

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

SUBMITTED BUDGET MESSAGE

April 23, 2012

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

I herewith submit for your consideration the proposed FY13 Operating and Capital Budgets for the City of Cambridge as well as the proposed FY14 - 17 Capital Plan.

The proposed Operating Budget of \$488,228,565 represents an increase of \$13,640,945, or 2.87%, over the FY12 adjusted budget. The budget increase is largely attributable to a 3% cost of salary increases for employees, 5% increase in employee health insurance and a 5.85% increase in employee pension costs, plus a \$1 million allocation to the Other Post Employee Benefits (OPEB) Liability Trust Fund, which the City Council established in December 2009. In addition, the Operating Budget reflects no change in the number full-time positions. Overall, the City has reduced 30 full-time positions since FY03 while being able to provide programmatic and operational staffing for the major new facilities the City has opened in recent years. This Budget accomplishes the following:

- 1) Maintains City and school services that citizens have come to expect, supports the City Council Goals and provides for a strong capital plan. In addition, it continues to address our unfunded OPEB liability in a prudent and responsible manner. This Budget continues to provide stability and reinvestment in our community and, given the ongoing fiscal challenges facing many cities and towns, as well as the Commonwealth, this is a major achievement; and
- 2) Achieves the above with a moderate increase in the property tax levy, in spite of no increases in State Aid, which supports the City Council Goal of “evaluating expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers while providing a high quality of city services.”

SUMMARY: OPERATING BUDGET (all funds)

FY11 ACTUAL	FY12 PROJECTED	PROGRAM EXPENDITURES	FY13 BUDGET
\$43,306,480	\$59,086,955	General Government	\$54,107,840
101,400,990	103,892,585	Public Safety	107,945,475
99,945,230	97,231,260	Community Maintenance & Development	101,363,435
30,152,565	31,830,665	Human Resource Development	32,618,030
135,368,315	139,883,265	Education	144,987,705
<u>44,892,125</u>	<u>47,973,095</u>	Intergovernmental	<u>47,206,080</u>
<u>\$455,065,705</u>	<u>\$479,897,825</u>		<u>\$488,228,565</u>

FINANCING PLAN	FY13 BUDGET
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Taxes	\$352,409,135
Licenses & Permits	7,515,500
Fines & Forfeits	9,422,205
Charges for Service	69,593,055
Intergovernmental Revenue	38,147,710
Miscellaneous Revenue	<u>11,140,960</u>
	<u>\$488,228,565</u>

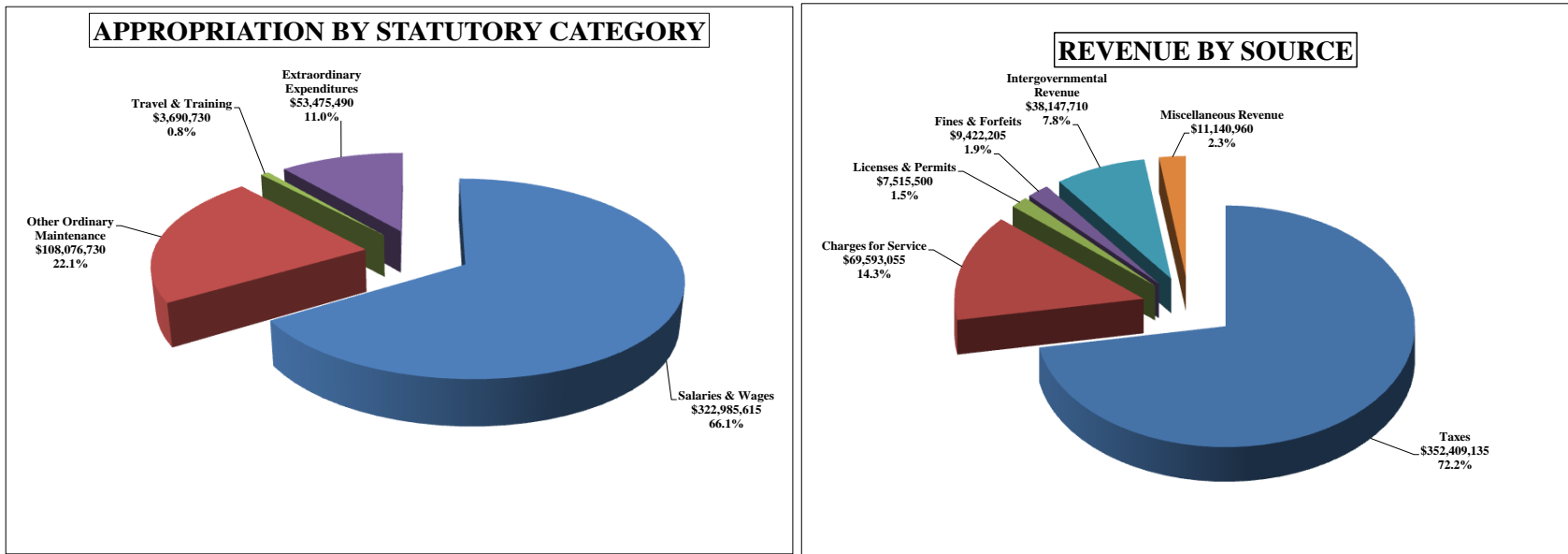
SUMMARY: CAPITAL BUDGET

PROGRAM EXPENDITURES	FY13 BUDGET
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General Government	\$215,000
Public Safety	1,380,000
Community Maintenance & Development	35,401,735
Human Resource Development	1,723,000
Education	<u>0</u>
	\$38,719,735

FINANCING PLAN	FY13 BUDGET
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Property Taxes	\$1,225,000
Parking Fund	850,000
Parking Fund Balance	1,000,000
Sewer Service Charge	750,000
Water Service Charge	3,400,000
Block Grant	1,243,030
Chapter 90	2,571,730
Street Preservation Offset Fund (SPOF)	418,000
MWRA Grant	8,100,000
Roadway Reimbursement	475,000
Resident Sticker	425,000
Bond Proceeds	17,442,670
War Memorial Fees	28,000
Golf Course Fees	20,000
Cable TV License Fees	141,330
Sewer Reimbursement	<u>629,975</u>
	\$38,719,735



TOTAL OPERATING BUDGET \$488,228,565

State Aid

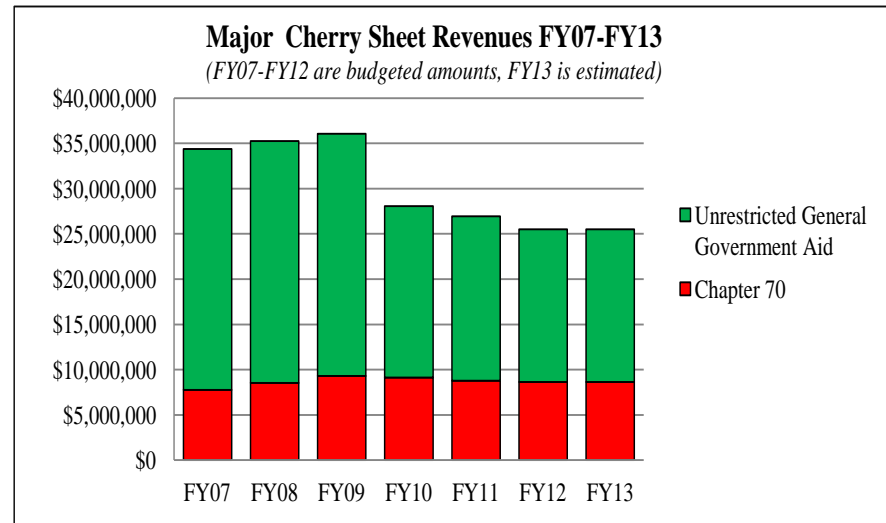
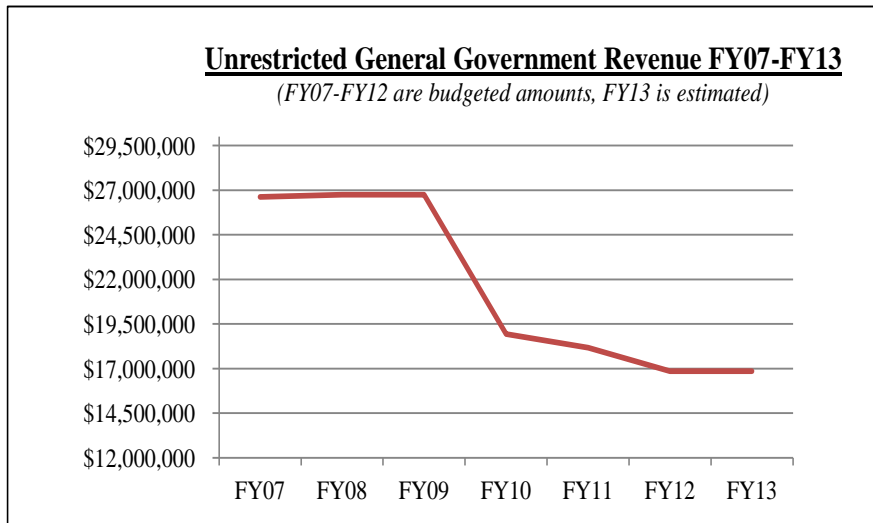
FY13 State Aid (Local Aid) revenue projections to the City are based on the Governor’s FY13 State Budget, released in January 2012. Local Aid refers primarily to distributions from the Commonwealth to municipal general revenue for Chapter 70 Education (School) Aid and Unrestricted General Government Aid (UGGA). The House of Representatives and State Senate prepare and adopt their own separate State Budgets, which are then reconciled in Conference Committee before being forwarded to the Governor for approval. This process is scheduled to be completed before June 30, 2012. However, if these amounts are different than estimated, adjustments will be made in the fall of 2012 when the City Manager submits his recommendations to the City Council to set the final property tax levy amount, as part of the tax rate setting process.

The City estimates a total revenue of \$25,499,990 in FY13, which is the same amount as in FY12 for these two major local aid categories (UGGA) and Chapter 70 School Aid. These two local aid categories represent 5.2% of the total FY13 Operating Budget. The amount of Local Aid funds to be distributed is listed on each community’s cherry sheet along with other, relatively smaller, Commonwealth programs such as library aid, veteran’s benefit, school lunch, Charter School and other reimbursements. There are net decreases in other state aid categories equaling \$2,061,440, which bring the total local aid amount for FY13 to \$27,690,565. The primary reduction is \$2,104,595 less in Charter School Tuition

Reimbursements. The amount provided on the Cherry Sheet for this purpose can fluctuate from year to year because it is based on estimated enrollments, provided to the State, of Cambridge students attending Charter Schools.

State Aid over the past six years has been significantly reduced. For example, in FY07, the City received \$26,623,055 in UGGA. Using the estimated FY13 amount of \$16,856,870, the City is receiving \$9,766,185, or 36.7% less in UGGA than it did in FY07. School Aid/Chapter 70 revenues were \$7,772,240 in FY07 and increased to \$9,316,695 in FY09 before being reduced an estimated \$8,643,120.

If the City received the same amount of UGGA in FY13 as it did in FY07, the estimated property tax levy increase would only be 3.3%.



Property Tax Levy and Reserves

In the past seven fiscal years, we have been able to produce budgets that have reflected an average annual increase of 4.3% in the property tax levy. In FY12, this resulted in having approximately 63.9% of residential taxpayers receiving a property tax bill that was lower, the same as or only slightly higher (less than \$100) than the previous year.

The spending plan for the Operating and Capital Budgets, as submitted, including non-budget items such as overlay reserve, calls for a total FY13 property tax levy of \$318,818,195, which is an increase of \$19,727,555, or 6.6%, from FY12. This percentage increase is slightly below the 7% increase that was included in our five-year financial projections that were presented to the major credit rating agencies in January 2012.

The actual tax levy will be determined in September 2012, when the City Council votes on the City Manager’s property tax and classification recommendations. It is anticipated that the City will be able to use increased non-property tax revenues, such as Parking Fund revenue, meals and hotel excise, building permit fees, state aid, free cash or other revenues, at a higher level than what is included in the FY13 Budget, once actual

FY12 receipts and final state aid figures are known, to lower the property tax levy. Because of the policies followed by the City Council, the City has been able to accumulate significant reserve balances, including free cash, and has an excess levy capacity of \$102.6 million. The City has developed a financial strategy, which takes into consideration the possibility of economic challenges, in order to mitigate the impact on the operating and capital budgets. This has afforded the City the flexibility to proceed cautiously without major reductions in services.

It is also important to realize that when determining a homeowner's property tax bill, there are three major factors. The first is the Budget, which determines the levy amount required. The remaining two, which will not be known until the fall, include individual property valuation changes and the residential/commercial mix.

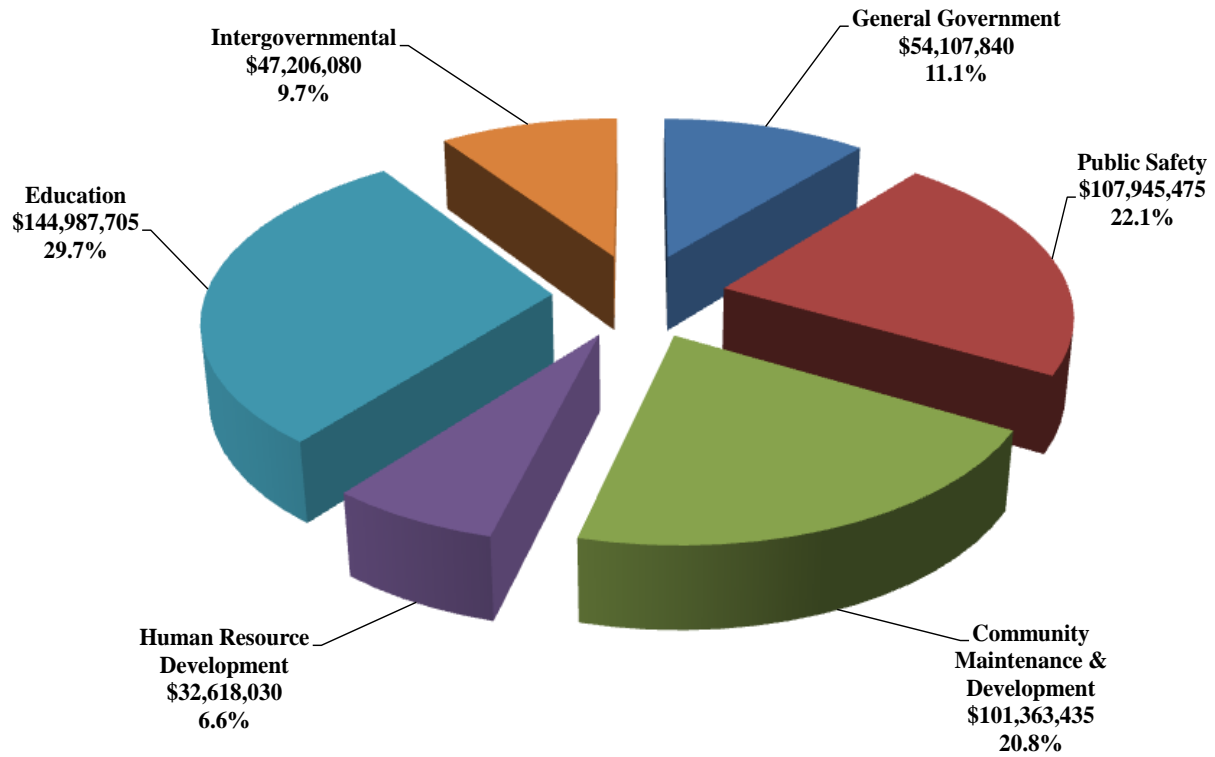
Despite our ability to manage our resources to provide services and infrastructure improvements, Cambridge faces the same challenges as other cities and towns with regard to municipal financing and reliance on the property tax. The City receives approximately 66% of its revenues from the property tax. Fortunately, Cambridge has been able to stay below the Proposition 2 ½ property tax levy limit due to its ability to generate non-property tax revenues, new construction growth, controlled budget growth and the prudent use of reserves. In addition, the City has been able to achieve a low property tax rate and an overall lower residential property tax bill than surrounding communities.

The FY13 Budget continues to use reserves and other non-property tax revenues to reduce the increase in the property tax levy in the following ways:

- \$2,000,000 in overlay surplus balances accumulated from prior fiscal years is again being used to lower the tax levy increase.
- It is estimated that the City will again use \$9 million in Free Cash in FY13, plus any local aid adjustments which are not included in the base, as it did in FY12, to lower the property tax levy increase, which is consistent with the City's financial plan.
- The FY13 Budget includes the use of \$250,000 in Water Fund Retained Earnings to support a 0% water rate increase.
- Parking Fund Revenues are providing \$8,401,720 to support the Operating Budgets of various departments.
- The Health Claims Trust Fund is providing \$8,500,000, an increase of \$200,000, to support the Health Insurance Budget.
- The FY13 Budget uses \$0.6 million from the School Debt Stabilization Fund to cover a portion of the debt costs of the War Memorial Recreation Center.
- The Teacher Retirement Fund Transfer uses \$0.6 million in FY13 to fund a portion of the Employee Benefits Budget.
- \$120,000 has been estimated from rent proceeds from the Cambridge Housing Authority for 5 Western Avenue, which is scheduled to be completed by spring 2013, as an offset to Debt Service costs for the project.

While we have been able to continue over the years to absorb operating and programmatic costs associated with our new facilities, cover increased salary, fringe benefit and debt service costs and absorb significant State Aid reductions, we will need to continue to work to identify cost reduction opportunities and non-property tax revenue increases to ensure future budgets reflect a modest increase in the property tax levy.

APPROPRIATION BY FUNCTION



Public Investment (Capital) Budget

The FY13 proposed Capital Budget totals \$38,719,735, a decrease of \$17,247,790, or 30.8%, from the previous year, with the Property Tax allocation shown in the FY13 financing plan decreasing from its FY12 level of \$1,500,000 to \$1,225,000. The Bond Proceeds component of the financing plan has decreased substantially, from \$44,354,300 in FY12 to \$17,442,670 in FY13.

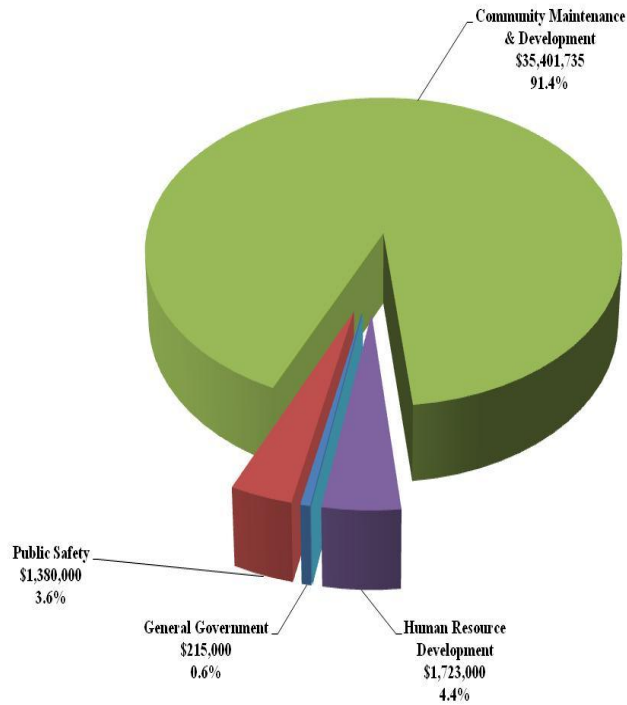
Property Tax-supported debt has decreased from \$10,600,000 to \$9,885,000 in FY13. The FY13 allocation of \$9,885,000 will fund a wide range of projects, including the replacement of the roofs on City Hall (\$2,000,000) and the Ryan Garage / Simard Building (\$100,000; additional funding to supplement the \$1,485,000 appropriated in the FY12 Capital Budget), extensive improvements to Kendall Square including new sidewalks and roadways, pedestrian-scale lighting, street furniture and trees (\$5,000,000), renovations to two soccer fields at Danehy Park (\$1,540,000), and the acquisition of a pumper and a ladder truck for the Fire Department (\$1,245,000).

There has been a significant increase in the amount of Water Service Charges allocated to the Capital Budget, primarily due to the continuing decrease in debt service related to the retirement of bond issues to finance the construction of the water treatment plant. The debt service on water projects decreased from \$4,529,980 in FY12 to \$3,682,805 in FY13, which will provide sufficient funds to increase the capital allocation from \$2,750,000 to \$3,400,000 and cover all operating budget increases, while maintaining the water block rates at their FY12 levels.

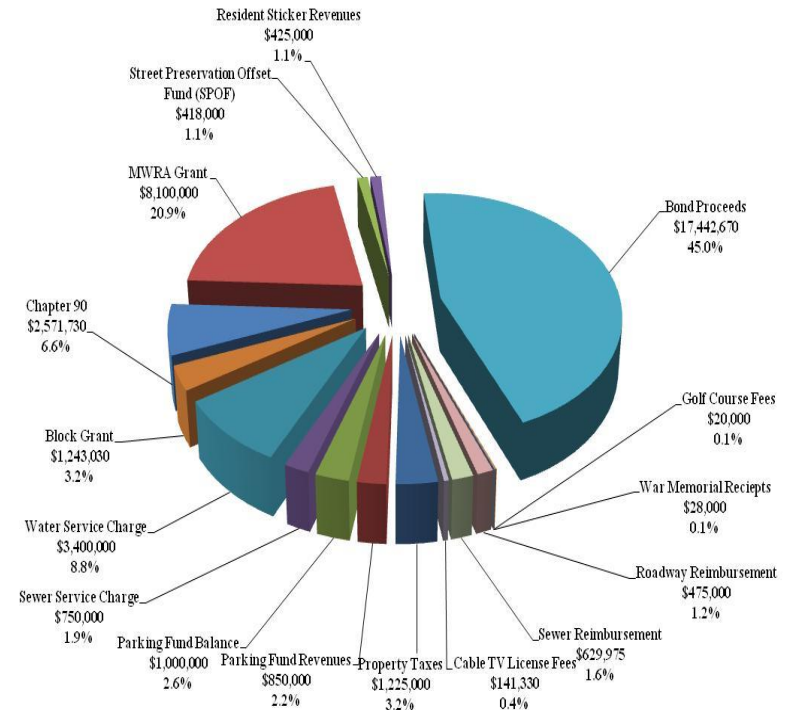
The Sewer Reconstruction budget has decreased from its FY12 level of \$36,004,300 to \$17,037,645 in FY13, due to large decreases in funding requirements. The decrease of \$1,500,000 in the Sewer Service Charge (from \$2,250,000 in FY12 to \$750,000 in FY13) allocation is attributable to a significant increase in Debt Service requirements, due to the inclusion of \$20,350,000 in Sewer bonds in the February 2012 bond issue as well as a loan from the Massachusetts Water Pollution Abatement Trust (MWPAT) for \$12,853,553 while also stabilizing the sewer block rates at their FY12 levels. The Bond Proceeds component has decreased from \$33,754,300 to \$7,557,670, with these funds allocated to the Alewife Watershed Project. Alexandria Real Estate Equities, Inc. will provide \$629,975 for work performed in accordance with their special permit.

Although funds for the construction phase of the King School Renovation Project are not included in the FY13 Capital Budget, an allocation of \$73,000,000, based on the current estimate for the project, has been set aside in the FY14 Capital Budget. However, based on the results of the feasibility study now under way and a continuing evaluation of total project costs, an appropriation recommendation to the City Council is projected to be made in the beginning of FY13. It should also be noted that an anticipated Free Cash appropriation of approximately \$2,000,000 for the first phase of the LED street light replacement will be made at the beginning of FY13, with the remaining funds for the \$6,000,000 estimated cost appropriated in subsequent fiscal years. Further, based upon the work of the E-Gov Executive Committee and Project Management working group, as well as input received through the IT World Café, a supplemental appropriation is expected to be made in the beginning of FY13 to support continued technology innovations. Also, a recommendation for additional resources to augment the current Cambridge Request System (CRS) is planned for the beginning of FY13.

PUBLIC INVESTMENT APPROPRIATIONS FISCAL YEAR 2013



PUBLIC INVESTMENT FINANCING PLAN FISCAL YEAR 2013



In keeping with the practice of recent years, the proposed FY13 Budget closely links the operating and capital expenditure plans with priorities established by the City Council for FY12 and FY13. Department heads have carefully reviewed their budget narratives, accomplishments, goals and performance measures and have made significant modifications to them to demonstrate their department's efforts to address the City Council's goals and objectives. While I encourage readers to review each department's budget in detail, the following section highlights the proposed spending plan to implement City Council priorities.

INTEGRATING CITY COUNCIL PRIORITIES WITH THE PROPOSED BUDGET

Since 1996, the City Council has conducted an in-depth biennial process to develop and produce its Goals for the City. Since 2000, the process has included a statistically valid telephone survey of the opinions of Cambridge residents with regard to City services and City government. The process also includes an opportunity for Cambridge citizens to gather together to voice their concerns and opinions about what the City Council should focus on in setting its goals. In 2010, the Government Operations and Rules Committee hosted its second annual “World Café,” an interactive conversational format that allowed diverse and creative points of view about Cambridge’s needs to emerge, as the public comment opportunity. A cross section of Cambridge residents spent the evening in a series of facilitated dialogues on the topic of “What is important to focus on to improve life in Cambridge?”

In the latest process, the City Council took a different approach to setting City goals. They used the information from the citizen survey and the World Café, as well as the results from a roundtable discussion on the goals, to set broad overarching goals for the next fiscal years. Instead of moving on to develop more specific objectives at that time, the City Council chose to develop that level of detail in a more collaborative way, involving the City staff whose work encompasses the subject area of the particular goal. Especially in this time of continuing financial uncertainty and declining federal and state support, the City Council and the City’s administrative staff need the flexibility and collaboration that will ensure that the City’s most pressing needs are addressed in accordance with our highest civic aspirations. The goals were adopted by the City Council on December 13, 2010, and have guided the annual budget planning process.

As part of the City Council’s goal setting process last year, it articulated its Mission Statement as follows:

“The City of Cambridge is dedicated to continuing to improve the quality of life for everyone in our community in an environment of excellence while maintaining a strong financial position including awareness of the impact on taxpayers.”

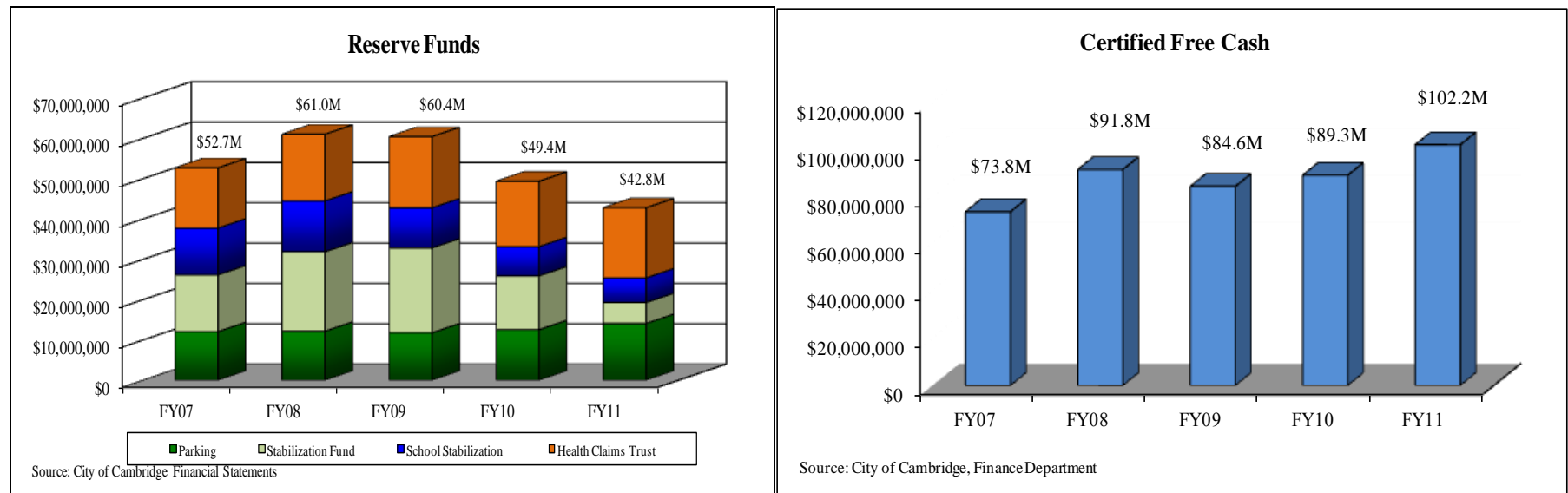
- **EVALUATE CITY EXPENDITURES WITH A VIEW OF MAINTAINING A STRONG FISCAL POSITION AND AWARENESS OF THE IMPACT ON TAXPAYERS WHILE PROVIDING A HIGH QUALITY ARRAY OF CITY SERVICES.**

The FY13 Budget reflects a 2.87% increase, which is due to increased costs related to salaries, health and pension costs. The FY13 Budget reflects a modest property tax levy increase of 6.6% while maintaining City services and providing for improvements to our infrastructure. This percentage increase is slightly below the 7% increase that was included in our five-year financial projections, which were presented to the major credit rating agencies in January 2012. As noted, the final property tax levy amount will not be determined until the City Council votes on the City Manager’s property tax and classification recommendations in September 2012.

The City’s excess tax levy capacity, an extremely important indicator of the City’s financial health, is \$102.6 million. The excess levy capacity reflects the difference between the amount raised from property taxes and the amount that legally could be raised from taxes. Cambridge continues to have the largest excess levy capacity in the Commonwealth. In addition, the City has been able to maintain or increase fund balances in a variety of its funds, including the Parking Fund, Water Fund, Stabilization Fund, Health Claims Trust and Free Cash. However, the Stabilization Fund has been fully used in FY12 based on a planned use of the fund balance. As noted in the previous section, the FY13 Budget utilizes the

City's reserves as part of its fiscal planning strategy. The following charts reflect the City's Reserve Fund and Free Cash balances for the past five years.

By continuing the fiscal policies adopted by the City Council, which include maintaining the City's positive reserves and free cash balances and conservatively managing expenditure and property tax levy growth, the City has been able to deal with the recent fiscal and other economic challenges in a responsible manner with a limited impact on service delivery.



This includes proceeding with a public investment program that will result in a projected increase in our annual tax supported bonding costs. Cambridge is unique in its ability to maintain services while improving our infrastructure in these challenging economic times. It is not uncommon to see neighboring communities requiring Proposition 2 ½ overrides for Operating Budgets and/or for Debt Exclusions in order to fund capital projects.

The achievement of a lower property tax levy increase than projected was emphasized early in the budget process with the issuance of strict budget guidelines to City Department Heads for the development of the Operating and Capital Budgets. Department Heads were given very clear direction on the preparation of their budget submissions in relation to cost increases and the impact on the property tax levy.

The Budget process again included a review of all vacancies, with Department Heads required to describe the operational impact on their department if vacant positions were reduced. No initial increases in non-salary budgets were allowed, except for energy costs and operational costs related to new facilities. All operating items known to be increasing were to be absorbed within existing budgets and Department Heads were required to document the impact on their Operating Budget if cost increases were absorbed in their existing budget and supplemental requests were required to have a corresponding reduction.

City and school officials have worked collaboratively early in the Budget process to establish a financial guideline that could be adhered to by the School Committee without requiring additional resources later in the process. The School Department Budget, adopted by the School Committee, reflects an increase of 3% in FY13.

The Capital Pay-As-You-Go Budget (capital requests funded from property taxes) for FY13 is \$1,225,000, a \$275,000 decrease from the \$1,500,000 budgeted in FY12. The following guidelines were put in place: departments were instructed to submit Pay-As-You-Go capital requests that were equal to or less than the approved/funded amount received in FY12. All requests that exceeded the FY12 amount were required to be designated as “supplemental requests.” Departments that did not receive a Pay-As-You-Go appropriation in FY12 could submit an FY13 request but it was required to be submitted as a supplemental request.

Please see Section II for the Budget Calendar and further information on the Budget Process and Procedures.

Listed below are some additional activities that demonstrate the City’s achievement of this City Council Goal.

- For the second year in a row, the City Council approved a water and sewer rate increase of 0% in March 2012 for FY13. This is the first time that the City has been able to produce a 0% rate increase for two consecutive years.
- In conjunction with the sale of \$40.5 million in bonds in February 2012, the City of Cambridge continued to be one of approximately 27 cities in the United States to receive a “AAA” rating from the nation’s three major credit rating agencies. The City’s AAA bond rating allowed the City to sell these bonds at the low interest rate of 1.64%. It should be noted that the interest rate received by Cambridge is approximately four-tenths of a percentage point lower than the interest rate received in comparison to other bond sales conducted that day by other Triple A communities and approximately seven-tenths of a percentage point lower than communities with the next highest rating grade. This difference is attributable to the credit market’s favorable view of Cambridge as a very secure credit.

In its rating opinion, Moody’s Investors Service noted, “The Aaa rating reflects the city's large, diverse and stable tax base, which is anchored by prominent higher education institutions and a growing research and development sector. Also incorporated into the Aaa rating are a strong financial position which has performed well through the national economic downturn, management's consistently conservative approach to budgeting and expenditure management and a favorable debt profile supported by healthy enterprise systems and historically strong commonwealth school construction aid. Strengths include: large and diverse tax base anchored by stable universities; and robust financial position guided by sound management policies.”

In its rating opinion, Fitch Ratings noted that their rating rationale was based on the following: “Key Rating Drivers - Exceptional Financial Management: Management’s conservative budgeting practices and prudent use of reserves has helped keep tax levy increases at moderate levels while the city faces growing operating costs; Above-Average Liquidity Levels: The city’s positive financial profile is characterized by large reserves and ample liquidity. Additionally, the city’s levy margin continues to grow favorably to the highest level in the city’s history; Economic Diversity Promotes Stability: The stable presence of higher education, healthcare, biotechnology, and life sciences industries supports the well-diversified economy with low unemployment and above-average wealth levels; New Development Continues: Ongoing development within the city is projected to promote growth in assessed value, providing the city with tax levy

flexibility for operations and debt service; and Moderate Debt Levels: Debt levels are moderate and expected to remain manageable, aided by the city's rapid amortization rate.”

- Standard & Poor's reaffirmed its “strong” Financial Management Assessment (FMA) of the City. An FMA of “strong” indicates that practices are strong, well embedded and likely sustainable. The strong rating indicates that the government maintains most best practices deemed critical to supporting credit quality and that these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue into the future and transcend changes in the operating environment or personnel.
- Executed the refinancing of two existing General Obligation Bonds, originally issued between January 2004 and February 2006, for 20 year terms at rates ranging from 2.5% to 4.25%, to a lower interest rate, due to favorable market opportunities. The expected savings over the remaining 10 years of these issues is \$1.187 million.
- While the FY13 Budget maintains the current level of services and covers increased costs, with a modest increase in the property tax levy, savings were required to be identified. The FY13 Budget contains no increase in full-time positions. The Departments which reflect position decreases are: General Services (1), Veterans (1) and Community Development (2). The Departments that reflect position additions are: Department of Human Services (3) and Library (1).
- The FY10 Adopted State Budget provided cities and towns in the Commonwealth the opportunity to replace some or all of their loss in local aid by allowing, for the first time, an allocation of 0.75% of the Meals Excise upon local acceptance for local use, and allowed a local option to increase the room occupancy excise by 2%. Both options were approved by the City Council in July 2009. The FY13 Budget uses \$13.8 million from these two sources, which is an increase of \$0.5 million from FY12.
- The Other Post Employment Benefits (OPEB) Working Group continues to oversee the implementation of Governmental Accounting Standards Board (GASB) 45. The Working Group made recommendations to the City Manager to accept Chapter 479 of the Acts of 2008, which provided for the establishment of an OPEB Liability Trust Fund. This trust fund is in an irrevocable trust and its assets can only be used to fund the OPEB liability. The Working Group also recommended providing initial funding to the OPEB Liability Trust Fund through a \$2 million transfer from the Health Claims Trust account. Both recommendations were submitted to and approved by the City Council in December 2009. The OPEB Working Group also provided necessary financial information to the City's actuarial firm to develop an updated OPEB actuarial liability as of January 1, 2011. The FY13 Budget contains a \$1 million appropriation for the OPEB Liability Trust Fund as additional funding. It is intended that this amount will continue to be recommended in subsequent budgets.
- Continued use of a vacancy committee created several years ago, consisting of the City Manager, Deputy City Manager, Finance Director, Budget Director and Personnel Director. This committee reviews requests from departments to fill vacancies as they occur. In some cases, position vacancies are held open by the committee.
- In FY13, non-union City and School employees and one settled collective bargaining unit will increase their health insurance contribution percentage from 18% to 20% in exchange for an additional .6% increase in salary over the scheduled 2.5% increase. In addition, effective September 2011, new non-union City and School employees and employees of some collective bargaining units which have settled have begun to contribute 25% towards their insurance costs.

- Every two years, the Cambridge Retirement Board performs an actuarial study to determine the level of yearly contributions needed to fully fund the Pension System's actuarial accrued (unfunded) liability by the year 2040, as required by the Commonwealth of Massachusetts. The latest actuarial study was completed as of January 2010. Based on this study and revised funding plan, a one-time allocation of \$2 million was adopted in the FY12 Budget, which will allow the City to fund its unfunded pension liability by 2029. The next pension actuarial study is scheduled to be completed by mid-year.
- In FY11, the City successfully completed the triennial Department of Revenue (DOR) certification of real and personal property valuation process. In FY12, the City successfully completed a statistical validation of its values, which is required between full certification processes. The next DOR full certification process will take place in FY14.
- The Investment Oversight Committee continued to review cash investments on a quarterly basis. It monitored cash balances to ensure that cash was invested with safety and diversification taking priority over the best rates.
- Received, for the 27th consecutive year, the Government Finance Officers Association (GFOA) Award for excellence in preparation of the FY12 Operating and Capital budgets, as well as the GFOA Certificate of Achievement for Excellence in Financial Reporting, for the 26th consecutive year.
- Section II of this document again contains formal policies on investment practices, debt management and fund balance reserves for approval by the City Council. This practice is recommended by the rating agencies and the GFOA. This practice, coupled with existing financial management practices, has resulted in Standard and Poor's continued Financial Management Assessment (FMA) of the City as "strong." An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable.
- In collaboration with the Purchasing Department, the Banking Services bid was advertized at the end of February 2012. The City received six very competitive bids and awarded the contract to the lowest bidder in the middle of March 2012.
- In collaboration with the Traffic, Parking and Transportation (TPT) Department, a new vendor was obtained for traffic meter coin processing. Both Finance and TPT coordinated a significant review of controls and procedures in place at the MBTA Charlestown coin processing operation. The coin processing started at the MBTA on March 1, 2012.
- Streamlined cost effective and efficient procedures for bids and contracts that were implemented in FY10. Vendors are notified how to download bids from the Purchasing website. Contracts are sent electronically to the successful bidder for processing. Fully executed contracts are emailed to the appropriate Departments. The Purchasing Department is a leader for online bids, which other Massachusetts Purchasing Departments use as an example.
- Collaborated with various regional partners and the General Services Administration (GSA) to execute contracts for road salt, fuel and radio equipment.
- Reviewed Assessor's neighborhood map to accurately reflect the current real estate market and refined the residential assessment model to 2010 market conditions, thereby reducing the number of overvaluation appeals.
- Continuing to collaborate with the Information Technology and Auditing Departments to create standards for online credit card payments and to develop a review process for expanding the number of City programs accepting credit card payments. Also implemented the online credit card and Automated Clearing House (ACH) payments for Real Estate and Personal Property tax payments last fall. Expanded remote, electronic deposit of checks to more departments which has resulted in more timely deposits of funds.

- **PRESERVE AND CREATE AFFORDABLE HOUSING ACROSS THE CITY FOR LOW, MODERATE AND MIDDLE-INCOME FAMILIES AND OTHER RESIDENTS.**

With the voters' acceptance of the Community Preservation Act (CPA) surcharge in 2001, the City's affordable housing program is now funded by a portion of the proceeds from the 3% property tax surcharge levied under the CPA. CPA funds may only be used for certain affordable housing, open space and historic preservation purposes. In addition, the City receives a matching amount from the state and has received approximately \$44.6 million from this source since the inception of the program. Since these funds are deposited into trust funds established for the three CPA purposes, there are no direct allocations contained in this budget document.

Since the implementation of the CPA in FY02, \$111.2 million has been appropriated/reserved for housing (\$89 million), open space (\$11.1 million) and historic preservation (\$11.1 million). FY13 local revenues from the CPA are expected to be up slightly based on a higher property tax levy. In addition to the CPA funds raised locally, the City receives state matching funds, which will be available in October 2012. In prior years, the City received a 100% state match. However, the percentage match has decreased as a result of decreasing collections of fees at the Registry of Deeds and the increased number of communities participating in the program. The Department of Revenue estimates that the balance in the state trust fund will be sufficient to provide a first round match of approximately 22% of the surcharge levied by each city and town.

The Community Preservation Act Committee will be making its recommendations for the use of the FY13 CPA revenues of approximately \$9.7 million from all sources during the upcoming months. Recommendations will be forwarded to the City Council for appropriation prior to the setting of the property tax rate.

The City, through its prior budget allocations to the Affordable Housing Trust, current allocations through the CPA and other commitments, has created or preserved in excess of 3,250 units of affordable housing since the end of rent control in 1995.

The FY13 Operating Budget for the Housing Division contained in the Community Development Budget supports a multitude of activities in support of this goal. The Housing Division supports the development of affordable rental and homeownership opportunities; provides education, counseling and financial assistance for first-time homebuyers; preserves long-term affordability of existing affordable housing; offers low-interest loans to homeowners to make improvements which protect the housing stock; oversees the inclusionary zoning ordinance; advances initiatives to increase access to affordable housing, such as inclusionary and incentive zoning; supports the City's non-profits in the development and management of affordable housing; coordinates with federal and state governments to leverage additional resources; and provides planning assistance and public information related to housing issues.

The FY13 Capital Budget contains \$807,030 in continued funding for Housing Rehab and Development Programs. This funding, combined with funds from the federal HOME program, Affordable Housing Trust Fund and other public and private sources, finances preservation and renovations to existing affordable housing units and the development of new ones for low and moderate income Cambridge residents.

During FY12, the Community Development Department achieved the following in support of this City Council Goal:

- Worked with the Affordable Housing Trust, non-profit and private developers, and the Cambridge Housing Authority (CHA) to assist with the development of 795 affordable units with Community Preservation Act (CPA) funds in FY12. Significant accomplishments include preserving affordability of housing subject to expiring use restrictions through non-profit purchase of the 50-unit Craigie/Chapman Arms Apartments in Harvard Square and the 32-unit Norstin Apartments in Central Square. Preserved an additional 92 affordable units for seniors in the Riverside neighborhood and completed rehabilitation of 125 affordable units preserved in FY11 in Area IV and Inman Square. Completed rehabilitation of 128 single room occupancy (SRO) units at the YMCA and began major renovation of 108 SRO units at the YWCA in Central Square. Completed construction of 40 new affordable units in Cambridgeport and 19 new affordable units in the Wellington/Harrington neighborhood, which were awarded LEED Gold Certification for environmental building. Completed revitalization of 45 units at CHA's Jackson Gardens development while comprehensive redevelopment of 70 units at Lincoln Way continued.
- Provided education, counseling and financial assistance to first-time homebuyers. Through the homebuyer programs, the Housing Division educated more than 500 people, provided individual counseling to more than 125 homebuyers, and facilitated the sale of 12 affordable homeownership units to first-time buyers in FY12, helping to preserve the socio-economic diversity of the community. By facilitating the production and preservation of both rental and homeownership units, and a variety of unit sizes and configurations, the City is able to meet the affordable housing needs of a broad cross section of residents in all Cambridge neighborhoods. Through these programs and with assistance from City staff, more than 200 families have become homeowners in the past five years. CDD staff also worked with private developers to create more than 70 new affordable units through the City's Inclusionary Housing Program. Inclusionary housing units are located in neighborhoods throughout the city and include both rental and first-time homebuyer units.
- **STRENGTHEN AND SUPPORT HUMAN SERVICES, PUBLIC EDUCATION AND OUT OF SCHOOL LEARNING IN CAMBRIDGE FOR THE BENEFIT OF RESIDENTS OF ALL AGES.**

The proposed FY13 Budget contains a recommended School Budget of \$144,987,705, an increase of \$4,268,445, or 3% over the current year. This appropriation supports the implementation of the Innovation Agenda adopted by the School Committee. With this change, Cambridge will become a district of junior kindergarten through grade 5 schools, with four upper school campuses that feed into the high school. For additional information on the FY13 School Budget, please go to page IV-390, or visit the Cambridge Public Schools Web page www.cpsd.us.

In addition to the recommended funds for the School Department, the City's Operating Budget continues to fund a wide array of programs and activities, which support not only this City Council Goal and Objective but other ones as well.

For example, within the Department of Human Services Programs (DHSP), the FY13 Budget continues to support the following:

- Funding for the Baby University program, Cambridge's version of the Harlem Children's Zone's Baby College, which works with parents of children birth to age 3 to enhance their parenting skills and connect them to a variety of community services so that they can better

promote their children's physical, emotional and educational development. Using grant and City funds, Baby U expanded its alumni programming to continue home visits, workshops and other learning opportunities for families who had completed the core program.

- Increased funding by \$75,000 to provide the support necessary to accommodate the increased numbers of children with special needs enrolled in all of the DHSP's Out of School Time Programs.
- The Childcare and Family Support Services Division, which provides six licensed Pre-School programs and seven licensed After School Programs and the Center for Families. Together these programs serve 285 children in licensed programs and over 700 families in family support services.
- As a result of the Mayor's Blue Ribbon Commission on Early Education and Care, the Department is supporting additional professional development for family childcare providers as well as mental health and behavioral support to pre-schools and family childcare providers to help providers better serve children in their care.
- The King Open Extended Day Program (KOED), which provides a positive and safe out-of-school time setting that promotes the social, emotional and intellectual development of children.
- The Community Learning Center (CLC) supports the above City Council Goal as well as the Goals of valuing diversity and fostering community. The Community Learning Center, located at 19 Brookline Street, provides adult basic education classes to almost 1,000 adults each year. In FY13, the Community Learning Center and the Multi-Service Center will be moving into the renovated old police station, together with the administrative offices of the Cambridge Housing Authority.
- The Community Schools Division, which provides a network of neighborhood services offering educational, cultural, social and recreational opportunities for all age groups. Community Schools also offer summer camps in most of the City's elementary schools. The FY13 budget includes funding for a new Community School Program for the Amigos School (\$112,150).
- Through the Council on Aging, the budget supports daily meals, the senior food pantry, educational and wellness activities, multicultural celebrations and social services to meet the needs of Cambridge seniors. The Council on Aging is a key player in the planning and support for Aging in Community, an effort to help Cambridge residents remain in their home or in the community as they age.
- Through the Multi-Service Center, the budget supports continued services to homeless individuals and families and to those who are at risk of losing their housing.
- The Office of Workforce Development (OWD), whose mission is to expand employment and training opportunities for Cambridge youth and adult residents, does so by developing partnerships with employers, community-based organizations, schools and post-secondary institutions. Through a combination of direct service, program coordination and outreach efforts, OWD services reach over 1,000 residents and businesses each year.
- The Transitional Jobs program will be launching its ninth round in FY13, working with disengaged adults who lack the skills to secure and retain employment, offering them a temporary job, intensive case management, soft skills development and job search assistance to help find unsubsidized employment after program completion.

- The Mayor's Summer Youth Employment Program (MSYEP) will again serve approximately 950 youth in jobs throughout the city and offers workshops to increase participants' skills and career/college readiness. This includes collaborating with regional and state workforce development staff to take advantage of state funding for at-risk youth.
- The Youth Center Division will continue to offer programs through its network of five youth centers located in different neighborhoods of the city. The centers include classroom space, meeting rooms, gymnasiums and easy access to parks and fields. The Centers will again be sponsoring popular summer camps, year round pre-teen and middle school programs and teen intensive programs. The FY13 budget includes \$15,000 for a summer internship program, which is a partnership between the Youth Centers and City Sprouts.
- The Recreation Division will continue to offer programming through the War Memorial Recreation Center, the Fresh Pond Golf Course, many of the City parks and the summer basketball league for young people. The Division will continue to sponsor its evening and Saturday recreational programs for individuals with special needs as well as its popular summer camp.

Other City Departments contribute to this Goal through a wide variety of activities, examples of which are listed below.

- The Community Development Department (CDD) sponsors the Employment Program Fund (\$355,000) through the Just-A-Start (JAS) Rehabilitation Assistance Program, which trains and employs Cambridge youth to provide a range of low-cost housing rehabilitation, energy conservation and de-leading services throughout Cambridge and for the Cambridge Housing Authority.
- The Cambridge Public Library adds over 40,000 books, magazines, DVDs and CDs, and 10,000 e-books to the library's collection each year and makes them available to residents at no direct cost. The library also borrows 220,000 items from other libraries. Residents take home over 1,300,000 items and access 300,000 resources online 24 hours a day. In addition, the Library provides free or low cost admission to local museums to over 8,000 cardholders each year. The Library purchased 50 e-readers to circulate to cardholders.
- The Library's Adult Literacy Program provides over 5,000 tutoring sessions, computer classes and educational programs for adult learners, primarily new immigrants, and the library attracts over 50,000 children and teens to its programs that promote literacy development and encourage recreational reading. Summer reading by children and teens in FY12 increased 15%, to a record high of 96,231.
- The Water Department staff provides many guided tours of the Walter J. Sullivan Water Purification Facility and the Fresh Pond Reservation, holds Water Week (May) and Fresh Pond Day, all to educate both children and adults about the features and importance of Cambridge's water system. This location is used extensively by elementary school children to learn about the Fresh Pond Reservation as a habitat for the species that live within it. Water Department staff assists with many School Department educational events at the Maynard Ecology Center, a Cambridge Public School facility housed in the bottom floor of Neville Place, overlooking Fresh Pond.
- Support for the Second Annual *Let's Talk About Food Festival*, sponsored by the Museum of Science and the City, showcasing the myriad efforts locally and regionally to address how food influences our community, including sustainability of food access, addressing obesity and food safety. In its inaugural year (2011), over 7,000 visitors attended the event on the edge of the Charles River adjacent to the Museum of Science.
- Support for the annual Cambridge Science Festival (CSF). The CSF is a national leader among science festivals. Over the past five years, the CSF has grown to the point where it engages 50,000 people with science, technology, engineering and math through more than 100 different activities and events over 10 days each spring.

- The Cambridge Police Department, in collaboration with the Mayor's Summer Youth Employment Program, will continue to host a six week Cambridge Youth Police Academy. This is a unique opportunity for youth to learn about what police officers do on a day to day basis, and to teach youth the importance of maximizing out of school time with learning opportunities, while refraining from being involved in activities that could land them in trouble.
- **FOSTER COMMUNITY AND SUPPORT NEIGHBORHOOD VITALITY. SUPPORT OPPORTUNITIES FOR CITIZENS TO PARTICIPATE AND TO KNOW EACH OTHER WITHIN THEIR NEIGHBORHOODS AND ACROSS THE CITY AND VALUE AND SUPPORT THE RACIAL, SOCIOECONOMIC, CULTURAL AND RELIGIOUS DIVERSITY OF OUR CITY.**

The proposed FY13 Operating Budget continues to support and maintain the venues and activities in which citizens have the opportunity to know each other within neighborhoods and across the city, which also promotes the racial, cultural and socioeconomic diversity of Cambridge. This includes support for two senior centers, youth programs, five youth centers, youth leagues, arts gatherings, public celebrations and events, library programs and branches, community policing and outreach programs, neighborhood planning and community meetings, oral history publications, a public health network, community schools and the scores of parks and play areas located throughout the city. Capital investments of over \$300 million were made in recent years to provide a state-of-the-art public safety facility, which houses police and emergency communications operations, major renovations to the Main Library, War Memorial Recreation Center and CRLS, and construction of the West Cambridge Youth and Community Center.

In addition, the FY13 Budget contains support for facilities, roadways, sewer and water system improvements, playing fields and other public investment projects, which contribute to the preservation and enhancement of neighborhoods. In FY12, the City began the first phase of rebuilding or renovating its elementary schools by completing the designer selection process for the King Elementary School. A feasibility study is now under way as well as a continuing evaluation of total project costs, which will result in an appropriation recommendation to the City Council in the beginning of FY13.

A total allocation of \$2,278,000 in the FY13 Capital Budget will fund a range of public building renovations, which include: design, engineering for and replacement of the City Hall slate roof (\$2,000,000); an additional \$100,000 to support the replacement of the Ryan Garage and Simard Building roofs, including structural improvements; and an assessment of the condition of the HVAC systems in 36 non-school buildings, to provide a recommended replacement plan based on health and safety issues, useful life expectancy, repair history and energy efficiency of the existing systems (\$75,000). Also, included in this total are funds to address carpeting, flooring and furnishing needs in City buildings (\$25,000); furnishings for the Area IV and Gately Youth Centers, to meet programming needs (\$48,000); and replacement of the existing restroom tile floor at the Frisoli Youth Center with a poured sealed floor (\$30,000).

Another way that the Budget supports these City Council Goals is through committing significant resources to a variety of major open space projects. The City has renovated over the last several years several parks, including Donnelly Field, Lowell Park, Squirrel Brand Park, Dana Park, Gold Star Mothers' Park, Alden Park, Russell Field Complex, William G. Maher Park, Jill Brown-Rhone Park at Lafayette Square, Father Callanan Playground at the Tobin School, Trolley Square Plaza, Greene-Rose Heritage Park, Clement Morgan Park, Alexander Kemp Playground at the Cambridge Common, an off-leash dog run at Danehy Park, and the City Park on Memorial Drive at Western Avenue in the Riverside neighborhood. In addition, the replacement of the existing artificial turf on one of the soccer fields at Danehy Park and the resurfacing of the

running track were completed in FY12. Planning and design activities are underway for the Rogers Street Park and the Triangle Park in East Cambridge funded from Alexandria Real Estate (ARE) mitigation funds and a new park is being planned from Google mitigation funds.

The FY13 Capital Budget includes \$1,540,000 for the renovation of one full size soccer field and one youth size soccer field at Danehy Park, encompassing design, regrading, new drainage and installation of new synthetic surfaces and \$50,000 has been included for improvements to Pacific Street Park, including drainage and surface materials for the Dog Park, additional seating and other amenities, and a review of current park uses and potential for expansion of the off leash area.

The City sponsors, supports, permits and enables a wide range of neighborhood events that foster community. A variety of City departments supported over 200 special events in FY12, ranging from large festivals to neighborhood block parties and youth events, through the coordination of the interdepartmental Special Events Committee and the provision of basic services. These events include over 75 outdoor and scores of indoor events, neighborhood meetings to discuss public safety or infrastructure improvements, and workshops that bring people together on specific topics.

Other examples of efforts to support this goal, for FY13, include the following:

- CDD support for the design process and DPW support for the construction and maintenance of Alberico, Fulmore and Nunes Parks.
- In order to continue the program of making public facilities more accessible to people with disabilities, \$50,000 has been recommended in the FY13 Capital Budget.
- \$30,000 has been included in the FY13 Capital Budget to support the conservation and maintenance of the public art program, which will allow for the ongoing maintenance, treatment and reassessment of the collection.

These City Council Goals are also addressed through the following examples:

- Through the Human Services Department's Community Engagement team, outreach workers representing the linguistic and racial diversity of the city work within their communities to help connect families to services and to help engage them in civic life. The Community Engagement team worked with the School Department to sponsor a special Saturday kindergarten registration event for linguistic minority and other hard to reach families to help them to register their children for kindergarten.
- The Department of Human Services and its early childhood partners provided parent support and fostered community through a network of parent/child playgroups, family fun days and dances and family literacy events, and increased the number of fathers participating in workshops, support groups and community building events by almost 70%.
- The Employees' Committee on Diversity (ECOD) organized a variety of presentations, films, lectures and cultural awareness events open to all City employees. ECOD has developed a welcoming committee and an executive advisory board, consisting of nine department heads, as well as an employee book club, as part of a citywide recruitment effort. ECOD members assist with the Personnel Department's mandatory diversity training for all new employees.

- Continued to work with the community on efforts to improve the infrastructure, quality of maintenance and appearance of Central Square. Efforts have included participation in the Red Ribbon Commission, the Central Square Business Association, and the newly-formed Central Square Advisory Committee, as well as efforts to control litter by increasing the number of sealed solar compacting rubbish receptacles and public area recycling receptacles, and continuing an aggressive graffiti removal and power-washing program.
- The Office of Affirmative Action (OAA) collaborated with the Affirmative Action Advisory Committee, Personnel, Fire and Human Services Departments, and the Commonwealth of Massachusetts, Human Resources Division to promote the Municipal Firefighter Exam. OAA sponsored an informational Open House with guest speakers from the Commonwealth's HR Division and City of Cambridge Fire and Personnel Departments.
- The Cambridge Police Department's and Human Service Department's "door-to-door" campaign involved various housing developments and surrounding neighborhoods, wherein staff from various City departments (Police, Human Services, Public Health) and organizations (Cambridge Housing Authority, Margaret Fuller House) introduced themselves to residents, identified resources that are needed by the community and advised the community about resources that are currently available. These door-to-door campaigns included: information about forums that were held within the community, on employment for youth in the summer, summer camp and other resources for children and families; the transitional job program; crime updates; and CPD's community policing programs that support neighborhood initiatives. This outreach initiative will continue in FY13, with a focus on some additional neighborhoods and follow up with neighborhoods already involved in the initiative.
- The Cambridge Public Library attracts over 50,000 residents each year to library sponsored book discussion groups, English conversation groups, toddler sings, author visits, neighborhood pot luck dinners, lectures and other kinds of events that foster community and support neighborhood vitality. The library also matches volunteer tutors with adult learners who wish to improve their reading and writing skills. The Main Library, O'Neill and Central Square Branches provide space for community groups to meet and present programs to the general public. The Library estimates that 400 groups will take advantage of this service in FY13.
- The License Commission, in conjunction with the City's Special Events Committee and other city agencies and local non-profits, processed applications and issued over 1,000 one-day Entertainment, alcohol and Open Air festival licenses for events being held throughout the city.
- The Community Development Department (CDD) worked with the Department of Human Service Programs to support the Mayor's Silver Ribbon Commission that focused on current and future housing options for seniors, in order to identify ways for older residents to age in the community. Also, CDD schedules regular planning updates within each of the city's 13 neighborhoods, which entail interdisciplinary conversations and result in specific action plans to be implemented within short and long-term time frames. CDD provides a range of information and materials to the public designed to provide clarity and support effective community process.
- The City worked with the community, businesses and property owners and two advisory committees to refocus the vision for Kendall Square, Central Square and the transition area between them, and to produce recommendations addressing an appropriate mix of uses, development potential, enhanced activation of the squares, open spaces, urban design character, long term sustainability, transportation and infrastructure improvements. Also, the City continued implementation of recommendations of the Charles River planning study, which focused on access to and experience of the waterfront; worked with neighborhood groups and DCR to address amenities, including a pilot food truck program and infrastructure.

- **PROMOTE A HEALTHY COMMUNITY AND ENVIRONMENT TO ADVANCE CAMBRIDGE AS A LEADER IN PUBLIC HEALTH AND ENVIRONMENTAL SUSTAINABILITY.**

City Departments continue to implement strategies to demonstrate progress in achieving this City Council Goal. The City was one of the first 35 communities in Massachusetts to be designated as a Green Community by the Commonwealth and implemented energy efficiency projects in municipal and school facilities, prioritizing projects with a high return-on-investment as part of year four of the Green Communities Plan. This year's projects include 30 buildings for a combined projected annual savings of 15,150 Million Metric British Thermal Units (MMBTU), while avoiding \$486,854 in costs and 2,290 tons of CO2 emissions.

In addition, the City sponsored the 4th year of Team GreenSense, part of the Mayor's Summer Youth Employment Program, which introduces Cambridge high school students to environmental sustainability topics and it continues to support Cambridge GreenSense, a municipal employee energy and sustainability awareness program to improve energy efficiency throughout City government.

The City continues to purchase replacement vehicles in accordance with the City's Green Fleet policy, including three fuel-efficient pick-up trucks and an electric vehicle. In FY12, an electric vehicle charging station was installed at the DPW facility for DPW use on weekdays and public use on evenings and weekends. This station is one of seven installed across the City using a grant from the Massachusetts Department of Energy.

Throughout FY12, the City has prepared to launch bicycle sharing in Cambridge as part of the regional Hubway system, which substantially increases options for connecting people to transit, homes, businesses, retail and recreation throughout Cambridge and beyond. This included securing approximately \$900,000 in federal and state grants for the program. In addition, 350 bike racks have been installed, providing parking for more than 700 bikes in major squares and other popular Cambridge destinations.

The City is anticipating an award of Silver certification, or better, by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) certification program for the Cambridge Rindge and Latin School renovations.

For FY13, the City is working to achieve energy efficiency goals in support of a healthier environment through a variety of efforts, including the following:

- In FY13, the City is investing in two significant energy efficiency projects: operational and facility improvements at the Walter J. Sullivan Water Treatment Facility (\$1.6 million in FY12 and FY13 from the Water Department Capital Budget) and the first phase of converting citywide street lights to LED over the next three years. It is anticipated that an appropriation of approximately \$2 million will be recommended from Free Cash in fall 2012 to fund the first phase of the LED street light conversion.

Water Department energy projects include: boiler replacement, variable frequency drives (VFDs) on chilled water pumps and raw water pumps, LED lighting installation and installation of Photovoltaic (PV) Solar Panels on the facility roof.

- A total of \$525,000 from parking sticker revenues will be allocated in FY13 as follows: \$145,000 will fund additional energy efficiency projects, including \$75,000 for municipal buildings and \$70,000 for school buildings; \$280,000 will be allocated towards the bike share

program for year two of the contract and \$100,000 is being used to support a community energy outreach manager position and interns in the Community Development Budget.

A healthy and sustainable environment is supported through a broad range of efforts and public improvement projects, including the following efforts undertaken in FY12:

- Began the Cambridge Park Drive Area Drainage Improvements and Stormwater Wetland Project, which is a key element of the Alewife Sewer Separation Project, through which combined sanitary wastewater and stormwater infrastructure in the Huron Avenue and Concord Avenue neighborhoods east of Fresh Pond will be separated. Construction of this project will provide significant environmental benefits by eliminating the existing combined sewer outfall servicing the area, and incorporating significant stormwater management quality controls in the Concord Avenue and Fresh Pond Parkway areas, thereby reducing the discharge of pollutants to the Little River and Alewife Brook. Also included in the project is construction of a 3.4-acre stormwater management wetland just west of the MBTA's Alewife Station that will store and treat stormwater runoff before it enters the Little River. The wetland will provide an urban wild for the community to enjoy, with passive recreation and environmental education, an amphitheater, interpretive signage, overlooks and boardwalks.
- DPW continued to collaborate with the Community Development Department on a vulnerability/resilience assessment as part of climate change adaptation planning efforts, to enable better planning for potential increases in extreme weather and sea level rise.
- Began treating all salt used during ice and snow clearing operations with a liquid, corn-based deicer that improves the effectiveness of the ice-melt and reduces its corrosiveness and adverse environmental impacts.
- Increased recycling by 6% as compared to FY11, while decreasing tons of trash disposed by over 2%.
- Initiated a feasibility study of a curbside food scraps collection program for residents as part of the first year of a two-year grant from the MA Department of Environmental Protection.
- Expanded lunchroom composting at the Peabody, Cambridgeport, Tobin and CRLS Culinary Schools, while continuing the existing program at the King Open and Graham and Parks Schools.
- Installed more public area recycling bins in Central Square, along Cambridge Street, and at 36 parks and recreational areas across the city.

Ongoing efforts to respond to environmental goals in FY13 include:

- In FY13, a total of \$3.4 million is allocated in the Capital Budget to support water system and energy conservation improvements. Of this amount \$1.6 million is dedicated to energy conservation improvements as noted above. In addition, \$17,037,645 has been recommended for sewer reconstruction work primarily to continue sewer separation and a stormwater management program in the Alewife area.
- Removing the remaining 42 common manholes in Cambridge, bringing the total number of manholes separated during the past 12 years to 312 and completing a major effort to improve stormwater quality and decrease sewer backups.

- Completing construction on the following major sewer and stormwater projects: the new outfall at Land Boulevard, the Myrtle Magnolia Sewer Separation Project, the Cambridge Park Drive Area Drainage Improvements and Stormwater Wetland Project, and improved sewer connections to the MWRA system in Harvard Square.
- Complete the feasibility study of a curbside food scraps collection program for residents and a possible pilot program for 500-800 households as part of the first year of a two-year grant from the MA Department of Environmental Protection.
- Expand lunchroom composting to a total of 8 Cambridge Public Schools in collaboration with the School Department.

The FY13 Budget includes a \$6,500,000 allocation to the Cambridge Health Alliance (CHA) to support public health and a healthy community. CHA has remained a vital asset to the citizens of Cambridge since its establishment by home rule legislation on July 1, 1996. CHA is a nationally recognized public, academic health care delivery system that provides comprehensive clinical, public health, teaching and research programs in the City of Cambridge. It is comprised of three campuses in Cambridge, Somerville and Everett, a network of ambulatory sites and the Cambridge Public Health Department. CHA is a teaching affiliate of Harvard Medical School and has departmental affiliations with Tufts University School of Medicine.

The Cambridge Police Department, through a partnership with the Cambridge Public Health Department and the Cambridge Prevention Coalition, is now an approved controlled substance collection site for residents of Cambridge. This initiative has many benefits including: preventing children and animals from being poisoned as a result of finding and ingesting unused drugs, preventing the drugs from being scavenged and illegally sold, and preventing these environmental toxins from being flushed down the toilet or sink causing the toxins to contaminate our drinking water and soil. The CPD also collaborates with the Department of Public Works during Household Hazardous Waste Collection Days to offer the prescription collection program off site. In addition, the CPD participated in the National Drug Take Back Day sponsored by the Department of Justice Drug Enforcement Agency.

The Cambridge Police Department, in partnership with the Cambridge Prevention Coalition, is in the process of establishing the Marijuana Education and Engagement Prevention Program (MEEPP), a program working toward decreasing usage of marijuana among CRLS students. This program works to educate CRLS students and their parents of the dangers associated with marijuana use and works to debunk myths associated with the effects of marijuana, in an effort to encourage students to make healthy decisions.

The Cambridge Police Department, in collaboration with the Cambridge YMCA, has been offering a free biweekly boxing program to Cambridge teens. In addition to providing teens with a healthy avenue to release stress, the Cambridge Boxing Program also promotes exercise among Cambridge teens.

Other examples that demonstrate the City's ongoing progress to achieve this healthy environment goal include:

- Named a Tree City USA by the National Arbor Day Foundation for the 19th consecutive year, and named a winner of the more prestigious Growth Award for the 4th consecutive year.
- Launched the Junior Forester Program, through which young people can volunteer to help a young tree grow healthy and strong by weeding, watering and mulching. In year one of the program, 40 Junior Foresters earned their badges.

- Utilized Urban Forestry interns to conduct special projects, including conducting a summer Water-By-Bike/ Tree Ambassador Program, completing a citywide tree inventory/ planning study, and producing web-based resources for the public (including tree care videos and a map-based tour of the Main Library's trees).
- Installed parking for 275 bicycle parking posts, funded by the Energy Efficiency and Conservation Block Grant (EECBG), and continued programs to improve conditions for cyclists, pedestrians and transit users.
- Cambridge was again named America's Most Walkable City by Prevention Magazine.
- Planting of 300 street trees in public areas throughout the City, and improving the health and longevity of young street trees by expanding the Junior Forester Program to include 75 participants and by sponsoring another summer Water-By-Bike Tree Ambassador program. The FY13 Capital Budget includes a \$100,000 allocation for an ongoing program to perform structural pruning to approximately 600 trees throughout the city and Cambridge Cemetery.
- Commenced implementation of the new zoning arising from the work of the Green Building Task Force regarding environmental standards for new construction and recommendations concerning wind power, solar power and removing zoning impediments to energy efficient building measures. In FY12, worked with the Planning Board to review several projects implementing this zoning.
- **PROMOTE DOING BUSINESS IN CAMBRIDGE AND WORK TO STRENGTHEN OUR MUTUALLY BENEFICIAL PARTNERSHIPS WITH BUSINESSES AND UNIVERSITIES.**

Cambridge has been fortunate that it has been able to operate within the confines of Proposition 2½. It is important to understand that new development is one of the keys to our continued success, as well as the ability to generate non-property tax revenues while controlling expenditure growth. It is also important to maintain a reasonable tax rate for both commercial and residential property owners and reliable water and sewer services at affordable rates. By achieving these goals, Cambridge will continue to be a place where individuals and businesses want to visit and/or locate.

The Cambridge Office for Tourism (COT), with a budget of \$417,700, is a non-profit agency that serves as the central clearinghouse for all tourism marketing and visitor information in Cambridge. COT seeks to enrich the City of Cambridge by promoting its many special attractions and cultural amenities for the enjoyment of both residents and visitors. By coordinating tourism marketing efforts, COT seeks to increase recognition of Cambridge as an important component of the Greater Boston destination, thereby developing a stable and consistent tourism base in the local economy. The Office produces printed collateral material to assist visitors, including a Cambridge bookstore guide, a seasonal Calendar of Events, a marketing brochure, a dining guide, a historical walking guide and a comprehensive Visitors Guide.

COT launched a completely revamped tourism Website, with sophisticated enhancements to improve user interactivity, which integrates links to Twitter and Facebook. A 30-second video link will encourage participation in new features. Also, COT has developed a mobile Website that will be compatible with smart phones and handheld devices. COT has again purchased a Cambridge section on Trip Advisor, still the most popular and utilized travel Website, that features Cambridge hotels and restaurants via rotating advertisements, events listings, maps marking points of interests and editorial content. In coordination with the City, COT supports the software system Trumba that allows for one central calendar of all events to be on the Tourism and City Websites.

In support of this City Council Goal, the Public Information Office (PIO), has promoted these efforts and informs Cambridge citizens, City staff, businesses, institutions and the general public through a range of outreach efforts, including the following: produced and mailed the CityView newsletter to over 49,000 Cambridge households in November and May; produced the 2012-13 edition of The Cambridge Life Magazine & City Resource Guide; managed and posted daily information on the City Website home page, keeping content fresh and updated; and provided ongoing support to City departments requesting publicity assistance, Website postings and online Website calendar assistance.

As part of the FY12 Budget process, the City Council appropriated additional funds to the Information Technology (IT) Department for the development of mobile applications, a citizen complaint system and an optimized search function. All of these initiatives have been completed. In addition, an E-Gov Executive Committee was formed. While the IT Department has employed a planning process, incorporating input from across City departments and from a range of stakeholders, evaluating suggestions, input and cost considerations as part of its determinations on priorities, the creation of an E-Gov Executive Committee will allow the City to develop a more formal procedure for prioritizing projects and assisting in development of an IT Strategic Plan. A formal IT Strategic Plan will allow the City to continue to address the ever-expanding interest in keeping pace with technology, which will enhance City service delivery and municipal government communication. Included as part of the E-Gov team are several residents of the City of Cambridge with ties to MIT, Google, Microsoft and a local technology entrepreneur. This committee is hosting its first public meeting, the Information Technology World Café, on May 10, 2012, which will allow the general public to provide input to the overall Information Technology planning process.

During FY13, this committee will be assessing two areas of technology that will require supplemental appropriation. The first initiative is the CRS system, which is over five years old and requires an upgrade and major enhancement for which new software will be purchased and implemented. The second area is new innovation. The E-Gov committees (Executive and Project Management), which include knowledgeable technology representatives from the community as noted above, will consider the public input from the IT World Café, and will plan and prioritize initiatives that will increase transparency and will plan development of new and innovative applications.

The IT Department has completed the following projects this year:

- Launched new City, CDD and Police websites.
- Evaluated and assisted with selection of a vendor for Inspectional Services Department Permitting Software and provided technical support for the implementation.
- Developed, launched and updated the Cambridge iReport web and mobile applications. These enable reporting potholes, missed rubbish and recycling pickups, defective streetlights, graffiti, unshoveled/icy sidewalks and rodent sightings. These applications make service requests easier, while increasing DPW operational efficiency and automating notification about the status of requests.
- Launched Cambridge Alert Network.
- Added online payment for DPW permits.
- Implemented Google Translation and Search options to website.
- Added tracking of individual City Councilor's votes that can be viewed on the website.
- Added transfat inspection tracking and reporting to Inspectional Services' Food Service Inspection web application.

- Performed a review of the City Website for compliance with Disability Act Section 508 and identified improvements to achieve compliance.
- Completed the design and setup of the new CRLS VoIP network.
- Developed new interactive GIS Websites, which are embedded in updated departmental Web pages. First pages were for Community Development, with themes that include special permits, parks, economic development, green buildings and renewable energy systems.
- Provided technical support to the Election Commission for the redistricting of the Wards and Precincts from new data obtained from the 2010 U.S. Census data and developed a series of new maps associated with the new voting districts and legislative boundaries.
- Enhanced historic 1947 aerial photography, which is in GIS and on the City Website. Began scanning and adding 1978 aerial photography in GIS.
- Assisted the Community Development Environmental Planner and their collaborative partners with projects involving renewable energy resources, including urban tree canopy, rooftop solar potential and energy efficiency through thermal imaging.

The IT Department recently hired a web innovation developer, to develop and implement new technology and improve City services delivered on the Internet and through mobile devices, as part of the City's Information Technology Web team. In addition, an allocation of \$215,000 in the Capital Budget will fund: replacement of personal computers, the continued upgrade of department websites, introducing more mobile websites and mobile applications, upgrade of the City fiber optic and VoIP network and enhancements to the GIS Web tools for public access to more user friendly maps.

The Department of Public Works (DPW) launched its Facebook page ([Facebook.com/CambridgeDPW](https://www.facebook.com/CambridgeDPW)), providing members of the community another option for getting information and updates from the Department. Public Works continues to explore ways to better utilize social media, working in collaboration with other departments as part of the E-Government process. DPW will continue to strengthen and broaden social media efforts by improving its Facebook and YouTube pages and launching a Twitter account. Also, IT and DPW will continue to work on improving its response time to iReport requests through a pilot mobile technology program to connect street maintenance staff in the field to the work order system via laptops and tablets.

The Economic Development Division of the Community Development Department provides support to the Cambridge business community through a variety of programs and activities. The Division provides services in the following areas: commercial district revitalization (including the Façade Improvement and Best Retail Practices programs); technical assistance to existing and start-up entrepreneurs; support for women- and minority- owned businesses; programs to encourage workforce development, in emerging sectors; and real estate information in support of the City's development districts and neighborhood retail areas. The Division also maintains close relationships with existing larger businesses to retain major employers and works to attract new businesses to the City.

In addition, CDD regularly attends meetings of associations representing the city's businesses and provides technical assistance to facilitate their efforts to keep Cambridge's commercial districts and corridors vibrant. The City works actively through government and regional collaboration, and directly with organizations to recruit new businesses to Cambridge and to fill vacant commercial space. Cambridge also collaborates with its educational institutions on a variety of levels to ensure that city residents have the opportunity to share in the many resources provided by the

presence of these institutions. These collaborations have resulted in tangible advances in the City's climate, housing, open space, transportation and infrastructure, education, arts, and human service initiatives.

The City continues to support within the Capital Budget the Façade Improvement Matching Grant Program (\$100,000). In support of the City's workforce development efforts, \$81,000 will be allocated to the Biomedical Careers Program, run by Just-A-Start, to help low-moderate income individuals obtain skills for jobs in the bio-medical industries.

Additional examples of continued work to support this City Council include:

- Provided assistance to over 140 existing and potential Cambridge entrepreneurs through small business educational workshops including "Steps to Starting Your Own Business," "Quickbooks for Restaurant Owners," "Quickbooks to Track Customer and Job Profitability" and "Enhancing Your Marketing Strategy." Offered 12 two-hour financial literacy workshops for Cambridge residents on topics such as budget and credit management, savings and banking basics.
- Building upon earlier public discussions and the Central Square Intercept Survey, supported the Red Ribbon Commission in its efforts to enliven the Square. Provided technical assistance to residents and businesses in their initiatives to increase outdoor entertainment and enhance the economic environment in Central Square. Also performed an Intercept Study in Kendall Square to support the efforts of the Kendall Square Planning Study.
- Through the Retail Best Practices Program, assisted 32 Cambridge retailers and provided 10 matching grants for interior and marketing improvements to businesses. Through the Façade Improvement Program, provided matching grants for 10 commercial storefronts and provided architectural design services to 12 additional businesses.
- Provided technical assistance to further strengthen the recently-established East Cambridge Street Business Association and Kendall Square Association, in a continuing effort to support the city's commercial districts and corridors.
- Marketed Cambridge as a desirable location for business at networking events and conferences and by working with existing and potential new companies, with emphasis on biotech, life sciences and green technology firms. Initiatives include collaboration with state and regional business development officials to prepare for a Cambridge presence at BIO2012, the world's largest biotechnology convention, which will be held in Boston in June to attract additional life sciences companies to Cambridge. Assisted with permitting for expansion of Microsoft, Google, Novartis, Biogen Idec and Pfizer.
- Continued payments in lieu of tax (PILOT) agreements that the City has negotiated with Harvard University, MIT and other institutions. Not only do these agreements provide additional revenue to the City each year, but they also provide long-term revenue protection and stability.

- **PROMOTE PUBLIC SAFETY AND ADDRESS THE CHALLENGES AND OPPORTUNITIES FOR MULTIPLE MODES OF TRANSPORTATION TO SAFELY SHARE ROADS AND SIDEWALKS.**

The FY13 Budget provides significant resources to support this Goal. The total Public Safety Budget for FY13 is \$107,945,475, or 22.1% of the Operating Budget, and includes the following departments: Animal Commission, Fire, Police, Traffic, Parking and Transportation, Police Review and Advisory Board, Inspectional Services, License, Weights and Measures, Electrical and Emergency Communications.

The FY13 Budget includes \$40.1 million to support a Class 1 rated Fire Department with neighborhood fire stations and an accredited ambulance service. The Insurance Services Office (ISO), through its Public Protection Program, has continued to give the City of Cambridge Fire Department a Class 1 designation, the highest rating a fire department can receive. The Class 1 designation reflects the City's ability to contain and control fires. Of the more than 37,000 fire departments in the United States, only 62 are currently classified as Class 1. Cambridge is the only department in Massachusetts rated Class 1.

The FY13 Capital Budget contains \$1,245,000 to provide funding for the replacement of two Fire vehicles, including a new ladder truck, which will replace a 1994 ladder truck. The new ladder truck will be equipped with thermal imaging cameras and all new equipment for the rapid intervention team, and will have a highly efficient diesel engine. The second vehicle is a 1,250 gallon pumper, which will replace a 1991 pumper. This vehicle carries a fire hose, medical supplies, specialized equipment and will have efficient emission controls and energy saving features. In addition, \$25,000 has been budgeted to provide funding for miscellaneous renovations and repairs at various fire stations. Utilizing the in-house carpentry crew has enabled the department to complete small projects in a timely fashion, in an effort to prevent delayed maintenance items from becoming large capital projects.

The FY13 Budget includes \$45.6 million to support the Police Department. It should be noted that after historic lows were recorded in 2009 and 2010, serious crime in Cambridge fell in 2011 to its lowest level since 1963. The Police narrative provides extensive detail on its initiatives, performance measures, goals and crime statistics. The 2011 customer satisfaction responses collected from incident reports rated the Department at 89% satisfaction with Overall Response and 98% satisfaction with Professionalism of Officer Conduct. In FY12, the Department has worked to increase the availability of the assessment forms to all citizens of Cambridge by providing an online survey and by providing surveys in all public libraries. Several initiatives have been instituted to continue to promote effective community partnerships, predictive deployment and enforcement strategies, and programs to address crime prevention and quality of life issues. These initiatives continue to support the Department's goal of building and maintaining relationships as well as solving problems in the community that affect public safety. In addition, Department participation in social media, such as Facebook and Twitter, as well as increased communication with the community through information and alerts sent via Citizen Observer, is helping the Department improve its achievements toward the goal of being as transparent as possible. The Police Department is identifying key initiatives, major goals and measurable steps for assessing service delivery to the residents of and visitors to Cambridge.

In addition, the Police Department, in collaboration with the Department of Human Services Programs (DHSP) and the Cambridge Health Alliance (CHA), continues its involvement with the Safety Net Collaborative, a diversion program for Cambridge youth and their families. The Department works with the Pedestrian Committee, Bicycle Safety Committee and other agencies on transportation issues. Members of the Department are assigned as liaisons to work with groups to promote alternative means of transportation and to work on the many transportation

challenges in Cambridge. The Police Department also collaborates throughout the year with Cycle Kids, Inc., a program focused on healthy lifestyles, bicycle safety and safety based curriculum, to educate youth on safe and effective bicycle operation in the city. Lastly, the Police Department initiated a law enforcement in-service training program to incorporate officers from the Harvard University and MIT Police Departments. This effort sought to promote high level training to all officers within the police departments in the city, to ensure common police practices are instituted in the community. This combined training initiative provides a tremendous opportunity for officers to build relationships with university police, mutual understanding of department policies, and a learning opportunity for the officers in attendance.

In FY 12, the Electrical Department staff relamped all of the streetlights in neighborhoods 3 (Wellington Harrington) and 4 (Area Four). In addition, the Department implemented a pilot test of LED streetlights on Rindge Ave. from Sherman Street to Alewife Brook Parkway. The pilot allowed for a review of how well the streetlights perform with regard to color, light levels, light trespass onto private property, dark sky issues, energy savings, maintenance and the perceptions of the abutters and will assist in the development of this project to the next phase. An FY13 Capital Budget allocation of \$35,000 will be used to continue an ongoing program of replacing approximately 35 deteriorating steel street light poles with new aluminum poles.

The License Commission works to promote public safety by conducting inspections of licensed alcohol establishments. Inspections are carried out in conjunction with the Inspectional Services Department and Fire Department. There are currently 271 licensed liquor establishments in the city. The Commission also conducts routine investigations of all other categories of licenses to ensure safe and proper conduct of business. In addition, the Commission continues to work closely with the Cambridge Licensee Advisory Board to educate establishments regarding underage drinking. Last year, the Commission participated in workshops on how to successfully open a restaurant. To assist with the development of the Kendall Square area, the Commission's Board issued new, no-value alcohol licenses to applicants wanting to open in that area who would otherwise be without alcohol service.

The License Commission also strives to maintain a safe taxi industry. Semi-annual inspections are carried out. In addition, taxi school instruction increased from 3 days to 5 days, with a 60 day probationary on-the-job training period for all new drivers. The Commission continues to work toward reducing complaints and increasing professionalism in the industry and has instituted an annual meeting with medallion owners to keep them up to date with industry standards and requirements.

The Traffic, Parking and Transportation (TPT) Department oversees public parking and traffic operations in the city and actively promotes walking, bicycling and transit. In support of this Goal, TPT continues to install and maintain pavement markings that support the needs of pedestrians and bicyclists for bicycle lanes and crosswalks. Well marked travel lanes improve safety for all travel modes. Bike lanes and metered parking have been added on First Street.

TPT performs traffic signal coordination to manage traffic volumes, while allocating time for safe use by pedestrians and bicycles. Pedestrian countdown timers and walk indicators, just before vehicles get their green signal, support pedestrian safety. TPT provides transportation review of large development projects, which has allowed the approved parking supply to match need, without reaching over-supply. In concert with the transportation demand strategies being implemented at these projects, the percentage of commuters driving to work has declined, while use of transit, walking and bicycling has increased. Due to these efforts, only 42% of commuters drive to work. This positions Kendall Square to support increased development of jobs, housing and retail activity within the existing roadway infrastructure.

The FY13 Capital Budget contains \$850,000 to support: traffic signal repair and upgrades (\$330,000), parking garage repair and upgrades (\$100,000), parking meters (\$70,000); bike rack program (\$50,000); and traffic calming (\$300,000), which focuses on redesigning streets to improve the comfort and safety of people walking, biking and driving on them.

The Public Works Department issued the fourth update to the City's *Five Year Sidewalk and Street Reconstruction Plan*, which prioritizes street and sidewalk reconstruction on the basis of condition, accessibility and location. This year's Plan continues to emphasize a "complete streets" program, where streets are designed for all users—pedestrians, cyclists, bus riders, drivers and residents— and includes more sidewalk reconstruction and missing ramp reconstruction on major arterials to increase accessibility for pedestrians. The Plan also emphasizes tree planting and protection during construction.

The FY13 Capital budget includes \$4,214,730 in funding from various sources in support of roadway and sidewalk improvements. Also, \$5,000,000 has been budgeted for the reconstruction of streets and sidewalks, and the installation of new lighting, street furniture, trees and other beautification measures, in support of the overall long term upgrades envisioned in Kendall Square. An additional \$332,000 is allocated in the FY13 Capital Budget to fund the Waverly Street Path Construction, which will complete a section of a multi-modal path, further linking Cambridgeport to the Grand Junction and the at-grade crossing at Fort Washington. An allocation of \$250,000 from the Parking Fund Balance will be used for the first phase of a design and community process on Mass. Avenue between Beech Street and Alewife Brook Parkway, to have this project included in the Transportation Improvement Program (TIP) to be funded for construction.

The City has significantly expanded the City's snow operations to include snow removal at bus stops and corner ramps along high-volume bus routes after significant snow accumulation and continued to improve public information related to snow by updating the sidewalk snow and ice informational brochure that is mailed annually with water bills, posting the City's snow operations manual online, offering CodeRED as a tool for the community to receive snow emergency notifications by phone, text and e-mail, and launching Cambridge iReport to enable residents to report unshoveled and/or icy sidewalks by web or mobile phone.

OUTLOOK AND CONCLUSION

The economic outlook for the City both in the short and long-term is very favorable. This is evidenced by the fact that from 2006 through the fall of 2011, the inventory of commercial real estate grew, adding 1.2 million square feet. 900,000 square feet is under construction with an additional 5.4 million square feet currently in the permitting stage or permitted and ready to go.

Cambridge has maintained and strengthened its position as a national leader in life sciences and high tech. The Greater Boston cluster was recognized as the best established life sciences cluster in the nation by Jones Lang LaSalle in November 2011. The Cambridge submarket was described as "the core of the Massachusetts life sciences industry." Preeminent research institutions such as MIT, Harvard, the Broad Institute and the Whitehead Institute act as a magnet for commercial investment in the city.

At a time when construction starts have stalled nationally, Cambridge is in a life sciences and high tech building boom. Massachusetts Institute of Technology Investment Management Company (MITIMCO) has broken ground on a new 183,000 square foot research facility for Pfizer in a new

230,000 s.f building. Biogen Idec is building 303,000 square feet of new office space on a site owned by Alexandria Real Estate Equities and plans an additional 188,000 s.f. expansion on a site owned by Boston Properties. Boston Properties has begun construction on a 250,000 s.f. expansion for the Broad Institute and is completing the renovation of 113,000 square feet of office space for Microsoft to expand and consolidate its operations in Kendall Square along with Google's proposed expansion. Skanska is developing a 108,000 s.f self-financed building to tap unmet need for first class office/R&D space. Novartis has begun work on adding 573,000 s.f. to its Cambridge campus, including an iconic new building designed by Vietnam Memorial designer Maya Lin.

The Broad Institute, a joint venture of MIT, Harvard and Harvard affiliated hospitals, provides a new model for collaboration across disciplines and organizations. Its deliberately ambitious goal is to transform medicine, and its expanded presence in Cambridge serves as a beacon to many commercial life sciences companies who want to locate near the Broad.

Cambridge's success is not limited to established life sciences and high tech companies. Venture capital firms such as Atlas Venture, Bessemer Venture Partners, Greylock Partners and Highland Capital Partners have moved their offices from the suburbs to Cambridge. Venture capital investments in Cambridge enterprises continue to grow as well. According to CB Insights, Cambridge companies received \$312 million in venture capital funding in the fourth quarter of 2011 in 27 transactions. This is the highest number of deals and the most dollars invested in Massachusetts. Only three states, California, Massachusetts and New York had more venture capital deals than the City of Cambridge, and only four states had a greater investment of venture capital.

The combination of expansion of existing companies and the continued investment in innovative startups provides a winning formula for Cambridge's continued economic stability and growth.

We will continue to use our five year financial and capital plan, debt and reserve policies and the City Council Goals as a blue print for our long-range planning to maintain stability and predictability in our budgeting and financial planning processes. Our financial projections indicate that we will be able to produce future budgets that will reflect a moderate growth in the property tax levy, which is our primary revenue stream. In addition, the City 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 rehabilitation.

While overall economic conditions have improved, there are ongoing uncertainties that will force us to be cautious in the next fiscal year. These uncertainties include: the impact of possible federal budget reductions on local and state governments and institutions and private research and development; increasing energy costs and their impact on inflation and the economic recovery under way; and the impact of increasing health insurance costs.

The major priorities, which will have budget impacts in the near-term, will be the multi-year Elementary School Rebuilding Program, energy saving initiatives and IT innovations. As noted earlier, although funds for the construction phase of the King School Renovation Project are not included in the FY13 Capital Budget, an allocation of \$73,000,000, based on the current estimate for the project, has been set aside in the FY14 Capital Budget. However, based on the results of the feasibility study now under way and a continuing evaluation of total project costs, an appropriation recommendation to the City Council is projected to be made in the beginning of FY13. Also, I anticipate making a Free Cash appropriation recommendation of approximately \$2,000,000 for the first phase of the LED street light replacement at the beginning of FY13, with

the remaining funds for the \$6,000,000 estimated cost appropriated in subsequent fiscal years. Based upon the work of the E-Gov Executive Committee and Project Management working group, as well as input received through the IT World Café, a supplemental appropriation is expected to be made in the beginning of FY13 to support continued technology innovations as well as a recommendation for additional resources to augment the current Cambridge Request System (CRS).

In addition, the City has updated its Other Post Employment Benefits (OPEB) actuarial study, which has resulted in my recommendation of a \$1 million appropriation to the OPEB Liability Trust. The City will continue this allocation on an annual basis in the future until the City's unfunded pension liability is eliminated in 2029, based on the latest funding schedule. It is the City's intention to use the excess appropriations that will result when the pension liability is met to fund the City's OPEB liability. However, the City is scheduled to receive an updated Pension actuarial study by mid-year. Based on the results, the City may be required to increase in its annual appropriations to meet our current target of 2029 in future years.

FY11 was a solid year financially for the City of Cambridge. Our sound financial practices have left the City with substantial reserves including \$102.2 million in Free Cash, \$102.6 million in excess levy capacity, \$14.5 million in Parking Fund balances and \$7 million in Water Fund balances. In addition, the Health Claims Trust ended FY11 with a balance of \$17.4 million, with the Debt Stabilization Fund reflecting a \$5.2 million balance and the School Stabilization Fund showing a \$6.1 million balance. It is anticipated that the City will also end FY12 in a strong financial position. This Budget continues to use these reserves strategically to lessen the increase of the property tax levy. While the above factors are important, we also need to continue to expand our non-property tax revenues.

Overall, Cambridge has emerged from the recent economic downturn in solid position in comparison to other municipalities both locally and nationally, while our City continues to move forward. In fact, the City received very positive feedback in the latest biennial Citizen Opinion Survey (2010), which will again be conducted in the fall 2012. However, in the latest survey 92% of respondents indicated the "Overall Quality of Life" as either excellent or good and 90% indicated that Cambridge was either an excellent or good "Place to Live." The results of the Citizen Opinion Survey should be a source of pride to the City Council, Department Heads and City Staff, especially during these challenging economic times and at a time when there is a great deal of cynicism about government in general.

The City Council adopted its Goals for FY12 and FY13 in December 2010. These Goals are included earlier in my message or can be found in the City Council Budget narrative in Section IV of the Budget. The administration and department heads have used these Goals in the development of the FY13 Budget, which can be evidenced in my message and by reading individual departmental narratives.

The long-term outlook for Cambridge continues to be very strong as long as we continue to manage our resources wisely. This has been confirmed by our continued AAA bond rating at a time when some communities have seen a reduction in their ratings. As I mentioned earlier in my message, we have planned for a time when State Aid and non-property tax revenues would stop increasing. Fortunately, we have been prudent in maintaining a healthy excess property tax levy capacity, saving and building our reserves and prudently managing our budget growth, which has allowed us to continue to maintain our City services.

As we are aware, Cambridge is not insulated from current economic realities, but we have positioned ourselves well to respond to these challenges in order to preserve the high level of municipal services which residents have come to expect, as well as meet the needs of our infrastructure.

I believe we have responded to the City Council's Goal of producing an FY13 Budget which reflects a 2.87% increase and a moderate growth in the property tax levy. Because the City Council and City Administration continue to operate with the same basic principles/lessons which have served us well in the past, we have been able to weather these challenging times. These principles include: 1) understanding that failure to make difficult decisions today will lead to even more difficult decisions in the future; 2) being realistic in our expectations in both good and bad economic times, which has resulted in us being able to manage our resources wisely; and 3) developing effective short and long term financial, economic and programmatic planning strategies.

I am confident that we can continue to provide the wide array of services that our residents have come to expect, while working through these difficult economic times.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy". The signature is fluid and cursive, with a large initial "R" and "H".

Robert W. Healy
City Manager