



CITY OF SPRINGFIELD, MASSACHUSETTS

MULTI-YEAR FINANCIAL PLAN



FISCAL YEARS
2027-2030

PREPARED BY:
CITY OF SPRINGFIELD, MASSACHUSETTS
OFFICE OF ADMINISTRATION AND FINANCE



TABLE OF CONTENTS

Message from the Chief Administrative and Financial Officer Cathy Buono.....	3
Multi-Year Financial Plan (FY27-FY30)	6
Summary.....	6
Revenue Assumptions.....	8
Spending Assumptions	10
Conclusion	11



City of Springfield, Massachusetts
Multi-Year Financial Plan (FY27-FY30)
March 30, 2026

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Honorable Mayor Domenic J. Sarno, Members of the City Council, and Springfield Residents:

I am pleased to present to you the City of Springfield’s Multi-Year Financial Plan (“MYFP”) for Fiscal Years 2027-2030. In compliance with City ordinance, the MYFP is meant to highlight projected revenue and expenditures for the next four years, using conservative assumptions. This plan serves as a vital tool that allows the City to see the long-term impact of its financial decisions and avoid future fiscal stress.

As the City’s Chief Administrative and Financial Officer, it is critical that the City continue to make strategic and appropriate budgetary decisions that provide core services to our residents while maintaining continued fiscal sustainability. Through strategic planning, the City has successfully balanced its budget each year since the disbandment of the Financial Control Board in 2009, and notably, for the past eleven years, without the use of any stabilization reserves. The City currently maintains approximately \$75 million in reserves and has a policy goal of increasing these reserves through annual transfers of certified free cash.

We continue to manage both our revenue and expense budgets to generate free cash. This is highlighted by the fact that we ended FY25 with a surplus, and were able to certify \$18.6M in free cash in FY26. This accomplishment was a direct result of the City’s strong fiscal management. The City further leveraged this success into future earnings by investing \$44.9M from the City’s stabilization reserve account into 1-year U.S. Treasury notes, capitalizing on interest rates of approximately 5%, which is expected to generate more than \$2 million in interest earnings to offset the tax levy and provide relief to taxpayers. This is the third year that the City of Springfield, the first community in the Commonwealth to take advantage of this innovative financial investment strategy, was able to do so thanks to sound and prudent fiscal management policies. Furthermore, the combination of strong fiscal policies and our ability to maintain the discipline essential to the City’s overall fiscal health has prompted Standard and Poor’s to maintain our AA- bond rating.

Multi-Year Financial Summary

Based on conservative assumptions, the City is projecting to have budgetary deficits ranging from \$20.8M in FY27 and growing to \$65.7M in FY30.

Expense vs. Revenue	FISCAL 2026 ADOPTED	FISCAL 2027 PROJECTED	FISCAL 2028 PROJECTED	FISCAL 2029 PROJECTED	FISCAL 2030 PROJECTED
<i>Expense</i>	985,696,226	1,046,358,061	1,095,588,213	1,140,085,526	1,190,479,095
<i>Revenue</i>	985,696,225	1,025,585,550	1,057,263,630	1,090,373,586	1,124,795,936
SURPLUS / (GAP)	-	(20,772,511)	(38,324,583)	(49,711,940)	(65,683,160)

Even with the annual MGM revenue that Springfield began receiving in FY19, spending growth is projected to outpace revenue growth during the four-year period covered by this plan. While these projections highlight structural gaps, the City will continue to address them through disciplined budgeting, operational efficiencies, and policy decisions made during each annual budget process. Difficult decisions will likely be required in future fiscal years to manage spending growth while maintaining core services.

Fiscal Challenges

Meeting the demands of an urban municipality with limited revenue capacity is a continual challenge, particularly when more than 60% of the City’s budget consists of pass-through state aid dedicated to the School Department, and the remaining municipal budget is largely supported by property taxes constrained by Proposition 2½. In 2009, Springfield’s property values declined by approximately \$1 billion, significantly reducing the City’s levy ceiling, the maximum amount that can be raised through property taxes. The City remained at its levy ceiling for several years, limiting the ability to generate new growth in property tax revenue. From FY11 through FY19, the City lost approximately \$50 million in potential property tax revenue due to these levy limitations. In recent years, rising property values have allowed the gap between the City’s tax levy and levy ceiling to widen, providing the City with additional capacity to raise revenue to support municipal services.



Another challenge the City faces is a continual rise in operating costs. Non-discretionary spending amounts to over 80% of the City's overall budget and includes net school spending, debt service, health insurance, and the annual appropriation to the Springfield Retirement System. We are strongly committed to addressing Springfield's low pension funded ratio, as evidenced by an aggressive payment schedule that increased the FY18 and FY19 appropriation by 14% and 15%, respectively, with annual increases of 9.2% that began in FY20.

In FY23, the City transferred \$15M of certified free cash into the Springfield Pension Reserve Fund. The City then invested these funds in 1-year U.S. Treasury Notes to be used towards future pension payments, bringing the total up to \$19.4M. The City also makes annual free cash contributions to the Springfield Other Post-Employment Benefits (OPEB) Trust, which has grown from \$15.1M to its current balance of \$20.6M. As long as we continue to maintain the current payment schedule, Springfield's unfunded actuarial accrued liability (UAAL) will be fully funded by FY34. A recent actuarial valuation, which was performed in 2024, helped the City assess the best strategy for proactively addressing this liability.

Budget Priorities

Despite fiscal pressures, the City continues to prioritize maintaining essential services and targeted investments that improve public safety and neighborhood quality of life. The City will continue to make strategic investments in public safety to combat the public perception of crime. In FY26, the Police Department continued the successful implementation of its advanced body-worn camera and taser program, and an upgraded Computer-Aided Dispatch and Records Management System. The investment in these initiatives has helped to increase transparency and response, improving the safety of citizens and officers alike, making Springfield the largest police department in Massachusetts to have full-scale programs of this kind.

The Police Department will continue funding critical department initiatives including software used to identify patterns of undesirable behavior in order to improve employee training. The Department will also continue using PowerDMS for the purpose of meaningful policies and procedures. While these are additional expenses within the operating budget, the department will strategically utilize grant funding to offset as much of the cost as possible.

Despite its best efforts, the Police Department struggles to stay ahead of attrition. The department currently has fifty-one (51) recruits in the academy, and will begin strategically planning for the next class after the current recruits graduate in the spring. Even with this proactive approach, however, the department continually operates at staffing levels that are less than desired. This can be attributed to veteran officers retiring earlier than ever before, as they recognize the dangers and stress of their profession and leave as soon as they are eligible to receive their full pension. This amounts to decades of experience lost, which is detrimental when trying to train a newer force of officers.

Through the strategic planning of more frequent police academies, the department hopes it can maintain a healthy balance of veteran and newly trained officers throughout its various divisions. To that end, the City plans to continue funding the successful North End Initiative, four C-3 Policing Units, the Ordinance Squad, and the Metro Policing Unit in Downtown Springfield. These initiatives are highly effective in crime reduction, as evidenced by FBI crime statistics which demonstrate a 45% decline in violent crime over the past several years. Investing in the Springfield Police Department will ensure it is operating at its full capacity in order to improve residents' and visitors' perceptions of safety in downtown areas, while continuing the concentration on quality neighborhood policing.

We will also continue our efforts towards enhanced public safety within the Springfield Fire Department, as well as Springfield Emergency Communications. Highlights of these investments include:

- Continued funding of full staffing for firefighters, which allows for additional firefighters per shift and ensures proper manpower when responding to calls for service.
- Funding for new fire apparatus, allowing the department to maintain its proactive replacement schedule and avoid costly repairs associated with an older fleet.
- Continued funding for turnout gear and SCBA air bottles, which align with NFPA standards and hold an additional 15 minutes of air capacity, giving firefighters more time to handle fires without interruption.
- Continuation of a health & wellness program that helps to decrease work-related injuries and sustain the overall health of the department.
- In FY26, continued funding has been allocated for Frontline QA/DOR software, enabling virtual data storage and multi-location access for the department.



- Funding for Equature, which enhances EMS operations with advanced recording and transcription tools.
- Continued funding for Smart911 software, which provides Dispatchers a more effective method of obtaining information for emergency 911 calls.

Continuous investments will also be made to help improve the quality of life in our neighborhoods. The Downtown Cleaning Crew will continue its upkeep of all downtown area parks that serve as “gateways” to the North & South End. The popular Sidewalk Crew continues to address the extensive list of much needed sidewalk repairs and replacements as well as stump grinding, which was added in FY22 throughout Springfield. The ROCA Clean Sweep Initiative was added as part of the FY25 budget process, and dedicates two five-member teams to respond to quality-of-life calls throughout the City to address litter and trash concerns. These two crews are crucial to ensuring healthy neighborhoods that are inviting to all those who live, visit, and work in the City of Springfield.

In addition to the exciting initiatives introduced in recent years, we will maintain funding for other critical services as well. We will continue to fund the care and maintenance of all City parks, traffic islands and terraces. Funding will also be provided to maintain a full staff of Code Enforcement Inspectors in both the Building & Housing Divisions, along with increased hours for Building Inspectors to accommodate the demands of large-scale commercial projects throughout Springfield. Furthermore, funding will be provided for the continuation of the Mayor’s Clean City Program.

Lastly, the City will continue to maintain its curbside trash pickup services. We recently invested in new solid waste vehicles in a proactive effort to replace an aging fleet of existing trucks. This helps to reduce costly vehicle repair and maintenance expenses and, more importantly, ensure that our residents’ trash continues to be picked up in a timely and efficient manner. Free single-stream recycling and yard waste pickup are also still available along with low-cost bulk pickup, and free hazardous waste drop-off.

Beyond the investments highlighted in the preceding paragraphs, the City continues to strategically invest in other crucial services such as education, new and improved school facilities, and many others. Moving forward, we will carefully evaluate the most critical needs of each City and School department to ensure key operations are maintained and that the residents, businesses, and visitors of Springfield receive the quality services they deserve.

Conclusion

This plan provides a transparent outlook on the City’s financial position and the fiscal pressures projected in the coming years. Despite the projected deficits summarized in this plan, the City has faced similar budget gaps in the past and has been able to successfully balance the budget each year with little to no use in reserves. The City remains committed to ensuring that taxpayer dollars are spent in a manner that is efficient, effective, and responsible.

I look forward to working with you on the FY27 budget planning process and I am open to all ideas that will positively benefit our city.

Sincerely,

Cathy Buono,
Chief Administrative and Financial Officer



City of Springfield, Massachusetts
Multi-Year Financial Plan (FY27-FY30)
March 30, 2026

Financial Forecast (FY27-FY30)

	FISCAL 2026 ADOPTED	FISCAL 2027 PROJECTED	FISCAL 2028 PROJECTED	FISCAL 2029 PROJECTED	FISCAL 2030 PROJECTED
<i>SPENDING ASSUMPTIONS</i>					
Administration and Finance Division	17,556,991	18,508,192	19,009,095	18,145,532	18,624,972
Development Division	4,889,087	4,986,869	5,086,606	5,188,338	5,292,105
General Government Division	4,795,200	4,891,104	4,988,926	5,088,705	5,190,479
Non-Mayoral Division	1,959,672	1,998,865	2,038,843	2,079,620	2,121,212
Health and Human Services Division	12,905,698	13,196,029	13,493,777	13,799,171	14,112,450
Public Safety Division	93,727,054	97,020,382	100,117,390	103,315,435	106,617,863
Public Works Division	21,172,453	21,595,902	22,027,820	22,468,377	22,917,744
Parks & Facilities Division	17,182,870	18,766,193	19,405,693	20,084,945	20,807,440
School Department	669,974,557	711,685,416	740,223,191	769,912,070	800,798,788
Debt	23,050,925	22,882,576	26,503,558	24,473,556	24,391,544
Health Insurance & Fringe	35,229,643	38,959,585	43,090,786	47,666,727	52,735,625
Pensions	73,011,616	79,796,987	87,138,310	95,155,034	103,909,297
Other Spending	10,240,460	12,069,959	12,464,219	12,708,016	12,959,575
Total	985,696,226	1,046,358,061	1,095,588,213	1,140,085,526	1,190,479,095
<i>REVENUE ASSUMPTIONS</i>					
Property Taxes	283,050,861	298,051,644	305,565,435	313,267,071	321,161,248
Local Receipts	76,937,629	72,638,077	72,234,077	72,109,663	72,102,355
State Aid	617,707,735	654,895,829	679,464,118	704,996,852	731,532,333
Pension Reserve Fund	2,000,000	-	-	-	-
Certified Free Cash/T-Bill Interest	6,000,000	-	-	-	-
Total	985,696,225	1,025,585,550	1,057,263,630	1,090,373,586	1,124,795,936
SURPLUS / (GAP)	-	(20,772,511)	(38,324,583)	(49,711,940)	(65,683,160)

Summary

The City of Springfield is governed by strict financial policies adopted as ordinances in September of 2009, which dictate that the Chief Administrative and Financial Officer produce and issue a four-year financial plan by March 30th of each year. The purpose of this plan is to provide reasonable revenue and expenditure estimates that the City will experience in upcoming fiscal years (“FY”). This serves as a vital tool for the City as a way to see the long-term impact of its financial decisions while maintaining fiscal sustainability both now and in the future.

This Multi-Year Financial Plan shows the adopted budget for the current fiscal year (FY26), along with the projected budgets from FY27 through FY30. Financial projections were created using conservative assumptions for revenues and expenses, including:

- 9.2% annual increase in the scheduled pension payment from FY27-FY30.
- 11% increase in projected health insurance costs.
- Adherence to the City’s debt schedule.
- The MYFP uses the Governor’s proposed FY27 budget, which compared to the FY26 final state budget allowed for a 6.8% increase in Chapter 70 Aid, and a 2.5% increase in Unrestricted General Government Aid (“UGGA”).
- 2.5% increase in property tax revenue.
- No use of one-time revenue resources or reserves.
- Departmental spending growth ranging up to 2.5%.



- Level-funded local receipts.

As demonstrated in this plan, Springfield’s operating costs are projected to outpace revenue during each of the next four fiscal years. Operational costs include legal and contractual obligations, employee salaries and benefits including our pension obligation, and citywide fixed expenses. With limited amounts in State Aid and property taxes, the City is unable to generate all of the revenue needed to fully support the operational costs desired. Even with the introduction of MGM Casino revenue in FY19, as outlined in the Host Community Agreement, the City still faces projected deficits ranging from \$20.8M in FY27 and growing to \$65.7M in FY30.

A significant factor within the City’s financial forecast is the continued increase in the Required Local Contribution to the Springfield Public Schools under the Commonwealth’s school funding formula. Each year, the City’s required contribution grows based on factors established by the state.

While the required contribution increases annually, the City’s primary source of unrestricted state aid — Unrestricted General Government Aid (UGGA) — has not grown at the same pace. As a result, a larger share of the City’s locally generated revenue must be directed toward meeting the required school funding contribution.

This results in increasing pressure on the City’s overall budget, as additional local resources are needed to support the required school contribution while maintaining municipal services for residents.

Municipal Revenue Growth Factor - FY25 - FY27 Comparison			
Category	FY25	FY26	FY27
Unrestricted GG Aid	\$ 46,614,520.00	\$ 47,640,039.00	\$ 48,302,693.00
Required Local Contribution	\$(51,503,174.00)	\$(54,330,699.00)	\$(57,346,053.00)
Total	\$ (4,888,654.00)	\$ (6,690,660.00)	\$ (9,043,360.00)

Based on the calculations shown above, the amount of UGGA we are projecting to receive in FY27 falls short of our Required Local Contribution. Because UGGA is directly “passed through” to the School Department to fund this contribution, any shortfall will result in the City having to identify additional funding within our operating budget in order to meet the requirement. As illustrated in the table above, the City will need to identify \$9.0M from an already limited pool of discretionary funding, a \$2.4M increase over FY26. Supporting the School Department remains a top priority for the City, and these projections reflect the budgetary reality associated with meeting the required contribution under the state funding formula.

Another example of a budget challenge the City faces is the increasing cost associated with recycling and waste disposal. For many years, Springfield did not incur disposal costs for recycled materials, only trash. Springfield is now required to pay for these services at a rate of nearly double what it costs for trash. We are expecting to pay about \$116 per ton of trash, and \$149.77 per ton for recycling in FY27. Based on annual recycling tonnage amounts, this represents a \$1.2M expense the City must now incur.

In addition, in November 2022 the Massachusetts Department of Environmental Protection implemented a mandatory mattress recycling program for all municipalities within the Commonwealth. The program required that all mattress recycling vendors must be registered and certified by the DEP. As a result, the City could no longer include mattresses in the standard bulk collection, and had to enter into a contract with one of the few approved vendors at the time. The cost for disposing of mattresses has now increased to \$28.64 per mattress, and our fee for residents has now increased to \$16, while our fee for bulk pickup remains at \$8.

While Springfield allocates trash-related services to a separate Enterprise Fund, the added costs of recycling and mattress disposal directly impact the City’s General Fund budget. Each fiscal year, the Enterprise Fund requires a subsidy from the General Fund when revenue collections do not fully cover operational expenses. The FY27 projected supplement of \$9.5 million from the General Fund increased in part due to rising recycling and mattress disposal costs.



City of Springfield, Massachusetts
Multi-Year Financial Plan (FY27-FY30)
March 30, 2026

As these costs continue to grow, the required subsidy places additional pressure on the City’s limited General Fund resources.

As illustrated in the preceding paragraphs, growing expenses and limited revenue sources force the City to make difficult budgetary decisions in order to maintain operations. It is important to note that over 80% of the City budget is non-discretionary, meaning that the costs are mandated by law or ordinance. Non-discretionary expenditures include budget items such as school funding, debt service payments, employee health insurance, workers compensation claims, and the capital reserve fund. This means that the discretionary costs, which make up roughly 20% of the City budget, must assume all of the reductions required to balance the budget. While these budget items are not legally mandated, they encompass many essential functions for the City, including public safety forces, library operations, parks maintenance, road construction, veterans' support, and other key services. This forces the City’s administration to develop creative solutions in an effort to reduce costs in an effective and efficient manner.

FY27-FY30 Projected Expenditures

	FISCAL 2026 ADOPTED EXPENDITURES	FISCAL 2027 PROJECTED EXPENDITURES	FISCAL 2028 PROJECTED EXPENDITURES	FISCAL 2029 PROJECTED EXPENDITURES	FISCAL 2030 PROJECTED EXPENDITURES
City Non-Discretionary					
SCHOOLS	669,974,557	711,685,416	740,223,191	769,912,070	800,798,788
MUSEUM	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000
DEBT SERVICE	19,074,465	18,374,302	21,882,576	19,697,050	19,496,625
STATE ASSESSMENTS	3,902,181	4,018,349	4,118,808	4,221,778	4,327,322
CONTRIBUTION RETIREMENT PENSION	73,011,616	79,796,987	87,138,310	95,155,034	103,909,297
BENEFITS	35,229,643	38,959,585	43,090,786	47,666,727	52,735,625
CAPITAL RESERVE FUND	3,976,460	4,508,275	4,620,982	4,776,506	4,894,919
PARKING CONTRACT	1,305,670	1,331,783	1,358,419	1,385,587	1,413,299
PAY-AS-YOU-GO CAPITAL	5,162,609	5,399,827	5,666,993	5,780,651	5,898,954
Subtotal (Non-Discretionary)	848,186,845	904,354,109	952,510,849	997,582,131	1,047,530,457
City Discretionary					
CITY DEPARTMENTS	137,509,381	142,003,952	143,077,364	142,503,395	142,948,638
Subtotal (Discretionary)	137,509,382	142,003,952	143,077,364	142,503,395	142,948,639
Total Expenditures	985,696,226	1,046,358,061	1,095,588,213	1,140,085,526	1,190,479,095

Revenue Assumptions

The State Aid projections illustrated in this plan are based on Governor Healey’s FY27 proposed budget, which was released on January 28th, 2026.

Chapter 70

Chapter 70 represents the largest single revenue source to the City, though the funding is restricted exclusively for education purposes. Created from the Education Reform Act of 1993, the Commonwealth determines every municipality’s required local contribution. A municipality’s local contribution, combined with its Chapter 70 Aid, equals the school district’s net school spending requirement, which is the minimum the district must spend on education each fiscal year. The projection assumes a 6.8% increase in FY27 consistent with the Governor’s budget and a 4% increase in the remaining years of the plan based on pupil estimates.

Charter School Tuition Reimbursements

The Commonwealth has committed to providing assistance to municipalities whose resident students attend charter schools. Sending districts shall be reimbursed a portion of the costs associated with students attending charter schools; 100% of the tuition for the first year, and 25% for each of the next five years. The projection assumes a \$731K decrease in Charter School reimbursements for FY27, based on the Governor’s budget. The remaining years of the projection assume an annual 3.5% increase.



Unrestricted General Government Aid (UGGA)

Unrestricted General Government Aid is undedicated revenue provided by the State. Unlike Chapter 70 funding, UGGA represents the City's primary source of unrestricted state aid supporting municipal services. The Governor's FY27 budget includes an allocation of \$48.3M, an increase of 1.4%, with future years projected to grow by 1%. As mentioned earlier in this document, this revenue is directly passed through to the School Department to ensure Springfield meets its required local contribution, despite being "unrestricted" in how it can be spent.

Other State Aid

Listed below are the assumptions for the other State Aid categories Springfield receives:

- Veterans' Benefits - The City receives a 75% reimbursement on all eligible spending towards veterans' financial, medical and burial benefits. The projection assumes the Governor's FY27 budget recommendation for Veterans' Benefits.
- Tax Exemptions - Chapter 59 of Massachusetts General Laws sets a series of exemptions for Veterans and their surviving spouses, persons over 65 years old and legally blind persons. Those who meet the requirements as stated by Chapter 59 receive exemptions from their property taxes, ranging from \$175 to full exemption. The State partially reimburses municipalities for these exemptions. The projection assumes the Governor's FY27 budget recommendation for tax exemptions.
- The State reimburses municipalities for a portion of the taxes lost on state-owned land. The projection assumes the Governor's FY27 budget recommendation for PILOT payments.

Property Taxes

The Commonwealth of Massachusetts is unique in that it limits property tax assessments levied by its municipalities. Under Proposition 2 ½, Springfield cannot tax higher than 2.5% of the total and full cash value of all taxable property. This is known as the levy ceiling. Under the statute, the maximum amount that a municipality can levy in property taxes each year is referred to as the levy limit. There are only three avenues through which the levy limit can be increased; a 2.5% increase over the prior year levy limit, new growth recognized in the tax base, or a voter override. The levy limit must always be below or the same as the levy ceiling.

A side effect of Proposition 2 ½ is that it severely limits the revenue a municipality can collect when property values decline. From FY09 to FY13, Springfield experienced over \$1B in declining property values, which drastically reduced the City's levy ceiling. Although property values eventually began to rise, the levy ceiling remained very low, which prohibited the City from fully capturing its levy capacity. Property values did not fully recover to FY08 levels until FY18. From FY12 through FY19, the City of Springfield lost over \$42.8M in property tax revenue due to these levy limitations.

Despite the lost revenue over those eight years, Springfield has now broken away significantly from its levy ceiling, with \$71.2M in override capacity. This substantial gap between our levy limit and levy ceiling is a positive change and can be attributed to a healthy rise in property values, a sign of economic strength that hasn't been this prominent since prior to the recession more than a decade ago. It is through this strong growth in our values that we are able to address structural deficits without the need to make major service reductions.

While the City continues to experience growth in its property tax base, Proposition 2½ limits the annual increase in the levy to 2.5%, along with any new growth recognized in the tax base. Although new growth is anticipated in FY27 and future years, this forecast takes a conservative approach and does not rely on significant new growth assumptions when projecting future revenues.

Local Receipts

The category includes motor vehicle excise, rooms occupancy tax, fees and fines, interest income, license and permit revenue, among others. In general, the forecast for Local Receipts does not substantially change on an annual basis unless it is affected by a legal change such as a fee or fine increase, or a new type of revenue.



PILOT

The Payments in Lieu of Taxes (“PILOT”) revenue assumes a gradual decline based on the agreements in place and their expiration dates. Some agreements may be renewed which would positively impact revenue collections. As these PILOT agreements expire, the City should see the tax revenue proportionally increase as these entities cycle back onto the tax rolls.

Reserves

Reserve balance is one of the most important factors in determining a municipality’s financial health. The general rule of thumb is to save in the good years and spend in the bad years – which promotes financial stability and sustainability. We have been fortunate to balance our budget without the use of reserves for the past 9 years. Our financial ordinances require a stabilization reserve balance between 5% - 15% of our general fund budget. Monetarily, that range is between \$49.3M - \$147.9M based on the FY26 Adopted Budget of \$985.7M. Currently our reserve balance of \$75M, or 7.6%, is at the low end of that requirement. Continuing to add to and preserve our overall reserve balance requires commitment and determination, but it is one of the most worthwhile decisions we can make in terms of financial responsibility.

Spending Assumptions

Overall, the projection represents level service funding for the entire forecast period. Even with this assumption, there are areas of the budget that continue to grow and will be accommodated with the revenue available. Listed below are the assumptions for spending within the largest categories of the City’s budget.

City Departments

The projection assumes a 2.0 to 2.5% increase for nearly all City Departments, which encompass the cost-of-living increases for non-bargaining employees, settled collective bargaining contracts, and those currently being negotiated.

School Department

The School Department projection is based on a projected enrollment increase and the required funding rate per student, set out by the Commonwealth’s calculation for “Net School Spending (NSS)”. This is the required amount of annual spending on schools that the Chapter 70 formula dictates, and is a combination of state aid for schools and the district’s required local contribution.

The current projection assumes a 6.7% increase for FY27 and 4% thereafter, with approximately 90% of the School Department budget being offset by State Aid. The difference will be a direct cost to the City. In addition to the City’s contribution to meet NSS, it also is responsible for non-NSS costs such as transportation, leases and adult basic education (“ABE”), all of which must be funded through the City’s operating budget without any support from State Aid. Transportation costs alone are projected to increase by 5% in FY27 and these costs are highly dependent on the amount and operation of local charter schools.

Debt Service

The City’s debt service projection uses the current debt schedule, which is designed to have the debt service number decline over the next several years. However, it is hoped that by maintaining a level debt service payment, the City can make strategic investments in its capital needs, as spelled out in the Capital Improvement Plan.

Health Insurance

The City of Springfield has annually saved millions of dollars by receiving its health insurance through the Group Insurance Commission (“GIC”). The GIC, which provides and administers health insurance for approximately 425,000 members throughout the Commonwealth, seeks to identify low-cost plans that are affordable for not only for its members, but also the municipal agencies in which they work for.

This financial forecast conservatively assumes a 11% increase for health plan expenses based on the GIC projected FY27 growth. This is a strategic effort to ensure that the City is accounting for a large increase in insurance rates,



should this occur during any given year. Due to the large budgetary cost associated with our health insurance benefit, it is vital that we always seek a fiscally responsible solution in order to preserve our limited financial resources.

Retirement

The City's municipal pension remains the lowest funded in the Commonwealth, with a current funding ratio of 43.7% and an unfunded liability totaling \$872.7M. Poor market and economic conditions are contributing factors that led to Springfield's low pension funded ratio. Pension funds rely on growth of approximately 7.00% a year from investments; any return lower than this would have adverse effects on the unfunded liability amount. In 2008, the fund reported losing 28% of its value due to the stock market crash of that year. Although the market has since rebounded, limited revenue sources have made it challenging to contend with higher pension payments.

To address this issue, the City deliberately lowered its rate of return to reflect market rates and assumed an aggressive payment schedule with the goal to be fully funded by FY34, six years earlier than the state-mandated deadline. As part of this, the City increased its FY18 and FY19 pension appropriations by 14% and 15%, respectively. To further bolster our efforts towards addressing this liability, the City transferred in an additional \$2M from its Pension Stabilization Reserve Fund in October 2018, and \$1.1M in Free Cash in March 2019. In FY23, with an unprecedented amount of certified Free Cash, the City made the forward-thinking decision to move \$15M into the Pension Stabilization Reserve Fund, bringing the current balance to 19.3M. These acts are a testament to the administration's commitment to developing creative solutions that will continue to reduce the liability and thus improve the City's overall financial position.

Looking ahead, the payment projections for the upcoming fiscal years shown on this plan are based on the City's most recent pension funding schedule, which was evaluated and finalized in 2024. Annual Payment increases which equate to 9.2% over the previous year's amount continue in FY27, and will remain that way until the liability is fully funded in FY34. Developing this aggressive payment schedule certainly addresses the City's low pension problem; however, it also comes with concerning fiscal challenges.

The FY27 pension appropriation amounts to \$132.4M, which is divided amongst three separate entities; the City of Springfield, the Springfield Housing Authority, and the Springfield Water and Sewer Commission. Given that pension is currently the third largest expense in the City's operating budget, significant increases in annual payments will likely have an impact on City services if alternative revenue sources are not actualized. To avoid future risk, the City will continue to reassess its pension funding schedule every two years when the actuarial valuation is updated.

Conclusion

Based on these assumptions, it is clear that spending growth, particularly in pension obligations, health insurance costs, and required school funding, is projected to outpace revenue growth in the coming years. It is important to note that the revenue assumptions used in this document are intentionally conservative and will be updated as more information becomes available regarding property values and other revenue opportunities. Looking ahead, the City anticipates continued economic development activity, which will strengthen the tax base and generate new growth, providing additional financial flexibility over time.

While the projections show growing structural gaps, the City has a strong track record of addressing fiscal challenges through disciplined financial management and responsible budgeting. Springfield has consistently balanced its annual operating budget by making strategic decisions that align with the administration's policy priorities while maintaining essential services for residents. This approach will continue as the City works to manage future fiscal pressures in a thoughtful and sustainable manner.

At the same time, the City has taken a proactive approach to strengthening its financial position by building and maintaining healthy reserve levels during periods of economic expansion. Maintaining strong reserves is a critical component of the City's long term financial strategy, providing stability during economic downturns and helping ensure that essential municipal services can continue without significant disruption.