



City of Malden

Malden City Hall
215 Pleasant Street
Malden, MA 02148

Meeting Minutes - Final Finance Committee

Councillor McDonald, Chair
Councillor Condon, Vice-Chair
Councillor Colon-Hayes
Councillor Spadafora
Councillor Taylor
Councillor Winslow

Tuesday, March 12, 2024

5:30 PM

City Hall, Room #105
215 Pleasant Street

Please click the link below to join the webinar:
[https://cityofmalden.zoom.us/j/95508201281?](https://cityofmalden.zoom.us/j/95508201281?pwd=SzJoQ044aXp5YmE3MjRuU1VRZHIPUT09)
[pwd=SzJoQ044aXp5YmE3MjRuU1VRZHIPUT09](https://cityofmalden.zoom.us/j/95508201281?pwd=SzJoQ044aXp5YmE3MjRuU1VRZHIPUT09)

Roll Call

Note: Councillor Colon Hayes was present via zoom.

Present: 6 - Councillor Carey McDonald, Councillor Paul Condon, Karen Colon Hayes, Craig Spadafora, Ari Taylor and Stephen Winslow

Also Present: Councillors Crowe, Sica, O'Malley, Simonelli

Note: Linehan via zoom

Mayor Christenson

Maria Luise-Mayor's Office

Dan Grover-Treasurer

Ron Hogan-Chief Strategy Officer

Toni Mertz-Director of Finance and Operations-MPS

Zaheer Samee-Assistant City Solicitor

Daniel Koff-Clerk CPC

Eric Rubin-Public Facilities Director-via zoom

Carol Ann Desiderio-City Clerk

Councillor McDonald called the meeting to order at 5:35 PM.

Minutes to be Approved

[138-24](#)

Minutes of February 20, 2024 to be approved.

A motion was made by Councillor Winslow, seconded by Councillor Condon, that the Committee Minutes of February 20, 2024 be approved. The motion carried by a unanimous vote.

Business

[139-24](#)

Ron Hogan, Chief Strategy and Innovation Officer will come before the Finance Committee to discuss Chapter 70 and State Aid Projections for F/Y25.

Attachments: [Required & Target Local Contribution Analysis 31224](#)
[Education Costs Handout Fin Hogan 31224](#)

Councillor McDonald explains we have a presentation on the agenda from Ron Hogan, Chief Strategy Officer and thanks the following for being in attendance at the meeting tonight: Mayor Gary Christenson and Special Assistant Maria Luise, Dan Grover-Treasurer and Tony Mertz-MPS Dept.. He said the focus today is to talk about Chapter 70 School Funding and its impacts on the City Budget.

The Mayor addresses the committee: As you know I come before you and I have done that out of respect and being mindful of the independent branches of government that we lead but we are at a time where we have to put that independence aside to solve this problem. The day we hoped would never come has. From health care costs going up double digits, to state revenues declining, to the end of ARPA, to collective bargaining increases that we have done to inflation, and the biggest one the Chapter 70 funding formula. Those all have combined to what we see as a perfect storm. The good news is we have Ron Hogan, Toni Mertz, Maria Luise and Dan Grover a great team that he believes can help us solve this problem but said mark my words this is one that we all going to be needing to work together to address.

Ron started his presentation by saying those who have been on the council you know we have had this conversation several years ago. This is an updated version of that for various reasons 1. we have access to more recent data and 2. it is a meaty topic a dense topic, it was a long memo with lots of information. It is a topic that takes multiple conversations and have a period of time to really digest. We get more knowledgeable as each period of time goes on and this gives us the opportunity to take all that knowledge and update you on where that is at relative to the impact on Malden. Quite frankly what it means for us as compared to some of the communities around us and hopefully help folks understand why we are all in different situations. His hope for tonight is quite simply three things. Its natural for us and our residents to look around at what is happening and wonder why we are so different and hopes after tonight it will be clearer than its ever been. Second is to lay a foundation and look ahead of what to expect this year and future budget challenges and give you some highlight there and encourage collaboration and idea generation across all different lines and all different groups as we try to figure out how it is to move forward from here. He begins with the Student Opportunity Act. Chapter 70 funding has two pieces, how much do you have to spend and where does it come from. The second piece is what he is focusing on tonight. The formula that leads communities that people might think are similar are in greatly different positions financially. Three key terms he will speak to repeatedly, required net school spending, required contribution and target contribution. Net school spending is the amount of money we are told by the state that we must spend across all the different elements throughout the City. There is a step that if you don't spend that amount and fall more than 5% below it the state will self-correct and take it out of your aid. The target is the number they are trying to get us to. Our target number is \$11mill higher than what we are required this year. According to their formula as of today we should be able to take \$11mill from other areas of local government and fund that portion of education. He focuses on three metrics, tax revenue, required & target contributions and remaining funds left per capita to fund the rest of government. He shows the chart with the assessed values of different communities and looking at Malden and New Bedford according to the formula it looks like we can both afford the same amount of money from what we raised from property taxes but we are bringing in \$40mill less. The next metric which is the required contribution our required contribution of the 26 gateway cities is the highest we are number one in a place we don't want to be number one. The gateway community rankings available per capita chart. We are second lowest in the entire state.

We are third from the bottom on what we generate from our tax revenue, we are in the lowest in terms of what percentage of revenue that goes to the schools and second from what's left to do everything else. The next slide is the highlights of the gross numbers of Malden and our available revenue at \$143mill under this calculation and we are expected to contribute \$51mill of that. If we could be equal to the next worst one here Revere we would be in good shape because we have a little more revenue and a lot less we would have to contribute. Changes from FY20 to FY25. He explains the increase in Chapter 70 is driven largely by the type of students we service. When we started this conversation four years ago we were already leading the pack in terms of the % of our revenue that was required to be used and it hasn't gotten better. Our increase over the last handful of years has gone up by more than anyone else.

The Mayor said this is not something we have been asleep on. Lead by Ron and the team we have been talking to the State for the past four or five years. Seeing that nothing was going to happen quickly, Ron and the team started to pull back on things. As you recall ARPA, we have been winding back on that in anticipation of this day. We will continue to work with them but wanted to give credit to Ron for having the foresight back then to start preparing for this day. Even with the preparation Ron has done we have a problem that he has never seen in his twenty-five years of public service.

Ron explained the next slide. If we were sitting here today even if this is the worst of it we would all roll up our sleeves and say what do we have to do. According to the formulas in FY25 we should be able to fund our local required contribution.

Councillor McDonald has spoke with Ron and he said he would like us to do more detailed modeling about what that municipal growth factor will look like. We don't know what will happen with this Chapter 70 aide but we have a pretty good idea what will happen with the required local contribution if nothing changes. He feels we can do much more detailed modeling about if we use this assumption or that assumption how is this going to change in the next few years. Right now we are figuring out how to get through the next couple of years.

Ron said to the Mayor's point about what we are doing we started talking about this about four plus years ago. One is we have worked with our state delegation to draft proposed legislation we are calling a pothole account. We are asking to have the state fund something to deal with those small number of communities including us that on the high end and we have pick a point if you are above that 30% number you are above the norm and it has become problematic. If we offset by any amount that you have under the tax levy then you have a tax. If you decide not to raise the amount you don't have to but the state will not kick in additional revenue you will have to get there that would be the offset. He doesn't know if it will go to the finish line this year but we are starting to create the foundation of awareness and supporting what have you and hit this from all angles. The Mayor and Ron are meeting with the Lt. Governor tomorrow to discuss the challenges and potential fixes including the legislation that we have supported putting in. We will then start meeting with department heads to get everyone on board of what are the challenges and why.

Councillor McDonald adds we need to plan hope for the best and plan for the worst. We need to just plan that we don't get additional help with this. We are doing everything we can on this. This is happening and we can't count on this we can't operate without a back-up plan this is good logic, compelling and reasonable for the state to fund but the state budget revenues are down and they are feeling less generous than last year.

Ron said we are heading towards hard times it is not a great time to be asking but at the

same time we need to fight for what we need to do here.

The Mayor said he and Ron both believe it is going to take the executive branch, the Governor, to make this happen.

Councillor McDonald said to back-up from our conversation with our delegation is to try to find something with their guidance reasonable that could pass this year. But there are long term issues with how this local funding share is calculated it was known at the time the Student Opportunity Act was passed but meeting with the Department of Elementary and Secondary Education is a deep seeded thing and that fix is not available in the next budget year. It is a trade off. How do you find something reasonable enough but is not so large that it costs \$400mill that would not get passed in the budget even if people are excited about it. He thinks it is a great approach and the best option for next year. It is fundamentally a pothole account it is not a long-term fix for this.

The Mayor said ideally you would like to change the formula but Ron and I and the team have accepted it is not going to happen probably for the next five years and we have since then gone to this approach. The negative aspect is it is isolated and it is out there and more accessible for someone to say if you do something there than you have to do something here. Based on what we know it is the only opportunity to get some relief for now.

Ron said if you fix the formula some are going to win and some are going to lose.

Councillor Linehan appreciates the conversation and as the Mayor said it is at a perfect storm but if this doesn't work what do we pivot to next. We all have to be on the same team here to figure out how to fund the schools and get the services we need for the City. Do we have to contemplate an override or do we look at making a one-time payment would we not get closer to what they want and then get a boost to Chapter 70 alongside that if we did that one-time higher payment. Are we in touch with the MMA to see if there are any opportunities to connect or build relationships with communities that might not be gateway but could be potential to build a coalition to make this case because they have their fingers on the pulse of whole state, more so than something Metro Mayors or something in our immediate region.

Ron said there is no benefit making any additional payments to the contribution it doesn't carryover to the next year. The reality is that the Mayor, myself, Jen, Toni and other folks from the school are continuing to meet and have discussion of how to work through this at the school level. Everything has to be on the table on the City side every dollar is going to matter. What our neighbors are doing doesn't matter. What we are doing is to not get to a scale that we truly can't solve. The good news is being responsible we have some reserves but nobody wants to whip out the reserves and in three years say that's gone what next. There are only so many things we can control a lot of them control us.

The Mayor said he doesn't think regarding the MMA that they are the appropriate form for us. We have spoke to them in the past but they are a very big organization. He said honestly he is not certain the Metro Mayor's is the right organization either as this effects a small number of communities. We know whatever we do will effect something else but we are Malden and where there is a will there is a way. Ron has indicated the State Delegation has been meeting with us and working with us but now is the time.

Councillor Linehan said they have her commitment in Ordinance this year whatever we could do we want to help.

Councillor Condon said the message is we have to make some tough decisions we don't

want to make an override. Why not put a hiring freeze in now it helps. Put in levels of overtime we have three months to go in this fiscal year we need to start now. What do you expect from us as a City Council. He said the last thing I want to do is put people out in the street.

The Mayor said tonight is to be informed and to be aware and start thinking of ways we can come together and help us get through this.

Ron said and to recognize when the budget comes down we are in different times and the question ought to be what can you do to help us operate more efficiently because we have to not what do you need.

Councillor Simonelli asked on the formula how long does something like that take. He said they have his support moving forward.

Ron said one of the biggest challenges is it funds communities that show they have no need but the formula says we are going to take 17.5% of your foundation budget and give you that in April.

Councillor McDonald said from the Chair he would like to have another meeting in a couple of weeks to talk in more detail about the budget trends we are seeing. Kind of a little preview to the budget. He said from his perspective we have to start with all approaches being on the table. Talking about hiring freeze and asking people to do shaving and trimming across their budget. We haven't talked about Health costs which are the bank breaker across everybody. We need to look at ways to get more revenue building our tax base. He doesn't want to take an override off the table because it gives the community the opportunity to help decide either you cut this but it is a decision you have to make. We are not there yet.

Ron said we are on a parallel path looking truly at everything at the same time looking at the revenue side or long-term. This isn't a one or two year thing this is something that is going to get worse. We have to solve this and get us to the point that we are not catastrophically impacted. We have some cushion here. The practical message is we have a tax base and a residential exemption to buy homes. The bad side of that is we don't generate the revenue that other communities do. We have to decide how to grow that base and how to stay within it also.

Other Business

Adjournment

Motion was made by Councillor Spadafora, seconded by Councillor Condon ,that this meeting be adjourned at 6:32 PM. The motion carried unanimously.