



Gary Christenson, Mayor

TO: The Honorable Malden City Council

FROM: Mayor Gary Christenson

DATE: September 30, 2025

Over the past several years, I have shared my concerns about the sustainability of our annual budget. As you know, we have always been a city that has had to do 'more with less.' Despite being comparatively low with spending in most key areas as compared to similar cities, we have found ourselves challenged every year trying to fund core services. The availability of American Rescue Plan (ARPA) dollars provided some short-term relief as we were able to use that as a funding source for eligible expenses that would have otherwise placed more strain on our annual budget. With that having come to an end, and coinciding with increasing costs across the board, we find ourselves at a critical point.

For Fiscal Year 2026, we funded \$8.4 million of our budget using sources that are one-time in nature. Specifically, we funded \$3.2 million with the final amounts remaining in ARPA funds, and the remaining \$5.2 million from reserves. We acknowledged at that time that there would need to be a more permanent solution to this problem. We are at that point where we must identify a longer-term fix to avoid completely depleting our reserves followed by a drastic cut in services across the board.

A large portion of our budget is funded through property taxes and as you know, we are restricted by state law to an annual 2.5% increase to our tax levy limit. The time has come to ask that our residents approve an override to the restrictions provided for by Proposition 2 ½, specifically a levy limit override. I support an override approach that provides an amount that, when combined with other steps we are taking, would structurally balance the FY26 budget. This amount will not solve all unmet needs, will not address future budget deficits, and certainly won't fund new initiatives. It will, however, stabilize our finances in the short term at current service levels while we continue working to identify future revenue growth and expense containment opportunities.

One example of this will be for us to move from being self-insured to providing health insurance to our employees through the Group Insurance Commission (GIC). This is in our view one of the most balanced ways our employees can be part of the solution to address the budget shortfall without layoffs. Current estimates are that this initiative will save us approximately \$3 million

per year. This number is highly dependent on the enrollment choices made by our employees but it's the best estimate we have at this time.

Even with that change, it will not be enough which is why I am recommending that we ask the voters to approve an increase to the annual tax levy limit of \$5.4 million such that when combined with the \$3 million projected health insurance savings, we would start the FY27 budget with a structurally balanced FY26 budget.

Through the Finance Committee and with the subsequent involvement of the Citizens Engagement Committee, I would expect the City Council to gain important public feedback that will further inform the approach to this challenge. It is our goal to have in place a direction from the voters at the ballot box before March 1st. That will provide time, but not a lot of time, to construct an FY27 budget with the results of this initiative known. To keep to this schedule, here is a proposed timeline:

PROPOSED TIMELINE

Key Point or Action Item	Target Date(s)	Key Points to Note
City Council Dockets Paper; Referred to Finance Committee	September 30, 2025	Consider a joint Finance and Citizens Engagement Committee approach
City Council Finance Committee Discusses Proposal and Approach	October 7- October 28, 2025	Recommend using community engagement committee and finance for outreach
Voted out of Finance Committee	December 2 nd , 2025	Driven by holiday schedule
Voted out of Full City Council	December 9 th , 2025	Driven by holiday schedule
Last day to notify City Clerk	January 6 th , 2026	Must be 35 days before scheduled vote
Special Election Held	February 10 th , 2026	Details to be determined

I look forward to working collaboratively on this important effort to stabilize our finances for the Fiscal Year 2027 budget and know that our finance team is prepared to provide whatever information is helpful as you evaluate this challenge and this proposal.