasting available resources was compounded this year by the absence of a local aid resolution--a measure which would have given cities and towns much more confidence in their spending plans.

As it stands now, we will not learn of our final allocation of state local aid until the state budget is finalized in June.

Meanwhile, the cost of operating government is not getting any cheaper. The cost of energy has soared, affecting our projections for vehicle fuel needs and for heating bills for municipal buildings.

And, as I stated from the beginning of my campaign last year, the City has already asked too much of tax payers.

Retired seniors living on fixed incomes 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 living in their own homes.

Working families 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 we attempt to raise revenue.

Moreover, taxpayers are not the only ones paying attention. Wall Street rating agencies continue to give close scrutiny to our spending habits. Any shift in spending policy could jeopardize the credit worthiness of our bonds and spike the City's financing costs.

For all these reasons, raising taxes to fund City operations or to address the sizable off-budget liabilities is off the table. We must strive to live within our current means and spend only what we have.

ZERO GROWTH IN TOTAL SPENDING

That is why the foundation for my fiscal year 2013 budget is a commitment to ZERO effective growth in overall spending.

With total appropriations equaling \$284.7 million, the budget essentially mirrors last year's spending level.

Appropriations from the General Fund are held to a fraction of one percent increase.

General government "unclassified" expenditures are, in fact, reduced by nearly 6%.

All this is not to say that we have simply put the budget on "auto-pilot."

As I said at the outset, even with limited resources we are setting new priorities in this budget. We are managing to make narrow but important new investments by carefully marshalling whatever existing funds are available.

COST-SAVING MEASURES

We have chosen to invest in ways that can save the City significant money in the years ahead at minimal up-front cost. First, I have chosen to launch the "Citistat" cost-saving initiative by assigning responsibility to the Office of the Mayor with support from the Department of Management Information Systems.

In doing so, I have chosen to adapt the role of the Mayor's Office so that it functions, not just as the home of a small personal staff, but as the key place in city government where we can implement broad, over-arching projects that cut across multiple departments.

In an organization with 3,000 employees, it is essential for the chief executive's office to have the capacity to drive policy. Real and lasting systemic change doesn't happen by itself, it requires leadership and resources in the right place.

Our Citistat initiative more than meets that criteria. I am hopeful that this modern municipal management tool will over time deliver the same kinds of benefits for New Bedford that it has in cities from Springfield to Lowell.

Second, I have also funded a position in the Office of the Mayor for a chief financial officer—a position recommended by state overseers and left unfilled for too long.

I wish here to thank the Members of the Council for their collaborative efforts. Thanks to the Council's timely action earlier this year, it is possible for my budget to fund a competitive salary to attract a top notch financial professional.

We are well on track in that regard, with a team from the Collins Center at UMass Boston assisting the City in our search and spreading the word that New Bedford has made sound fiscal management a top priority.

This is a particularly important step for the City at a time when the consequences of bad financial decisions can prove extremely costly, and the benefits of smart decisions can mean major savings.

By applying careful scrutiny to budget decisions and undertaking long-term financial planning, a CFO will ensure that money is allocated more precisely according to need across all city departments, and spent more carefully.

Third, I have chosen to fund an Office of Energy Efficiency at the Department of Public Infrastructure under the leadership of Ron Labelle.

There are many costs that government incurs that are beyond our ability to control: How much it snows...How many children enroll in our schools...How many medical emergencies require first responders.

It is easy to fall into the thinking that our energy bills fall into the same category. But this is not the case.

With just a little bit of effort, we can sharply reduce the cost of heat and electricity that government consumes. The City maintains close to one-hundred buildings, including nearly thirty schools, and major water and wastewater facilities. Many of our municipal buildings are antiquated. Collectively, this infrastructure costs an enormous amount to heat and cool.

I believe that we are living at a time where being energy conscious is not just environmentally friendly, it is financially imperative. New energy conservation measures created by DPI's Energy Efficiency Office when put in place today, will help us hold down our property tax bills tomorrow.

Again, the premise behind all these measures is the same. A tight fiscal environment with zero wiggle room requires that any new spending measures, however modest, have to stand or fall on their potential to deliver cost-savings.

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. The school district budget and the City budget are indelibly linked. Decisions about municipal operations have implications for school operations, and vice versa. Unpredictable state aid is a significant factor on both sides of the ledger. All of this is to say that the fiscal health and effectiveness of one will always impact the other.

And right now, our schools are not in the place that they should be.

While there are pockets of true excellence in our school system, our system ranks at the bottom of the state in terms of MCAS scores and the four-year graduation rate. Two of our schools have been placed on the state's list of the worst performing schools. At the half-way point of this school year, roughly a third of the high school freshmen were not on track to pass to the tenth grade.

Now, there is no doubt that our City's demographics play a part in our student performance. But demographics are only part of the story. The reality is that among the state's so-called "Gateway Cities," New Bedford is at or near the bottom in terms of MCAS scores and the four-year graduation rate.

My own view on the path forward is well known, and begins—but doesn't end—with a transition to new leadership under Interim Superintendent Michael Shea, to be followed by a rigorous search for a permanent Superintendent.

Even with the transition, a state takeover is still possible. The state has temporarily suspended its review of the school district's turnaround plan, but should we fail to gain state approval, the state still might decide to intervene.

As I have noted in the past, a state takeover of our schools would be a huge black eye, and would devastate our City's reputation generally. It would make it far more difficult for the City to attract businesses here, and would give credence to those who believe that New Bedford is not a desirable place to live.

Moreover, it is important to acknowledge up front that the immediate fiscal predicament of our school district is, in part, the outcome of decisions made in recent years. The quick fixes of one-time revenue sources are exhausted. Desperate measures—like last year's double-digit, across-the-board spending slash—are no longer practical.

Simply put, there are no magic tricks left in the school budget hat. The way forward is through responsible management and budget reforms under strong central office stewardship—beginning with Interim Superintendent Shea, and followed by his permanent replacement. It won't be easy, but we WILL put the district's fiscal house in order and bring the school budget back in line with reality.

Against this backdrop, the school district is now working on a parallel track to craft its own budget for the coming fiscal year.

As we learned yesterday, the current draft school budget has a \$1.7 million gap between the spending level proposed by the school department and the amount of funds available, even after the City has met its school spending obligations under state law.

My view is that the City and the school district have a shared responsibility to work together using a mixture of new revenue and spending cuts to close the school budget gap for the greater good of our students and teachers.

The school district simply cannot afford--and should not be subject to--a budget crisis at the same time it wrestles with both a leadership transition and the threat of state takeover.

My budget proposal therefore reflects my belief that the extraordinary circumstances facing our schools require immediate City action above and beyond the minimum support mandated by state law.

If there ever was a year to go the extra mile for our schools, 2012 is the year.

That is why I am calling for \$1 million in additional City support for our schools to exceed what's required by the state's school spending formula.

Specifically, I am proposing an additional \$500,000 in the fiscal year 2013 budget, and I am seeking City Council approval for a \$500,000 transfer of funds to the school district in the current fiscal year from a healthcare account where we are, like many other cities, experiencing savings from unanticipated declines in healthcare claims.

On a year-over-year basis, the school district will effectively receive in total \$3.6 million more from the City than the district received last year--roughly a 3.5% increase. In comparison, the state will provide just 1.6% more in Chapter 70 education aid. By any measure, the City of New Bedford is doing right by its schools.

Now it is the task of the school district to rise to the occasion and ensure that the City's money is used wisely and well.

And while the City is restricted by law from dictating the specific use of the additional school funds, I won't refrain from expressing my personal view that the additional City funds

would go a long way toward restoring textbook accounts that were recently cut to virtually zero in order to stem deficits in other areas.

As Councillors, I am certain you have heard the same complaints I have heard about the inadequate supply of text books in our schools. Now together we can do something about it.

I will conclude tonight by noting that, given our limited City resources and a tight economic environment, this commitment to our public schools does not come easy.

But I am absolutely convinced that it is the right thing to do, given the unprecedented circumstances facing our schools.

I stand by my commitment to giving every one of our students a chance to succeed.

I know that the Members of the City Council share that commitment, and that is why I ask for your support in this special effort.

MOVING FORWARD

Despite the sober budgetary outlook and long-term vulnerabilities I have presented this evening, I am far from gloomy about our ability to navigate our way through our financial difficulties.

That's 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, and it is an exciting time in the life of our City.

As was reported this week, we have recruited a nationally-recognized landscape designer--and native son of New Bedford--to help us transform Custom House Square.

A barren asphalt lot will become a spectacular urban park. By next summer, tourists, shoppers, and office workers will enjoy a welcoming green space in the heart of our business district. Downtown will finally have what it has always been missing: A central gathering space.

Efforts to improve the look of neighborhoods are underway elsewhere. Work on the Acushnet Avenue International Marketplace Project began a few weeks ago. The project will transform the entry into the North End from Route 18 and catalyze business investment.

Most important, I have talked repeatedly about the economic prize that is our waterfront and the potential of the South Terminal Project to spark a new era of economic growth. It is not inconceivable to suggest we may be on the cusp of prosperity on the same scale that once swept the City first with whaling, then with textiles, later with manufacturing.

I am pleased to report that prospects for building a modern marine terminal on our waterfront have never been better. The Patrick Administration and the state's federal delegation are working in lockstep with my Administration to clear the remaining regulatory hurdles and initiate construction later this year.

Within the offshore wind industry that will use South Terminal, word is quietly getting out across the nation and across the globe that New Bedford is going to 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, am bullish on New Bedford.

Thank you for this opportunity to appear before the Council, and I look forward to working with each of you on specific items in weeks ahead as we finalize a budget for fiscal year 2013.