



City of Cambridge

Executive Department

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City Manager

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April 22, 2019

To the Honorable, the City Council, and the residents and taxpayers of Cambridge:

I am pleased to submit for your consideration my proposed Operating and Capital Budgets for the City of Cambridge for FY20 as well as the proposed FY21-24 Operating and Capital Plans. This Operating Budget of \$678,384,235 represents an increase of \$36,721,100 or 5.7%, over the FY19 Adjusted Budget. The proposed Capital Budget is \$101,096,725.

This FY20 budget submittal reflects City Council goals as well as the ongoing collaborative efforts and discussions between the City Administration and the City Council. This document represents the City's plan to allocate resources to meet the most pressing current and future needs of the community, as well as City Council priorities.

The FY20 budget includes significant increases in funding as well as expansion of several programs, and at the same time represents a balanced, responsible approach to effectively allocating City resources. This budget again includes information about consolidated spending across departments in key priority areas. I am proud to be able to present a budget that includes over \$84 million in expenditures in the areas of affordable housing, early childhood education, and sustainability. In addition, there are new staff positions and new and expanded initiatives included in this budget, many of which are the direct result of collective discussions with the City Council. In addition to the priority areas above, I believe you will find that the FY20 budget demonstrates a continued and expanding commitment to support areas of public safety, urban forestry, community infrastructure and maintenance, enhanced community engagement, diversity and inclusion within departments as well as the wider community, supporting the small business community, arts, and open space.

The FY20 budget recommendation for tax supported resources to create and preserve affordable rental and homeownership opportunities for low, moderate, and middle-income families and residents represents the most significant increase in the City's history. Affordable housing is one of the City's top priorities, and as I have done the last two fiscal years, I am recommending a capital allocation funded by Building Permit revenue of \$4,725,000 to support the Affordable Housing Trust. This is an increase from the \$3.45 million appropriated from the same source in FY19 and represents 25% of Building Permit revenue. The FY20 budget includes an additional \$5,000,000 in capital funds to directly support the creation and preservation of affordable housing.

CITY MANAGER'S BUDGET MESSAGE

These investments, combined with anticipated FY20 Community Preservation Act funds of \$10.4 million will result in over \$20 million of direct financial support to the Affordable Housing Trust in FY20 to develop and preserve affordable housing in Cambridge. As noted in the consolidated spending section, over \$32 million will be spent in support of affordable housing and homelessness efforts across City departments in FY20.

Through FY19, the City has appropriated more than \$160 million to invest in affordable housing initiatives. These funds have been used to preserve or create more than 1,800 affordable units to date. The FY20 funds will supplement Community Preservation Act and federal funding and will allow the City and its affordable housing partners to continue to advance an ambitious affordable housing agenda. The City will also examine how local option taxes from home sharing services, like Airbnb, and recreational cannabis sales can serve as an additional revenue sources for our affordable housing efforts. In FY20, we will also continue to work with the property owner of Fresh Pond Apartments and the Affordable Housing Trust to develop a preservation plan for that property.

The FY20 budget includes funding for a new pilot program at the Multi-Service Center to help pay for costs associated with obtaining picture identification for persons experiencing homelessness. The FY20 budget also includes increased City funds dedicated to supportive services for formerly homeless households to help maintain housing, and funding to continue operating the seasonal Winter Warming Center, which provides access to a hot meal and a safe place to rest and shelter from inclement weather.

The FY20 budget demonstrates significant support and investment in public safety initiatives. The FY20 budget includes approximately \$1 million in funding for a new Police Cadet Program starting in the fall of 2019. The program is designed for Cambridge residents between the ages of 18-23 who are interested in pursuing a career in law enforcement. The program, which requires a two year commitment from participants, will offer a salary, on-the-job and classroom training, and provide a pathway to be eligible for appointment as a Cambridge Police Officer.

The Police Department budget for FY20 includes funding for 3 additional sergeants, including one specifically for the Cadet Program, as well as a new procedural justice informatics analyst. The City will also hire two additional dispatchers in the Emergency Communications Department. The FY20 budget also includes funding for two additional deputy chiefs in the Fire Department, in order to enhance the Department's strategic planning and efforts in the areas of emergency medical services, special operations/safety initiatives, and community relations, including recruitment.

The Birth to Third Partnership, developed from the Cambridge Early Childhood Task Force Report, will further expand access to high-quality early childhood experiences for children in FY20. The City will expand its own preschool capacity by opening an additional classroom as part of the King Open and Cambridge Street Upper Schools and Community Complex project and will turn its half-day, school-year preschool at the Haggerty School into a full-day, full-year program to better meet the needs of Cambridge families. The City will invest over \$1.1 million in scholarships for low-income children to attend high-quality community-based preschools.

This summer, the Department of Human Service Programs (DHSP) will significantly expand summer meal sites to ensure that more of the City's children and youth are getting adequate nutrition when school is out. Based on recommendations from the City Council's Human Services and Veterans Committee,

additional funding is provided in FY20 for expansion efforts including: piloting evening meals for Summer Youth Basketball Leagues; piloting evening meals at Screen on the Green movie nights, and at Book Bike events located in different housing developments; and the addition of a summer lunch site at the Central Square Branch Library. This work builds on the FY19 efforts which established a free breakfast program in all elementary and upper school buildings, as well as, for children who attend the DHSP preschool programs in Cambridge Public School (CPS) buildings.

Through collaboration with the DHSP, the Cambridge Public Library (CPL) system and the Cambridge Public Schools, the City will continue to work to expand Science, Technology, Engineering, Arts, and Math (STEAM) education opportunities. The Department of Human Service Programs will continue to build the capacity of the Out-of-School Time community to offer quality, age-appropriate STEAM programs to children of all ages. The CPL will open new spaces and expand its programming, to provide patrons of all ages opportunities to acquire or expand their STEM skills, including through a new flexible learning space, with web-conferencing system; a new maker space called *The Hive* with both traditional tools and newer technologies, extended reality space, and recording studios; and expanded STEAM programming at CPL branches.

A priority project during FY19 and FY20 is the Inman Square Intersection Safety Improvement project. This re-design is aligned with the City's Vision Zero commitment to eliminate transportation-related injuries and fatalities and includes more conventional intersection geometry, separated bike lanes, additional crosswalks and protected pedestrian signal phases, dedicated bus lanes, and improved bus stop locations and routings. The plan also features significant tree plantings and pedestrian plaza amenities.

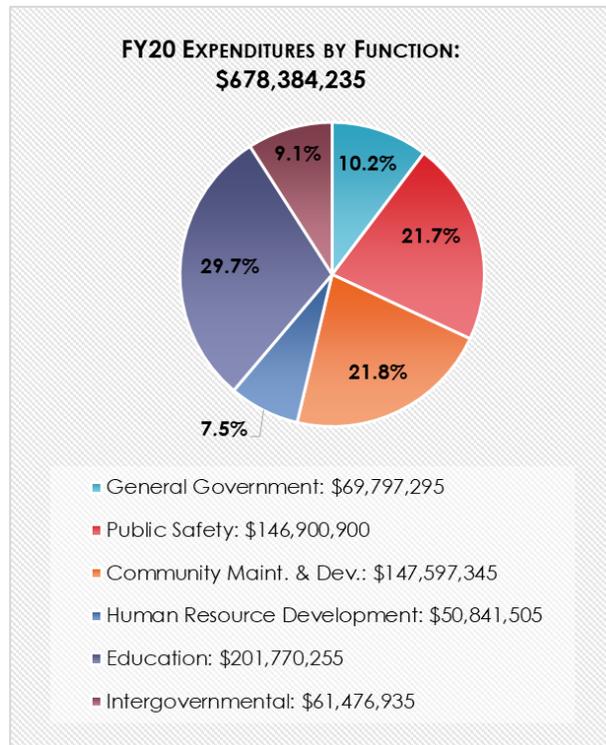
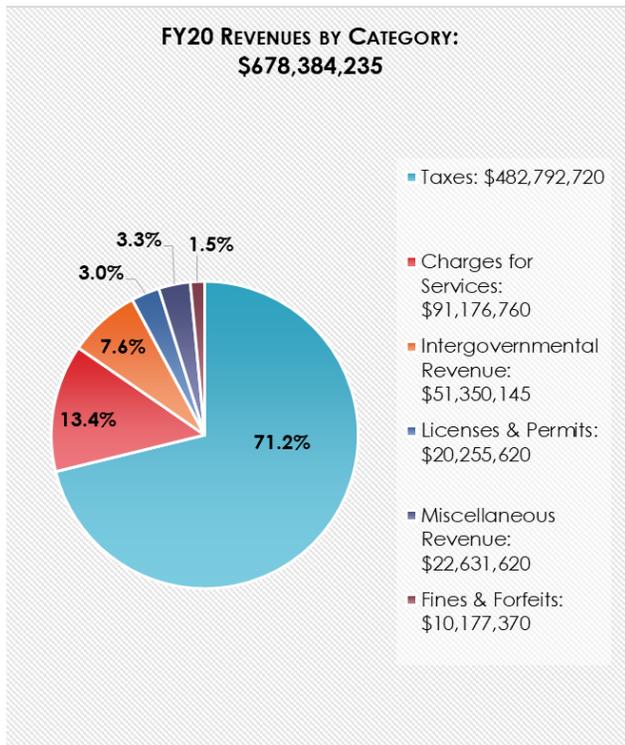
The FY20 operating budget includes \$300,000 (an increase of \$200,000) for tree planting and maintenance. These funds will be used in combination with \$895,000 in capital appropriations to support the planting and after-care of new tree plantings this coming year. In FY20, the City will plant approximately 600 trees, including the planting of 100 trees at the Golf Course. The FY20 budget also funds a new Assistant Arborist position to support planting and permitting programs.

This year and continuing into FY20, the City's Office of Equity and Inclusion is leading efforts to create a Workforce Plan for Recruitment, Hiring and Promotion. The project, scheduled to last a full year, will begin with a comprehensive review and needs assessment of every City department through a diversity, equity, and inclusion lens. The initial results will form the basis for a formal recruitment, hiring, and promotion plan document that will provide a roadmap for all future City recruitment, hiring, and promotion actions. This new initiative builds upon the significant diversity, equity, and inclusion efforts underway at both the departmental and citywide level.

In FY20, the City will launch its sixth cycle Participatory Budgeting (PB) process, which will provide residents with the opportunity to decide how to spend \$1,000,000 of the FY21 capital budget. Also, in FY20, the City will use \$925,000 of capital funding to begin implementing the winning PB projects from the fifth cycle, in which a record number community members voted for projects: tree planting, water fountains in parks, Fire Department gear extractors, bicycle lane improvements, big belly trash and recycle bins, and rain gardens. The City has allocated \$3.6 million to PB since the inaugural FY16 cycle.

After the tax rate is set in the fall of 2019, I anticipate making additional recommendations related to Fresh Pond Apartments, and the work of the Mayor's Arts Task Force, and the Urban Forestry Task Force.

CITY MANAGER'S BUDGET MESSAGE



FY20 OPERATING BUDGET

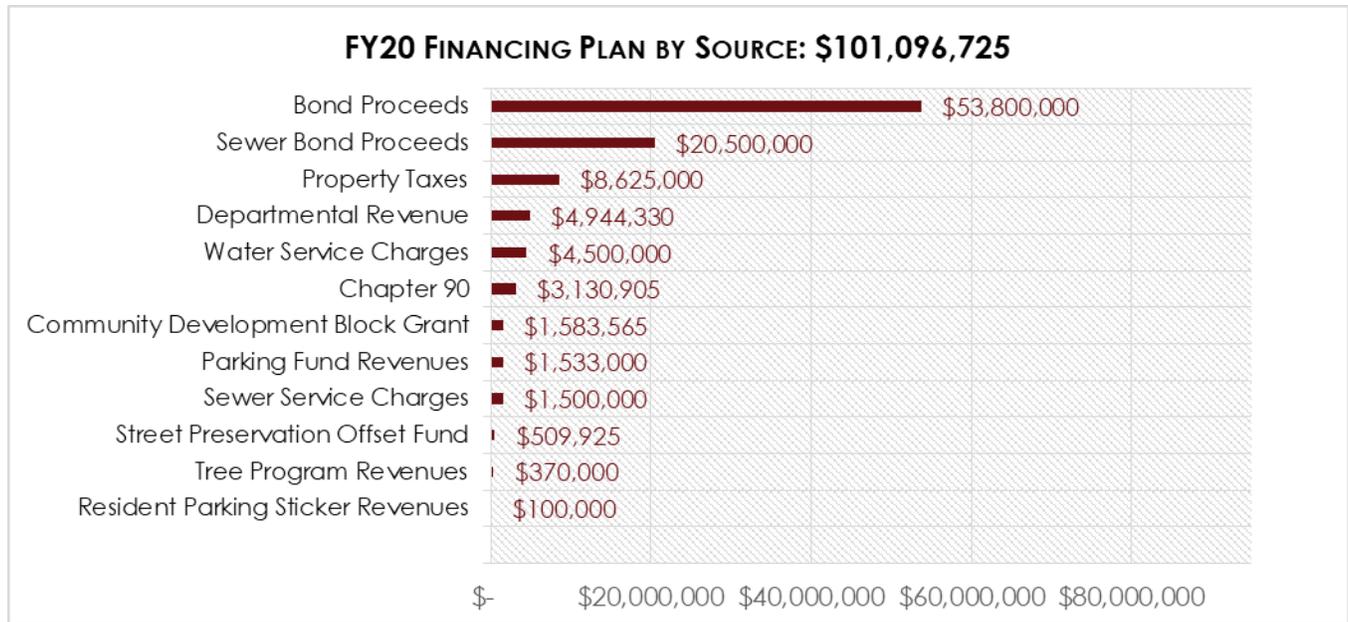
The proposed **Operating Budget** of \$678,384,235 includes the following:

- Collaboration between the City and School administration, elected officials, school communities, and fiscal staff once again resulted in a successful School budget process. The City increased property tax support to schools by 7%. The School Committee adopted the School Department Budget of \$201,770,255 on April 2, 2019.
- A total property tax levy of \$445,467,720 will support the General Fund Operating and Capital Budgets. This is an increase of \$35,657,860 or 8.7%, from the FY19 property tax levy, and represents a higher property tax levy increase than last year's increase of 5.3%. The actual tax levy is determined in the fall as part of the property tax and classification process. In addition, the City can make adjustments to budgeted revenues as part of the process. As in past years, the City may be able to use increased non-property tax revenues at a higher level than what is included in the FY20 budget, once actual FY19 receipts and final state aid figures are known.
- \$2,000,000 in overlay surplus balances accumulated from prior fiscal years will again be used to lower the tax levy increase.
- The City will recommend using \$9,000,000 in Free Cash to lower the property tax levy increase, which is consistent with the City's financial plan.
- The FY20 budget includes a 0% increase in the water rate and a 7.0% increase in the sewer rate, resulting in a 5.2% increase in the combined rate, as adopted by the City Council on March 25,

2019. This is the ninth consecutive year that the City has been able to produce a 0% water rate increase.

- Parking Fund revenues will provide \$24.6 million to support the operating budgets of various departments, including Traffic, Parking, and Transportation, plus an additional \$1.63 million to support capital projects such as traffic calming, garage repairs, safety improvements related to Vision Zero, energy efficiency initiatives, and bicycle infrastructure improvements.
- The City Debt Stabilization Fund will provide \$6 million to cover debt service costs which is up from \$3.5 million in FY19 in order to address increased debt costs.
- This budget includes a 2.5% cost of living adjustment for all non-union employees and for those unions with settled contracts, a 5.0% increase in health insurance, and a 5.85% increase related to pensions.
- The Health Claims Trust Fund is providing \$11.5 million to support the health insurance budget.
- Consistent with FY19, the FY20 budget includes an Other Post Employment Benefit (OPEB) contribution of \$2 million.
- Thirty full-time positions have been added to the FY20 budget to provide appropriate support for the growth of programs throughout the city, further enhance our customer service, and increase our community engagement capacity. New positions include:
 - ❖ Nine positions in the Department of Human Service Programs: eight preschool teachers, and one communications manager.
 - ❖ Four positions in the Police Department: 3 sergeants (including one for the new Cadet Program and one to direct the Academy) and a procedural justice informatics analyst.
 - ❖ Four positions in Public Works: an assistant arborist, a fleet manager, a tech support specialist, and a project manager for contracts.
 - ❖ Three positions in Community Development: a community engagement manager, a senior zoning and development manager, and a data and information analyst.
 - ❖ Two positions in the Fire Department: 2 deputy chiefs.
 - ❖ Two positions in the Water Department: a ranger, and a junior motor equipment repairperson.
 - ❖ Two positions in Library: an associate manager of branch services, and a custodian.
 - ❖ Two positions in Emergency Communications: two dispatchers.
 - ❖ One position in Executive: an assistant to the city manager /liaison to the community.
 - ❖ One position in Finance: a customer service support representative.
 - ❖ One position in Animal Commission: an animal control officer.

CITY MANAGER'S BUDGET MESSAGE



FY20 CAPITAL BUDGET

The proposed **Capital Budget** of \$101,096,725 includes the following:

- Sewer and stormwater project in Alewife (\$15,000,000), streets and sidewalks (\$7,790,830), sewer and stormwater capital repairs (\$5,000,000), the Harvard Square Kiosk and Plaza (\$4,000,000), remedial construction (\$1,500,000), and climate change (\$500,000).
- An \$8,625,000 Pay-As-You-Go Public Investment allocation, which includes \$5,000,000 for affordable housing, \$1,100,000 in IT projects as part of the E-Gov initiative, \$1,600,000 for City capital projects, and \$925,000 for the winning PB projects.
- In FY20, \$3,000,000 will be bonded to fund significant building improvements as part of the Municipal Facilities Improvement Plan. Upcoming projects include, but are not limited to: alteration to the Department of Public Works Complex; accessibility, and fire and safety upgrades; deferred upgrades of HVAC, plumbing, lighting, electrical, and interior finishes at multiple sites.
- Water service charges of \$4,500,000 to cover all water-related capital projects.
- On March 6, 2019, the City sold \$81,550,000 in General Obligation Bonds to finance capital projects such as the King Open and Cambridge Street Upper Schools and Community Complex, sewer reconstruction, street and sidewalk reconstruction, and other municipal and school building renovations. The City's AAA bond rating allowed the City to sell these bonds at a true interest cost of 2.4%.

OUTLOOK

FY18 was another strong year financially for the City. Our sound financial practices have left the City with substantial reserves, including \$231.7 million in Free Cash, \$189.4 million in excess levy capacity, \$54.3 million in the Debt Stabilization Fund, \$27.5 million in the Health Claims Trust, \$16.1 million in the Parking Fund fund balance, and \$10.7 million in the Water Fund fund balance. We also anticipate ending FY19 in a very strong financial position.

The City has used \$44 million in Free Cash in FY19 to date. Major appropriations included \$9 million to lower the property tax rate, \$3.5 million to the Debt Stabilization Fund, \$3.1 million for the Robert W. Healy Public Safety Building cooling and heating system, \$4 million for the Graham and Parks School roof replacement, \$3 million in snowstorm related expenses, \$1.3 million for vehicles and equipment for the Fire Department, \$1.1 million for emergency communications equipment and infrastructure, \$1.28 million for a new STEAM center at the Cambridge Public Library, \$800,000 for building upgrades at the Peabody and Baldwin Elementary Schools, \$600,000 for Magazine Beach improvements, and \$500,000 for the design of a new Universal Design playground. In addition, there will be additional requests for Free Cash appropriations in FY19, such as for the Foundry Building (estimated \$18 million). As a result of these appropriations, the City's Free Cash position in FY20 is projected to be less than the FY19 certified Free Cash position.

We will continue to use our five-year financial and capital plan, debt and reserve policies, and the City Council goals as guides in our long-term planning to maintain stability and predictability in our budgeting process and adherence to our policies.

While we have again been able to commit significant and increasing resources as part of the FY20 budget to address community needs and priorities, it will be important to pay attention to the risk factors the credit rating agencies highlighted such as material growth in our debt burden, substantial increases in OPEB liabilities, and significantly reducing our reserve levels.

The City is projecting stable valuations in the near term with moderate increases in the out-years based on new construction, appreciation in values of existing property, and major rehabilitations. It is important that a healthy balance of development between residential and commercial be continued to ensure homeowners' real estate taxes remain affordable.

Major priorities that will impact the budget over the next few years include bonded projects such as the Tobin Montessori and Vassal Lane Upper Schools, the rehabilitation of the Foundry Building, commitment to the Green Line Extension Project, municipal building expansion opportunities, and increases related to health insurance, pensions, and collective bargaining agreements. While not all capital projects are in the City's five-year plan, we will continue to review and update the plan to ensure it reflects the needs and priorities of the community. This process will also continue to include discussions and analysis of longer term capital needs for the City over the next 15-20 years.

The long-term outlook for Cambridge continues to be very strong, which is confirmed by our consistent AAA bond rating. We have been able to absorb operating and programmatic costs associated with expanding services, cover increased salary and fringe benefit costs, and manage debt service costs.

CITY MANAGER'S BUDGET MESSAGE

CONCLUSION

The level of funding proposed in this budget is a recognition of our commitment to excellence in customer service, our dedication to meaningful community engagement, and our collective desire to do as much as we responsibly can to meet the urgent and varying needs facing the City today and into the future. Many of these are not easy issues to address, but we can all be proud of the level of support and service that we work to provide for our community, which is reflected in this budget. The initiatives and spending priorities recommended reflect not only the goals of the City Council, but also the priorities of the residents and taxpayers of Cambridge.

Our effective short and long-term financial, economic, and programmatic planning strategies will help ensure that Cambridge can continue to provide the level of services that residents desire while maintaining the modest tax implications taxpayers have come to expect.

I encourage readers to review the City Council goals, key initiatives, each department's budget narrative, and this year's capital projects to gain a deeper understanding of how each of those are an important component to continuing to make Cambridge such a great place to live, work, and visit.

I want to thank the City Council for its leadership, and for advocating for a financial plan that continues to match City policies and priorities, while also being mindful of the impact on taxpayers. Thank you, again, for placing your trust and confidence in me to lead this great City.

Very truly yours,



Louis A. DePasquale

SIGNIFICANT BUDGET MODIFICATIONS

DEPARTMENT	DESCRIPTION	COST	POSITIONS
GENERAL GOVERNMENT			
COUNCIL	2020 Inaugural Celebration - Biennial allocation for an inaugural celebration in FY20.	\$35,000	
EXECUTIVE	Leadership: To provide funding for the hire of an additional assistant to the city manager to expand capacity for outreach and to serve as representative of City Manager's office.	\$160,464	1
	Equity and Inclusion: to provide funding to complete the Workforce Plan for Recruitment, Hiring and Promotion (RHP).	\$50,000	
	Domestic Violence: to provide funding to support an Elder Advocate position and programming.	\$40,000	
	Total	\$250,464	
EMPLOYEE BENEFITS	Health insurance contribution increase.	\$2,600,000	
	Retirement system contribution increase.	\$2,045,920	
	Total	\$4,645,920	
FINANCE	To provide funding for an expanded school breakfast program.	\$160,000	
	To provide funding to participate in the Central Square Business Improvement District (BID).	\$143,000	
	To provide funding to explore Children's Savings Accounts.	\$50,000	
	To provide funding for an MBTA pass program for high school students.	\$275,000	
	Revenue: To provide funding for the hire of a Customer Service Support Representative.	\$95,035	1
	Total	\$723,035	
PUBLIC CELEBRATIONS	To provide additional funding to support the Cambridge River Festival.	\$20,000	
PUBLIC SAFETY			
ANIMAL COMMISSION	To provide funding for the hire of an additional Animal Control Officer.	\$118,923	1
EMERGENCY COMM.	To provide funding for the hire of two additional dispatchers.	\$199,872	2
FIRE	To provide funding for additional building maintenance.	\$75,000	
	To provide funding for the hire of two additional Deputy Fire Chiefs.	\$458,284	2
	Total	\$533,284	
POLICE	To provide funding for the Police Cadet Program including the hire of a new Sergeant.	\$1,000,000	1
	To provide funding for additional building maintenance.	\$25,000	
	To provide funding for a new Sergeant position.	\$202,213	1
	To provide funding for the hire of a new Procedural Justice Informatics Analyst.	\$113,804	1

SIGNIFICANT BUDGET MODIFICATIONS

	To provide funding to support a new academy in partnership with Northeastern University, including for the hire of an Academy Director (Sergeant), and contracting outside instructors.	\$285,275	1
	Total	\$1,626,292	
TRAFFIC, PARKING & TRANSP.	To provide funding for traffic studies and new software.	\$250,000	
COMMUNITY MAINTENANCE AND DEVELOPMENT			
COMMUNITY DEVELOPMENT	To provide funding for the hire of a new Community Engagement Manager.	\$141,714	1
	To provide funding for the hire of a new Senior Zoning and Development Manager.	\$144,295	1
	To provide funding for the hire of a new Data and Information Analyst.	\$153,974	1
	To provide funding for consultant services for zoning and development review.	\$75,000	
	To provide funding for a review of the Net Zero Action Plan and green building requirements.	\$35,000	
	To provide funding for streetscape design review.	\$75,000	
	To provide funds to implement recommendations of the Retail Strategy Plan.	\$30,000	
	To provide funds for a consultant to analyze noise impacts of airport activity and the Allston I90 project.	\$50,000	
	To provide funds for a consultant to analyze an electric scooter program.	\$25,000	
	Total	\$729,983	
DEBT SERVICE	Increase in debt payments per debt service schedule.	\$8,266,340	
PUBLIC WORKS	To provide an increase in funds for tree programs.	\$200,000	
	To provide funding for the hire of a new Project Manager for contracts.	\$138,777	1
	To provide funding for the hire of a new Fleet Manager.	\$176,692	1
	To provide funding for the hire of a new Assistant Arborist.	\$147,269	1
	To provide funding for the hire of a new Tech Support Specialist.	\$146,024	1
	To provide funding for a consultant to conduct testing and compliance of underground storage tanks.	\$40,000	
	To provide funding for a new custodial services contract for a new community site on Rindge Avenue.	\$23,000	
	To provide funding to transition additional streets to a standard street sweeping schedule.	\$30,000	
	To provide funding for professional and safety training in specialty areas.	\$40,000	
	To provide funding to increase Cemetery landscaping.	\$100,000	
To provide funding for a deep cleaning of at least one city building per year.	\$40,000		

SIGNIFICANT BUDGET MODIFICATIONS

	To provide additional funding for heavy equipment and fleet improvements.	\$300,000	
	Total	\$1,381,762	
WATER	To provide funding for the hire of a new Junior Motor Equipment Repairperson.	\$97,013	1
	To provide funding for the hire of a new Ranger.	\$100,761	1
	Debt Service payments decreased.	(\$1,032,000)	
	Total	(\$834,226)	
HUMAN RESOURCE DEVELOPMENT			
HUMAN SERVICES	To provide funding for the hire of 8 new teachers (at the new King Open Preschool and the new full day preschool program at the Haggerty School).	\$536,867	8
	To provide funding for the hire of a new Communications Manager.	\$141,714	1
	To provide funding to supplement the Multiservice Center.	\$50,000	
	To provide funding for the Family Policy Council Math Matters program.	\$25,000	
	To provide funding for the expansion of the summer food program.	\$37,000	
	To provide funding for expanded STEAM programming.	\$45,000	
	To provide funding for additional part time inclusion staff.	\$75,000	
	To provide funding to supplement the Birth to Third partnership.	\$110,000	
	Total	\$1,020,581	
LIBRARY	To provide funding for the hire of a new Associate Manager of Branch Services.	\$128,876	1
	To provide funding for the hire of a new Custodian.	\$106,214	1
	To provide funding for expanded STEAM programming.	\$110,000	
	To provide funding for expanded Library programming.	\$29,000	
	To provide funding for a consultant to facilitate the strategic planning process.	\$20,000	
	Total	\$394,090	
EDUCATION			
SCHOOL	Increase in tax support for School Department	\$10,700,750	
INTERGOVERNMENTAL			
CHERRY SHEET	Cherry Sheet assessment increase.	\$2,232,915	
CAMBRIDGE HEALTH ALLIANCE	Increase in Health Alliance allocation, based on agreement.	\$100,000	
MWRA	Increase in MWRA's allocation.	\$927,900	
TOTAL		\$33,322,885	