



## Transmittal Letter

Honorable Mayor Gary Christenson

I'm pleased to present balanced budgets for Fiscal Year 2025 which covers the period from July 1, 2024, to June 30, 2025, for our General Fund, the Water Sewer Enterprise Fund, the Cable Access Fund and the Community Preservation Fund. The budget fully funds the required Net School Spending for our Public Schools, and continues with staffing at its current level, while making a few targeted investments in our community. While balanced, this budget does once again require the use of one-time funds, including the usage of most of the remaining principal ARPA funds. I have talked extensively over the past several years about the challenges that lie ahead. The very nature of municipal finance is that we must look to the future when deciding on our priorities, and right now, many of the key macro trends are concerning. We will all need to be aware of what the future holds as we think about our collective goals and future budgets.

We have collectively been balanced in our approach fiscally, and we will need to continue to do so. The economy as a whole is in a very interesting position. Inflation, while showing some signs of easing, has continued to have an impact on many fronts locally. Labor costs will continue to increase beyond what has been the norm over the past ten years, in response to the reasonable desire of our employees to keep up with an ever-increasing cost of living. This is shown in our contract negotiations and settlements. Additionally, we are seeing significant increases in everything we buy, from utilities, to building repairs and improvements. There is one bright spot in the form of investment earnings, where we have finally begun to earn meaningful returns on our deposits. However, collectively, it's having a negative impact, yet in a way that isn't always obvious because it's spread across the entire budget. If we are able to look back and this period is limited in its length and not a precursor to a recession, that would be the best-case scenario. If this leads to a prolonged downturn that impacts state revenues and, by extension, state aid, along with local receipts, then we will need to be prepared for much more difficult days ahead. I see our job as preparing for both possibilities, while at the same time moving this great community forward and addressing the needs of today.

The most significant change coming in this upcoming fiscal year will be the end of access to ARPA funds. We should be proud of the positive impact these once-in-a-lifetime funds have had on our community. From housing, to lead lines, to park renovations, we were transparent, inclusive and balanced while being mindful of creating future financial obligations. With those funds winding down, this budget does make some targeted investments in continuing support for the lead line coordinator, as we know that work is important and remains a critical priority. We invest in our residents by continuing funding for language access, while providing a more lasting structure by moving language access under our DEI Coordinator and aligning our DEI resources under our Human Resources department. We are confident this will better coordinate our focus in this critical area. Finally, we continue with funding important recreation resources that allowed for the expansion of recreation programs to the benefit of so many of our most vulnerable residents. These investments, even in difficult times, are part of our commitment to an approach that has worked well for the past twelve years.

Not surprisingly, education funding remains our biggest cost and our biggest priority. We have repeatedly called for an equitable formula for school funding. The current formula will continue to overburden our local finances with required contribution increases that will force us to make some tough decisions in other areas of city services. There is no easy answer, but we know we are making progress in gaining the understanding necessary to address this important issue, and we know our state delegation is committed to partnering with us in doing so. At the same time, this year's budget reflects the continued ramp up in our share of the debt associated with the Northeast Voke building project, which at the full run rate in two years will result in an annual cost of about \$1.2 million for Malden.

This budget reflects the fourth year presenting the budget using the ClearGov platform. The implementation of the new online budgeting tool represented a tremendous leap forward by the City in modernizing our budget process, increasing the depth of information shared with the public and generally making the annual budget a more comprehensive exercise. We were thrilled when our efforts were recognized with our first ever Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award. This is the gold standard for budgets, and we should all be proud to have achieved this recognition. I expect that each year, we will fine tune our use of this new platform and improve our budgeting process. Each year, our budget not only sets the financial plan for our community but also acts as a policy document, an operations guide, and a communications tool. To that end, we are embracing our commitment to sustainability and the environment by presenting this budget for review by the City Council utilizing the online digital budget book. I know you will find this easy to navigate as you review and discuss the budget.

In closing, the Fiscal Year 2025 Budget is hereby submitted as a fiscally responsible plan, and a foundational basis of the City's annual operations. We are in a strong position having been responsible with past budgets in building up a responsible rainy-day fund, i.e. free cash. We are also very realistic about the challenges that lie ahead, and the importance of making difficult choices today to continue to provide critical services while ensuring we never put the city at risk. I would like to once again thank Chief Strategy Officer Ronald Hogan and Chief Financial Officer Chuck Ranaghan who have been working on this budget and for the continued improvement of our transformative approach since January. I also want to thank our Department Heads who actively participated in the budget process through this new platform, resulting in a budget that we can all be proud of.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gary Christenson". The signature is stylized and cursive.

Mayor Gary Christenson