

# Against All Odds

How Springfield, Massachusetts  
Built a Fiscally Sustainable Future





To be effective, Springfield needed systems to collect, store, track, and analyze city data—and it had none.



## Revolutionary changes

In July 2007, the city implemented a financial management software program called Munis, and the data started to trickle in. Things started improving when the finance department received data it could use to proactively manage the city. It was finally possible to see the vacancies, the savings, the surpluses. Back taxes started to roll in as the city pursued and collected on liens. The finance department could inquire about a purchase, intervene on non-standard procurements, redirect budget dollars, and take corrective actions. The city could aggregate purchases, determine economic order quantities, and finally negotiate volume discounts from suppliers.

These are hardly earth-shattering improvements for most major enterprises, but for Springfield, it was nothing short of revolutionary. Within that first year, the city generated more than \$30 million in free cash. Soon, this number grew to \$50 million, accumulated simply because the new data made it possible to control spending.

The next step was being able to see, understand, and control labor costs—which in the mid-to-late 2000s accounted for approximately 68 percent of what was then a \$486.5 million annual budget. At the time, employees were using paper timesheets to log their hours, and labor expenses

were entered into spreadsheets. Worse, each of the city's 30 departments had its own payroll staff, making it virtually impossible to aggregate citywide data or detect actual trends. Instead, the finance department could only perform infrequent, basic spot-check audits, using data that was months old. Without an automated reconciliation process, data was inconsistent, payroll deductions were mismanaged, and internal controls were altogether inefficient.

When Mayor Domenic J. Sarno took office in 2008, he moved swiftly to address the situation, believing that automation and data analytics would provide real-time visibility into

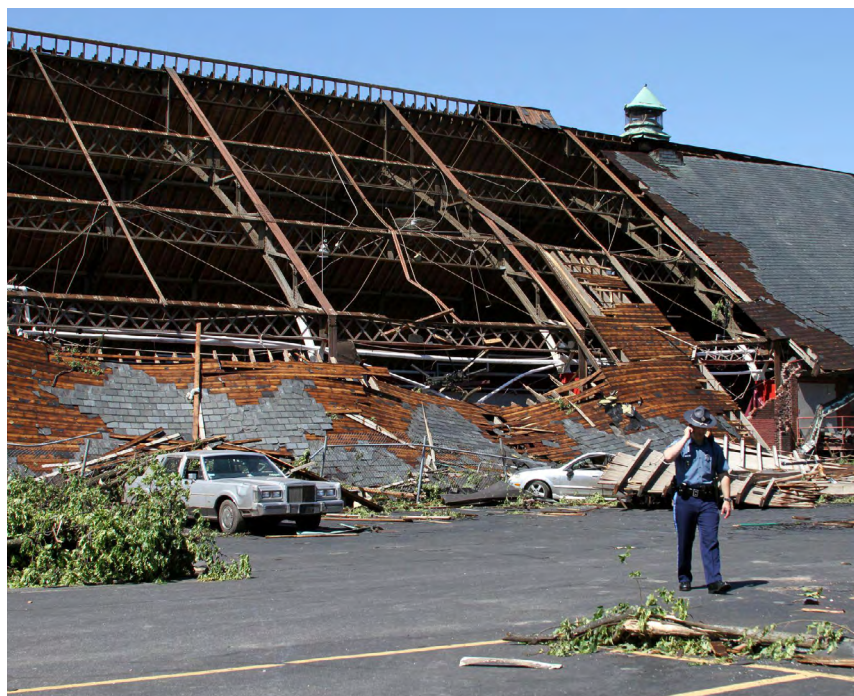
citywide spending, and that this would be the key to finally getting a grip on workforce and payroll challenges. After all, you can't manage what you can't see. In 2009, the city deployed an automated workforce management system and integrated it with its existing HR management and payroll systems. This allowed Springfield to centralize city and school payroll teams into a single payroll department, where a combined staff shares processes and information for all 6,300 city employees.

The system ultimately shed light on a lot of murky areas. It allowed the city to easily identify and immediately correct many instances of timecard fraud, and to negotiate for important changes in labor contracts. City departments and schools now had the tools to reign in overtime costs and to more efficiently deploy full- and part-time employees. The total savings in salaries and overtime topped \$900,000 within the first year of implementation.

## From adversity to advantage

The city had finally regained control of its finances, and by summer 2009, the Springfield Finance Control Board returned control to local leaders. By then, many of the savings generated by Springfield's technology investments and data-driven processes were being successfully reallocated to improve education, public safety, economic vitality, and local neighborhoods. After a long period of doubt, citizens and the business community were beginning to regain confidence in what the city could do on their behalf, and many believed that Springfield's best days were ahead.

But on June 1, 2011, Springfield was again thrown into turmoil when the city experienced the worst natural disaster in its history: an EF-3 tornado (with wind speeds of 136 to 165 miles per hour). Trees were uprooted, streetlights and wrought-iron fences were bent into pretzels; street signs



flew like frisbees. Tens of thousands of citizens lost power, dozens of people were sent to hospitals, and hundreds of families were displaced. The tornado affected approximately 40 percent of Springfield's citizens. More than 500 buildings were destroyed, and property values suffered a loss of more than \$428 million. The city was looking at an extraordinary unplanned cost, and for a city just regaining its financial footing, the tornado could have been a knockout blow.

In the aftermath, the finance team assumed the responsibility of tracking all expenditures related to the disaster: contractors, employee time, equipment, supplies, and so on. But New England isn't exactly Tornado Alley, so the city had no prior experience in disaster recovery at this scale. It also lacked sufficient time and resources to research and review every damage assessment in depth. As the Federal Emergency Management Agency (FEMA) and the Massachusetts Emergency Management Agency started denying claims, the city was

After a tornado caused over \$400 million in damages in 2011, Springfield was able to utilize FEMA dollars to the fullest extent thanks to data from the financial and workforce management systems the city had put in place.

authorizing expenditures of millions of dollars, unsure if it would recoup a penny in reimbursements.

The city hired a consultant to navigate the maze of federal and state regulations driving disaster recovery funding. Its team had spent years in New Orleans, Louisiana, working for cities and towns affected by Hurricane Katrina. They knew FEMA's rules and regulations inside and out and helped the city realize that it could be more cost-effective to replace certain facilities than to repair them. For example, the original damage estimate for the State Armory in Springfield was \$4.5 million. But the estimate for a full replacement of the building was \$18 million—which FEMA agreed to pay.



This time, Springfield was prepared for the storm because of all the other storms it had weathered.

Soon after, Springfield applied to enter a FEMA pilot program that would allow the city to reallocate recovery funds toward projects in other locations. Suddenly, those FEMA dollars represented an extraordinary opportunity. Rather than restoring damaged buildings to their former condition, we could invest in the community in ways we never previously had the financial means to do. Goals that had been languishing on the city's to-do list became feasible for the first time, creating a pivotal moment for the city's recovery.

In the end, Springfield only had to pay a small fraction—just 13 percent—of a \$97 million rebuilding effort. The city's recovery was successful largely because of the financial and workforce management systems it had put in place to provide real-time visibility into labor spending. This data was critical in allowing the city to secure the greatest

amount of FEMA reimbursements available to it—funding that made it possible to restore the city and revive its neighborhoods.

In the last decade, Springfield has regained its footing in all key areas, bringing in major economic engines and creating a number of middle-class jobs. Springfield's public schools are regaining their vibrancy as high school graduation rates rise and college acceptances increase. The city formed new and effective contracts with first responders, making streets and neighborhoods safer. And by driving forward market-rate housing initiatives and community engagement programs, the city is attracting new residents.

Instead of a \$41 million deficit, Springfield city government created a \$50 million surplus, paying back the entire multimillion state loan ahead of schedule and improving its credit

rating. Springfield has seen more than \$4.5 billion in new economic development—an unprecedented level of investment in the city's vitality.

## Weathering the storm—again

To say that the city's technology upgrades, process improvements, and extensive collaboration with public and private leadership over the past decade put Springfield in a position to weather the greatest storm in modern history—the COVID-19 pandemic—is an understatement.

Emerging from the early months of the pandemic, Springfield closed its 2020 fiscal year on June 30 with an \$8 million surplus. This was a remarkable feat and certainly unexpected, given the city's financial history. For too long, the prevailing attitude throughout New England was simply *don't do what Springfield does*. But this time,

Springfield was prepared for the storm because of all the other storms it had weathered.

After declaring a state of emergency on March 16, 2020, the mayor was thereafter in constant contact with Massachusetts Governor Charlie Baker to talk about the city's needs. The governor called on legislators to ensure that federal funding came directly to Springfield, rather than being allocated through the state, and Springfield secured direct entitlements to any funding of more than \$50,000.

By mid-April, Springfield had implemented a hiring and spending freeze. And, going against federal guidance, the city refrained from paying vendors for services not rendered, in an effort to minimize revenue losses. These companies had access to funding through the Paycheck Protection Program and had laid off their staff, in addition to not providing any services.

Making the most of its past experience, the city generated millions in cash, which it kept and reinvested. When cities and towns reached out to the state for help, this time they were told to go talk to Springfield.

In the first 14 months of the pandemic, the city spent \$38.1 million on its COVID-19 response and recovery—and it expects to be reimbursed for every dollar. Once again, Springfield's technology infrastructure makes this possible: Every expense related to COVID-19 is tracked, from equipment and resources to labor hours.

When 30 firefighters were out at the same time with COVID-19, the department generated an enormous amount of overtime—but these hours were easily segregated and reimbursed in full by FEMA. The same goes for labor and additional equipment purchased to streamline meal preparation and distribution at feeding sites set up across the city. Since the start of the pandemic, Springfield has

provided 7.5 million meals to food-insecure students and families. Anyone is welcome to pick up breakfast, lunch, dinner, a snack, and a gallon of milk, seven days a week. And it's all funded by federal grants and reimbursements.

Of course, Springfield's 62,000-square-foot Culinary Nutrition Center, which opened in 2019 at a cost of \$21 million, played a significant role in supporting these efforts to care for our community. None of this would have been possible without this facility and its staff. In fact, previous investments in technology, city infrastructure, and community-based programs allowed Springfield to achieve countless advantages, along with the strategic relationships the city built and the experience it gained along the way.

When Springfield brought in an industrial hygienist in spring 2020 to help its schools prepare for bringing kids back into the classroom, it learned that only six of its 60 public schools required HVAC upgrades. Eight of Springfield's schools are new, having been built since 2007, and most others had received substantial updates. As a result, the total cost for air cleaning equipment was just \$6 million.

The schools also benefited from a fully implemented technology policy, which meant there was no delay in transitioning students to remote learning. Every student in Grades 2–12 was already equipped with access to a take-home laptop. The city's only additional expense was \$3.5 million to purchase laptops for kindergartners and first graders, as well as iPads for pre-K students, and it coordinated delivery through one of its longtime transportation partners as part of a negotiation to keep their drivers employed, while also delivering meals to seniors and unhoused families throughout the city.

Today, Springfield is on track to generate \$15 million in free cash by the close of FY2021, and it has plans to

maximize those funds, jumpstarting many of the projects that were paused abruptly in March 2020. The city has already received an influx of money to revitalize its economy and create jobs. Springfield is working to address food insecurity across the city and delivering aid to its nonprofits, businesses, bars, and hospitality venues.

But challenges persist, like the extra costs associated with the massive rise in the volume of residential trash and looming concerns that companies might not return to their long-vacant downtown office spaces now that their teams have gotten accustomed to working from home. Springfield city government, however, has faced a decades-long uphill battle to revitalize the city, and no matter the challenge, it has no intention of slowing down.

## Perseverance pays

When Springfield reluctantly fell under the control of the Finance Control Board in 2004, it was the culmination of decades of bad decisions, bad circumstances, and, yes, some bad luck. The decline of the manufacturing sector and the near-total erasure of blue-collar jobs throughout the latter half of the 20th century had gutted many once-vibrant cities and left them struggling financially. Springfield was not immune to these trends. It took many years to reach that low point, and the city government realized that it would take many more years to pull itself out.

Here we are again—this time, emerging from a global health and economic crisis. But Springfield is far more prepared and confident in its ability to recover quickly. It has rebounded from dark days before and is stronger for it. Here's to a brighter, more prosperous future for Springfield and every midsize city in America.

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