



**CITY OF
CAMBRIDGE**



FY27 Budget Submission

Update to the City Council

April 27, 2026

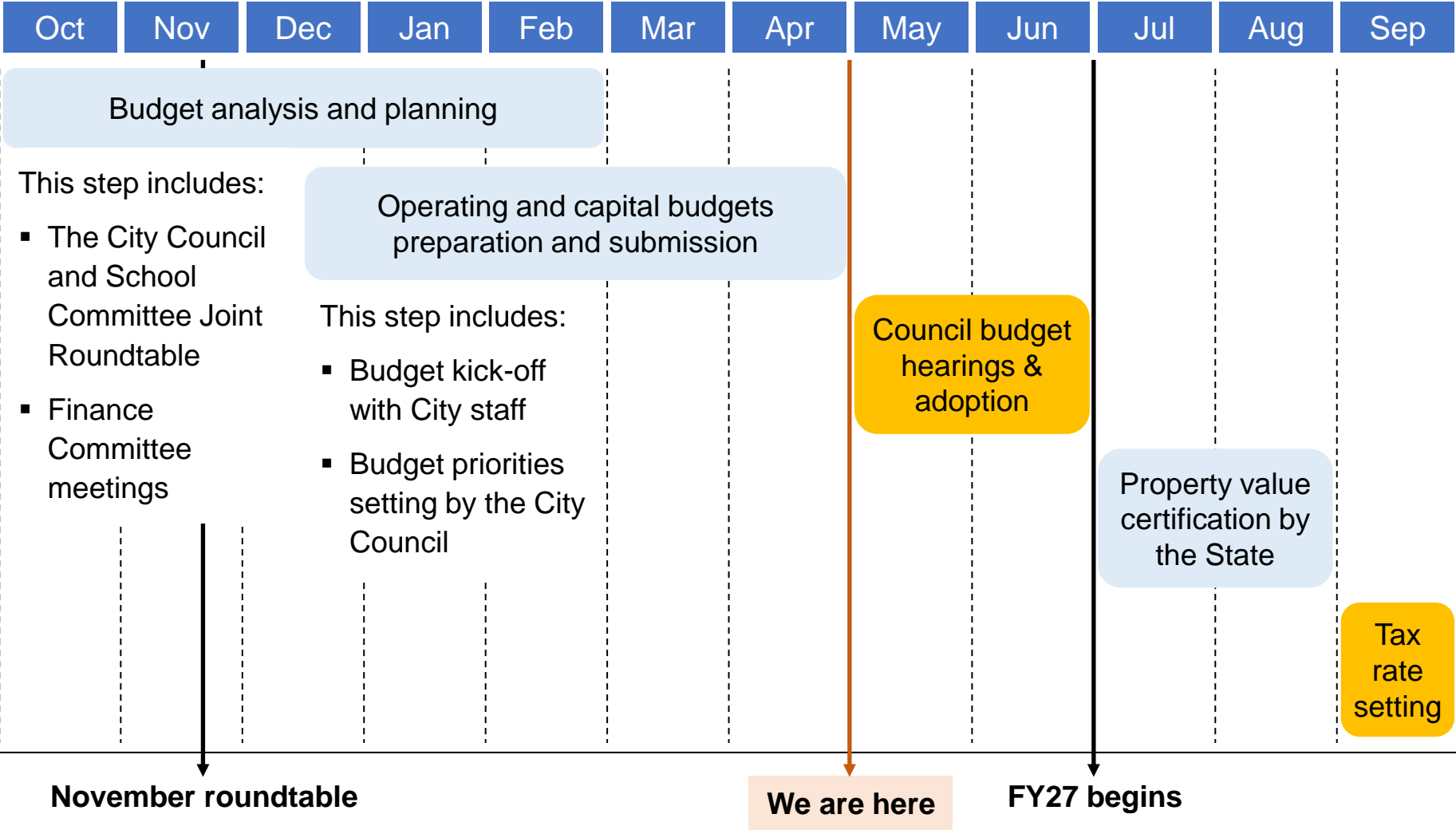
Executive summary

- The City and the Council have been engaging on the FY27 budget since November, with six Council meetings and two Budget Walkthroughs leading up to the May budget hearings
 - We shared how the City faces a multi-year economic downturn, falling commercial values, and adverse federal actions, and how these negative trends have serious implications for the City's financial health
- We set FY27 budget growth and tax levy targets of less than 5% and 7%, respectively, to protect the City's financial stability and taxpayers
- To meet these targets, the City identified citywide financial efficiencies and revenue actions, followed by departmental efforts to find 2.1% in savings
- Through the combined efforts, we project FY27 budget growth of 4.1% and tax levy increase of 6.9%
- The FY27 operating budget is projected to be a little over \$1B, with growth driven primarily by increases in fixed costs
- The FY27 property tax levy is projected at \$725.6M. Property taxes fund almost 70% of the operating budget
- The City continues to invest significantly in Council priority areas, with FY27 projected at \$290M
- Beginning in FY27, the City is implementing a new cloud-based budget system with enhanced capabilities: Euna Budget
- The FY27 budget book will feature layout and organizational updates for a more user-friendly experience

The City and the Council have been engaging on the FY27 budget since November

Annual Budget Cycle (12-Month Process)

Council action



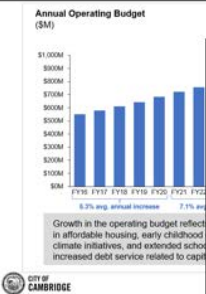
Since Fall 2025, there have been six public meetings with the City Council and two City Budget Walkthrough with communities

<u>Topic</u>	<u>Timing</u>
1 Macroeconomic Outlook and City Budget	November 10, 2025
2 FY27 Budget Planning Amid Economic Headwinds	February 3, 2026
3 City Budget Walkthrough (1 st session)	February 7, 2026
4 Capital Budget & Public Investment Planning	February 11, 2026
5 City Budget Walkthrough (2 nd session)	February 11, 2026
6 Future Budget Priorities (FY28 and beyond) & Federal Funding Update (including ARPA)	February 25, 2026
7 Police Budget	March 10, 2026
8 Future Budget Priorities (FY28 and beyond)	April 9, 2026

Back in November, we shared how the City faces a multi-year economic downturn, falling commercial values, and adverse federal actions ...

After over a decade of growth, the City faces a multi-year downturn with falling commercial values, weak economic trends, & slower development

Over the past decade, the City benefited from a favorable macroeconomic environment, which enabled major operating and capital investments

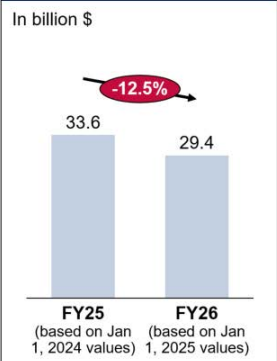


Looking ahead, the market is favorable

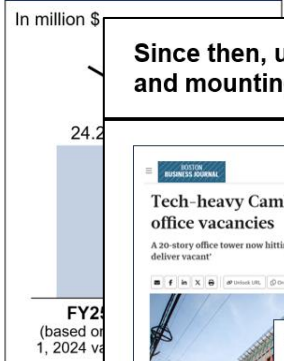
The Boston Globe
Amid hybrid work and slow office market is hurting
 By remote workers, vacancies have led to high-rise vacancies. Office workers and executives have been evaluating their office needs and forecasting how they will spend in the coming months.

Between Jan. 1 2024 and Jan 1 2025, commercial values fell 12.5%, new growth declined over 40%, and excess levy capacity decreased by 8.6%

Commercial real property values fell by 12.5%



New growth added to the tax base dropped by over 40%



Excess levy capacity decreased by 8.6%

Since then, uncertainty has continued to grow, fueled by federal actions and mounting macroeconomic headwinds





We anticipate that these negative trends will continue

... and how these negative trends have serious implications for the City's financial health

- 1 Stagnating or declining non-property tax revenue**, resulting in a greater dependence on property taxes to fund our budget
- 2 An erosion of our excess property tax levy capacity**, which will impact the City's overall financial flexibility.
- 3 An increasing likelihood that there will be a shift of tax burden from commercial properties to residential properties**

We set FY27 budget growth and tax levy targets of less than 5% and 7%, respectively, to protect the City's financial stability and taxpayers

- Amid the situation, the most critical action we can take to protect the City's financial stability and limit the impact on taxpayers is moderating budget growth
- FY27 will be the 2nd year of moderated budget growth, following a 3.8% increase in FY26

	<u>FY27 Budget</u>	<u>Preliminary FY28-FY30 Targets*</u>
Property Tax Levy Growth Targets	Less than 7% increase	Less than 7% increase 
Operating Budget Targets	Less than 5% increase	Less than 5% increase 

*We will continually reassess future year targets based on projected residential taxpayer impacts for FY28–FY30

To meet these targets, the City identified citywide financial efficiencies and revenue actions, followed by departmental efforts to find 2.1% in savings

Departmental effort

All departments identified savings and revenue proposals

Review Committee evaluated proposals based on a clear set of criteria

The City Manager made final decisions, prioritizing options with the least impact on communities

City-wide effort

- City leadership identified and evaluated several central-level levers
- There of the most impactful initiatives were:
 - Pausing out-of-state travel
 - Using resource-constrained capital planning to limit debt service growth
 - Finding healthcare savings with support from the insurance broker

Through the combined efforts, we project FY27 budget growth of 4.1% and tax levy increase of 6.9%

Key Drivers

2.1% department savings

- Departments submitted a wide range of proposals, including reductions in consultant contracts, temporary salaries, and other efficiency gains.
-

Lowering debt service growth

- Through a resource-constrained capital planning approach and lower-than-projected interest rates, debt service costs in FY27 are increasing by only 4.3%, as compared to increases of 13.6% and 7.1% in FY25 and FY26 respectively.
-

Healthcare savings

- The budgeted 10% increase in health-benefits costs is lower than the initial projections, driven by savings identified by healthcare-insurance broker
-

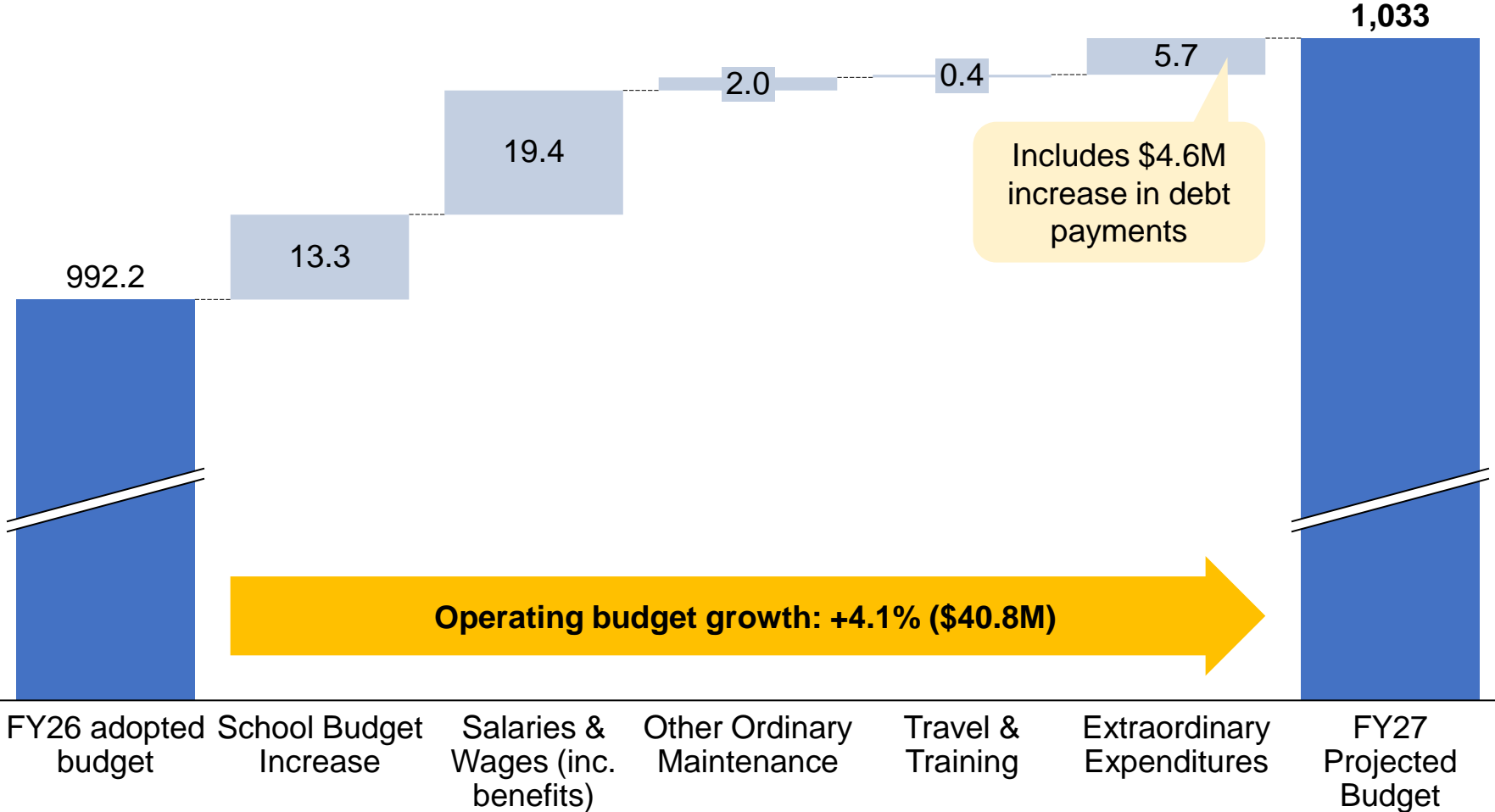
Revenue increases

- In addition to submitting savings proposals toward the 2.1% target, several departments also proposed ways to increase revenue

The FY27 operating budget is projected to be a little over \$1B, with growth driven primarily by increases in fixed costs...

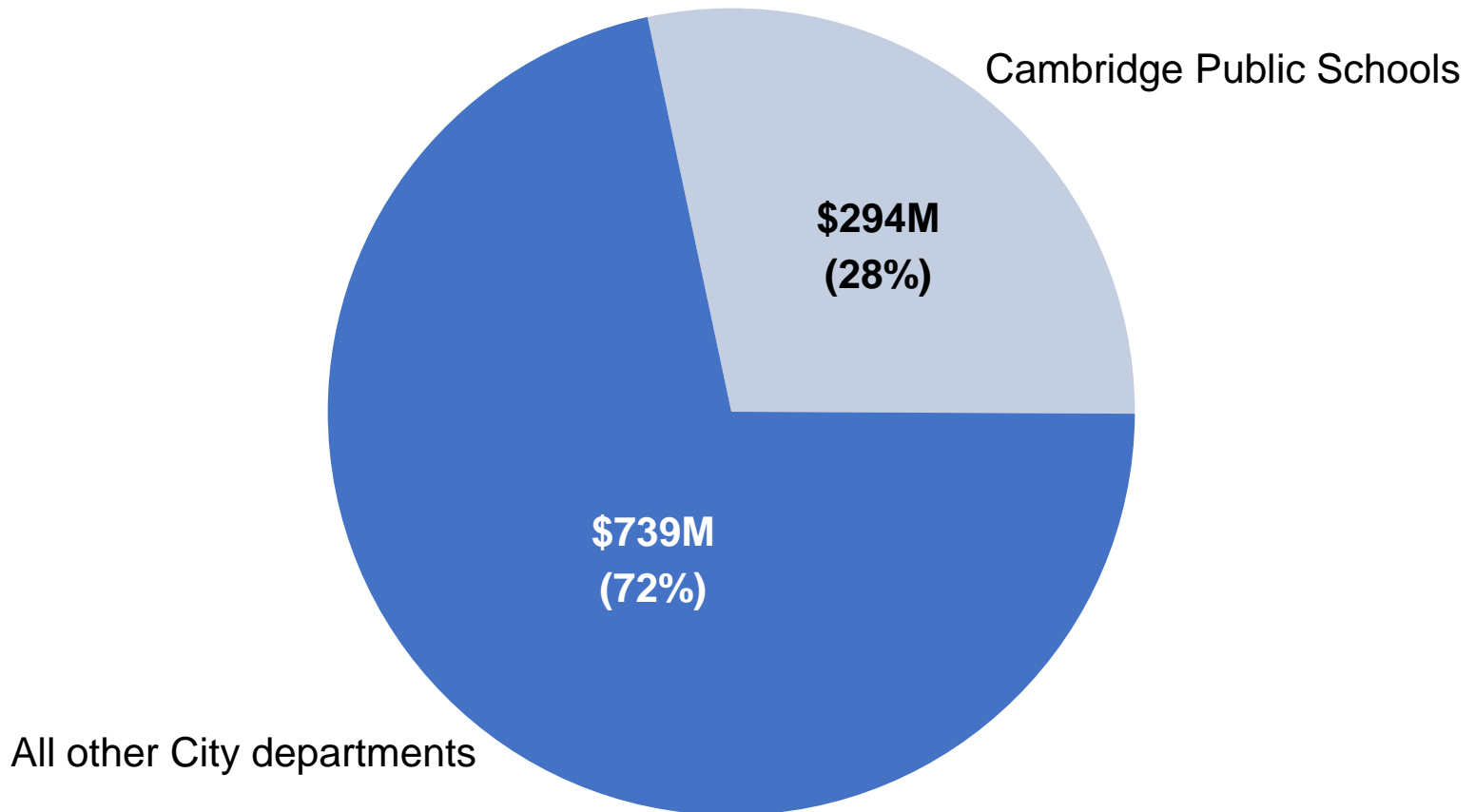
FY26 vs. FY27 Budget Increases

In million \$



... with 28% of the budget allocated to Cambridge Public Schools and 72% to all other City Departments

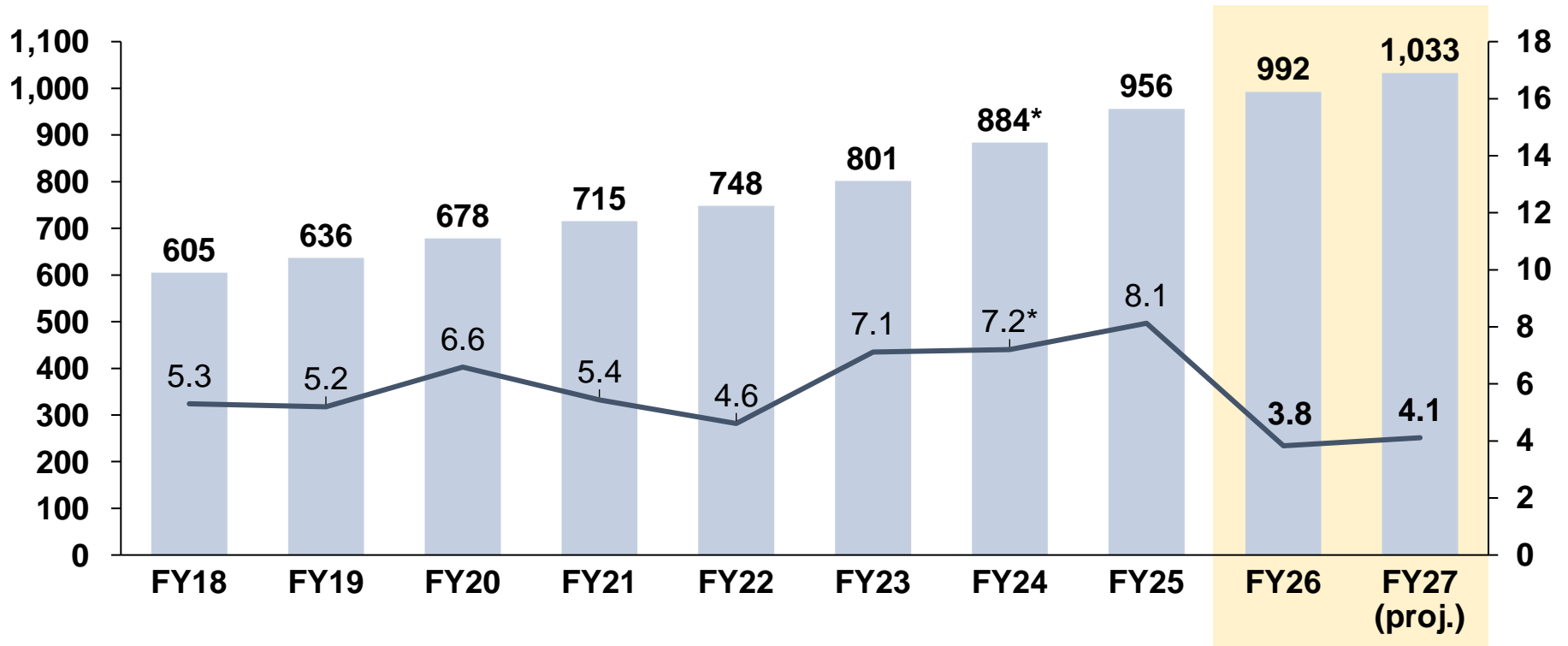
FY27 operating budget by breakdown
% (total: 1,033M)



The FY27 budget period marks the second year of moderated growth for the City, following a period of higher budget expansion

Adopted operating budget, FY18-FY27
In million \$

Operating budget growth, FY18-FY27
In %



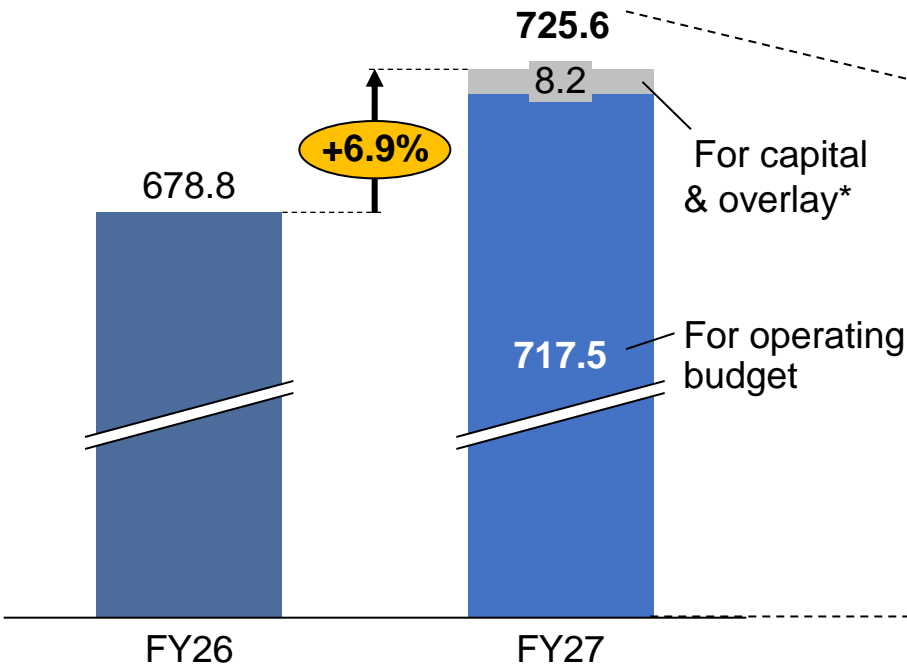
Operating budget average growth

- Last 5 years: 6.7%
- Last 10 years: 6.1%

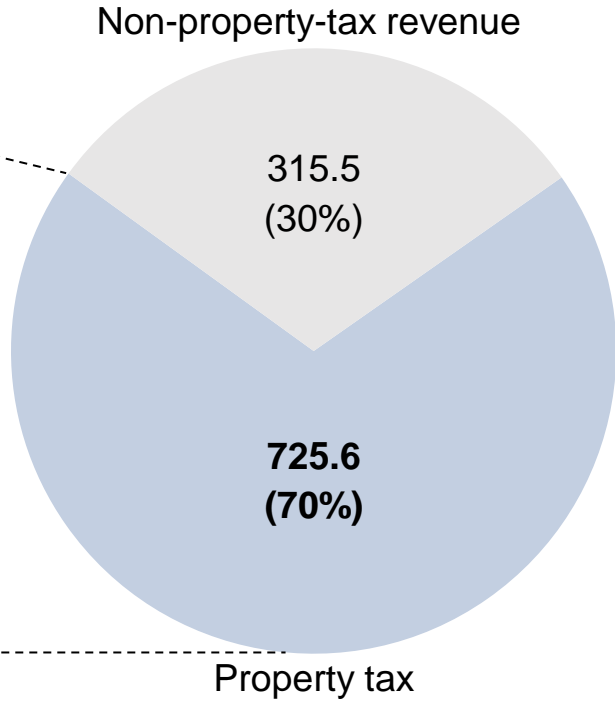
*FY24 budget growth figure excludes \$24,645,750 for the Affordable Housing Trust. The fund allocation was shifted from the Capital Budget to the Operating Budget for the first time in FY24

The FY27 property tax levy is projected at \$725.6M. Property taxes fund almost 70% of the operating budget

FY26 actual & FY27 projected property tax levy
In million \$



FY27 projected revenue
In million \$

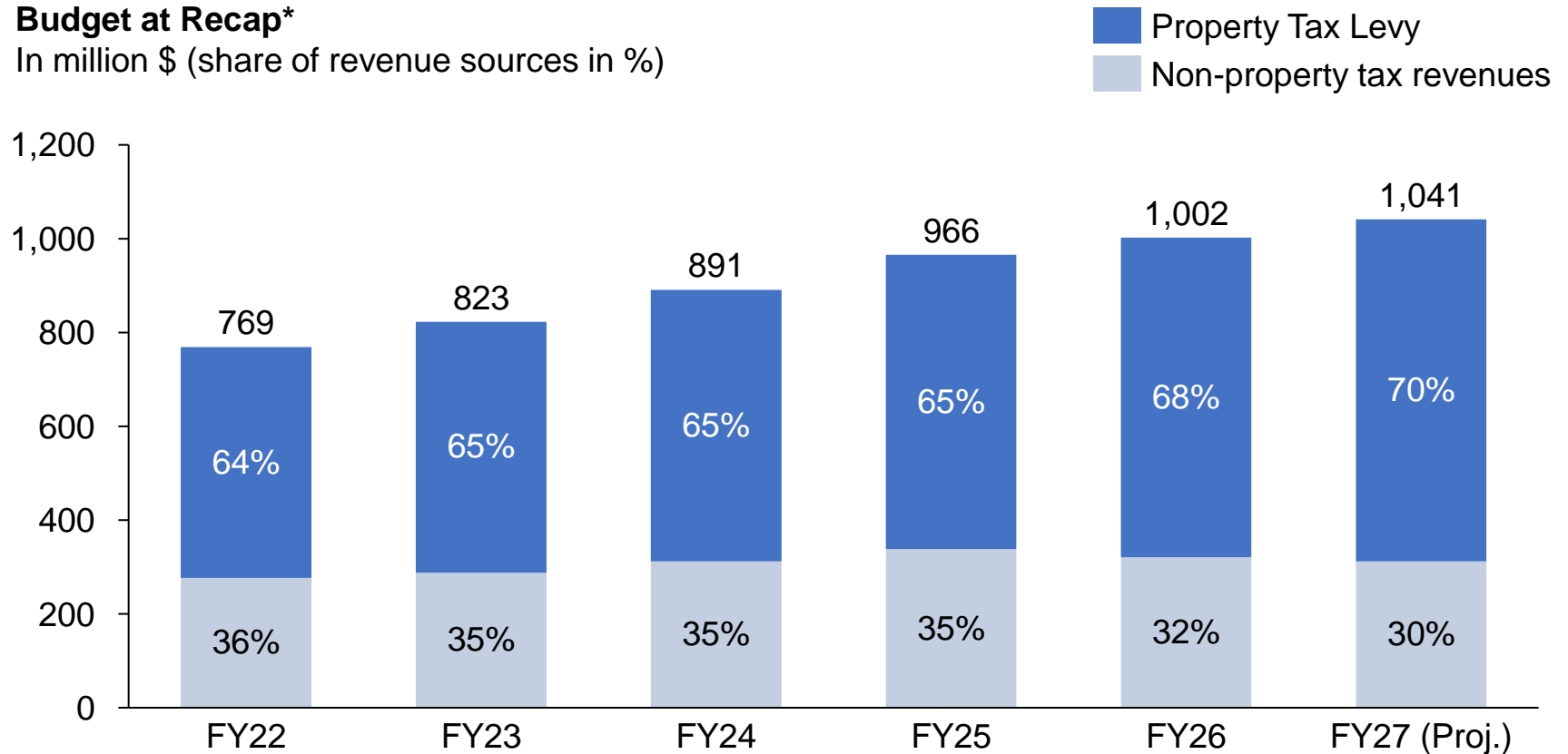


The actual tax levy amount will be finalized at the tax hearing in September

The increasing reliance on property taxes has been driven by the stagnating/declining non-property-tax revenue

Budget at Recap*

In million \$ (share of revenue sources in %)

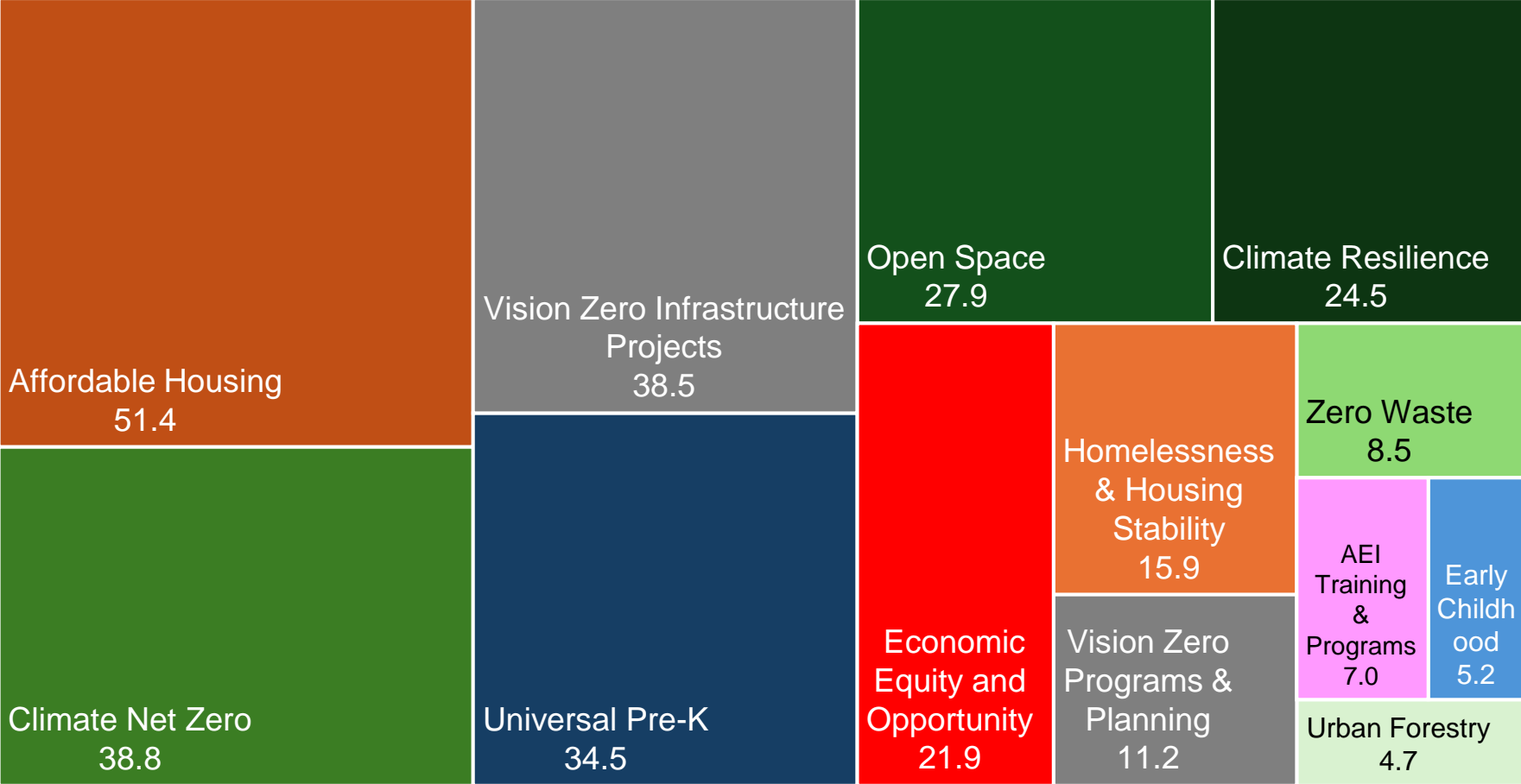


Property tax levy supporting the City's operating budget has risen from 64% in FY22 to a projected 70% in FY27, driven by rising costs and flat non-property-tax revenues

The City continues to invest significantly in Council priority areas, with FY27 projected at \$290M

FY27 Consolidated Spending (in \$M)

*Represents expenditures across multiple departments. Does not represent the entire City Budget**



*Figures show the total resources dedicated to each City priority, including City and grant funds, capital funds, Free Cash, and staff time as a percentage of salaries and benefits

Beginning in FY27, the City is implementing a new cloud-based budget system with enhanced capabilities: Euna Budget

The Budget Team has been working since October 2024 on implementation



Why we moved to Euna Budget

- Modernize the budget process with a cloud-based system offering stronger capabilities
- Replace a legacy platform with increasing sustainability and support risks
- Reduce manual workarounds and improve efficiency across the City and departments

Benefits

- A reliable, well-supported cloud solution widely used in the public sector
- Better tools for forecasting, personnel budgeting, analytics, and producing both book and interactive online budget reports (in the long-term)
- Streamlined, easier-to-use workflows that enhance collaboration and transparency

Euna Budget enabled us to show a fuller picture of City workforce by showing Full Time Equivalents (FTEs)

A **Full-Time Equivalent (FTE)** is a way to add up hours worked so they can be compared to the hours of one full-time employee, i.e., two half-time employees together equal 1.0 FTE

What is the change?

Before

- Only permanent *full-time* positions (37.5 hours/week or more*) are shown in position count in the budget book
- Permanent *part-time* positions (<37.5 hours/week) are not shown

Illustration (Veterans Services)

No. of positions	Hours/week	In FY26 budget book
5	37.5 (full-time)	5
1	25 (part-time)	0
		Total: 5

Beginning in FY27

- In FY27 budget book, permanent *part-time* positions will also be shown (accounting change)
- Example: A City staff who works 25 hours/week will now be shown as 0.67 FTE

No. of positions	Hours /week	FTE calculation	In FY27 budget book
5	37.5	1	5
1	25	0.67	0.67
			Total: 5.67

The FY27 budget book will reflect our shift from presenting a full-time position count to an FTE-based account, as illustrated below

Example: Veterans Services

FY26 Budget Book

FINANCING PLAN BY SOURCE	FY24 ACTUAL	FY25 PROJECTED	FY26 BUDGET
FULL-TIME BUDGETED EMPLOYEES	5	5	5



FY27 Budget Book

Position Count Type	FY25 Actual	FY26 Budget	FY27 Budget
Full-Time Positions	5	5	
Full-Time Equivalencies			5.67

Department details in the budget book are now grouped into nine programmatic areas aligned with the City's organizational structure

From ...

- Departments were organized by accounting structure into **six** areas:
 1. General government
 2. Public Safety
 3. Community Maintenance
 4. Human Resource
 5. Education
 6. Inter-governmental



... To

- Departments are organized into **nine** programmatic areas:
 1. General government
 2. Operations
 3. Public Safety
 4. Finance
 5. Community Maintenance
 6. Human Services
 7. Equity & Inclusion
 8. Education
 9. Non-departmental

The budget document now goes beyond the book/PDF format and includes an enhanced online version with interactive features

From printed book/PDF format ...

... To book, PDF, and enhanced online formats

LIBRARY

DEPARTMENT OVERVIEW

Since 1889, the Cambridge Public Library has been a vibrant place of learning and community where all are welcome to expand their horizons. Through the Main Library and six neighborhood branches, the Library operates as a unified system to offer free library services and programs to residents. The Library's mission is to welcome all, inspire minds and empower community. In FY24, the Library welcomed more than 960,000 visits, circulated over 1.8 million items, and hosted over 3,900 public programs.

The Library's take-out technology service allows patrons to use library laptops and mobile Wi-Fi hotspots at home, and the new digital equity initiative offers technology learning opportunities for residents. In FY2025, the Library participated in a grant-funded regional digital navigator program. In its first six months, the Library's digital navigator connected residents with 200 tech help sessions and distributed 41 laptops and/or hotspots to qualified individuals. The Library's STEAM partnership with the City's STEAM Initiative offers ongoing opportunities for youth and adults to explore design thinking and develop STEM-based skills. In-person and virtual lectures and workshops connect residents with renowned authors and engaging learning experiences. To meet the Library's core value to provide equitable access for the community, the Library is fine free and no longer charges patrons for late returns of library materials. The Library is always open online, and its robust online resources include access to digitized one-of-a-kind historic material and downloadable or streaming books, movies, music, magazines, and learning resources.

Library Divisions

- Programs & Services
- Main Library
- Branch Libraries

LIBRARY DEPARTMENT FINANCIAL OVERVIEW

FINANCING PLAN BY SOURCE	FY24 ACTUAL	FY25 PROJECTED	FY26 BUDGET
INTERGOVERNMENTAL REVENUE	\$247,475	\$275,445	\$377,205
TAXES	\$15,402,300	\$15,942,000	\$15,038,005
TOTAL BUDGETED REVENUE	\$15,949,775	\$16,420,445	\$15,615,210
EXPENDITURES BY STATUTORY CATEGORY			
SALARIES & WAGES	\$13,423,080	\$14,046,195	\$10,964,210
OTHER ORDINARY MAINTENANCE	\$4,150,860	\$4,382,065	\$4,513,650
TRAVEL & TRAINING	\$92,405	\$127,740	\$137,150
EXTRAORDINARY EXPENDITURES	\$0	\$0	\$0
TOTAL BUDGETED EXPENDITURES	\$17,666,345	\$19,156,000	\$15,615,210
FULL-TIME BUDGETED EMPLOYEES	91	93	93
ADJUSTED EXPENDITURES BY STATUTORY CATEGORY			
	ADJUSTED FY24 ACTUAL	ADJUSTED FY25 PROJECTED	FY26 BUDGET
SALARIES & WAGES	\$8,898,225	\$9,723,605	\$10,964,210
OTHER ORDINARY MAINTENANCE	\$4,150,860	\$4,382,065	\$4,513,650
TRAVEL & TRAINING	\$92,405	\$127,740	\$137,150
EXTRAORDINARY EXPENDITURES	\$0	\$0	\$0
TOTAL BUDGETED EXPENDITURES	\$13,101,490	\$14,233,410	\$15,615,210

seven library locations. Because the Library acquires listed below reflect programs and circulates materials, answers patron queries, and offers technology services.

of collections and services to satisfy their growth, learning, and community.

ing STEAM, and more, from birth through

services by reducing barriers to access and and services.

	FY24 ACTUAL	FY25 PROJECTED	FY26 BUDGET
1	1,800,299	1,825,000	1,820,000
2	703,920	725,000	750,000
3	84,192	84,000	84,000
4	77,814	78,000	80,000
5	537,748	535,000	525,000
6	81,618	85,000	88,000
7	10,878	12,500	14,000
8	13,392	15,000	15,000
9	11,805	13,245	14,000
10	388	389	400
11	22,253	23,000	23,000
12	571	800	1,000
13	7,012	7,000	7,000

LIBRARY - MAIN LIBRARY

MISSION & SERVICES

The award-winning, 103,900 sq. ft. Main Library is the largest location in the Cambridge Public Library system. The historic original building, donated by Fredrick H. Rindge, is in the Richardsonian style and was renovated by Ann Beha Architects. A contemporary wing was added in 2009, designed by William Raven Associates. The Main Library features comfortable seating, public desktop computers and laptops, and community meeting spaces. It is also the host of the Library's STEAM spaces, the Hive, Tech Bar, and Learning Lab. It is open seven days a week from September through June and six days a week in July and August. It offers an in-depth selection of materials both for at-home and in-library use. It also hosts lectures, films, author events, concerts and other educational and cultural events for the Cambridge

FY23 Submitted Budget Book (6/17)

- Library Board Page
- Introduction
- 1. City Overview
- 2. Financial Summary
- 3. Revenue
- 4. Expenditures
- 5. General Government
- 6. Public Works
- 7. City Clerk
- 8. City Auditor
- 9. Departmental & Community Programs
- 10. Other
- 11. Human Resources
- 12. City Manager
- 13. Mayor
- 14. Treasurer
- 15. Comptroller
- 16. Public Safety
- 17. Finance
- 18. Community Development
- 19. Public Services
- 20. Health & Wellness
- 21. Education
- 22. Non-Departmental
- 23. Public Improvement
- 24. Information Technology
- 25. Other
- 26. Appendixes

Library

Mission Statement

The Cambridge Public Library's mission is to welcome all, inspire minds and empower community.

Description and Core Services

Through the Main Library and six neighborhood branches, the Cambridge Public Library (CPL) operates as a unified system to offer free library services and programs to residents. In FY2024, the Library welcomed more than 960,000 visits, circulated more than 1.8 million items, and hosted more than 3,900 public programs. The Library provides a wide range of library collections and services, both in-person and online. Author events, workshops, and youth programs are offered throughout the year, while programs like one-on-one tech help and assistive technology also provide support for community members. Library locations are open to the public 201 hours each week, and the Library is always open online. The Library's robust online resources include access to digitized one-of-a-kind historic material and downloadable or streaming books, movies, music, magazines, newspapers, and online learning platforms.


Division Descriptions

Main Library

The Main Library is the largest location in the CPL system and features comfortable reading and study areas, adult computing and printing, dedicated spaces for children and teens, the Library's STEAM and tech learning spaces, and local community meeting spaces. It is open six days a week from September through June and six days a week in July and August. Administrative functions of the Library are housed at the Main Library, including financial planning and operations, human resources, facilities management, information technology, acquisition and processing of library materials, and marketing and communications.

Branch Libraries

The Library's six branch locations – Southside, Central Square, Collins, O'Connell, and Veterans – provide neighborhood-based services to residents, especially to children and families. All branch locations offer at-home pick-up and home delivery of materials to homes, with Saturday hours offered at Central Square Branch, Veterans Branch, and O'Connell Branch. Veterans additional hours Sunday hours in July and August. The Library's Adult Literacy Program and Social Work Team are based at the Central Square Branch and provide services across the entire library system.



Position Count Type	FY25 Actual	FY26 Budget	FY27 Budget
Full-Time Positions	92	92	
Full-Time Equivalents			122.87

Budget FY23 Budget

4,218	11,513,417
8,859	4,352,923
2,146	186,248
5,218	15,952,648

Department Budget Breakdown | \$16.0M

Open in New Window

FY27 Budget \$16.0M

FY26 Budget \$15.6M

FY25 Actual \$18.8M

Amount Percentage Summary

Search Budget Sort By Total (High to low) Apply

Broken down by Department

Department Budget Breakdown

00 \$2M \$4M \$6M \$8M \$10M \$12M \$14M \$16M \$18M \$20M

Library

Key takeaways

- The FY27 budget reflects a robust, responsive, and responsible budget developed through a prudent, multi-year approach that proactively addresses external uncertainty and emerging challenges
- City staff implemented a comprehensive, data-driven, and financially disciplined process guided by clear targets and strong fiscal policies, and in collaboration with City Council, departments, and the community
- The FY27 budget book features layout and organizational updates for a more user-friendly experience, while the online version will offer a richer, more interactive interface

Next steps

- **Budget hearings:**
 - May 5
 - May 6 (school)
 - May 12
 - May 14 (backup date)

- **Coordination with Finance Co-Chairs on:**
 - Councilor questions
 - Department pulls

- **Anticipated budget adoption** – Monday, June 1

Appendix

- FY27 budget hearing schedule
- Glossary of terms related to tax levy
 - Explanation of Proposition 2½
 - Explanation of excess levy capacity
 - Explanation of tax classification
- Glossary of other terms

Cambridge City Council – Finance Committee FY27 budget hearing schedule

TUESDAY, MAY 5, 2026 - commencing at 9:00 A.M.

Arts Council	Purchasing	Executive
Community Development	Information Technology	Human Resources
Housing	Treasury/Revenue	Employee Benefits
Human Services	Cable TV	Law
Finance Admin	City Clerk	Mayor's Office
Assessing	City Council	Tourism
Auditing	Comms and Comm. Engagement	Equity and Inclusion
Budget	Election Commission	

WEDNESDAY, MAY 6, 2026- commencing at 6:00 P.M.

School Department

TUESDAY, MAY 12, 2026 - commencing at 9:00 A.M.

Cambridge Health Alliance	Office of Sustainability	Cherry Sheet
Capital Building Projects	Animal Commission	Debt Service
Historical Commission	Community Safety	Reserve
Inspectional Services	Fire Department	MWRA
License Commission	Police Department	Financial Summaries Section
Public Works	Emergency Communications	Revenue Section
Transportation	Community Events & Celebrations	Appendices
Veterans Services	Library	Public Investment Section
Water		

Backup date: THURSDAY, MAY 14, 2026 at 9:00 A.M.

Glossary of terms related to tax levy

Tax levy

Revenue raised through real and personal property taxes; is the largest source of revenue for City of Cambridge budget (68% of the City's total revenue in FY26)

Levy limit

The maximum amount of tax a community can levy in a given year under Proposition 2½. This limit can increase each year by 2.5% of the prior year's levy limit, plus new growth and any overrides.

Proposition 2½ ("Prop 2½")

A MA law that limits how much cities and towns can raise property taxes each year. It does two main things:

- (1) Caps the total amount a community can collect from property taxes at 2.5% of the community's total property value.
- (2) Limits how much the total tax levy can increase each year to no more than 2.5% + new growth (such as new construction).

Excess levy capacity

The difference between the levy limit and actual taxes levied.

New tax base growth ("new growth")

Additions to community's tax base in the prior year (does NOT include higher market values; must result from a change in physical condition, taxable status, or taxable unit of a property). New growth helps support community improvements and infrastructure.

Real property values

The value of land and buildings based on what the property would likely sell for on the open market. In MA, it is set each January 1 for property tax calculation

Budget override ("override")

A community vote that allows a city or town to raise property taxes above the normal annual limit set by Proposition 2½. If approved by voters, the new amount becomes part of the tax base going forward.

MA Proposition 2.5 sets a tax levy limit and an annual levy limit increase for each city, to prevent large annual property tax rate increases

What is MA Prop 2.5?

Enacted in 1980 by state-wide voter initiative, Prop 2.5 is a piece of MA state legislation that **restricts a municipality's maximum potential tax levy**, without needing an override. The legislation had two main measures, targeted at protecting tax-payers from significant tax increases from year-to-year:

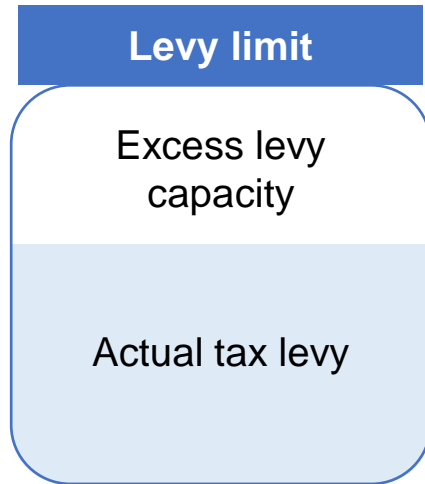
1. Established an annual Levy Ceiling of 2.5% of the municipality's total taxable assessed value.
2. Established an annual levy limit.

- The most important Prop 2.5 metric is the **Levy Limit**, which is the **maximum allowable** tax levy each year (without an override), originally set as % of a municipality's total assessed value
- Prop 2.5 restricts the annual increase to the Levy Limit to include two factors: an automatic 2.5% increase from the prior year levy limit **AND new growth**.

Excess levy capacity gives the City room to maneuver. When it shrinks, flexibility declines. When it's gone, we face cuts or an override

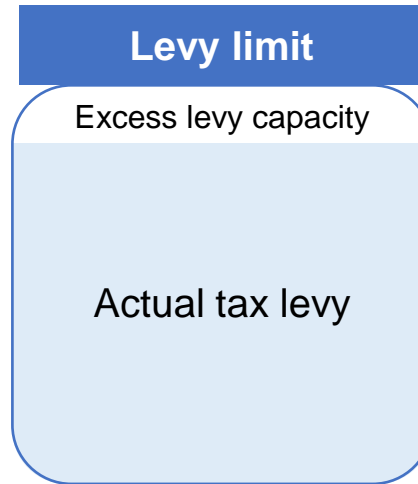
Excess levy capacity scenarios

Ample excess levy capacity



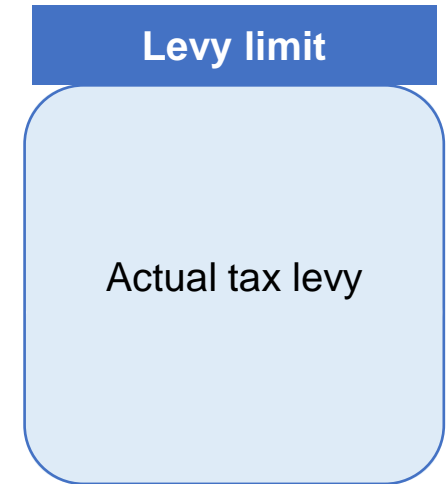
- The gap between the levy limit and actual tax levy is called excess levy capacity; it acts as a financial cushion.
- It provides financial flexibility and signals fiscal restraint, helping maintain the City's AAA bond rating.

Limited excess levy capacity



- The City's tax levy is closer to the legal limit, reducing budget flexibility.
- This situation leaves the City with fewer options to address unexpected costs or fund new initiatives, making it harder to meet community needs.

No excess levy capacity



- The City is at its levy limit; future tax levy growth is capped at 2.5% annually, plus new growth.
- In FY26, this would mean \$21M in unsupported budget, requiring either cuts or a voter-approved override.

Tax classification lets cities allocate the tax levy between residential and commercial properties using different tax rates

What is tax classification?

State law allowed municipalities the option to allocate the tax levy between residential and commercial properties using different tax rates. However, there are limits:

- Max: Commercial properties may pay only up to 175% of their full, fair cash value share of the levy, known as the “maximum commercial factor.” This means that the tax rate for commercial cannot be more than 175% of what the single rate would be if the city did not choose to use a split rate
- Min: For Cambridge, residential properties must pay at least 34% of the levy, called the “Residential Percentage.” Once the maximum commercial factor of 175% is reached, no additional tax burden may be shifted to the commercial taxpayers.

- Under the formula today, Cambridge commercial taxpayers pay 66% and residential taxpayers pay 34% of the levy.
- In macroeconomic environments where commercial values are declining and residential values are increasing, this proportion may change and shift more of the tax burden to the residential properties.
- The City has not yet reached the maximum amount it may shift to commercial properties, but with current macroeconomic trends of softening commercial values and increasing residential values, there is an increasing likelihood that the City will reach the maximum commercial factor in the next several years

Glossary of other terms (alphabetical order)

Certified free cash (“free cash”)

The amount of a community’s unrestricted funds that has been certified by the MA Department of Revenue’s Bureau of Accounts as available for appropriation.

Expenditures

The amount of money, cash, or checks actually paid or obligated for payment from the treasury. Expenditures are categorized in accordance with MA General Laws and the Uniform MA Accounting System. Categories are Salary and Wages, Other Ordinary Maintenance, Travel and Training, and Extraordinary Expenditures.

Net debt service

The amount of tax-supported debt (principal and interest) repaid in a fiscal year, excluding debt supported by other revenue sources.

Non-tax revenue

All revenue coming from non-tax sources, including licenses and permits, intergovernmental revenue, charges for services, fines and forfeits, and various other miscellaneous revenue sources.

Operating Budget (“budget”)

A plan of financial operation embodying an estimate of proposed expenditures for a given period for regular activities and the proposed means of financing them.

Projected expenditures and revenues

Estimated City spending and revenues for the next fiscal year, factoring in COLA, health benefits, inflation, and other expected cost changes.

Revenues

Additions to the City’s financial assets (such as taxes and grants) which do not in themselves increase the City’s liabilities or cancel out a previous expenditure. Revenue may also be created by cancelling liabilities, provided there is no corresponding decrease in assets or increase in other liabilities.

Service level

The extent or scope of the City’s service to be provided in a given budget year. Whenever possible, service levels should be stated in precise units of measure