Good evening, President Abreu, honorable Members of the City Council, department heads, and residents of New Bedford.

Thank you for the opportunity to present the City’s municipal budget for Fiscal Year 2023. This year marks the third budget developed since the start of the pandemic, whose impact on City revenues continues to be broadly felt. Inflationary pressure, supply chain disruption, mandated expenses, and sluggish local receipts altogether demand that this year we proceed with caution.
Fiscal Year 2023 Expenditure and Revenue Overview

Let’s take a moment to zoom in on the numbers. The FY 2023 budget totals $471 million of which the General Fund is the largest component at $421 million.

The proposed budget takes a conservative approach. It restores a modest number of items we had to forgo during the pandemic, but the lion’s share of the cuts remain in place. There are no new programs or expansions of existing ones. Of necessity, it is a relatively static budget.

There are many reasons for this. For starters, we’re facing intense inflationary trends, especially in energy and materials. It’s not news to anyone now that gasoline, electricity, and natural gas prices have all skyrocketed in the past six months.

The City’s local receipt accounts have still not returned to pre-pandemic levels. In response, we directed three million dollars of ARPA funds to support one-time or otherwise limited duration items in specific eligible categories.
We are confident that as local receipts such as excise tax and other miscellaneous revenue recover, this one-time solution should fill the gap in the meantime.

As we look at the long run, what’s troubling is the steady increase in fixed and mandated costs, which threaten to crowd out still more funding for key services. These costs now represent more than 75% of the general fund budget, as you can see clearly in this chart.

It’s the story you’ve heard before. Health insurance, pension, and other insurance programs will increase, this year more than $2.9 million due to projected claims expenses and growing pension funding requirements.

Funding for the School Department is projected to increase by $22.6 million, or 11.9% to comply with the Commonwealth's minimum net school spending requirements. This is one of the largest annual increases in memory. While we are grateful for the additional state funding pursuant to the Student Opportunity Act, the matching
local contribution that comes with it is significant.

Similarly, mandatory assessments, which consist of funding for charter schools, continue to consume an increasing share of the City's resources. The City’s obligation for charter school tuition has risen from $22.8 million in FY22 to $26.9 million in FY23. Charter school expenses have significantly reduced the funding available to address needs in New Bedford Public Schools.

As the chart of the city’s general fund budget illustrates, even modest cuts to the remaining small sliver of the pie that represent municipal operations can debilitate important services. Belt-tightening in those areas in which we have the liberty to tighten our belts will not add up to much. Programmatic expansions, no matter how meritorious, are not realistic now.

Health Care Reform

Given that so much of the budget is beyond our ability to control, the path forward must include strategic reforms in
areas that remain within our capacity to change. Without a doubt, the most consequential of these reforms is the proposed change to the employee health insurance negotiation process which I recently refiled with the City Council. This is really the only measure we could undertake that could materially change this part of the pie chart, short of a change in state law.

As I noted in a separate letter to the Council, employee health insurance is a substantial driver of cost increases in the budget, and as such, is a major contributor to the property tax burden on our residents. Since 2012, employee health insurance costs have risen from $35.2 million to $45.7 million, or nearly $1 million per year every year. And the return of inflation to the broader economy suggests that these trends will not let up anytime soon. This year we project a seven percent increase in employee health care.

That is why I am again asking the Council in my proposal to take a vote to adopt Sections 21-23 of Chapter B
of Massachusetts General Law. The adoption of these Sections equalizes the negotiating positions of the Administration and employee unions when negotiating health insurance benefits, by introducing a neutral arbiter to resolve any impasses. In effect, it would level the bargaining table.

With virtually every local government in Southeastern Massachusetts now having adopted Sections 21-23, New Bedford taxpayers deserve relief from the major budget pressures caused by the current health insurance program, every bit as much as their neighbors in other municipalities. We can do this without sacrificing the heath care coverage we extend to employees. The sky has not fallen in the surrounding municipalities, and it won’t fall here.

**Concluding Thoughts**

So yes, we need to be cautious, and we need to make some tough decisions. But let me hasten to add that there is ample reason for optimism, as I recently outlined in my state of the city address.
The local economy continues to hold its own. The City's unemployment rate has fallen significantly from its highest point during the early days of the crisis and has declined to 5%. Meanwhile, development prospects abound. With the City Council’s help, we’ve moved the Advanced Manufacturing Campus forward, and we’re seeing increasing interest in waterfront investment by seafood and offshore wind businesses, along with more startups, especially in the restaurant industry.

There’s much to look forward to, but we all know that decisions concerning the hard-earned dollars of our residents must be undertaken with a clear-eyed view of the challenges that also lie ahead. We will meet these challenges by relying on the same cautious, deliberative approach and the effective partnership between the administration and the City Council that has served us well in the past. I look forward to that continued partnership in the weeks ahead as we finalize the City’s spending blueprint for the coming fiscal year. Thank you.