

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

ADOPTED BUDGET MESSAGE

May 23, 2005

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

I herewith present to you the FY2006 operating and capital budgets for the City of Cambridge approved by the City Council on May 23, 2005 as well as the five year Capital Plan.

The adopted operating budget of \$380,186,825 represents an increase of \$15,172,455 or a 4.2% increase over the FY05 adjusted budget. The budget increase is largely attributable to a 5.0% cost of salary increase for employees (4.25% plus a .75% carry-over from FY05), a 9.7% increase in employee health insurance, a 2.5% increase in employee pension costs, a 1.6% increase in school spending and a debt service increase of 17.4%. In addition, \$725,000 has been added to the budget to cover the cost of a 53rd pay period in FY06 for employees who are paid on Fridays. In addition, the Operating Budget includes the reduction of 13 full-time positions and reductions in non-salary account expenditures.

Based on the recognition that the FY05 increase in property taxes placed a burden on some property owners, the City Administration and City Council established a goal of producing an FY06 Budget with a very modest property tax levy increase. The adopted FY06 budget calls for a total FY06 property tax levy of \$228,470,845, a \$5,517,405 or a 2.5% increase, which is the smallest increase in a decade. It is my belief that collectively we have listened to the taxpayers and this submitted budget has met that goal. It should also be noted, that the FY06 water and sewer rates adopted in March 2005 included a 0% water rate increase and a 7.5% sewer rate increase to produce a combined rate increase of 4.8% which was well below the estimated combined rate increase of 9.0% projected the previous year.

Part of our ability to produce a Budget with a modest increase in the property tax levy is the planned use of our reserves and stabilization funds as well as the increased use of non-property tax revenues as a result of our on-going effort to review permit fees, charges for services and fines charged by City Departments.

The FY06 adopted Capital Budget of \$27,383,170 supports a large number of projects that include the construction of the West Cambridge Youth and Community Center (\$6,000,000), improvements to City Hall and other City buildings (\$2,150,000) and sewer reconstruction and remediation projects (\$11,565,840). In addition, funding has been provided for public safety vehicles and equipment, streets/sidewalks reconstruction, traffic signal and meter replacement, water system improvements, housing rehab and development programs, business development programs and school equipment and building improvements.

The FY06 budget closely links the operating and capital expenditure plans with priorities established by the City Council. Department heads have carefully reviewed their budget narratives, accomplishments, goals and performance measures and have continued to make modifications to them to demonstrate their department's efforts to address the City Council goals. Also, in an ongoing effort to review budget narratives in order to provide better information to the City Council and the public, the Emergency Communications budget narrative, located in Section IV, has been totally revised. The new Emergency Communications narrative provides more statistical measures with historical comparisons over time and in relation to national standards. In addition, modifications have been made to the Financing Plan section in this Budget document to provide more detailed information on City revenue sources. While I encourage readers to review each budget section in detail, the submitted budget message on page I-5 highlights the approved spending plan for implementation of the City Council priorities.

By being cognizant of our financial limitations and working together, I am confident that we can continue to provide the wide array of services that our residents have come to expect, while at the same time meeting the needs of our infrastructure that will benefit our citizens for decades to come.

I would like to thank the citizens of Cambridge, its employees and the distinguished members of the City Council for their dedication and commitment in keeping Cambridge a vibrant and hospitable City for its residents and visitors.

Very truly yours,

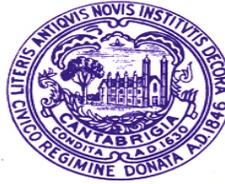
A handwritten signature in black ink, appearing to read "Robert W. Healy". The signature is fluid and cursive, written over a white background.

Robert W. Healy
City Manager

SUMMARY: OPERATING BUDGET (all funds)

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
30,317,765	33,196,425	General Government	38,703,785
74,011,620	79,558,405	Public Safety	81,513,280
66,164,485	71,650,365	Community Maintenance & Development	75,906,015
19,857,065	21,188,370	Human Resource Development	21,827,750
117,057,360	118,677,560	Education	124,044,400
<u>33,617,540</u>	<u>35,558,580</u>	Intergovernmental	<u>38,191,595</u>
341,025,835	359,829,705		380,186,825

FINANCING PLAN	FY06 BUDGET
Taxes	242,990,930
Licenses & Permits	5,822,615
Fines & Forfeits	8,880,395
Charges for Service	56,978,040
Intergovernmental Revenue	55,278,340
Miscellaneous Revenue	<u>10,236,505</u>
	380,186,825



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

SUBMITTED BUDGET MESSAGE

April 25, 2005

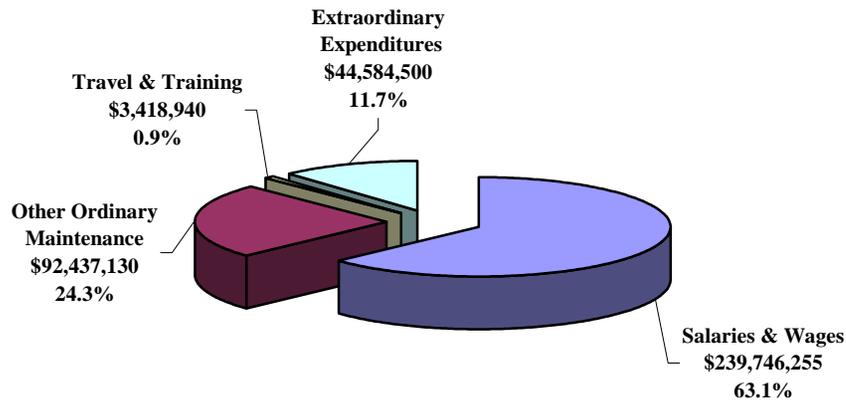
To the Honorable, the City Council
and the residents and taxpayers of Cambridge:

I herewith submit for your consideration the proposed FY06 Operating and Capital Budgets for the City of Cambridge, as well as the proposed FY07 - 10 Capital Plan. The spending plan for the Operating and Capital Budget, as submitted, including non-budget items such as overlay reserve and other offsets, calls for a total FY06 property tax levy of \$228,470,845, a \$5,517,405 or a 2.5% increase, which is the smallest increase in a decade.

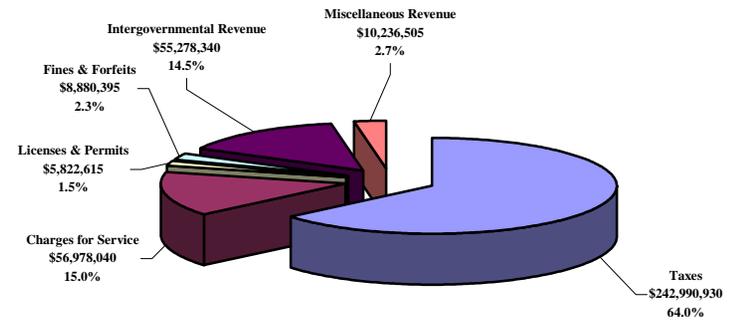
The proposed Operating Budget of \$380,186,825 represents an increase of \$15,172,455 or 4.2% over the FY05 adjusted budget. However, it should be noted that when Massachusetts Water Resource Authority and State (Cherry Sheet) assessments are excluded from the total budget, the FY06 Operating Budget is only increasing by 3.7%. The budget increase is largely attributable to a 5.0% cost of salary increases for employees (4.25% plus a .75% salary cost carry-over from FY05), a 9.7% increase in employee health insurance, a 2.5% increase in employee pension costs, a 1.6% increase in school spending and a debt service increase of 17.4%. In addition, \$725,000 has been included in the budget to cover the cost of a 53rd pay period in FY06 for employees who are paid on Fridays. In addition, the Operating Budget includes the reduction of 13 full-time positions as well as reductions in non-salary accounts.

Based on the recognition that the FY05 increase in property taxes placed a burden on some property owners, the City Administration and City Council established a goal of producing an FY06 Budget with a very modest property tax levy increase. It is my belief that collectively we have listened to the taxpayers and this submitted budget has met that goal. It should also be noted, that the FY06 water and sewer rates adopted in March 2005 included a 0% water rate increase and a 7.5% sewer rate increase to produce a combined rate increase of 4.8% which was well below the estimated combined rate increase of 9.0% projected the previous year.

**APPROPRIATION BY STATUTORY
CATEGORY**



REVENUE BY SOURCE



TOTAL BUDGET \$380,186,825

The actual tax levy is determined in the fall as part of the tax rate setting process. It is important to realize that when determining a homeowners' property tax bill, there are three major factors. The first is the Budget, which determines the levy amount. The remaining two, which will not be known until the fall, include individual property valuation changes and the impact of any residential/commercial classification shifts. Also, the actual tax levy amount may differ from the above, pending final State Aid allocations to Cambridge that will not be known until the State Budget is approved later in the spring or early summer of this year. The FY06 Budget assumes that Cambridge will receive a full reimbursement for the first year cost of tuition paid for students who enroll in the new grade 7-12 Charter School scheduled to open in September 2005. The Governor in his budget proposal linked the full state funding of Charter School reimbursements to eliminating the cap on Charter School assessments as a percentage of net school spending when the Board of Education determines that a school district's scores on MCAS tests are in the lowest 10% statewide for two consecutive years. This provision has approximately a \$1 million impact on the amount to be received in FY06. However, it is expected that the final State Budget will not include these restrictions and the City will receive its estimated reimbursement.

Part of our ability to produce a Budget with a modest increase in the property tax levy is the planned use of our reserves and stabilization funds. For example, for the past two years a \$1,000,000 appropriation to the City's Stabilization Fund from property tax revenues has been made and has allowed the total balance in the City's Debt Stabilization Fund (as of June 30, 2005) to grow to approximately \$9.1 million. In FY06, \$2.0 million from City's Debt Stabilization Fund is being used to offset the impact of increasing debt service costs on the property tax levy. We anticipate using the remaining balance in future years to offset property tax levy increases for increased debt service costs. Also, \$2,000,000 in overlay surplus balances accumulated from prior fiscal years are being used to lower the tax levy increase. This is an increase of \$1 million from FY05. Based on the City's Free Cash balance (FY04 certified amount of \$34.9 million), an additional \$581,000 has been recommended to fund the cost of the temporary borrowing required for the purchase of a building to house a new police station. In addition, \$2 million in Free Cash will again be used to reduce the property tax levy increase. Overall, the FY06 Operating Budget uses \$2,731,000 in Free Cash in addition to \$1,330,000 in the Capital Budget which is a decrease of \$170,000 from FY05. The total amount used from Free Cash in the FY06 Budget is \$4,061,000, which is an increase of \$411,000.

Also, as a result of an on-going effort coordinated by the Finance Department beginning in FY04 to review permit fees, charges for services and fines charged by City Departments, the FY06 Budget contains large dollar increases in non-property tax revenues. These include increased revenues for certified copies and marriage licenses issued by the City Clerk's Office (\$124,300), various fire permits issued by the Fire Department (\$45,000), municipal lien certificates prepared by the Finance Department (\$15,000) and others. However, increased revenues from these fees were not included in the FY05 Budget but are reflected in the FY06 Budget based on actual revenue collections in keeping with the City's practice to budget non-property tax revenues conservatively.

The FY06 Budget also includes increased revenues based on fee increases implemented outside the process noted above. The largest of these is the increase in parking fines that were increased in April 2005, and is estimated to bring in an additional \$1 million in revenue. In addition, adjustments to revenues based on actual increased collections realized in FY05 have been included in the FY06 Budget. For example, these include increases in Hotel/Motel taxes (\$378,900), Penalties and Interest (\$85,000), Recycling revenues (\$75,000), Moving Violations (\$50,000), Rescue Unit fees (\$200,000), Interest Earnings (\$200,000), Intergovernmental Reimbursements (\$322,170) and various smaller increases in other categories. For a majority of the revenues that have seen an increase in the FY06 Budget, the City will

carefully review actual revenue collections during the fiscal year to determine if additional revenues can be used as part of the financing plan for the FY07 Budget.

In addition, the City will realize \$681,885 in-lieu of tax payments as a result of the agreements recently signed with Harvard University and the Massachusetts Institute of Technology.

As has been the case for several years, the preparation of the FY06 spending plan was made difficult by continued uncertainty over the level of State Aid funding to the City, especially in the category of Additional Assistance and Charter School Reimbursements. However, the City estimates it will receive \$718,740 more in FY06 than it did in FY05 (\$31,567,430) from the three major local aid categories, which include Chapter 70 School Aid, Lottery Aid and Additional Assistance. However, in FY05 the City received \$494,860 in a one-time revenue from the state that has been now included as part of the local aid distribution which makes the net revenue increase \$223,880. This major revenue source represents 8.5% of the total Operating Budget. This State Aid estimate is based on the Governor's FY06 Budget (House1) released in January 2005 and the House Ways and Means Budget proposal released in mid April 2005. Both proposals call for the same amount in these three categories.

The FY06 proposed Capital Budget totals \$27,383,170, a decrease of \$11,551,585 or 29.7% from the previous year. It should be noted that the FY05 Capital Budget contained several large projects which totaled over \$13 million and included the Porter Square and Harvard Square enhancement projects, Russell Field improvements, Area 4 parks and renovations to the Gold Star Pool. This largely accounts for the decrease in FY06, which does not include the same number of large projects.

The major component that has decreased in the FY06 Capital Budget is sewer reconstruction, which is funded at \$11.6 million. This represents a decrease of approximately \$6.2 million, which is consistent with the overall capital plan for sewer construction. However, the FY06 Capital Budget contains two major projects, the West Cambridge Youth and Community Center (\$6,000,000) and improvements to City Hall and other City buildings (\$2,000,000). As a result of the smaller Capital Budget, revenues from bond proceeds to fund the Capital Budget have been reduced by \$11,734,660 from FY05.

However, a loan order for the acquisition of and renovations to a facility to be used as police headquarters was submitted to the City Council for approval prior to the submission of the FY06 Budget and is not included in this plan. It was necessary to submit the loan order prior to the submission of the budget to expedite the transfer of the property from the owners to the City. If this loan order for \$49,500,000 was included, the FY06 Capital Budget would increase to \$76,883,170. While the City attempts to show all funding for capital purposes in the Capital Budget, it is not always possible due to the timing of certain projects.

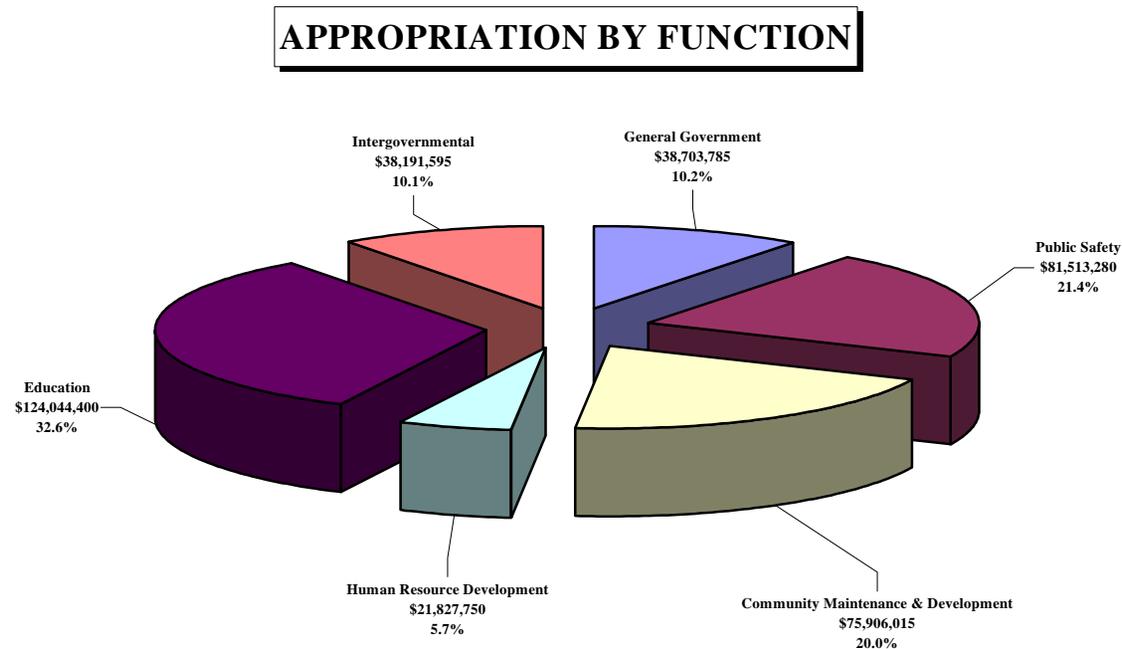
Not included in the proposed budget are funds from the Community Preservation Act (CPA) surcharge. The Community Preservation Fund Committee will be making their recommendations on the use of the funds, approximately \$5,250,000, during the upcoming months. The CPA funds may only be used for certain affordable housing, open space and historic preservation purposes. In addition to the CPA funds raised locally, the City could receive approximately \$5,250,000 in state matching funds to be made available in October 2005. A recommendation for the appropriation of all CPA funds received will be made by the Community Preservation Fund Committee and

forwarded to the City Council for appropriation in the coming months. It should be noted that the City Council has already appropriated/reserved \$35,100,000 from CPA revenues and state matching funds. The City has received over \$15 million in state matching funds.

In keeping with the practice of recent years, the proposed FY06 Budget closely links the operating and capital expenditure plans with priorities established by the City Council for FY06 and FY07. 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.

Also, in an ongoing effort to review budget narratives for larger departments in order to provide better information to the City Council and the public, the Emergency Communications Department budget narrative located in Section IV has been totally revised. The new narrative provides more statistical measures with comparisons to other communities both locally and nationally. In addition, modifications have been made to the Financing Plan section in this Budget document to provide more detailed information on City revenue sources.

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

- **EVALUATE CITY EXPENDITURES WITH A VIEW OF MAINTAINING A STRONG FISCAL POSITION AND AWARENESS OF THE IMPACT ON TAXPAYERS**

As noted above, the FY06 Budget reflects the lowest property tax levy increase (2.5%) in a decade through a combination of using reserves, increased non-property tax revenue and limiting expenditure growth.

The City's excess tax levy capacity, an extremely important indication of the City's financial health, is projected to be approximately \$51.3 million for FY06, which is an increase from \$44.7 in FY05. 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 that include the Parking Fund, Water Fund, Overlay Account, Stabilization Fund, Health Claims Trust and Free Cash. 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 should be able to deal with level funding of State Aid and other economic challenges in future years in a responsible fashion with a limited impact on our service delivery. This includes proceeding with a public investment program that will result in a projected increase in our annual tax supported bonding cost of \$10.9 million over the next four years. Cambridge is unique in its ability to maintain services while improving our infrastructure in these challenging economic times. It is not uncommon to look at neighboring communities that are requiring Proposition 2^{1/2} overrides for Operating Budgets and/or for Debt Exclusions in order to fund capital projects.

The achievement of a low property tax levy increase was obtained early in the budget process with the issuance of strict budget guidelines for the development of the Operating and Capital Budgets to City department heads. 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 included a review of all vacancies with department heads with a requirement to describe the operational impact on their department if vacant positions were reduced. No initial increases in non-salary budgets were allowed. All operating items known to be increasing were to be absorbed within existing budgets. Department heads were required to document the impact on their Operating Budget if cost increases were absorbed in their present level of service budget. And lastly, all submitted supplemental requests were required to have a corresponding reduction. For the Capital Budget submissions, the following guideline was put in place: departments were instructed to submit Pay-As-You-Go capital requests (funded from property taxes and free cash) that were equal to or less than the approved/funded amount received in FY05. All requests that exceeded the FY05 amount were required to be designated as "supplemental requests." Departments that did not receive a Pay-As-You-Go appropriation in FY05 could submit an FY06 request but it was required to be submitted as a supplemental request.

Also, the addition of new large projects financed through bond proceeds, which were not already part of the FY05-09 plan, was prohibited.

As a result of this process, 13 full-time positions were reduced in FY06. Savings from these position reductions were used to fund Operating Budget increases or supplemental budget items that otherwise would have been funded through increases in the property tax levy. In addition, reductions and /or reallocations in non-salary accounts were part of this process.

Examples of how these guidelines were put in to practice include:

The Public Works Budget projected almost \$600,000 in cost increases in its other ordinary maintenance accounts for services and materials to adequately fund its operations. Items increasing include: solid waste collection contract, curbside recycling contract, field maintenance, HVAC repair and maintenance services, vehicle supplies, and energy costs. In keeping with the budget guidelines, the FY06 Public Works Budget includes the reduction of four positions with a savings of \$209,900, a reduction of \$85,000 in equipment and \$113,000 in other budget reallocations to help partially offset these cost increases.

The FY06 Water Budget includes a net reduction of two positions. This includes a reduction of one working foreperson position, one water meter repairperson position, one water craftsperson position and an addition of one ranger position for a net savings of approximately \$70,000. These savings, coupled with a \$10,000 reduction in the other ordinary maintenance accounts, have been reallocated to the extraordinary equipment category for the purchase of replacement heavy equipment (backhoe).

The FY06 Traffic, Parking and Transportation Budget reflects a reduction of a vacant working foreperson position (\$58,840). These savings were offset by an increase of \$36,400 in the garage management contract for the First Street and Green Street Garages as a result of the vendor paying employees the Cambridge Living Wage rate. In addition, \$25,000 was added to cover the estimated cost increase in the pavement-marking contract.

It should also be noted that when the required increase in the Cherry Sheet assessments are excluded, the increase in City other ordinary maintenance accounts is less than 1%. Some of the decreases included a savings of approximately \$243,000 due to the purchase of street lights from NSTAR in February 2005 as a result of lower maintenance and energy costs and a decrease of almost \$25,000 in operating accounts in the Community Development Department. Also, there is a decrease of \$46,000 in the Assessor's Budget due to a reduction of contracted services which now can be performed in-house and a decrease of \$250,000 based on a new agreement with the Cambridge Health Alliance.

Also, for the third year in a row City and school officials have worked collaboratively early in the Budget process to establish a financial guideline which could be adhered to by the School Committee without requiring additional resources later in the process. The School Department Budget is projected to increase only by 1.6% in FY06.

In conjunction with the sale of \$46.1 million in bonds in February 2005, the City of Cambridge continued to be one of 19 cities in the United States to receive three AAA ratings from the nation's three major credit rating agencies. It should be noted that Fitch Ratings rated Cambridge as a "superior" AAA, which puts the City at the top of the highest rated communities. The "superior" AAA credit rating was based on Cambridge's diversified economy characterized by a sizable and stable employment base, a substantial and growing tax base,

consistently strong fiscal performance, and a low debt burden. Financial planning and debt management are solid. The service-oriented economy showed resilience to the recessionary pressures during the early 1990s and has grown through the recent economic downturn, with Harvard University and Massachusetts Institute of Technology (MIT) continuing to attract substantial private research interests. Notably, a recent payment-in-lieu-of-taxes (PILOT) agreement entered into with MIT, Cambridge's largest taxpayer, provides the City with revenue protection and predictability over the long term. I believe that these comments and those of the other two rating agencies demonstrate our ability to maintain the City's strong fiscal position.

Through these efforts, the budget does contain some increases to cover new initiatives but they are limited due to the emphasis this year of keeping the property tax levy increase as low as possible. These increases are highlighted in the sections below.

- **PROVIDE HIGH QUALITY SERVICES, INCLUDING EXCELLENT CUSTOMER SERVICE, EFFECTIVELY AND EFFICIENTLY AND CONTINUALLY STRIVE TO UPDATE THE PUBLIC ON ISSUES AND SERVICES**

The proposed budget continues the City's long practice of providing high quality service delivery to our citizens. This has been demonstrated by the results of the recent Cambridge Citizen telephone survey conducted by Opinion Dynamics in October 2004. Generally, satisfaction with the City and its municipal services has risen significantly since the last study that was conducted in October 2002. 89% of the respondents indicated that Cambridge was an excellent or good place to live. Other areas of improvement in the combined ratings of "excellent" and "good" since 2002 include:

- The overall quality of an individual's neighborhood (85%, up from 80% in 2002)
- Cambridge as a place to raise a child (65%, up from 61% in 2002)
- Cambridge as a safe place to live (79%, up from 76% in 2002)
- A sense of Community (70%, up from 62% in 2002)
- A place welcoming to all races (83%, up from 79% in 2002)
- Opportunities to attend cultural events (90%, up from 86% in 2002)

Internet use has increased since 2002 with regular use of the City's Web site quadrupling since November 2000. In response to this growing trend, the FY06 Budget supports the following initiatives:

- A new Cambridge E-Line service on the City's Web site, which allows the public to sign up for a weekly newsletter, publications and special alerts that can be sent to their e-mail address automatically on topics such as street cleaning, snow emergencies, and school closings.
- Support for a prototype wireless connection for City users and public access at City Hall, 344 Broadway and the Citywide Senior Center at 806 Massachusetts Ave., which allows portable devices to access the Internet.
- An online search engine that enables visitors to the City's Web site to access and read current restaurant inspection documents for Cambridge.
- A Permits and License Directory on the City's Web site, which allows users to view and print forms and instructions necessary for submission. All Traffic Department and some Fire Department and Finance Department forms can be submitted directly online.
- Improving the Assessing Department Property Database on the Web site to use the new data available in the computer assisted mass appraisal system (CAMA), which includes additional property characteristic data and building sketches.
- Increased public awareness related to various tax billings through use of the Web site, Cable TV and a more comprehensive Tax Facts Newsletter, including the ability to access property tax bills on-line.
- \$25,000 has been allocated in the Capital Budget to implement online credit card payment processing, to facilitate the issuance of approximately 4,000 permits issued yearly by the Traffic Parking and Transportation Department allowing property owners to reserve space in front of their property for moving vans, tool trucks and dumpsters for construction projects. This improvement will be particularly beneficial to individuals seeking moving van permits, many of whom are moving into Cambridge from locations outside of the City.

In addition to the above, continued support for a new Customer Request System (CRS) is contained in the Budget. This new system is a Web-based interdepartmental process that records, assigns, and tracks requests for services from the public and records resolution as well. Full implementation of the system for all departments will continue during FY06.

In an effort to improve customer service and other professional development opportunities, the City has developed a six-month "Providing Stellar Customer Service Training Program" for employees to maximize their customer service skills and abilities. Also, the Budget supports an ongoing Management Mentoring Program where employees attend monthly in-service training sessions in addition to working with a mentor around a chosen project. In addition, the City has altered its hours of operation for many administrative offices to include a late night closing of 8:00 p.m. on Monday evenings. This has allowed the public to visit offices at City Hall and other locations at a time more convenient than the traditional 8:30 a.m. - 5:00 p.m. office hours.

This Budget supports the continued publication of the City's bi-annual community newsletter, *CityView*, which is direct mailed to 48,000 Cambridge households. We will also continue producing other publications such as the City's Annual Report, the Cambridge Calendar of events distributed to residents and visitors by the Tourism Office, the Department of Human Services' Seasonal Resource Guides, Tax Facts and various other newsletters and publications distributed by departments during the fiscal year. In addition, the City began producing a new bi-annual magazine called "*The Cambridge Life*" which includes features on City departments, programs and services and a useful City resource guide.

In an effort to provide higher quality service to our residents by ensuring a prompt response, the City has recently purchased streetlights from NSTAR and the City's Electrical Department will now be performing all maintenance and bulb replacements. This has been a source of frustration for many residents who had to wait for months to have bulbs replaced on the streetlights on their street. In addition to providing better service, the City has realized an operating savings of \$243,000 in the Electrical Department's other ordinary maintenance accounts due to a reduction of the maintenance fees paid to NSTAR and energy costs. \$37,910 of these savings has been used to fund necessary repairs to the Third Street facility used by the Electrical Department to house vehicles and equipment.

The Capital Budget contains an allocation of \$600,000 to support the purchase of personal computers (\$75,000) and \$525,000 to fund system improvements and new development of Web and database applications. One of the key projects planned is the Interdepartmental Ticketing and Invoicing Detail Systems for DPW, Traffic, Weights & Measures and License Departments. This system will allow for the tracking, reporting and closure of tickets and permits generated by these departments. Other new Web site features planned include the Cambridge City Street and Square Dedications that will allow the public to view the list of street and square dedications with personal information and street locators with online maps. Enhanced features on the City's Web site include the property database that will include information about services surrounding property such as maps to closest schools and churches. GIS has three major initiatives planned including the enhancement of the Interactive GIS Web site and mapping tools that departments such as Water, Public Works and Electrical rely on to map out the City's infrastructure; full integration of the Master Address List and GIS to support new enterprise applications such as the Cambridge Request System, E-Line and the City Street and Square Dedications Web inquiry capability; and further integration with City Assessing data to make it possible to produce the City Tax Atlas, which will show City tax districts.

Also contained in the Capital Budget is a \$2 million allocation funded from bond proceeds to perform renovations to City Hall (\$840,000) and improvements to other City Buildings. This includes \$481,000 to replace City Hall floors, which will be coupled with \$369,000 in CPA funds appropriated in FY05 to fully fund this project. \$340,000 has been budgeted for fire safety systems as well as \$19,000 for elevator cab refurbishing and repairs. Also, an additional allocation of \$560,000 has been budgeted for masonry repairs and \$600,000 in HVAC improvements at various buildings.

- **PRESERVE AND CREATE AFFORDABLE HOUSING FOR LOW, MODERATE AND MIDDLE-INCOME RESIDENTS**

With the voters' acceptance of the Community Preservation Act (CPA) surcharge, 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 \$15 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, \$35,100,000 has been appropriated/reserved for housing (\$28,080,000), open space (\$3,510,000), and historic preservation (\$3,510,000). FY05 revenues from the CPA are expected to be up slightly based on a higher property tax levy, with the state match expected to be higher based on FY05 CPA revenues.

The Community Preservation Fund Committee will be making its recommendations on the use of the FY06 CPA revenues of approximately \$5,250,000 during the upcoming months. Recommendations will be forwarded to the City Council for appropriation prior to the setting of the tax rate. In addition to the CPA funds raised locally, the City projects approximately \$5,250,000 million in state matching funds to be made available in October 2005.

The City, through its prior budget allocations to the Affordable Housing Trust and its current allocations through the CPA, has created or preserved in excess of 2,500 units of affordable housing since the end of rent control in 1995.

The FY06 Operating Budget for the Housing Division contained in the Community Development Budget is \$608,055 and supports a multitude of activities in support of this goal. The Housing Division supports the development of affordable rental and homeownership opportunities, education and financial assistance for first-time homebuyers; preservation of the long-term affordability of existing affordable housing; low-interest loans to homeowners to make improvements which protect the housing stock; initiatives to increase access to affordable housing such as inclusionary and incentive zoning; support of the City's non-profits in the development and management of affordable housing; coordination with the federal and state governments to leverage additional resources; and provision of planning assistance and public information related to housing issues.

The FY06 Capital Budget contains continued funding for Housing Rehab and Development Programs in the amount of \$1,326,045. This funding, which is combined with funds from the HOME program, Affordable Housing Trust Fund and other public and private sources, finances renovations to existing housing units and the development of new ones for low and moderate income Cambridge residents.

- **STRENGTHEN AND SUPPORT PUBLIC EDUCATION AND OTHER LEARNING IN CAMBRIDGE FOR THE BENEFIT OF RESIDENTS OF ALL AGES**

The proposed FY06 Budget contains a recommended School Budget of \$124,044,400, an increase of \$1,991,205 or 1.6% over the current year. Property tax support of the School Budget has increased by 3.5% or \$3,227,210. The School Department Budget was adopted by the School Committee in early April 2005.

City and School officials worked closely early in the budget process to arrive at the above budget allocation, which equaled the amount contained in the School Department's financial plan for FY06. This budget guideline required no "present level of service" reductions to the School Budget. However, it did allow the School Superintendent to recommend to the School Committee \$2.2 million in budget reallocations to fund program improvements and initiatives.

Highlights of these initiatives include:

- Leadership Development and Staff Development funding for: Principals leadership development program (\$152,500), Internship Program at Elementary (\$160,000) and Secondary (\$80,000) levels for aspiring leaders, increase in school-based professional development allocations from \$20/pupil to \$40/pupil (\$122,300), district wide in-service training (\$103,093), including paraprofessionals and teacher sabbaticals (\$63,317).
- High School Success: High School graduates follow-up study and Special Education transitional services for students ages 18-22 (total \$75,000).
- Securing the Future: security communication systems for all schools and cafeteria recycling programs (total \$43,000), and establishing a Debt Stabilization fund for bonding future school projects (\$450,000).
- Instructional Advancement and Closing the Achievement Gap: reading program at CRLS for 9th and 10th grade students in MCAS courses (\$20,000); three new teacher positions at RSTA for new Media Arts program and 30% increase in student technical course time (\$189,950); Middle School initiatives including Avid Program in four (4) schools, Math software, small increase in M/S summer program funds (total \$117,962); expansion of Literacy Collaborative to additional schools including four (4) half-time literacy coordinators and training (\$275,710); expansion of Extended Day program to all elementary schools with focus on MCAS support (\$374,088).

In addition to the recommended funds for the School Department, the City's Operating Budget continues to fund through the Department of Human Services (DHSP) the Childcare and Family Support Services Division. This division has a total budget of \$2,597,760. Services provided include six licensed Pre-School programs and seven licensed After School Programs serving approximately 285 children daily, the Center for Families and the King Open Extended Day, a collaboration with the King Open School.

- The After School Programs located at the Morse, Fletcher-Maynard, Peabody and King Schools serve children in grades K-4, with one location serving children to grade 6. Programs offer a multi-cultural curriculum designed to improve children's positive social development and academic achievement in math, science, literacy and language arts through a project-based learning approach.
- Five of the six Pre-school Programs, located at the King, King Open, Morse, Kennedy and Peabody Schools are full day, year-round programs and one, located at the Haggerty, is a half day school year program. The Pre-school programs offer a developmentally appropriate curriculum focused on the children's interests and abilities and have been awarded accreditation by the National Association for the Education of Young Children.
- The Division also provides support to the King Open Extended Day Program, a quality out-of-school time program for children in grades K-6 that bridges the school and after school experiences, fosters community and family connections and supports the emotional and intellectual growth of the children.

Also, the Community Learning Center (CLC), with a budget of \$721,260, plus grant funding also supports the above City Council Goal. The Community Learning Center, located at 19 Brookline Street, provides adult basic education classes to more than 1,000 adults each year. The core program includes seven levels of English for Speakers of other Languages (ESOL) classes and six levels of basic reading, writing and math classes. GED and pre-GED classes prepare students to pass the five high school equivalency examinations. Of the more than 1,000 adults served each year at the CLC, approximately 150 are from the United States and the remainder come from 70-80 different countries, with over 40 different native languages represented.

The Division of Community Schools, with a budget of \$1,365,410, provides a network of neighborhood services offering educational, cultural, social and recreational opportunities for all age groups. Through 12 Community Schools, directors work with their respective Neighborhood Councils to assess community needs and to create high quality, cost effective out-of-school-time programs to address those needs, including after school enrichment classes, two extended day programs with the School Department, and full-day summer and vacation camps. Many programs have been adapted to encourage participation of children with special needs and all programs are now working towards that goal.

Lastly, the Community Development Department sponsors educational programs which include: \$75,000 to support the continued work of the Center for Women & Enterprise for their workshops on getting started in business and business improvement strategies, as well as financial literacy training in the fundamentals of personal and business financial management. Also, \$50,000 is included for the Retail Best Practices grant program, which provides small grants to income-eligible businesses to implement recommended improvements related to interior design, merchandising, marketing or operations. The Department also sponsors a workshop for first time homebuyers.

- **FOSTER COMMUNITY AND SUPPORT NEIGHBORHOOD VITALITY. SUPPORT OPPORTUNITIES FOR CITIZENS TO KNOW EACH OTHER WITHIN THEIR NEIGHBORHOODS AND ACROSS THE CITY. VALUE AND SUPPORT RACIAL, SOCIOECONOMIC, CULTURAL AND RELIGIOUS DIVERSITY OF OUR CITY**

The proposed FY06 Operating Budget continues to support and maintain the venues 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 and the scores of parks and play areas located throughout the City. Also, in collaboration with the City Council's Human Services Committee, the Council on Aging hosted the first annual Senior Town meeting in October in which over 150 seniors participated in workshops and an open forum to share their concerns and views with City Officials. The support for these activities and facilities also contributes to the preservation and enhancement of neighborhoods. In addition, a network of neighborhood health centers, community schools and neighborhood fire stations is supported in this budget and contributes to this goal.

The City continues to commit significant resources to a variety of major open space projects. This is evidenced by the recent opening of several renovated parks including Donnelly Field, Lowell Park, Squirrel Brand Park and Dana Park. A renovated Russell Field, which includes a new changing facility with a weight room, is scheduled to open later this year. In addition, construction of a new neighborhood park at 238 Broadway, which involves the demolition of the old buildings located at the site, is scheduled to begin shortly. The renovation of the outdoor Gold Star Mothers Pool is scheduled to begin this fall after the close of the pool for the season.

Other initiatives include the following:

- The FY06 Public Celebrations Budget contains a \$100,000 allocation to fund the continuation of the “Destination Cambridge” program of arts and cultural events, which was initially launched in FY05.
- In FY06, \$40,000 has been added to the Human Service Department Budget to support the inclusion of children with disabilities in all of the Department’s Out-of-School-Time programs. This allocation will be coupled with reallocations in the existing budget to support additional staff training, onsite coaching and assistance to staff and families, and the hiring of an Inclusion Specialist as a part of the Department’s staff. Consistent with the City Council’s adoption of an Inclusion Policy, the Department will be continuing and expanding its efforts to ensure that children with disabilities are effectively supported and actively engaged in all programs.
- The FY06 Capital Budget includes a \$6,000,000 appropriation to be funded through bond proceeds for the acquisition of property for the West Cambridge Youth and Community Center. This appropriation will be combined with an earlier \$1 million appropriation for a total project budget of \$7,000,000.

- Continued funding for the Tree Pruning Program (\$100,000), which is based on a five-year cycle of pruning the nearly 3,000 trees in City-managed open spaces, exclusive of the Fresh Pond Reservation.
- The Arts Council's Public Art Conservation and Maintenance Program continues to be level funded at \$35,000, and capital projects have been budgeted to include the 1% for Arts allocation. In addition, \$40,000 has been budgeted to fund the second phase of an project by Mierle Laderman, a well known artist, at Danehy Park.
- An allocation of \$75,000 in the Capital Budget will be used to begin the community process and design phase for the reconstruction of Brookline Street. Improvements will include paving, street trees, traffic calming and sidewalk reconstruction to improve accessibility at corners/crossing locations. This project is an outgrowth of the Cambridgeport Roadways Design process, during which residents and the City's Advisory Committee supported improvements to Brookline Street to reduce the speed of traffic, improve pedestrian safety, and emphasize the residential character of the street.
- Funds have been included in the Human Services Budget to support an increase (\$6,000) in the contract amount for the vendor who provides transportation services to seniors for various activities. In addition, \$15,000 has been added to provide funding to community based organizations to develop family support activities.
- The Capital Budget contains \$1,855,695 for street and sidewalk reconstruction and will be used primarily to address pedestrian crosswalks and sidewalks with poor accessibility to ensure compliance with the provisions of the Americans with Disabilities Act (ADA). In addition, \$400,000 will be used for the design and construction of traffic calming measures.
- In order to continue the program of making public facilities more accessible to people with disabilities, \$50,000 has been budgeted in the Capital Budget. This allocation, coupled with earlier allocations, will allow the Collins Branch Library accessibility project to move forward in FY06. In addition, \$30,000 has been funded for the replacement of a non-functioning chairlift located at the Police Station.
- As noted above, the City has committed significant resources to open space projects over the past several years. In FY06, a comprehensive community planning process will be initiated for the complete renovation of the Tobin School – Concord Avenue Playground. The plan will include removal of the existing pressure treated play equipment, potential designs for new playground equipment and layout, protective screening from the adjacent baseball field, new safety surfacing and repaving of the basketball courts. It is expected that funding will be included in the FY07 Capital Budget. The FY06 Capital Budget does contain \$202,590 to support improvements to the Fresh Pond Golf Course and Danehy Park, support the Beautification program to provide seasonal flowers at various locations within the City and funding to supplement existing funds for renovations to Gore Street Park.
- **DELIVER HIGH QUALITY PUBLIC SAFETY SERVICES AND MAINTAIN A HIGH LEVEL OF PUBLIC CONFIDENCE IN THESE SERVICES**

The total Public Safety Budget for FY06 is \$81,513,280, or 21.4% 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, Emergency Communications and Emergency Management.

As mentioned earlier, the Emergency Communications Department narrative has been significantly changed to provide more statistical and comparative data (see page IV-159) in an ongoing effort to provide better information which began last year with the Police Department narrative. It should be noted that the Emergency Communication Department processes over 96,000 incident dispatches yearly in addition to over 250,000 non-emergency informational calls. The Emergency Communications Department uses two special protocols for emergency medical and in-progress crime calls. A sample of these calls are selected and reviewed by Communications Supervisors each month as part of the Emergency Communications Department's Quality Control Program. The Department's goal for emergency medical calls is to reach and exceed the National Academy of Emergency Medical Dispatch (NAEMD) national standard of 90% compliance. For the last two fiscal years, the Emergency Communications Department has achieved a rating over a 95%. This high level means that callers with medical emergencies are assured that they are receiving the best call handling assistance and pre-arrival instructions from Cambridge dispatchers.

The FY06 Police Budget is \$33,161,605. The FY06 Police Department Budget includes the net reduction of two positions, an identification technician position and a clerk/typist position. The net savings from these two position reductions were used to cover the cost of wireless maintenance services that was previously funded through a Bureau of Justice Block Grant program, which has been reduced. This wireless service allows patrol officers and other public safety personnel to access Criminal Systems History Board information and CAD (computer-aided dispatch) via their laptops located in public safety vehicles. In addition, a portion of the salary savings was used to fund increased lease costs for a parking lot for police cruisers. Also, this Budget includes \$100,000 (coupled with \$50,000 in existing Police Capital Budget funds) for the purchase of 14 motorcycles, which will institute the process of a planned rotation for the entire fleet every three years. This plan will result in higher trade-in values for replacement motorcycles in three years as well as reduced maintenance costs. \$120,000 has been added to the existing budget to fully fund a vehicle rotation schedule for all police vehicles that include marked, unmarked and specialty vehicles. The existing vehicle budget of \$238,000 covers the replacement of approximately eight marked vehicles every three years. This additional allotment will allow the Department to replace unmarked vehicles and specialty vehicles (police wagon, accident van, enforcement vehicles) on a more regular schedule without impacting the replacement schedule for marked vehicles. Funding in the amount of \$18,800 has been included to train and support new peer officers as part of the existing Stress/Peer Officer Program.

An allocation of \$35,000 has been made within the FY06 Capital Budget to finance the acquisition of new furniture and media equipment for the Police Academy. In addition to the approximately 32 weeks each year that it is used for in-service training, the academy is also used for presentations and other types of training as well as a backup for the Tactical Command Post and Emergency Communications. All furniture and equipment purchased with these funds will be moved to the new facility when it is ready for occupancy.

As noted earlier, the loan order for the acquisition of and renovations to a facility to be used as police headquarters was submitted to the City Council for approval prior to the submission of the FY06 Budget. It was necessary to submit the \$49.5 million loan order prior to the submission of the budget to expedite the transfer of the property from the owners to the City. One of the stated City Council objectives for capital projects

this year has been the siting and funding of a modern police facility. It is anticipated that the loan order will be approved by the City Council on April 25, 2005.

The FY06 Fire Department Budget is \$31,003,945. In addition, to its General Fund allocation, the Fire Department has been successful in obtaining several grants to support their operations. The Fire Department leadership has continued to be actively involved with statewide committees and regional collaborations to improve interagency cooperation and interoperability. The Insurance Service Organization (ISO) has continued to give a Class 1 designation to the Cambridge Fire Department, the highest rating a Fire Department can receive. ISO is the primary source of information about property and liability risk and is the property/casualty insurance industry's leading supplier of statistical, actuarial, underwriting and claims data. This rating is based on criteria related to training, equipment, facilities and communication systems.

In addition, \$350,000 has been set aside in the FY06 Capital Budget to fund the replacement of the 1991 pumper at the Inman Square Fire Station. The current vehicle will be traded in to reduce the cost of the new vehicle that has been designed with extra compartment space to accommodate additional requirements for hazardous materials and decontamination equipment. This combined use will provide for a quicker response to specialized needs and avoid the use of additional vehicles to transport this equipment.

- **PROMOTE A HEALTHY ENVIRONMENT BY ADOPTING ENVIRONMENTALLY SOUND AND ENERGY EFFICIENT PRACTICES THROUGHOUT THE COMMUNITY**

As an example of the City's continuing commitment to this Goal, the City Hall Annex received the 2005 Kenneth E. Pickard Memorial Innovation Award from the Massachusetts Municipal Association and the Grand Annual Reconstruction Award from *Building Design and Construction* magazine. The Annex, which reopened in February 2004 following an extensive renovation, was a unique project in which an historic public building was preserved and restored utilizing the most modern technologies in environmental design.

In FY05, the DPW integrated energy-efficiency considerations into building system upgrades. With funding assistance from NSTAR Gas, the DPW contracted engineering studies at three buildings with HVAC problems: City Hall, the Senior Center and the Coffon Building. The studies recommended high-efficiency improvements and outlined the savings and utility incentives available. The FY06 Public Investment Budget contains \$600,000 to install these major improvements. With these and similar projects, energy efficiency reviews are beginning to become standard practice in the planning of repairs and renovations.

In addition, the FY06 Budget supports the continued use of biodiesel fuel for the majority of Public Works Department (DPW) vehicles, which were converted this fiscal year. The DPW also received a grant from the Environmental Protection Agency to retrofit medium to heavy-duty vehicles with advanced pollution control equipment to reduce harmful emissions. Also, the City continues to support a proactive campaign advocating for the purchase of environmentally preferred products and the tracking of those products.

The FY06 Budget contains several initiatives that include the following:

- Funds have been included in the FY06 Capital Budget to continue the reconstruction of the City's sewer and surface drainage system in the amount of \$11,565,840. Projects included in this program are funded through a combination of MWRA Grant funds as well as general obligation bonds and current sewer revenues. It is expected that work will continue in the Fresh Pond/Alewife, Cambridgeport, Cherry Street/South Massachusetts Avenue, and Harvard Square areas.
- The Capital Budget contains \$40,000 for engineering studies of City Buildings to identify efficiency improvements. In addition, \$400,000 has been allocated to support the replacement of the rooftop HVAC units at the Kennedy/Longfellow School which will be energy efficient, as well as for the development of engineering specifications for the Tobin School HVAC upgrade.
- \$200,000 has been included in the FY06 Budget to continue funding for the Light Emitting Diodes (LED) Traffic Signal Conversion Project. These funds will allow 34 more locations to be converted to LED. This is in addition to the 53 completed by FY05. By the end of FY06, 88 of the 164 total locations will have been converted with a plan of completing all locations within the following two fiscal years. These conversions will reduce energy demand and cost to the Traffic and Parking Department.

In addition, the FY06 Budget supports the \$1.6 million allocation for the Recycling Division within DPW. The Recycling Division plans, implements and maintains cost-effective recycling, toxics reduction and waste prevention programs that are characterized by good communication, good customer service and high participation and recovery rates. Staff maintains and monitors the curbside recycling program, a Drop-Off Center, as well as recycling in City buildings, schools, public areas, and at festivals. In addition, staff helps businesses and institutions plan and implement effective recycling and waste reduction programs.

The Recycling Division, guided by the Recycling Advisory Committee, works to implement City policies, improve current programs, and expand efforts to meet or exceed the waste reduction and recycling goals outlined in the City's Climate Protection Plan and the Massachusetts Solid Waste Master Plan.

- **PROMOTE THE ADVANTAGES OF “DOING BUSINESS IN CAMBRIDGE” AND WORK TO STRENGTHEN MUTUALLY BENEFICIAL PARTNERSHIPS WITH BUSINESSES AND UNIVERSITIES**

As noted earlier, 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 the key to our continued successes 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 affordable water and sewer rates. By achieving these goals, Cambridge will continue to be a place where individuals and businesses want to visit and/or locate.

Throughout this document, you will find references to the new payments in-lieu-of tax (PILOT) agreements that the City has negotiated with Harvard University and MIT. Not only do these agreements provide additional revenue to the City each year but also they provide long-term

revenue protection and stability. It should also be noted that as part of the new Harvard University PILOT agreement, the University committed to extend one of its most significant partnerships with the City, the Cambridge Harvard Summer Academy, for another five years. This enrichment program serves over 400 Cambridge Public School students each year.

The FY06 Tourism Budget has been increased by \$50,000 to \$355,000. This increase will allow the Office of Tourism to develop a discount partnership program with Cambridge attractions, enhance an international marketing effort in collaboration with the Greater Boston Convention and Visitors Bureau as part of a matching grant program and expand advertising and public relations efforts.

The Economic and Employment Planning Division of the Community Development Department has a recommended FY06 Budget of \$385,395. This division focuses on supporting the business community through the following activities: providing a broad range of services to assist small businesses, monitoring changes in the job base to maintain a diversified employment base, tracking changes in the real estate market, maintaining thriving commercial districts and promoting a healthy business environment.

In addition, the City continues to sponsor the Façade Improvement Matching Grant Program (\$185,000) and the Retail Best Practices Program (\$50,000), which provides technical assistance and matching grants to income eligible businesses regarding marketing techniques and interior organization of retail space. In addition, to support start-ups, funding is provided (\$75,000) for courses in Financial Literacy, Getting Started in Business and Minding Your Own Business. Additional support (\$118,000) is also provided to two workforce development programs: the Biomedical Careers Program and the Healthcare Career Advancement Program, both of which help lower-wage workers become ready for higher-wage opportunities in the health care/biotech sector.

OUTLOOK AND CONCLUSION

The long-term outlook for Cambridge is very solid as long as we continue to manage our resources wisely. This has been confirmed by our continued AAA bond rating at a time when many communities have seen a reduction in their ratings. Cambridge is one of only nineteen cities to receive this highest rating from the three rating agencies.

Because of our enviably strong financial condition, we have been able to maintain both City and School services while embarking on a very ambitious public investment program, which is highlighted by the new Main Library Project and the new Police Station, at a time when many communities are reducing services. The sound financial practices of this and previous City Councils have left the City with substantial reserves including \$34.9 million in Free Cash and approximately \$44.7 million in excess levy capacity that allows Cambridge the flexibility to respond to periods of economic decline as well as the ability to take advantage of unique opportunities such as the purchase of the building to house the new Police Station. However, we should not ignore the fact that the Commonwealth is a vital financial partner in the delivery of our services and reductions in the current level of State support would be difficult for the City to absorb without impacting the property tax levy. We will continue our strategy to look at the overall finances of the City in the long-term, using our five-year financial plan and debt guidelines, in order to maintain stability and predictability in our budgeting and financial planning processes.

In the short-term, next year's Budget will provide many challenges for the City. These include increased tuition costs assessed to the City for students attending the new charter school which is scheduled to open in September 2005; continued possibility of local aid cuts from the State;

unfunded school building capital needs; continued reductions in our Community Development Block Grant; unsettled union contracts and increasing employee benefit costs. We've faced such challenges before and dealt with them successfully, but we must be cognizant of them and plan accordingly.

As we continue to work through these challenging financial times, we must remember that failure to make difficult decisions today will lead to even more difficult decisions in the future. This includes always being mindful that increases in the property tax levy must be modest so as not to overburden our residential and commercial taxpayers. I believe we have responded to the City Council's goal of producing an FY06 Budget that is limited in its growth of the property tax levy while not diminishing services. This Budget reflects the lowest property tax levy increase in a decade. Again, managing our resources wisely as well as being realistic in our expectations regarding budget growth will continue to be the key to our economic growth and stability.

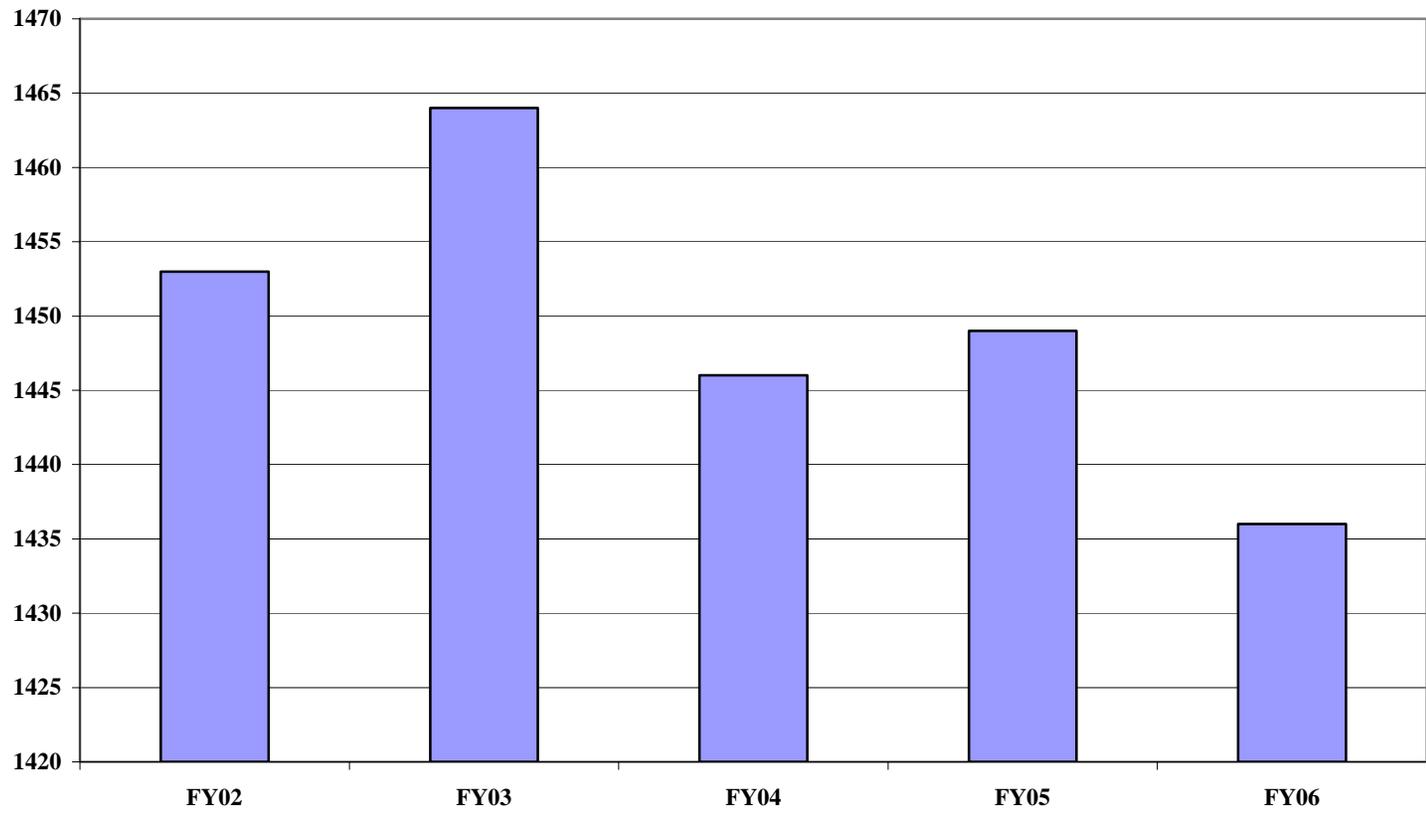
By being cognizant of our financial limitations and working together, I am confident that we can continue to provide the wide array of services that our residents have come to expect, while at the same time meeting the needs of our infrastructure that will benefit our citizens for decades to come.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy". The signature is written in a cursive, flowing style.

Robert W. Healy
City Manager

**POSITION LIST COMPARISON
Excluding Schools**



FY02	1453
FY03	1464
FY04	1446
FY05	1449
FY06	1436

Only Full Time Positions Are Included in This Chart

SUMMARY: OPERATING BUDGET (all funds)

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
30,317,765	33,196,425	General Government	38,703,785
74,011,620	79,558,405	Public Safety	81,513,280
66,164,485	71,650,365	Community Maintenance & Development	75,906,015
19,857,065	21,188,370	Human Resource Development	21,827,750
117,057,360	118,677,560	Education	124,044,400
<u>33,617,540</u>	<u>35,558,580</u>	Intergovernmental	<u>38,191,595</u>
341,025,835	359,829,705		380,186,825

FINANCING PLAN	FY06 BUDGET
Taxes	242,990,930
Licenses & Permits	5,822,615
Fines & Forfeits	8,880,395
Charges for Service	56,978,040
Intergovernmental Revenue	55,278,340
Miscellaneous Revenue	<u>10,236,505</u>
	380,186,825

SUMMARY: GENERAL GOVERNMENT

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
387,070	425,880	Mayor	457,890
1,307,195	1,314,335	Executive	1,469,655
908,085	966,220	City Council	1,017,705
650,885	727,000	City Clerk	732,185
2,118,725	1,708,505	Law	1,840,190
8,243,260	8,851,295	Finance	9,326,250
14,325,450	16,756,200	Employee Benefits	21,314,565
836,085	996,645	General Services	996,395
762,785	786,900	Election	732,855
778,225	663,445	Public Celebrations	778,595
		Reserve	<u>37,500</u>
	<u>33,196,425</u>		<u>38,703,785</u>
<u>30,317,765</u>			

FINANCING PLAN	FY06 BUDGET
Taxes	22,060,330
Licenses & Permits	52,500
Fines & Forfeits	480,675
Charges for Service	699,900
Intergovernmental Revenue	10,400,380
Miscellaneous Revenue	<u>5,010,000</u>
	<u>38,703,785</u>

SUMMARY: PUBLIC SAFETY

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
215,800	228,885	Animal Commission	240,945
28,210,570	30,114,125	Fire	31,003,945
29,476,035	31,989,875	Police	33,161,605
7,709,365	8,314,205	Traffic, Parking & Transportation	8,328,990
31,305	77,270	Police Review & Advisory Board	78,100
2,153,905	2,422,190	Inspectional Services	2,421,495
706,740	716,730	License	740,230
94,360	98,830	Weights & Measures	104,020
2,271,555	2,309,830	Electrical	2,077,335
132,765	142,815	Emergency Management	141,800
<u>3,009,220</u>	<u>3,143,650</u>	Emergency Communications	<u>3,214,815</u>
74,011,620	79,558,405		81,513,280

FINANCING PLAN	FY06 BUDGET
Taxes	57,299,545
Licenses & Permits	5,603,115
Fines & Forfeits	8,027,530
Charges for Service	6,126,890
Intergovernmental Revenue	2,593,755
Miscellaneous Revenue	<u>1,862,445</u>
	81,513,280

SUMMARY: COMMUNITY MAINTENANCE & DEVELOPMENT

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
22,516,125	24,686,110	Public Works	24,365,435
16,647,155	17,077,935	Water	17,104,000
4,108,625	4,292,130	Community Development	4,616,380
428,820	464,340	Historical	475,520
73,310	83,675	Conservation	90,805
73,370	76,155	Peace Commission	79,490
882,555	1,052,950	Cable T.V.	1,099,080
<u>21,434,525</u>	<u>23,917,070</u>	Debt Service	<u>28,075,305</u>
66,164,485	71,650,365		75,906,015

FINANCING PLAN	FY06 BUDGET
Taxes	32,691,720
Licenses & Permits	167,000
Fines & Forfeits	212,190
Charges for Service	31,243,600
Intergovernmental Revenue	8,527,445
Miscellaneous Revenue	<u>3,064,060</u>
	75,906,015

SUMMARY: HUMAN RESOURCE DEVELOPMENT

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
5,173,190	5,557,965	Library	5,660,440
13,885,015	14,784,295	Human Services	15,287,365
149,175	154,910	Women's Commission	163,840
159,535	159,890	Human Rights Commission	166,300
<u>490,150</u>	<u>531,310</u>	Veterans	<u>549,805</u>
19,857,065	21,188,370		21,827,750

FINANCING PLAN	FY06 BUDGET
Taxes	17,827,285
Fines & Forfeits	60,000
Charges for Service	2,443,190
Intergovernmental Revenue	<u>1,497,275</u>
	21,827,750

SUMMARY: EDUCATION

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
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117,057,360	118,677,560	Public Schools	124,044,400
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FINANCING PLAN	FY06 BUDGET
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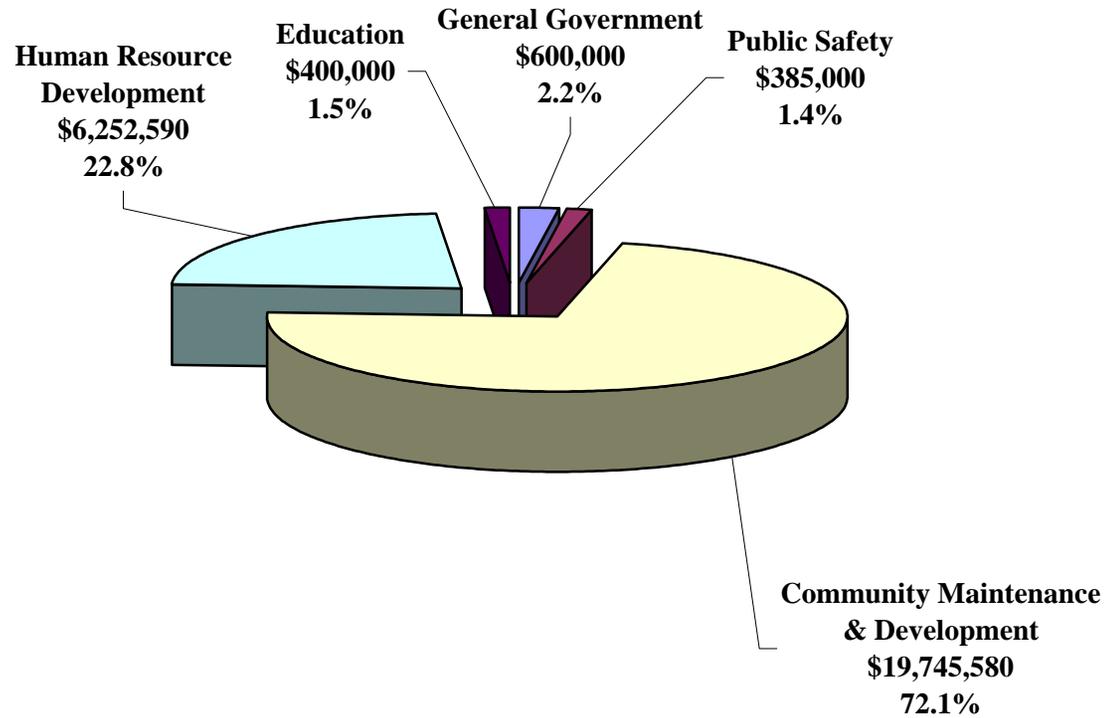
Taxes	96,618,485
Fines & Forfeits	100,000
Intergovernmental Revenue	27,025,915
Miscellaneous Revenue	<u>300,000</u>
	124,044,400

SUMMARY: INTERGOVERNMENTAL

FY04 ACTUAL	FY05 PROJECTED	PROGRAM EXPENDITURES	FY06 BUDGET
15,731,620	16,012,295	M.W.R.A.	15,987,460
11,385,920	13,046,285	Cherry Sheet Assessments	15,954,135
<u>6,500,000</u>	<u>6,500,000</u>	Cambridge Health Alliance	<u>6,250,000</u>
33,617,540	35,558,580		<u>38,191,595</u>

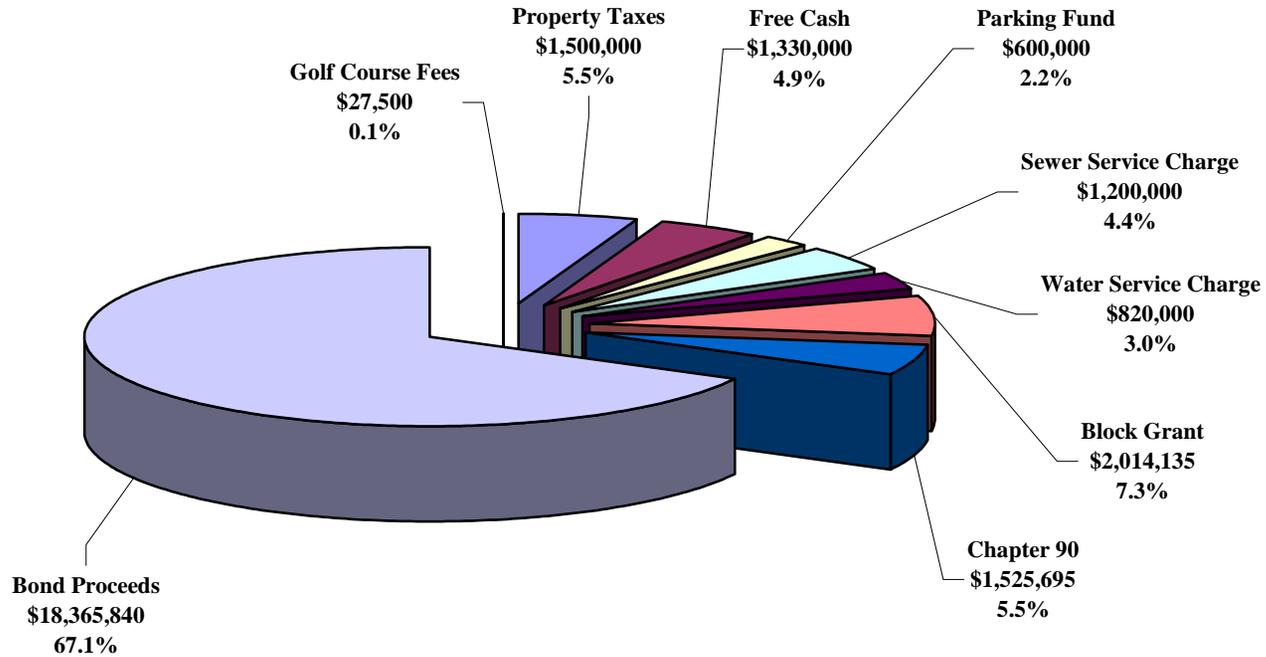
FINANCING PLAN	FY06 BUDGET
Taxes	16,493,565
Charges for Service	16,464,460
Intergovernmental	<u>5,233,570</u>
	<u>38,191,595</u>

PUBLIC INVESTMENT APPROPRIATIONS FISCAL YEAR 2006



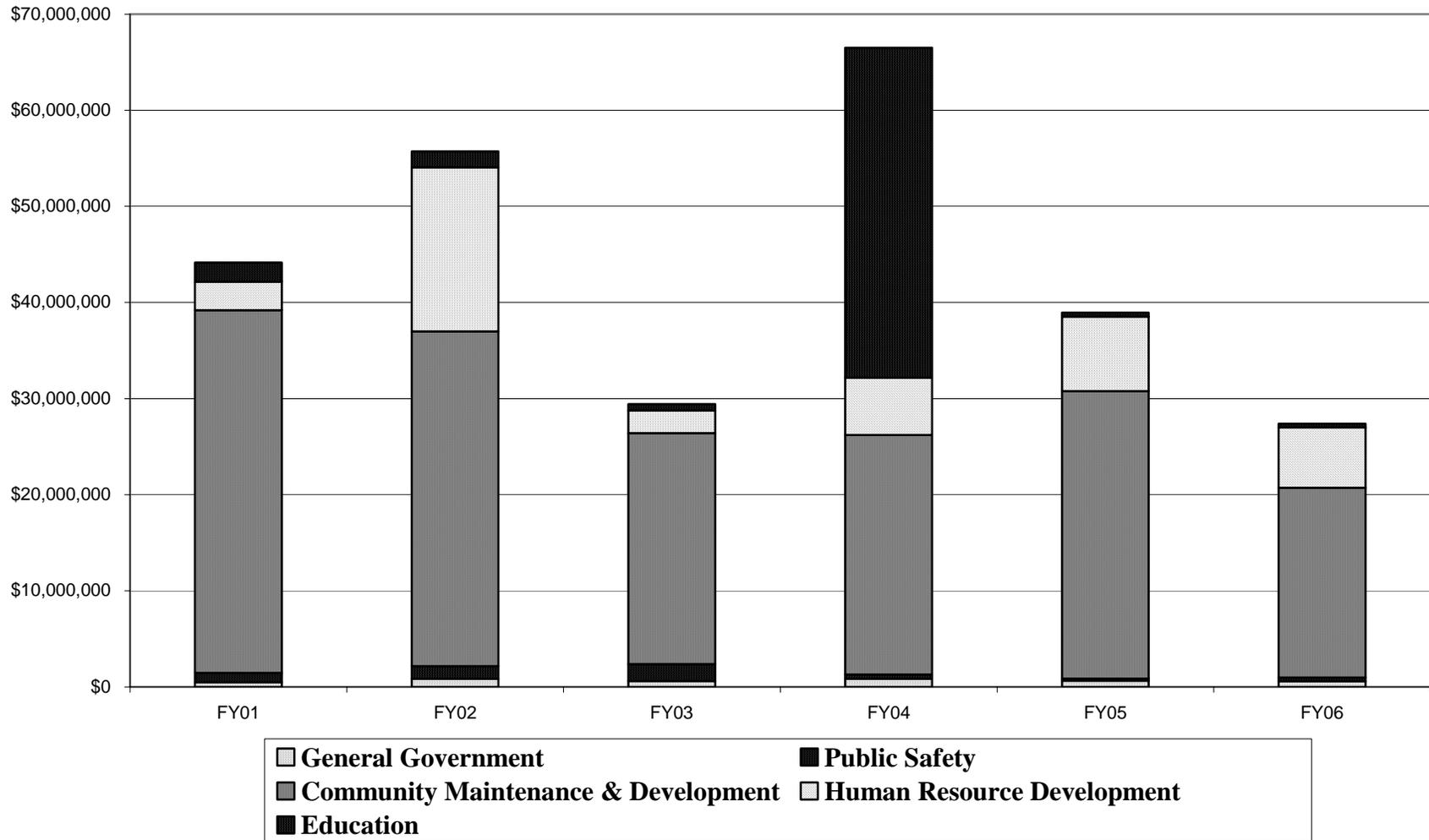
GRAND TOTAL \$27,383,170

PUBLIC INVESTMENT FINANCING PLAN FISCAL YEAR 2006



GRAND TOTAL \$27,383,170

PUBLIC INVESTMENT APPROPRIATIONS FISCAL YEARS 2001-2006



INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 2005

ORDERED: That the following sums, designated as appropriations, are hereby appropriated in the General Fund of the City of Cambridge.

<u>FUNCTION</u>	<u>DEPARTMENT</u>	<u>SALARIES & WAGES</u>	<u>OTHER ORDINARY MAINTENANCE</u>	<u>TRAVEL & TRAINING</u>	<u>EXTRA ORDINARY EXPENDITURES</u>	<u>CITY APPRO- PRIATION</u>	<u>STATE ASSESS- MENT</u>	<u>GRAND TOTAL</u>
GENERAL GOVERNMENT								
	Mayor	325,950	111,440	20,500		457,890		457,890
	Executive	999,740	435,450	34,465		1,469,655		1,469,655
	City Council	930,305	41,900	45,500		1,017,705		1,017,705
	City Clerk	671,655	59,780	750		732,185		732,185
	Law	1,071,290	509,225	259,675		1,840,190		1,840,190
	Finance	6,822,310	2,263,640	162,500	77,800	9,326,250		9,326,250
	Employee Benefits	20,612,685	701,880			21,314,565		21,314,565
	General Services	403,840	592,555			996,395		996,395
	Election	536,020	194,565	2,270		732,855		732,855
	Public Celebrations	374,670	402,800	1,125		778,595		778,595
	Reserve		37,500			37,500		37,500
	TOTAL	32,748,465	5,350,735	526,785	77,800	38,703,785		38,703,785
PUBLIC SAFETY								
	Animal Commission	228,230	12,565	150		240,945		240,945
	Fire	29,774,055	803,140	331,750	95,000	31,003,945		31,003,945
	Police	31,573,555	871,950	184,000	532,100	33,161,605		33,161,605
	Traffic, Parking & Transportation	5,065,550	3,169,040	19,400	75,000	8,328,990		8,328,990
	Police Review & Advisory Board	74,100	1,000	3,000		78,100		78,100
	Inspectional Services	2,262,570	107,100	51,825		2,421,495		2,421,495
	License	670,340	61,090	8,800		740,230		740,230
	Weights & Measures	94,495	7,780	1,745		104,020		104,020
	Electrical	1,135,950	939,715	1,670		2,077,335		2,077,335
	Emergency Management	128,065	13,635	100		141,800		141,800
	Emergency Communications	3,028,955	166,010	15,850	4,000	3,214,815		3,214,815
	TOTAL	74,035,865	6,153,025	618,290	706,100	81,513,280		81,513,280

<u>FUNCTION</u>	<u>DEPARTMENT</u>	<u>SALARIES & WAGES</u>	<u>OTHER ORDINARY MAINTENANCE</u>	<u>TRAVEL & TRAINING</u>	<u>EXTRA ORDINARY EXPENDITURES</u>	<u>CITY APPRO- PRIATION</u>	<u>STATE ASSESS- MENT</u>	<u>GRAND TOTAL</u>
COMMUNITY MAINTENANCE AND DEVELOPMENT								
	Public Works	14,994,160	8,870,650	100,625	400,000	24,365,435		24,365,435
	Community Development	3,942,270	587,790	17,500	68,820	4,616,380		4,616,380
	Historical Commission	447,340	27,380	800		475,520		475,520
	Conservation Commission	86,055	3,865	885		90,805		90,805
	Peace Commission	66,860	10,780	1,850		79,490		79,490
	Cable T.V.	480,050	615,580	3,450		1,099,080		1,099,080
	Debt Service		216,000		27,859,305	28,075,305		28,075,305
	TOTAL	20,016,735	10,332,045	125,110	28,328,125	58,802,015		58,802,015
HUMAN RESOURCE DEVELOPMENT								
	Library	4,674,745	949,045	36,650		5,660,440		5,660,440
	Human Services	12,646,475	2,550,440	65,450	25,000	15,287,365		15,287,365
	Women's Commission	152,980	9,860	1,000		163,840		163,840
	Human Rights Commission	161,545	4,055	700		166,300		166,300
	Veterans	251,255	48,900	249,650		549,805		549,805
	TOTAL	17,887,000	3,562,300	353,450	25,000	21,827,750		21,827,750
	CITY TOTAL	144,688,065	25,398,105	1,623,635	29,137,025	200,846,830		200,846,830
EDUCATION								
		<u>89,952,060</u>	<u>25,912,125</u>	<u>1,766,450</u>	<u>6,413,765</u>	<u>124,044,400</u>		<u>124,044,400</u>
	Schools Operating	89,952,060	25,912,125	1,766,450	6,413,765	124,044,400		124,044,400
	TOTAL							
INTERGOVERNMENTAL								
	Massachusetts Water Resources Authority		15,987,460			15,987,460		15,987,460
	Cherry Sheet Assessments		<u>6,250,000</u>			<u>6,250,000</u>	15,954,135	<u>15,954,135</u>
	Cambridge Health Alliance		22,237,460			22,237,460	15,954,135	38,191,595
	TOTAL							
	GRAND TOTALS	234,640,125	73,547,690	3,390,085	35,550,790	347,128,690	15,954,135	363,082,825

BE IT FURTHER ORDERED: That the city appropriations and state assessments in the General Fund are to be financed by estimated revenues drawn from the following sources:

<u>FUNCTION</u>	<u>DEPARTMENT</u>	<u>TAXES</u>	<u>LICENSES & PERMITS</u>	<u>FINES & FORFEITS</u>	<u>CHARGES FOR SERVICE</u>	<u>INTER-GOVERNMENTAL REVENUE</u>	<u>MISCELLANEOUS REVENUE</u>	<u>GRAND TOTAL</u>
	Mayor	425,890				32,000		457,890
	Executive	1,090,790		215,000		163,865		1,469,655
	City Council	1,003,595				14,110		1,017,705
	City Clerk	448,935	35,000		228,950	19,300		732,185
	Law	1,690,190	2,500	97,500		50,000		1,840,190
	Finance	7,251,665			468,950	605,635	1,000,000	9,326,250
	Employee Benefits	7,830,475		164,175		9,309,915	4,010,000	21,314,565
	General Services	897,570		4,000		94,825		996,395
	Election	648,605			2,000	82,250		732,855
	Public Celebrations	735,115	15,000			28,480		778,595
	Reserve	<u>37,500</u>						<u>37,500</u>
	TOTAL GENERAL GOVT.	22,060,330	52,500	480,675	699,900	10,400,380	5,010,000	38,703,785
	Animal Commission	226,545	10,000	2,400	1,500		500	240,945
	Fire	30,197,445	75,000	12,500	719,000			31,003,945
	Police	24,291,195	126,565	3,152,425	1,615,355	2,275,065	1,701,000	33,161,605
Traffic, Parking & Transportation			127,500	4,860,205	3,189,340		151,945	8,328,990
Police Review & Advisory Board		78,100						78,100
Inspectional Services		(1,104,515)	3,444,010		82,000			2,421,495
License		(1,120,475)	1,797,105		24,600	39,000		740,230
Weights & Measures		59,595			26,500	17,925		104,020
Electrical		1,368,940	22,935		468,595	207,865	9,000	2,077,335
Emergency Management		87,900				53,900		141,800
Emergency Communications		<u>3,214,815</u>						<u>3,214,815</u>
	TOTAL PUBLIC SAFETY	57,299,545	5,603,115	8,027,530	6,126,890	2,593,755	1,862,445	81,513,280

<u>FUNCTION</u>	<u>DEPARTMENT</u>	<u>TAXES</u>	<u>LICENSES & PERMITS</u>	<u>FINES & FORFEITS</u>	<u>CHARGES FOR SERVICE</u>	<u>INTER GOVERN- MENTAL REVENUE</u>	<u>MISCELL- ANEOUS REVENUE</u>	<u>GRAND TOTAL</u>
	Public Works	18,348,295	112,000		3,352,565	2,281,130	271,445	24,365,435
	Community Development	3,017,230	55,000	50,000	281,895	1,062,255	150,000	4,616,380
	Historical Commission	453,020				5,000	17,500	475,520
	Conservation Commission	69,305			21,500			90,805
	Peace Commission	56,040				23,450		79,490
	Cable T.V.	1,900			1,096,880		300	1,099,080
	Debt Service	<u>10,745,930</u>		<u>162,190</u>	<u>10,506,515</u>	<u>4,035,855</u>	<u>2,624, 815</u>	<u>28,075,305</u>
	TOTAL COMMUNITY MAINTENANCE & DEV.	32,691,720	167,000	212,190	15,259,355	7,407,690	3,064,060	58,802,015
	Library	5,178,290		60,000		422,150		5,660,440
	Human Services	11,977,265			2,443,190	866,910		15,287,365
	Women's Commission	153,880				9,960		163,840
	Human Rights Commission	166,300						166,300
	Veterans	<u>351,550</u>				<u>198,255</u>		<u>549,805</u>
	TOTAL HUMAN RESOURCE DEVELOPMENT	17,827,285		60,000	2,443,190	1,497,275		21,827,750
	CITY TOTAL	129,878,880	5,822,615	8,780,395	24,529,335	21,899,100	9,936,505	200,846,830
EDUCATION								
	Schools Operating	<u>96,618,485</u>		<u>100,000</u>		<u>27,025,915</u>	<u>300,000</u>	124,044,4
	SCHOOL TOTAL	96,618,485		100,000		27,025,915	300,000	00
								124,044,400
INTERGOVERNMENTAL								
	Massachusetts Water Resources Authority				15,987,460			15,987,460
	Cherry Sheet Assessments	10,243,565			477,000	5,233,570		15,954,135
	Cambridge Health Alliance	<u>6,250,000</u>						6,250,000
	TOTAL INTERGOVERN.	16,493,565			16,464,460	5,233,570		38,191,595
	GRAND TOTALS	242,990,930	5,822,615	8,880,395	40,993,795	54,158,585	10,236,505	363,082,825

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 2005

ORDERED: That the following sums, designated as appropriations, are hereby appropriated in the Water Fund of the City of Cambridge.

<u>FUNCTION</u>	<u>DEPARTMENT</u>	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRA ORDINARY EXPENDITURES	CITY APPRO- PRIATION	STATE ASSESS- MENT	GRAND TOTAL
COMMUNITY MAINTENANCE & DEVELOPMENT	Water	5,106,130	2,935,305	28,855	9,033,710	17,104,000		17,104,000

BE IT FURTHER ORDERED: That the city appropriations in the Water Fund are to be financed by estimated revenues drawn from the following sources:

<u>FUNCTION</u>	<u>DEPARTMENT</u>	TAXES	LICENSES & PERMITS	FINES & FORFEITS	CHARGES FOR SERVICE	INTER- GOVERN- MENTAL REVENUE	MISCELL- ANEOUS REVENUE	GRAND TOTAL
COMMUNITY MAINTENANCE & DEVELOPMENT	Water				15,984,245	1,119,755		17,104,000

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 2005

ORDERED: That the following sums are hereby appropriated in the Public Investment Fund of the City of Cambridge.

FUNCTION	PROJECT	APPROPRIATIONS	FUNCTION	PROJECT	APPROPRIATIONS
GENERAL GOVERNMENT			COMMUNITY MAINT. & DEV. (cont.)		
	Acquisition of Personal Computers	75,000		Façade Improvement Program	185,00
	Technology Upgrades	<u>525,000</u>		Employment Program Fund	350,000
		600,000		Housing Rehab & Development	1,326,045
PUBLIC SAFETY				Neighborhood Business Development	243,000
	Fire Vehicles/Equipment	350,000		Public Art	40,000
	Police Equipment/Renovations	<u>35,000</u>		Public Art Conservation	<u>35,000</u>
		385,000			7,379,740
COMMUNITY MAINTENANCE & DEV.			HUMAN RESOURCE DEVELOPMENT		
	Public Building Renovations	150,000		Parks & Recreation	202,590
	Streets/Sidewalks Reconstruction	1,855,695		Accessibility Improvements	<u>50,000</u>
	Park and Cemetery Tree Pruning	100,000			252,590
	Parking Improvements	600,000	EDUCATION		
	Water System Improvements	820,000		School Equipment/Renovations	<u>400,000</u>
	Sewer Reconstruction	1,200,000			400,000
	Traffic Calming	400,000			
	Brookline Street Reconstruction	75,000		TOTAL	9,017,330

BE IT FURTHER ORDERED: That the above appropriations are to be financed from the following sources:

FINANCING PLAN CLASSIFICATION	REVENUE	FINANCING PLAN CLASSIFICATIONS	REVENUE
Property Taxes	1,500,000	Block Grant	2,014,135
Free Cash	1,330,000	Chapter 90	1,525,695
Parking Fund	600,000	Golf Course Fees	<u>27,500</u>
Sewer Service Charge	1,200,000		9,017,330
Water Service Charge	820,000		