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Thank you Mr. President and Councilors,

I want to start by acknowledging that this is not a good situation and this is not the position I had hoped the City's finances would be in.

However, the reality is that what I have proposed needs to be done. We are already deep into this fiscal year, and these cuts and other budget changes will avoid deeper cuts needing to be made down the line and minimize the impact of this crisis on FY2028.

I want to start by explaining the major areas of the budget that are being adjusted.

First, this supplemental proposal makes roughly $550,000 in cuts from the budget I signed in June. Most of those cuts represent half year reductions as the main component, salaries, are mostly being reduced by 6 months of expenditure as the layoffs I have made, go into effect at the end of this calendar year.

The departments impacted by these staff reductions are the Building Department, the Community Development and Planning Department, the Assessing Department, the Airport, IT, Law, Animal Control, DPW, Treasury and the City Clerk.

Additionally, concerning the Youth Center. Presently, that is funded by a state earmark to pilot that program for 2 years. We are in the 2nd

year, and the plan was for the city to assess, and make a decision about its future. Purely because of the financial situation, I have reallocated the city funding from this fiscal year that was being set aside for next fiscal year when the state funding runs out.

Health insurance. Health insurance is devouring the budget. In round numbers, the gap for FY26, and FY27 is $3.4 million. It is the leading factor that drove the FY26 budget into deficit, and it is quickly outpacing our ability to absorb those increases. We are almost entirely self-insured and we are not that big of an employer so we hold more of the risk ourselves and that means we also incur greater costs because we are a relatively small insurance pool.

Furthermore, in the last 10 years, the health insurance rate we pass on to our employees has rarely kept pace with the benchmark rate increase. 4 times, the annual increase was 0%, when the combined benchmark increase would have been 13%. Overall, the gap is greater than 20%. The compounding effect of keeping the rate below benchmark, especially the years of 0's has cost our pool over $6 million over that time. Again, because we are self-insured, we have less ability to absorb large claims, of which there have been many in recent years.

This has all been exacerbated by the $1 trillion in Medicare/Medicaid cuts by the federal government which has pushed more of the cost burden onto other areas of the healthcare system.

Another large portion of this Supplemental Budget are corrections to indirect costs for the enterprise funds. As you are aware, the various enterprise fund accounts reimburse the City general fund when they utilize City resources that are paid out of the general fund. For example, there is a rate that is paid for the general use of accounting

and other services. Again, a large portion of that transfer is tied to health insurance costs related to employees covered by the City's health insurance, but who do work for the enterprise funds.

In this calculation a significant error was made. The formula is set by Council vote, and was last done so in 2009. However, the actual spreadsheet used to make these calculations contained a formula error that was discovered by the new Auditor. Because of that error, no increases to health insurance or pensions have been calculated into those costs in 7 years. That caused a shorting of approximately $1 million just for FY 27.

This error should have been identified earlier. It was not, and that is unacceptable. As part of correcting it, we are also reviewing the procedures used to calculate and verify these transfers so that this does not happen again.

The budget did not account for all termination leave payouts to employees who will be retiring or otherwise leaving City employment this year. That is an increase in expense of about $250,000.

This supplemental budget makes two other financial adjustments. First, it carries the $385,000 deficit from FY26, and incorporates the higher than anticipated revenue for new growth revenue of an additional $266,000 over what was budgeted.

Finally, the Department of Revenue is requiring us to adjust expected revenues down by $1 million because of the overall financial picture, and FY26 actual revenue numbers.

After all these changes, I am proposing using the City Stabilization Fund to balance the remainder of the budget. The withdrawal I am

proposing is $2.6 million which will leave approximately $1 million left in the fund.

I realize this is a large withdrawal. However, it exists for this purpose. To help absorb budget fluctuations while maintaining services. I am confident that with the other cuts, and error corrections this will reduce the risks headed into FY28.

Separately from this, I have filed an extensive package of ordinance code changes that primarily deal with financial matters but also others as well. It proposes to increase certain fees and fines, many of which have not been adjusted in over a decade. One key section left out is building permit fees. I am not proposing any increase because I don't want to add to the cost of construction or renovations in the City.

I want to emphasize that this is time sensitive and really needs to be looked at as a complete package.

One final thing I want to address because it has been brought up to me several times and it is a legitimate thing, so I want to explain my reasoning and assure all of you that I have thoroughly considered it.

The Community Center. It's an easy political target. I understand why the question is being raised, and it deserves a serious answer. However, as I will explain, while at a glance it could seem like a good idea to abandon the project, it is actually a very bad idea.

First, a large portion of the money spent, or scheduled to be spent is state or federal money that cannot be directed to cover other operations. Same goes for private money that has been or will be invested. So it would not help with this budget situation.

Second, because of that, the actual budget exposure is not as big as it may appear on its face. Operationally the only ongoing expense is utilities. Which is currently offset by the lease agreement with Growing Places and will be further reduced by future tenants. For example, once the Senior Center can move in, the expenses for the upkeep and maintenance of the current Charlie McKean building will be part of that calculation at the new center as well.

When you get to the bottom line, while it is an additional expense right now, it soon won't be. The dollar amount is barely enough to reverse one of the staff reductions I am proposing in this supplemental budget. Barely one position. I realize that is a choice I am proposing.

I obviously would rather not have to lay anyone off .

It's also my responsibility to weigh that against the lost term costs and benefits.

Ignoring it doesn't make the building go away. The City can't fall back into the habit of just letting old buildings rot. The abatement work we have upcoming would need to get done regardless.

As we have found out the hard way when it came time to finally deal with other city properties, waiting only makes that bill get a lot more expensive.

Abandoning this project now, just kicks the can down the road, and sticks future Mayors and Councilors with the problem when it will cost a lot more money and likely in that case, it won't be possible to turn it into an asset for the City.

During my tenure as Mayor, time and time again I, and we, have had to deal with the legacy of those past choices. For example, by the time I was sworn in, decisions made years prior had not only doomed the Greenwood Pool, but in the end, we were forced to spend more money to solve the problem than it would have cost to fix it at the time.

School Street School, Helen Mae Sauter School, Prospect Street School, the building at Rome Square, the Consentino Finishing Factory, other factories on Rock, Leamy, and Stuart Streets. The list goes on and on, with some suffering inaction, longer than some of us in this room, myself included, have been alive.

So, potentially save one position, but give up all the opportunities and potential that project has. Give up all the resources it will offer the community. All while spending more and more in the end.

It is not an easy decision, particularly when the City is reducing positions. But I believe it is the right decision when we consider the long-term financial interests of the City.

Every one of these positions represents a person who has served this community, and I do not take the decision to eliminate any of them lightly. But my responsibility as Mayor is to make decisions based on the long-term needs of the entire City and the services we must continue providing to our residents.

There are going to be more challenges ahead and tonight’s vote is just a start to getting the city’s finances back on the right track. This proposal will not solve every financial challenge facing the City. But it will correct significant problems in the current budget, reduce recurring expenditures, and put us in a more sustainable position as we prepare for FY2028.

As Mayor, the responsibility for presenting a balanced and sustainable budget ultimately rests with me. There were assumptions made in preparing this year's budget that did not hold, and errors that should have been identified sooner. I am not here tonight to minimize those problems or shift responsibility for them. I am here to explain what happened, what we are doing to correct it, and why I believe this proposal is the responsible path forward.

I recognize that what I am asking of the Council tonight is difficult.

None of us wanted to be in this position, and none of us ran for office hoping to make decisions like these. But we have a responsibility to deal with the financial situation as it exists, not as we wish it existed.

We cannot change the costs that have already been incurred. We cannot undo the errors that have been made. And we cannot pretend that delaying these decisions will make them any less painful.

What we can do is act now, make the necessary corrections, and begin restoring the financial stability that our residents expect and deserve.

This proposal requires sacrifice. It uses resources we would rather preserve. It makes reductions I would much rather avoid. But it also protects the City's ability to continue providing essential services and puts us on a more responsible financial path.

I am not asking you to approve this budget because it is an ideal solution. I am asking you to approve it because, given the circumstances before us, I believe it is the responsible solution.

And I believe the consequences of failing to act now will be far more difficult for the City, its employees, and its residents.

I also want to note that Gardner is not alone. Winchendon announced they are looking at a $2 million deficit. Templeton’s deficit is over $1 million. Others are also making sizable withdrawals from their stabilization accounts to balance their budgets. Sterling, Methuen, Amesbury, Plymouth. Last year alone, across Massachusetts $1.78 Billion was withdrawn from city and town stabilization accounts to balance municipal budgets.

This is not good. This is a systemic crisis and most cities and towns across the Commonwealth, Winchendon, Templeton, Phillipston, even Boston are facing similar budget problems resulting from similar pressures. Increased costs, salary and wage demands, insurance, energy, fuel, education costs, all hit by inflation too, and more.

We have serious financial problems. Some were beyond our control, some resulted from decisions made over time, and some were mistakes. I am taking responsibility for correcting them rather than simply waiting for it to be someone else's problem in seven weeks because it’s the responsible and right thing to do.
I am asking the Council to make the difficult decisions necessary to protect the City's financial future.