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Gary Christenson, Mayor

Tuesday, May 23, 2017

The Honorable Malden City Council
110 Pleasant Street
Malden, MA 02148

Dear Council:

I hereby submit the proposed Fiscal Year 2018 budget in the amount of \$180,198,128 for your consideration. As in years past, the challenge remains on our need to utilize reserves to balance the budget but despite our ongoing structural imbalance, this budget, I believe, keeps Malden moving forward.

We project regular recurring revenue consisting of property taxes, state aid and municipal revenues to increase by \$5.3 million. It is worth noting that the tax base increased greatly as a result of strong economic growth thanks to many of the developments that have occurred specifically in the downtown, without which would have produced a drastically different budget. Despite this, we propose using \$6.5 million of our reserves to help support the budget.

I am not pleased in having to rely upon the utilization of reserves to balance this budget. However, it's important to recognize that we project adding approximately \$5 million to free cash with the next certification in October. As a result, I view our usage as a 'net' \$1.4 million. With that said, I only propose doing so based on two significant events happening in Fiscal Year 2020 which is when our debt payment drops by about \$2 million and the \$1 million Wynn payment begins. This should not only bridge the gap but also allow us to start building our reserves back up. Although not ideal, I believe it to be a prudent decision to maintain current services while we work toward a more stable budget.

On the expense side, the good news is that our ability to reduce new borrowing has resulted in another decrease in funds needed for debt service. The budget restructures the areas of health, building, parking, and human services. The school department is increased nearly \$2 million which we believe will be sufficient to keep current services intact.

Rising costs include health insurance which is set to increase by almost \$2 million and please note that without the reform paper recently submitted, this figure would increase to \$3.5 million. Pension costs increase over 6 percent from \$9.5 million to \$10.1 million. Finally, state

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assessments and other charges are also problematic as they increase 9 percent or roughly \$1.4 million.

These budgets are never easy and this one is no different. I truly believe we are on the cusp of some great things happening in our city with the initiatives underway. In the meantime, we just have to hang in there and continue to work our way through this. Thank you for your consideration and please contact me with any questions.

Sincerely,



GARY CHRISTENSON
Mayor, City of Malden