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CITY OF NEW BEDFORD
Jonathan F. Mitchell, Mayor

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PRESS RELEASE

Mayor Mitchell Presents Fiscal Year 2027 Budget

NEW BEDFORD – Mayor Jon Mitchell delivered his [Fiscal Year 2027 Budget Address](#) to the New Bedford City Council Wednesday night. [The General Fund proposed budget for FY27 is \\$535.2 million.](#)

The [Mayor's presentation](#) comes at a time of acute pressure on city finances from insufficient state aid, rising pensions and health care costs, and other increases in mandated spending. Together, these factors contributed to a projected \$32 million gap between what is needed to run the City and the funds available. The Mayor's budget proposal closes the gap by implementing major changes in the size, organization, and functionality of City government.

Budget Has Reached A Long-Predicted 'Boiling Point'

Mayor Mitchell opened his address with a blunt assessment of the budgetary situation facing the City.

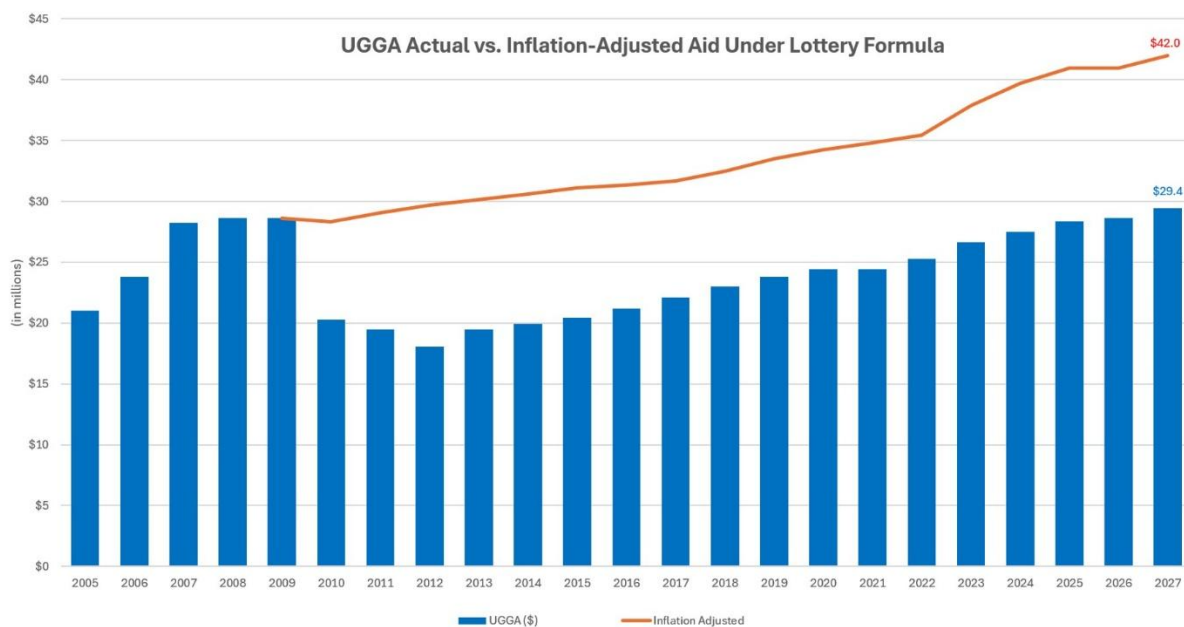
"Over the last several years, in budget presentations, State of the City addresses, and countless media and public appearances, I have explicitly warned that our ability to operate City government effectively and affordable was being suffocated by diminished state aid and growing non-discretionary costs such as pension and health care obligations," he said. "The City Council has passed over opportunities to reign in employee health care and pension costs, and I have said that the Council's unwillingness to take on these mounting pressures would make our budget unsustainable. And I wish I had been wrong."

The Mayor explained that the City has run out of options, having exhausted the repeated budgetary Band-Aids that have been employed in recent years as the long-term structural imbalances in the budget have not received the attention they deserve.

“As the budgetary pressures have continued to mount, we have been 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,” Mayor Mitchell said. “To balance the budget for the coming fiscal year, as we must under state law, we have no choice but to reduce services, increase the levy, and eliminate positions.”

Insufficient Non-School State Aid Forces Tremendous Burden on Property Taxpayers

Mayor Mitchell also reiterated the message he and others municipal leaders have been delivering in the media and other public appearances: The Commonwealth has failed to adequately support New Bedford and other localities by not adjusting state aid to match mandated costs and inflation.



Prior to the establishment of UGGA funding in 2010, the City received Lottery Funds and Additional Assistance funding.

The problem can be traced back to the nationwide 2008 financial crisis, which prompted the state to make drastic cuts to funds it gives cities and towns for non-school operations, such as police, fire, road repairs, etc. The state responded by combining two local aid programs into one, in what is known today as Unclassified General Government Aid (UGGA).

In FY2008/2009, New Bedford received \$28.6 million in non-school state aid. That amount fell to a low of \$18 million in FY2012. After more than a decade of annual distributions since the low point, New Bedford’s non-school state aid in the current fiscal year is \$28.9 million, a \$300,000 increase from almost 20 years ago.

“Remarkably, this year was the first year we received more than what we received in 2008,” Mayor Mitchell said. “Stop and think about how much more expensive everything is now than then. If state aid kept growing at the rate of inflation, we would have received approximately \$14 million more this current year.”

The decline in state aid in real terms has placed a heavy burden on New Bedford property taxpayers over the years, and despite the \$1 million increase in UGGA proposed in the recent Senate budget, it is not enough to make a dent in the shortfall.

“How could that have continued to happen?” Mayor Mitchell said. “The simple answer is that state officials don’t have to answer for higher local property taxes. How 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.”

Mayor Mitchell concluded his remarks on state aid by emphasizing 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 here. 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,” he said, offering an example of how someone from a surrounding town would receive EMS services should they get into a car accident while going to the Whaling Museum. “It is only fair the responsibility for funding such services is spread beyond the city’s borders.”

Increased School Funding Welcome, but Comes at Great Cost

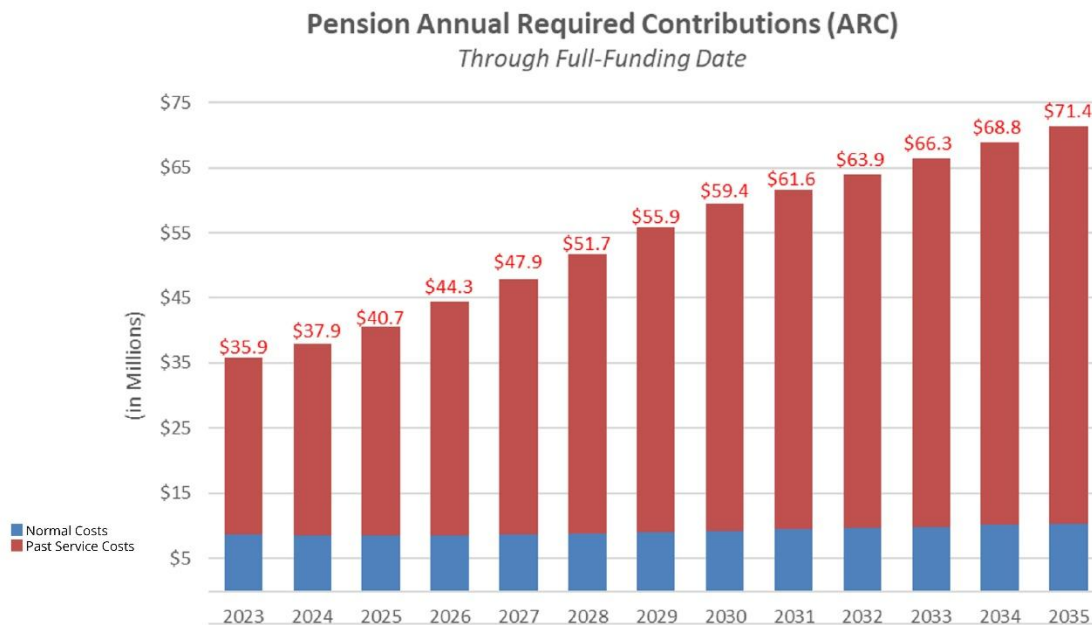
The biggest factors driving up the City’s expenditures are dictated by state law, meaning the City has little-to-no options in managing the largest spending categories.

Roughly a decade ago, the School Department was roughly 40% of the City’s budget. It now sits at 66%. While some of the increase is attributable to an accounting decision regarding school employees’ health care, most of it is the result of the Student Opportunity Act. The law significantly raised the amount of state education aid school districts receive, but also raises the contribution level of local governments to their districts.

“We welcome more education aid, as our schools need it. But the Act required the City to increase the amount it spends on schools. The upshot is, for better or worse, we are contributing more to schools,” Mayor Mitchell said while noting that the City funds schools at the minimum amount allowed by state law, meaning the City cannot cut anything from the School Department.

Rising Pension Costs

Pension costs are another significant mandatory item contributing to the heavy burden on property taxpayers. The City’s contribution to the pension fund in Fiscal Year 2027 will be \$47.35 million—an increase of roughly 9% in just one year. Moreover, the amount of the annual contribution under the current payment schedule is forecast to rise dramatically higher over the next several years.



“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,” Mayor Mitchell said. “The City will be obligated to make larger payments every year because, thanks to some poor decisions in the past locally and at the state level, New Bedford has one of the lowest funded retiree plans in the state.”

State law does not allow the City or its retirement board to narrow pension eligibility rules or reduce benefits to control rising costs, but the limited local authority of the City Council and retirement board to achieve savings has not been utilized.

“The retirement board, along with the City Council, have approved increases to retiree benefits in recent years, adding millions to our unfunded pension liability,” Mayor Mitchell said. “I agree that under normal circumstances, we should make sure we’re supporting retirees 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 at this point afford it.”

Sharp Increase in Employee Health Insurance Costs

Health care costs have risen 10% in each of the last two years, and will do so again this year. And ongoing inflationary pressures all but ensure that the item will continue to grow for the foreseeable future.”

While rising health care costs are being felt across the country, Mayor Mitchell pointed to two reasons why the costs are higher in New Bedford than they could be. First, the City pays 75% of the cost of health care premiums, more than any other municipality in Greater New Bedford.

Mitchell faulted employee unions for the City’s outlier status among localities.

“Changes to premium splits require negotiations with the public employee unions, and they have been unwilling to budge on it,” he said.

The second reason for New Bedford’s unrestrained health care spending is the City Council’s refusal to adopt the provisions of a 2011 state law that would bring an independent arbitration process into negotiations between the City and the employee unions on health care plan changes. Currently, the City cannot make any changes without the active cooperation of the employee unions who receive the benefits.

“The unions wield an effective veto over any City proposal, enabling them to fully utilize their lopsided advantage at the negotiating table,” Mayor Mitchell said. “If adopted, the 2011 law will level the playing field between unions and taxpayers when health care plan redesigns are considered.”

Mayor Mitchell has proposed this reform — which has been adopted by nearly every city and town in the region, along with a majority of municipalities and school districts statewide — on four separate occasions to the City Council, and the Council has refused to approve it each time.

Past Council Cuts To Key Line Items Coming Home to Roost

Mayor Mitchell said the City was forced to use reserve funds to meet expenses the City Council has cut from the budget in previous years, a practice that has made it “difficult to manage the budget.”

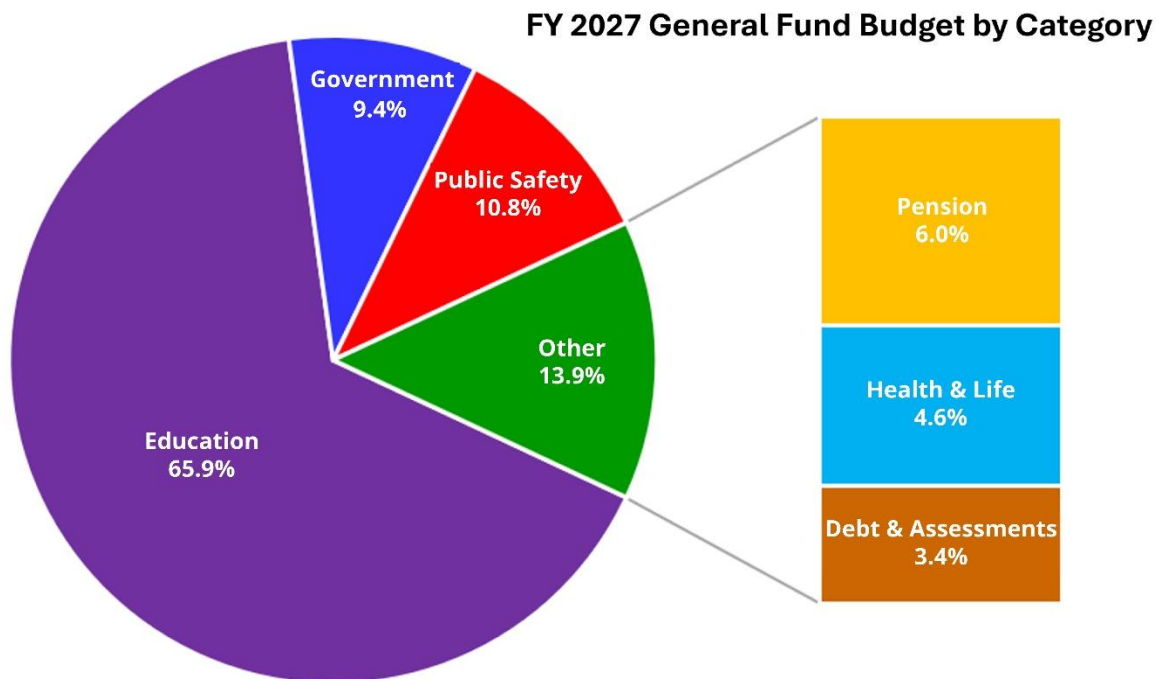
He pointed to cuts in items that the City was legally mandated to pay, such as Social Security and Medicare payments, and other unrealistic cuts, such as the amount set aside to pay the electricity bills of city buildings and payments to the health care trust fund, as reductions that forced the use of reserve funds to, at times, literally keep the lights on.

“Those and other similar measures kept the tax levy down — artificially so — but the bills still had to be paid. We used reserve funds to do that. This is not a sustainable practice,” he said. “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."

Closing This Year's Budget Gap

Roughly 20 percent of the General Fund supports traditional City services, such as public safety, parks, fixing roads, etc. With mandated costs in education and other obligations in pensions and health care, the \$32 million gap had to be closed this year in the part of the budget that accounts for only 20 percent of all spending.



"We must raise more revenue, and we must eliminate services," Mayor Mitchell said. "We will be calling on everyone to sacrifice, some more than others. It will require resolve."

For weeks, the City's financial team and department heads have been discussing ways to close the budget gap. The Administration invited City Councillors for briefings and discussions, soliciting ideas on how to close the gap.

"I am grateful to those of you who participated, and recognize the challenge," Mayor Mitchell said.

The City will utilize its "excess levy capacity" to increase revenue this year, which is the cumulative amount of taxing authority the City has not used in years past.

"There is no avoiding the raising of the levy," Mayor Mitchell said. "This will be an imposition on our residents, at a time when many are struggling to pay their bills."

City services are also being eliminated, reduced or deferred to achieve savings, such as:

- Reduction in the hours of operation across the City's library system.
- Not renewing the Police Department's contract with ShotSpotter, the gunshot detection system.
- Deferring the start of the process to construct a new NBPD headquarters on Coggeshall Street.
- The Department of Public Infrastructure will be cutting back on holiday decorations and support for public events.
- In the new trash contract, there will be a reduction in the frequency of yard waste pickup.

Actions Being Taken to Balance the Budget

After reducing services and increasing revenues, the City will be eliminating 94 positions, which represents 36 layoffs and 58 currently vacant positions.

"City government is not overstaffed. We don't have positions to spare," Mayor Mitchell said. "In fact, the General Fund supports nearly 100 fewer positions that it did in 2009. And as the Council also knows, our people work really hard, and they work efficiently. I'd put them up against their counterpart in any city government in America.

"The question is, what services can we most afford to reduce or eliminate? These are difficult judgement calls."

Police Department

The Police Department is eliminating 24 positions it was scheduled to fill this year, and will also be doing away with the signing bonus for new officers.

"Although we have been quickly rebuilding the police department after years of declining ranks, we will need to tap the brakes on recruitment," Mayor Mitchell said. "We will not soon build the ranks of the police department to the pre-pandemic levels as quickly as we had hoped."

Fire Department

There are also reductions coming to the Fire Department. Out of the hundreds of Fire Departments across Massachusetts, [New Bedford is one of only three to staff a minimum of four firefighters to an apparatus](#). The others are Brookline and Boston.

"We can no longer afford a fire department that runs nine companies, and staffs each of them with a minimum of four firefighters. The reality is that at least in the Northeast, hardly anyone

is still doing it that way,” Mayor Mitchell said. “In the absence of an agreement with the firefighters’ 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, a closure of 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.”

Departmental Consolidation

Additionally, the City is consolidating departments and reducing specific services. A proposal will be filed to merge Parks, Recreation and Beaches, Community Services, Veterans Services, Licensing, and the Health Department into a new entity called the Department of Health and Human Services. This will result in layoffs of non-union personnel and the elimination of certain services, including after-school programs.

Freeze on Manager Compensation

In addition, Mayor Mitchell will file a proposal with the City Council to suspend the cost-of-living adjustments and step increases in the coming fiscal year for all management-level positions, which will slow the rate of increases in personnel costs for the coming fiscal year and beyond.

“This isn’t a sterile accounting exercise. Laying people off is personally jarring to the recipients of pink slips, as well as their families,” Mayor Mitchell said. “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. We will do everything we can to ease the inevitable disruption in their lives.”

Mayor’s Concluding Remarks

The Mayor ended his address with a call for partnership with the City Council.

“We must get serious about dealing with health care and pension costs. There is still an opportunity to address the City’s structural deficit to avoid further austerity measures,” he said. “We will continue to advocate for state funding policies that fairly reflect the state’s obligation to cities and towns. We will remain engaged with the public employees unions in the hope that we can find ways to make reasonable changes that can help preserve members’ jobs.”

“It will be incumbent upon us to put political agendas aside, break with past practices, and work together. I’ve been encouraged that the dialogue with the Council this year has greatly improved. I am confident that candid conversations and that resolve to serve long-term interests of the city and its residents will enable us to restore stability to our finances.”