



City of Cambridge

Executive Department

YI-AN HUANG
City Manager

CMA 2026-66
IN CITY COUNCIL
March 23, 2026

To the Honorable, The City Council:

The establishment of the Water/Sewer rates by City Council occurs each March for the next fiscal year. Because of the timing requirements, water and sewer rates are set prior to the adoption of both the Cambridge budget and Massachusetts Water Resources Authority (MWRA) budget; therefore, revenue needs are based upon estimated expenditures. Generally, water and sewer rates have been established so that revenues generated by them, when combined with other related revenue sources, cover projected annual costs.

The water and sewer rate for FY27 reflects the City's continued and increased investments, through operating and capital expenditures, in our water quality, system improvements, distribution, as well as our sewer and stormwater treatment infrastructure.

The City is continuing with efforts to replace existing Ozone generators in the treatment plant. Ozone generators are used in primary disinfection during the treatment process to eliminate bacteria and viruses in the water. The new generators will be smaller, easier to maintain, and are more energy-efficient than the existing ozone generators.

In October of 2024, the Mass Department of Environmental Protection's (DEP) Lead and Copper Rule Revision (LCRR) regulation took effect requiring every municipality to complete a Service Line Inventory and submit a Lead Service Line Replacement Plan (LSLRP). The City is working to help meet the DEP goal of having all lead water service lines in Massachusetts removed within 5 years.

As part of the Cambridge Water Department's "Per- and Polyfluoroalkyl compound (PFAS) reduction plan." The city is using granular activated carbon (GAC) filter media to significantly reduce Cambridge's PFAS concentrations. American Rescue Plan Act (ARPA) funds were used for this purpose initially. The filter media replacement is now supported through the Water Department operating budget at approximately \$1.3 million per year.

As a requirement of water quality variances issued by the Massachusetts Department of Environmental Protection and United States Environmental Protection Agency for the Charles River and Alewife Brook/Mystic River, the Department of Public Works, along with City of Somerville and the Massachusetts Water Resources Authority are developing a new long term combined sewer overflow control plan. This



combined sewer control plan is being developed to improve the water quality in these receiving waters particularly after heavy rainfall. Larger and more intense rainfall events due to climate change are being used to evaluate future projects to control combined sewer overflow discharges.

FY27 funds will also be used by the Department of Public Works to continue sewer and drain system infrastructure renewal and rehabilitation programs in The Port, River Street, Harvard Square and the Baldwin neighborhood as well as Combined Sewer Overflow (CSO), climate change, and capital repair projects citywide.

Both the FY27 water and sewer expenditures and their associated rates are lower than what was projected last year, while still funding critical operations and capital investments. One of the most significant reductions was in the projected debt payments due to a decrease in the amount borrowed and the very competitive interest rate that we received on our recent bond issuance.

The FY27 water rate is lower than what was projected last year (8.0% vs 9.1%) and includes funding for Water Department operations and capital investments including water works construction projects, treatment plant equipment and system upgrades, reservoir improvements and ozone generator replacement.

The FY27 sewer rate is also lower than what was projected last year (5.8% vs 6.2%). The Sewer Budget is largely driven by fixed costs, with debt service and the MWRA assessment together accounting for 73% of the total Sewer Budget.

The Water/Sewer bills that will be issued in July 2026 will be for the usage period April-June 2026 and will reflect the new water and sewer rates.

RECOMMENDATIONS

The City administration and City Council continue to recognize the importance of minimizing increases in water and sewer rates. I recommend that the City Council approve an 8.0% increase in the water consumption block rate and a 5.85% increase in the sewer use block rate, resulting in a 6.3% increase in the combined rate for the period beginning April 1, 2026, and ending March 31, 2027. In last year's recommendation, the projected FY27 rate increases for water, sewer, and combined were 9.1%, 6.2%, and 6.8%, respectively, based on March 2025 consumption rates and projected budgets.

WATER

Two major factors determine the rate necessary to generate enough revenues: water consumption and the budget. The FY27 Water Operating Budget reflects an increase from the FY26 Budget primarily due to projected cost increases related to salaries and benefits, as well as for GAC filter media replacement, which has previously been funded through ARPA. At the same time, the projected debt service budget has decreased by more than \$1 million compared to last year's projections, helping to moderate the rate increase.

Central and Northeast regions of Massachusetts including Cambridge are currently in a level 3 critical drought. Despite snowfall in the month of February, consistent below freezing temperatures and frozen ground conditions have inhibited improvement in drought conditions. In response, the City has implemented strict water use restrictions. Rising temperatures and rainfall are anticipated to slowly replenish water systems during this spring.

The FY27 capital allocation is \$4,355,505 using pay-as-you-go capital funding based on current revenues. Debt service costs for water construction bonds are \$576,250. FY27 capital projects consist of significant improvements to our water system including water mains; Fresh Pond Master Plan implementation; ozone generator replacement; and treatment plant equipment and upgrades.

Water and sewer revenues are generally linked to water consumption, with sewer costs comprising approximately 78% of total water and sewer expenditures. Year to date (YTD) water consumption is 4.3% lower in FY26 compared to FY25.

Table 4 indicates the details of Water Fund projected revenues and expenditures for FY26-31. Table 7 shows actual Water Fund balances for FY21-25 and the projected balance for FY26.

SEWER

The FY27 Sewer Budget reflects a \$4,497,896 increase from the FY26 Projected Budget. This includes the MWRA assessment, debt service payments, capital, and the sewer component of the Public Works budget. Debt service on sewer bonds and the MWRA assessment account for 73% of the total FY27 Sewer Budget.

The preliminary FY27 MWRA assessment is scheduled to increase by \$1,324,893 or 4.0% from the final FY26 assessment. The MWRA rate increase projected for the City is subject to change based on the MWRA budget, which is adopted later in spring 2026. Historically, these changes have been minimal. Unlike the water budget, sewer revenues are credited to the general fund and not to a separate proprietary fund that can be drawn upon if the need arises.

Included in the water and sewer budgets are debt service costs attributable to \$20,800,000 (sewer) general obligation bonds (net of premium) issued in March 2026, used to fund sewer projects, capital repairs and climate change projects. The required budget for debt service payments in FY27 has been reduced by over \$3.5 million from last year's projections. The FY27 capital allotment of \$12,875,000 in sewer revenues will continue to finance the remedial reconstruction program.

The City Council has authorized significant investments in the water and sewer systems to ensure Cambridge continues to benefit from a healthy and environmentally sound water and sewer system. In addition to the projects currently under way, the City's five-year capital plan cost (FY27-31) calls for an additional investment of approximately \$292,006,675 (primarily sewer, \$248,875,000) in the water and sewer systems. The City carefully monitors the issuance of debt to fund authorized sewer projects and takes advantage of State MWRA interest free loans and grants to ensure that debt service cost increases, which impact the sewer rate, remain moderate.

The FY27-31 capital plan includes other projects that may be eligible for subsidized loans from the state. As in past years, it is not certain that these projects will receive state subsidies and the debt service on these projects has been calculated based on funding through general obligation bonds. If state subsidies become available to the City, they will be used to lower the sewer rate in future years. Table 5 shows the detail of sewer-related expenditures and revenues for FY27-31.

COMBINED WATER & SEWER

The table below reflects the projected combined water and sewer metered revenue requirements needed to cover water and sewer expenditures.

TABLE 1

	FY26 Projected	FY27 Budget	% Change
Water	\$20,071,861	\$21,684,710	8.00%
Sewer	\$75,214,374	\$79,612,270	5.85%
Combined Water / Sewer Revenue	\$95,286,235	\$101,296,980	6.31%

FY27 budgeted revenues are based on FY26 projected collections and reflect our practice of conservative revenue projections.

The table below reflects the FY26 actual and FY27 proposed water and sewer rates.

TABLE 2

	Annual Consumption*	FY26 Water Rate	FY27 Proposed Water Rate	FY26 Sewer Rate	FY27 Proposed Sewer Rate
Block 1	0 – 40 CcF	\$3.84	\$4.15	\$17.12	\$18.12
Block 2	41 – 400 CcF	\$4.10	\$4.43	\$18.10	\$19.16
Block 3	401 – 2,000 CcF	\$4.36	\$4.71	\$19.45	\$20.59
Block 4	2,001 – 10,000 CcF	\$4.63	\$5.00	\$20.93	\$22.15
Block 5	Over 10,000 CcF	\$5.03	\$5.43	\$22.25	\$23.55

*All rates are per CcF. CcF is an abbreviation of 100 cubic feet. One CcF is approximately 750 gallons.

The table below reflects the average change to combined water and sewer residential bills.

TABLE 3

Residential Type	FY26 Average	FY27 Projected	Annual Variance	% Change
Single Family	\$1,265	\$1,345	\$80	6.3%
Two Family	\$1,678	\$1,784	\$106	6.3%
Three Family	\$2,473	\$2,629	\$156	6.3%

SENIOR DISCOUNT PROGRAM

There are currently 2,750 homeowners who qualify for the age 65+ water/sewer 15% discount (not to exceed \$90 annually), which is not tied to the homeowner's income.

There are also 26 elderly homeowners who qualify for an income-based discount of 30% (not to exceed \$180 annually). To qualify for the 30% discount, a homeowner must be 65 or older and must have been granted the Clause 41C elderly real estate exemption. For FY26, the income guidelines are as follows: single, income of \$34,253 with assets of \$68,502 or less; married, income of \$51,380 with assets of \$94,191 or less.

FUTURE OUTLOOK FOR RATES

The City continues to work to produce moderate water and sewer rate increases. The average annual increases for the FY23-27 period are as follows: water, 6.3%; sewer, 6.1%; and combined, 6.1%. The average annual increases for the FY18-27 period are as follows: water, 3.3%; sewer, 6.7%; and combined, 5.8%.

Tables 4, 5, 6 and 7 contain five-year forecasts for water, sewer, and combined revenue estimates as well as Water Fund balances for the past five years and the projected FY26 Fund Balance. The City will continue to review appropriate use of Fund Balance for a specific project, or to lower the rate.

As can be seen in Table 6, the annual combined water/sewer rate is projected to increase by an average of approximately 7.6% for FY27-31. The projected increase is the result of the City's commitment to bonding sewer infrastructure improvement projects as well as water construction projects and increases in the MWRA assessment. If the increases in MWRA assessment are moderate, the rate increases that are shown will be lowered. Conversely, if consumption decreases, there will be a negative effect on water and sewer revenues.

Our water and sewer program is structured to produce reasonable rate increases in the future. The goal of the City Administration and City Council is to minimize the effects of water and sewer rate increases on residents as much as possible, while continuing to provide major investment in our infrastructure.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yi-An Huang', with a stylized flourish at the end.

Yi-An Huang
City Manager

TABLE 4
FY25-30 Water Projections

	FY26	FY26	FY27	FY28	FY29	FY30	FY31
	Budget/Recap	Projected	Budget	Projected	Projected	Projected	Projected
Water Expenditures:							
Operating (incl. fringe benefits)	16,377,535	15,719,965	16,120,361	16,765,175	17,435,782	18,133,214	18,858,542
Subtotal Operating Budget	16,377,535	15,719,965	16,120,361	16,765,175	17,435,782	18,133,214	18,858,542
Capital	4,452,385	4,452,385	4,355,505	4,564,775	4,657,565	5,300,000	5,900,000
Capital GAC filter media replacement	-	-	1,300,000	1,300,000	1,350,000	1,350,000	1,350,000
Capital - Water Works Construction bonds	579,811	579,811	576,250	1,115,500	2,187,450	2,688,265	2,994,026
Finance	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Conservation	65,945	65,945	67,594	69,284	71,016	72,791	74,611
Community Development	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Animal Commission	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Expenditures	21,740,677	21,083,106	22,684,710	24,079,734	25,966,813	27,809,270	29,442,180

Assumptions:

- 1) Operating Budget for FY27 is based on City Manager's Submitted Budget and increases 4% for FY28-31.
- 2) Debt Service decreases according to Debt Service Schedule.
- 3) Capital as shown.
- 4) Public Works funded through sewer rate starting in FY26
- 5) All others remain constant from FY27-31, but Conservation will increase by 2.5%.
- 6) GAC filter media replacement - \$1.1M from ARPA funds used prior to FY27 (then \$1.3M in FY27 and \$1.35M FY28-FY31).
- 7) Retained earnings (Fund Balance) used - as shown

Financing Plan	FY26	FY26	FY27	FY28	FY29	FY30	FY31
	Budget/Recap	Projected	Budget	Projected	Projected	Projected	Projected
Beginning Fund Balance	4,418,189	4,418,189	4,506,944	4,506,944	4,506,944	4,506,944	4,506,944
Revenue:							
Meter Revenue	20,390,677	20,071,861	21,684,710	23,179,734	25,166,813	27,109,270	28,742,180
Miscellaneous Water Charges	1,100,000	1,100,000	1,000,000	900,000	800,000	700,000	700,000
From Fund Balance	250,000	250,000	-	-	-	-	-
Total Revenue	21,740,677	21,421,861	22,684,710	24,079,734	25,966,813	27,809,270	29,442,180
Total Expenditures	21,740,677	21,083,106	22,684,710	24,079,734	25,966,813	27,809,270	29,442,180
From Fund Balance	250,000	250,000	-	-	-	-	-
Ending Fund Balance	4,168,189	4,506,944	4,506,944	4,506,944	4,506,944	4,506,944	4,506,944
Projected Rate Increase			8.0%	6.9%	8.6%	7.7%	6.0%

TABLE 5
FY26-31 Sewer Projections

	FY26	FY26	FY27	FY28	FY29	FY30	FY31
	Budget/Recap	Projected	Budget	Projected	Projected	Projected	Projected
Sewer Expenditures:							
Public Works	7,871,016	7,871,016	8,565,419	8,908,036	9,264,357	9,820,219	10,409,432
Capital	10,800,000	10,800,000	12,875,000	12,250,000	10,250,000	8,000,000	8,000,000
Existing Debt	25,509,617	25,509,617	21,684,700	18,721,100	16,388,450	14,189,997	11,808,000
New Debt	-	-	3,304,667	11,157,000	19,266,500	27,572,000	33,663,500
Finance	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Community Development	44,500	44,500	44,500	44,500	44,500	44,500	44,500
MWRA	33,069,500	32,988,091	34,312,984	36,200,198	38,734,212	41,445,607	44,346,799
Total Expenditures	77,519,633	77,438,224	81,012,270	87,505,834	94,173,019	101,297,322	108,497,231

Assumptions:

- 1) The FY27 MWRA assessment is based on the preliminary estimate received from the MWRA
- 2) FY28-31 MWRA assessments are based on annual rate increases of 7%.
- 3) Public Works allocation increases by 4% in FY28-31.
- 4) Capital as shown.
- 5) Debt Service increases according to Debt Service schedule.
- 6) All others remain constant.

Financing Plan	FY26	FY26	FY27	FY28	FY29	FY30	FY31
	Budget/Recap	Budget	Projected	Projected	Projected	Projected	Projected
Revenue:							
Sewer Service Charge	76,219,633	75,214,374	79,612,270	86,105,834	92,673,019	99,797,322	106,997,231
Non- Metered Sewer Revenues	1,300,000	1,300,000	1,400,000	1,400,000	1,500,000	1,500,000	1,500,000
Total Revenue	77,519,633	76,514,374	81,012,270	87,505,834	94,173,019	101,297,322	108,497,231
Projected Sewer Service Charge Increase			5.8%	8.2%	7.6%	7.7%	7.2%

TABLE 6
Combined Water and Sewer
FY26-31

	FY26 Budget/recap	FY26 Projected	FY27 Budget	FY28 Projected	FY29 Projected	FY30 Projected	FY31 Projected
Metered Water Revenue	20,390,677	20,071,861	21,684,710	23,179,734	25,166,813	27,109,270	28,742,180
Metered Sewer Revenue	76,219,633	75,214,374	79,612,270	86,105,834	92,673,019	99,797,322	108,497,231
Total	96,610,310	95,286,235	101,296,980	109,285,568	117,839,833	126,906,593	137,239,411
% increase	-	-	6.3%	7.9%	7.8%	7.7%	8.1%

TABLE 7
Water Fund Balances
FY21-26

	As of 6/30/21 (Actual)	As of 6/30/22 (Actual)	As of 6/30/23 (Actual)	As of 6/30/24 (Actual)	As of 6/30/25 (Actual)	As of 6/30/26 (Projected)
Water Fund Balance	10,799,427	8,690,099	5,083,283	6,222,379	4,418,189	4,506,944