



Brockton, Massachusetts
"City of Champions"
Bill Carpenter – Mayor

June 8, 2015

Members of the City Council
45 School St.
Brockton, MA 02301

Ladies and Gentlemen:

I am writing to provide my commentary on the budget which was received by city council at its meeting on Tuesday, May 26, 2015.

The budget which I prepared was confronted with the same fundamental financial difficulties which have affected previous city budgets for the past decade or more. Our budget for appropriations in the General Fund has consistently increased by about \$10 million per year. Much of this increase is unavoidable, especially regarding the spending on public schools for the Education Reform Act, but other costs rise, too.

In essence, many of our costs, such as those for health insurance and pensions, are growing more rapidly than our revenues are growing. Most critically, on the revenue side the state has yet to restore the cuts made, especially in FY2002/FY2003 and FY2008/FY2009, to several unrestricted state aid accounts. As you know, most of the city's state aid is restricted to use by either the libraries or the schools. Unrestricted state aid is important to help finance the costs of other budgets. In FY2016, total unrestricted state aid for the city will be almost \$10 million less than it was in FY2002, continuing a trend of more than twelve years. There is no current source of revenue which can replace that level of loss, other than to override the provisions of Proposition 2 ½. However, the unrestricted state aid accounts were intended to especially help the poorer communities, with their limited tax bases. It seems there is an inconsistency between in state budget policies and the objective of property tax relief in poorer communities. Unfortunately, it appears that this has now become a fiscal reality.

As a result of the convergence of these cost and revenue trends, the city has struggled to maintain services. In earlier budgets submitted by my predecessors and approved by earlier city councils, there were significant decreases in staffing for departments on the city side of the budget. For this year, in light of those impacts of prior budgets on city services, I wanted to spare most city departments from further staff reductions. However, my recommended budget for the Brockton Public Schools is about \$9.0 million less than the superintendent's request for the budget amount that she deemed necessary to restore earlier cuts to achieve level services. However, in my opinion, that dollar shortage in funding her request, and

more, can be accounted for by deficiencies in the Chapter 70 funding formula, especially with respect to the costs of educating low income, special education, and English language learning students.

As I began my budget work with the departmental budgets submitted to the CFO, I confronted a \$4.2 million deficit in the General Fund. The snow removal deficit alone was \$2.5 million. This budget deficit existed with an assumption that no increase in property taxes from Proposition 2 ½ would be levied. It also existed with the budget for net school spending at only \$163 million. This level of funding would have resulted in the elimination of the jobs of about 280 teachers and the closing of at least one school. By agreeing, in the end, to fund the schools for net school spending at almost \$165.1 million, I raised the deficit that needed to be closed to about \$6.3 million.

In preparing my final budget recommendations, I relied on several basic principles. First, I wanted the expenditure budget to be one which preserved public safety, maintained a good education system, and improved our investment in parks and recreation. All of these functions are essential to creating a good quality of life in the community in order to obtain new business investment, maintain the residential population and attract new homeowners. I also chose to invest in technology to continued increase efficiency.

As a result the city Police budget contains an increase in the overtime budget as well as funding from the general fund for four new recruits. This will bring the staffing up so we can also hire 2 new recruits from the Federal grant. The Fire budget contains staffing for 10 new firefighters. This restores 6 positions lost to attrition in the last year and also funds 4 positions to replace anticipated retirements in FY16. The Parks and Recreation budget has been increased by over \$370 thousand. This is the result of increasing the general fund subsidy to this enterprise fund by almost \$285 thousand, plus better revenues, from the golf course. The result is more services and increased investment in facilities. The IT budget received 2 staff additions. One of these will perform duties formerly provided by a police officer. The IT budget for Goods and Services also was increased.

I also determined that I would avoid proposing total appropriations which would require that the city raise its property tax levy to the full extent allowed by the Proposition 2/ ½ tax law. This decision ultimately meant about \$2.5 million in potential revenue would not be available to support spending. There were several factors to support my reasoning in reaching this decision. First, in my campaign for mayor, the issue of property taxes was one about which I heard most frequently from residents. Second, the way in which the current levy is allocated between businesses and residents, results in one of the highest rates of business taxation, both in the state and in our region. This creates a real obstacle to obtaining the new commercial investment which the city needs. Third, property taxation which is below the legal limit under Prop. 2 ½, is not "lost"; it is available for appropriation up until the tax rate is approved by the Department of Revenue, and after that, it is available again during the next budget cycle.

In attempting to close a budget deficit of \$6.3 million, after funding the schools at \$165.1 million for net school spending, it became apparent that the deficit could be eliminated only with extraordinarily deep, totally unacceptable cuts to other budgets, including City Hall departments and the DPW, but most especially, public safety departments. For example, one of the strategies discussed with the Fire Chief would be to lay off firefighters and close permanently at least one company, and perhaps a fire station. None of this was acceptable to me. In the end, I chose to close the deficit in part with one-half in expenditure cuts, and in the other half by increased property taxes. While I chose not to fully levy to the limit under Prop. 2 ½, I did choose to levy taxation on new property investment. I also chose to appropriate the levy increase from FY16 allowed under Prop. 2 ½. That was worth almost \$3.1 million. However, the Prop 2 ½ increase of \$2.5 million that was not appropriated in FY15 continues into FY16.

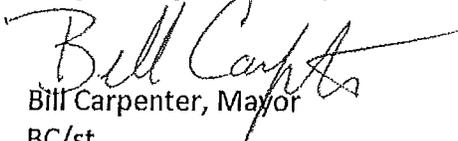
As a result of the cumulative effect of these decisions, it became necessary to search for cost reductions elsewhere in the budget requests. First and foremost, there were no capital requests granted for most city departments funded by the General Fund. The capital request will be examined for later presentation to city council to be funded by a bond issue. In addition, I examined every budget and every line item in the Ordinary Maintenance categories for possible reduction. The budget managers had been asked to provide cost reduction ideas. I incorporated many of these suggestions, plus some additional suggestions based on an analysis of spending in FY 15. These reductions will be apparent as you review the various budgets and discuss them.

I wish to devote a few words to the need for revenue growth. As I mentioned earlier, the ongoing absence of \$10 million in unrestricted revenue from the state continues to impose a severe impact on the city, but it is now very unlikely that the city will obtain future help from the state in replacing this revenue. However, the city's costs continue to rise. Therefore, we must secure new sources of revenue. I have asked "not for profit" institutions to voluntarily assist the city. The law does not allow the city to levy a property tax on the "not for profit" institutions, but I believe a reduced property tax assessment on larger not for profits should be allowed. Accordingly, I have asked many of these to contribute voluntarily. So far, my request for help has not yielded much, but I do want to commend Father Bill's/Mainspring House for voluntarily increasing its payment. I have also sought to develop new revenue sources, such as the solar field on Thatcher Street. In time, that field will contribute about \$150 thousand in new revenue to the city.

But the most potentially lucrative source is from new investment by businesses in the city. To obtain this in a competitive environment, we must be welcoming. The city already nearly has in its grasp almost \$3.0 million in one-time revenue plus \$4 million per year in ongoing revenue which can be gained from the proposed power plant. All that is necessary is for the city to allow the power plant project to proceed. An electric power generation facility complies with the city's zoning ordinances. This proposal has steadily advanced

through nearly all of the environmental and state sitting permits. It simply needs the city council to accept these factual realities. I urge the council to drop its opposition. The city desperately needs the revenue.

Respectfully submitted,


Bill Carpenter, Mayor
BC/st

File: FY16 Mayor's Budget Letter