

Medford City Budget Review: Long-Term Underfunding Leads to Yearly Shortfalls, Crumbling Infrastructure & Vulnerability to Shocks

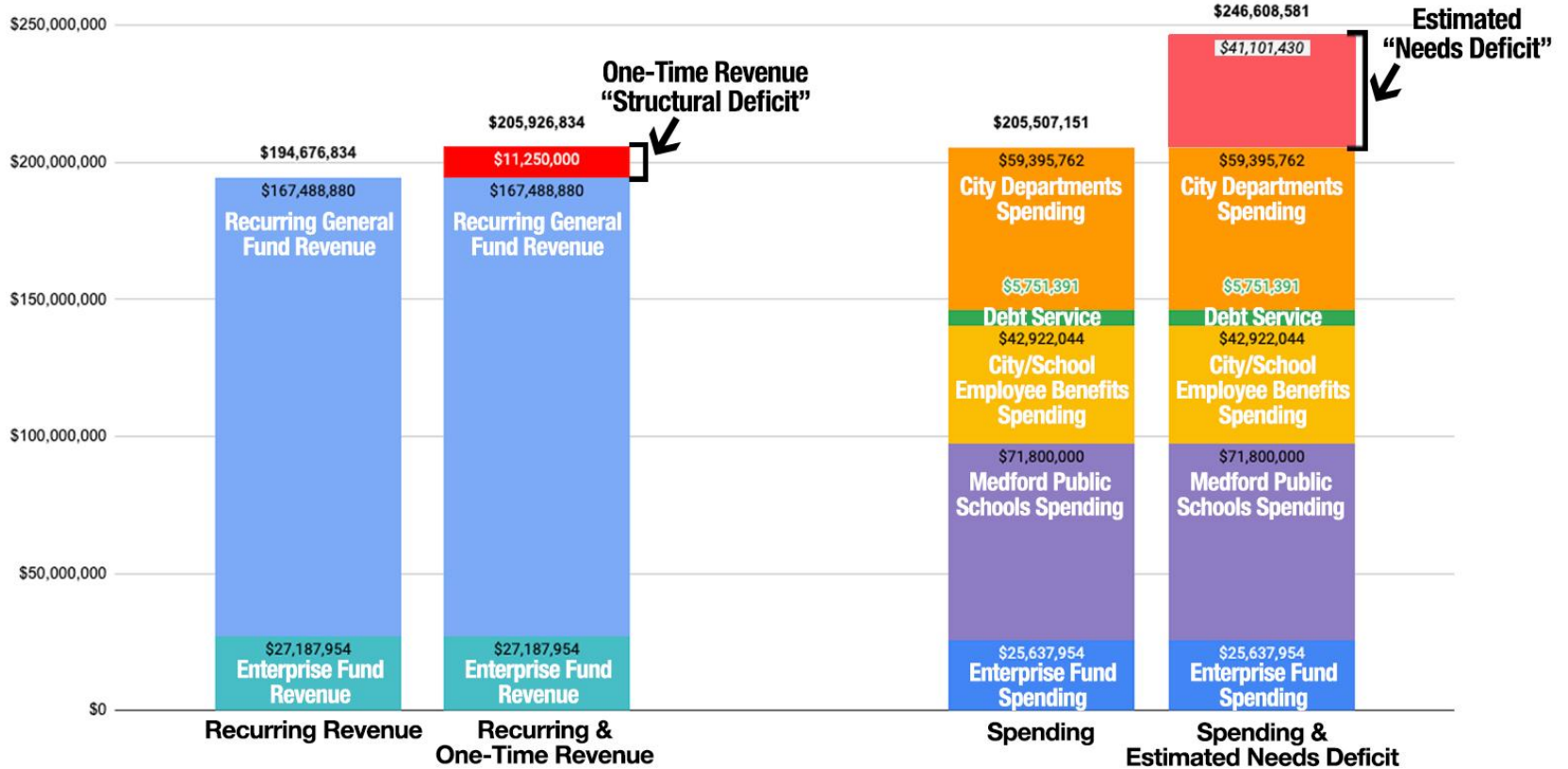
Presented by:
Medford City Council Vice President Zac Bears

Causes of Medford's City Budget Crisis Go Back Decades

- The city does not bring in enough revenue to meet the spending needs for city services, public schools, and maintenance of buildings and infrastructure
- There are many reasons why:
 - Proposition 2.5 limits growth of the city's main source of revenue to 2.5% per year (plus new construction/major renovation), which is below the rate of inflation and the rate at which our costs grow (insurance, trash removal, construction costs go up much more than 2.5%/year)
 - Lack of new commercial development has restricted a major tool to raise revenue
- The impacts are serious and long-standing:
 - Barebones budgets and low staffing levels for most City Departments (DPW, planning, law, health, recreation, etc) that mean Medford provides fewer services than our residents deserve
 - Very small real-dollar growth of Medford Public Schools budget: limited purchase of new materials, resources, and new staff hires; reliance on fees from families for programs; limits on admin proposals for educator and staff union contracts; years of deferred maintenance leading to costly repairs
 - Huge infrastructure backlog (\$100 million just for roads and sidewalks), crumbling city and school buildings (Fire HQ, MHS, City Hall, etc), and limited capital maintenance investments
 - City and school staff scrambling to subsidize operating budgets through one-time grants

FY2023 Mayor's Initial Proposed Budget

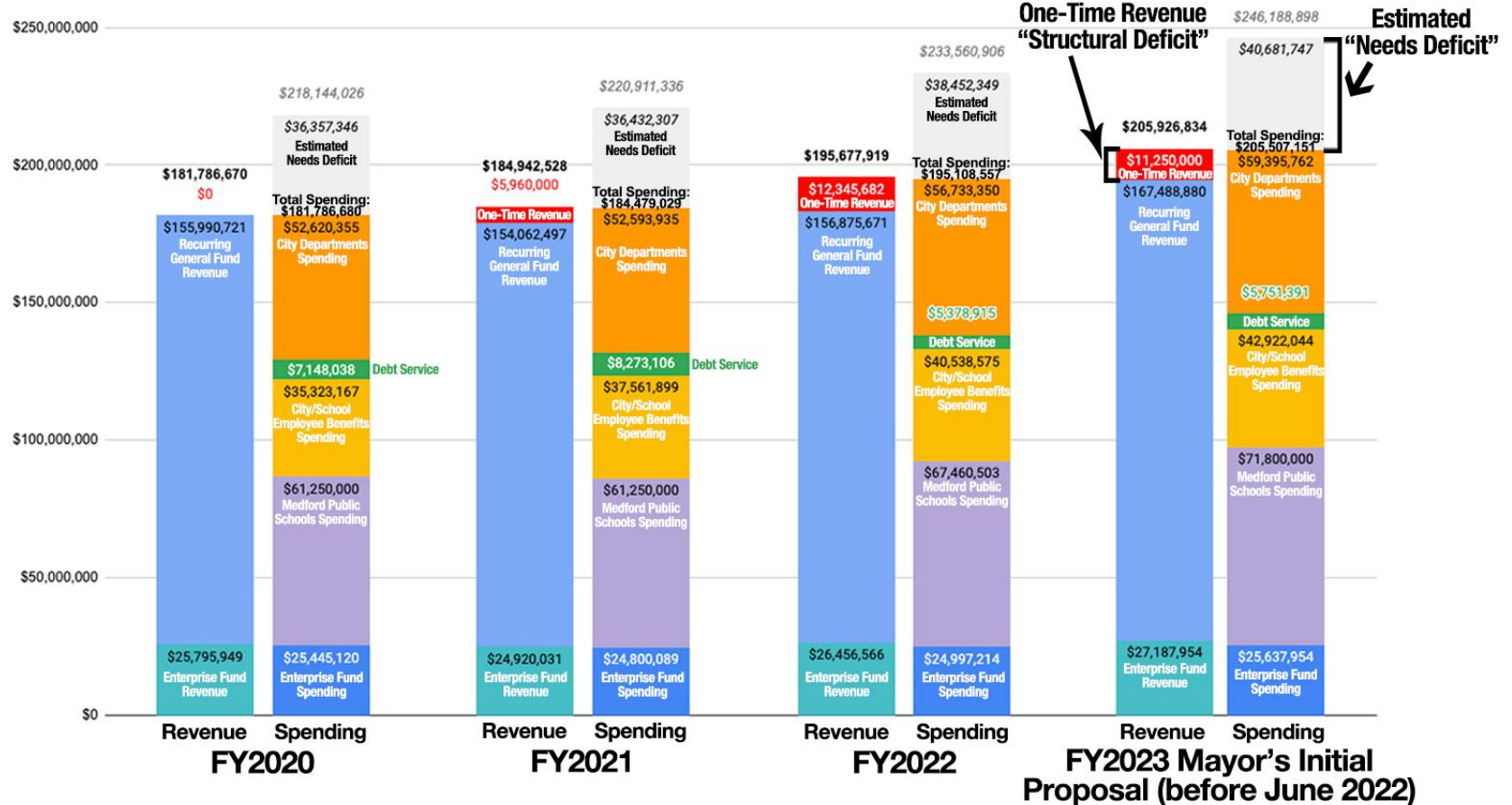
Before June 1, 2022



“Structural deficit” - Use of one-time revenue (ARPA revenue replacement, free cash reserves) to cover recurring spending

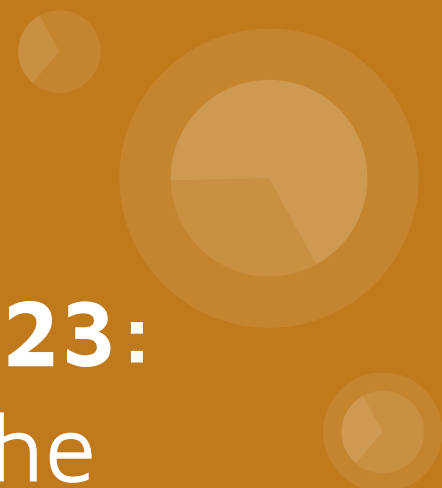
“Needs deficit” - Difference between current spending and spending level needed to provide full services and maintain capital assets

FY2020, FY2021, FY2022 & FY2023 Mayor's Initial Proposed Budget



Key Takeaways: Medford's Long-Term City Budget Crisis

1. City budgets for years have had an **unstudied and unknown “needs deficit,”** meaning our spending needs are greater than the available revenue.
2. Starting in FY2021, the city began to have a **“structural deficit,”** meaning the use of one-time revenue sources to balance the city budget
3. The city needs a **short-term plan to eliminate the structural deficit** and a **long-term plan to eliminate the needs deficit.** Options include:
 - Further budget cuts to end structural deficit, reducing services and increasing needs deficit
 - Medium to long-term only: Increase “new growth” revenue from development, especially new commercial and mixed-use development that brings in the most funds based on tax structure
 - Raise revenue for operating budget through a Proposition 2.5 override to close structural deficit, assess actual needs deficit to determine whether a further override is needed
 - Raise revenue for long-term capital expenses through a Proposition 2.5 debt exclusion to fund items like a new Fire Headquarters, new Medford High School, building maintenance & renovation, and fixing the \$100 million road and sidewalk repair backlog



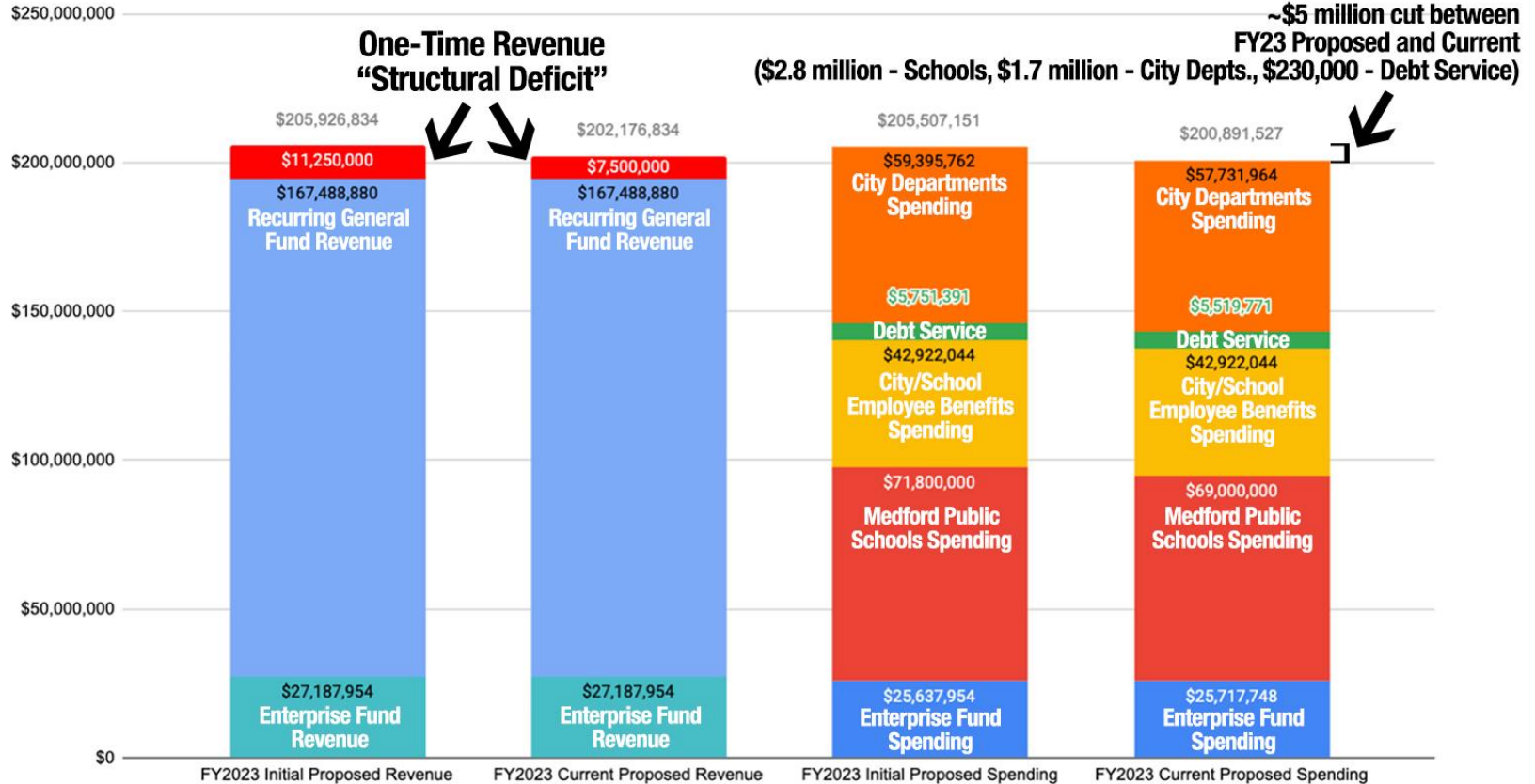
Shortfalls and Shocks in FY23:
It's Not the Library's Fault, The
FY23 Budget Process Rested on
Inaccurate Revenue Assumptions

Last-Minute Cuts to Proposed FY23 Budget: An Unnecessary Curveball

- The FY23 budget numbers presented so far are the **FY23 Initial Proposed Budget prior to June 2022**, not the current/amended budget the Mayor has so far presented to the City Council
- Throughout the FY23 budget process beginning months ago, the City Administration assumed that \$7-8 million in one-time ARPA revenue replacement would be available
- However, according to discussions with city staff and the outside CLA consultant, it was clear months ago that the \$7-8 million figure could not be guaranteed and a final figure could not be calculated until the city's books were reviewed and cleaned up after 10 months without a CFO
- Sometime in late May/early June, the Mayor and leadership team were given a **final figure of just ~\$4 million for ARPA revenue replacement** in the FY23 budget due US Treasury Department ARPA rules counting several deposits of private library donations into city funds by the Medford Public Library Foundation as "revenue" for the final revenue replacement calculation
- Medford *did not lose any money* but now ~\$3.75 million in assumed revenue is not available for the FY23 budget and must be spent on restricted ARPA uses instead
- This led the City Administration to **make last-minute cuts across the proposed FY23 budget**
- If this had been shared months ago, the City could have prepared for multiple revenue scenarios, the Council would have been informed as requested, and city staff and Medford residents wouldn't have experienced such urgent and unexpected proposed FY23 budget reductions at the last minute

FY2023 Mayor's Initial Proposed Budget vs. Current Proposed Budget

Before June 1, 2022



"Structural deficit" - Use of one-time revenue (ARPA revenue replacement, free cash reserves) to cover recurring spending

Action Recommendations & How Residents Can Help

Recommendations and Community Action Steps

1. Recommendations to Address Long-Term Budget Needs

- Determine the actual budget needs deficit for the City of Medford's operating budget and capital needs
- Mayor develop and release a revenue generation plan to meet budget needs deficit, set goals and benchmarks that can be tracked, and provide a clear and reasonable timeline over next 10 years

2. Recommendations to Address Short-Term Budget Problems

- City Council and School Committee hold Mayor accountable to release all information and clear timeline for assumptions about the FY23 ARPA revenue replacement calculation that led to FY23 budget cuts
- Mayor must release a full accounting of ARPA funds spent in FY21 & FY22, share how much is remaining in ARPA funds after FY22, and outline the timeline and spending plan for remaining ARPA funds
- By July 14, 2022, the Mayor must demonstrate that a Proposition 2.5 override is not needed to end short-term structural deficit and avoid more budget cuts in the FY24 budget as previously stated

3. Community Action Steps

- Attend upcoming City Council budget hearings and budget presentation on 6/21 or 6/28 and speak up
- Contact the Mayor to ask for release of all information regarding FY23 budget decision making, state your support for the recommendations in this presentation, and ask whether or not the Mayor will explore an override to eliminate structural deficit and stop further austerity and budget cuts in FY24
- Organize community campaigns to advocate for solutions to address the long-term budget needs deficit