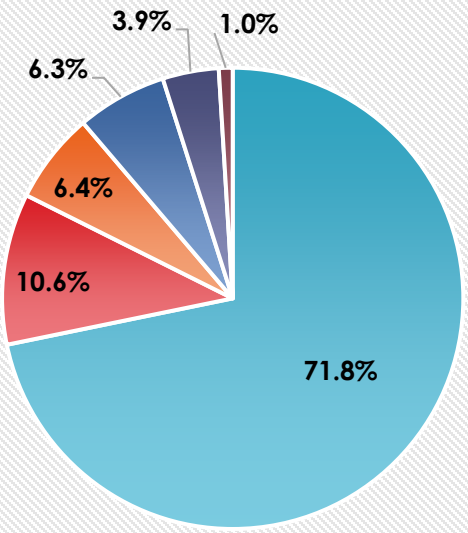
SECTION III

FINANCIAL SUMMARIES

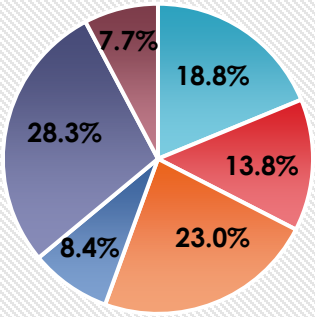
FINANCIAL SUMMARIES – FY26 OPERATING BUDGET

FY26 REVENUES BY CATEGORY: $991,181,320



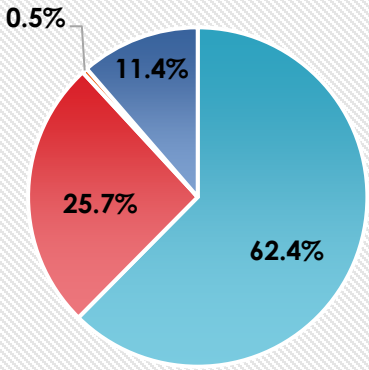
- Taxes: $711.4M
- Charges for Services: $105.1M
- Intergovernmental Revenue: $63.4M
- Miscellaneous Revenue: $62.8
- Licenses & Permits: $38.9M
- Fines & Forfeits: $9.5M

FY26 EXPENDITURES BY FUNCTION: $991,181,320

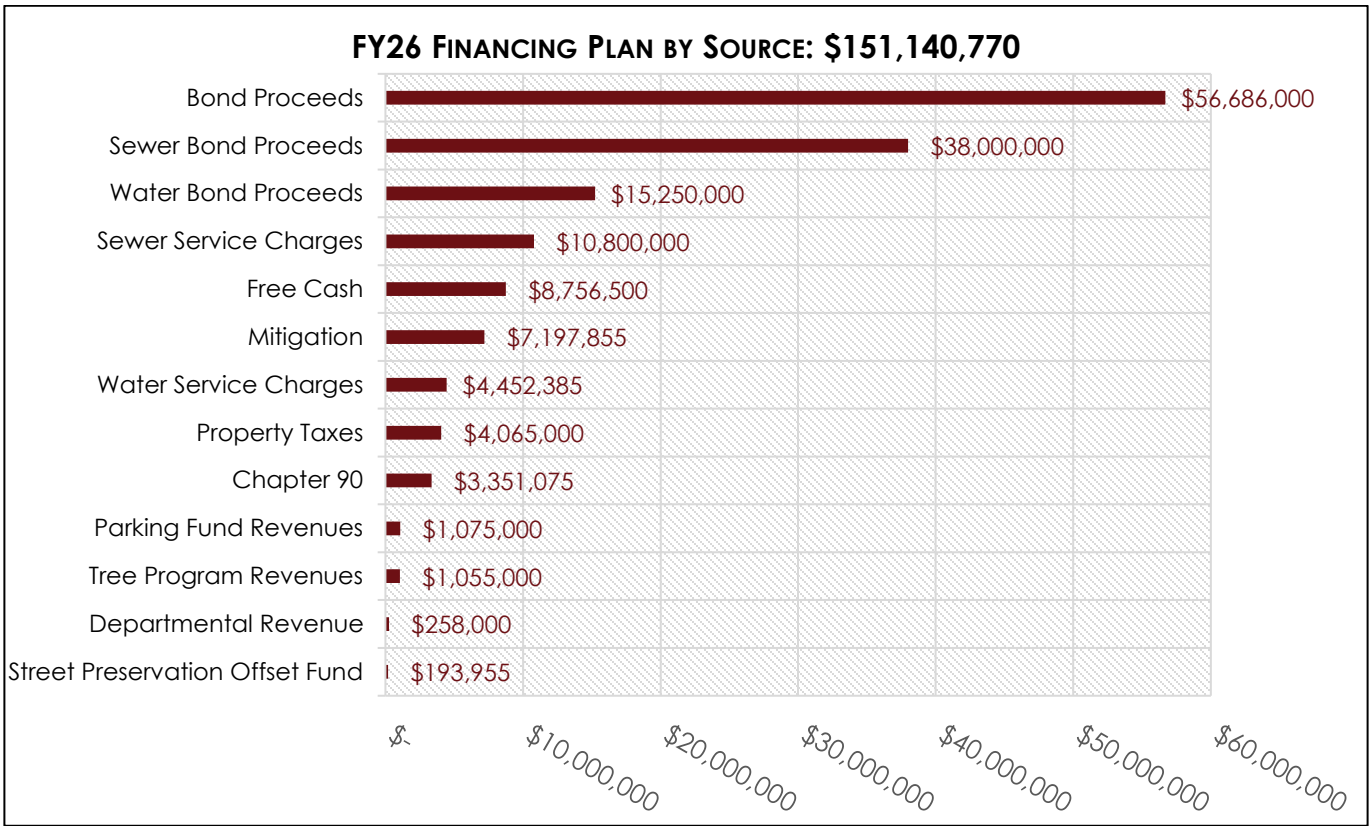


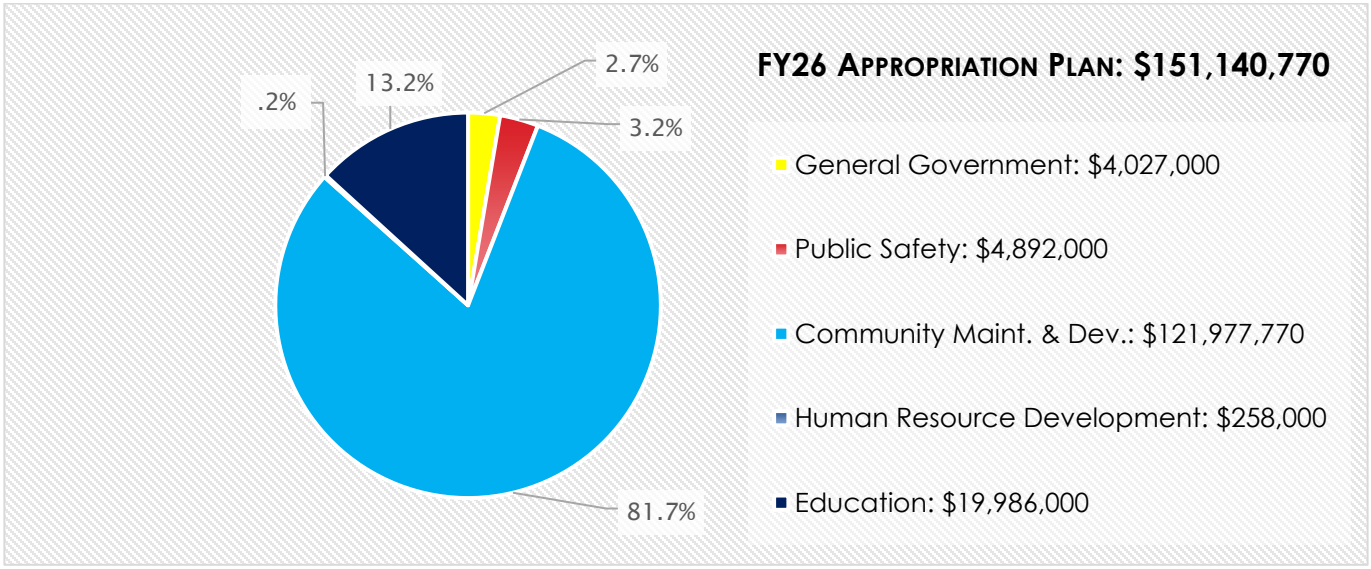
- General Government: $186.1M
- Public Safety: $136.5M
- Community Maint. & Dev.: $227.9M
- Human Resource Development: $83.7M
- Education: $280.2M
- Intergovernmental: $76.7M

FY26 EXPENDITURES BY STATUTORY CATEGORY: $991,181,320



- Salaries & Wages: $618.6M
- Other Ordinary Maintenance: $254.9M
- Travel & Training: $5.1M
- Extraordinary Expenditures: $112.5M


FY26 FINANCING PLAN BY SOURCE: $151,140,770
Bond Proceeds
$56,686,000
Sewer Bond Proceeds
$38,000,000
Water Bond Proceeds
$15,250,000
Sewer Service Charges
$10,800,000
Free Cash
$8,756,500
Mitigation
$7,197,855
Water Service Charges
$4,452,385
Property Taxes
$4,065,000
Chapter 90
$3,351,075
Parking Fund Revenues
$1,075,000
Tree Program Revenues
$1,055,000
Departmental Revenue
$258,000
Street Preservation Offset Fund
$193,955
$-
$10,000,000
$20,000,000
$30,000,000
$40,000,000
$50,000,000
$60,000,000


FY26 APPROPRIATION PLAN: $151,140,770
.2%
13.2%
2.7%
3.2%
81.7%
General Government: $4,027,000
Public Safety: $4,892,000
Community Maint. & Dev.: $121,977,770
Human Resource Development: $258,000
Education: $19,986,000

BUDGET CALENDAR

DECEMBER 9, 2024	**Budget Kickoff Meeting.** City Manager briefs department heads and fiscal staff on FY26 budget guidelines.
DECEMBER 2024 THROUGH ONE WEEK BEFORE DEPARTMENT HEARING	**Departments review and update budget materials:** • Personnel analysis sheets • FY25 revenue and expenditure projections and FY26 requests • Budget presentation templates • FY26 budget narratives • Goals and FY24 actuals, FY25 projections, and FY26 targets for performance measures All supporting documentation must be submitted to the Budget Analyst for preliminary review.
JANUARY 15, 2025	**Deadline for Capital submissions** to the Budget Office.
JANUARY 22, 2025 THROUGH MARCH, 2025	**Formal department submissions to City leadership.** Budget presentation templates need to be finished, along with all supporting documentation for final review.
MARCH 7, 2025	**Deadline for submission of Key Initiatives and Benchmarks** to Budget Office.
APRIL 28, 2025	**City Manager submits Budget to the City Council.**
MAY 8, 2025 *THROUGH* **MAY 15, 2025**	**City Council's Committee on Finance Budget Hearings.**
JUNE 2, 2025	**Projected budget adoption.**
JUNE 11, 2025	**Deadline for City Council adoption of FY26 Budget.**
JUNE 21, 2025	**City Manager's transmittal of chart of accounts and allotment plan** (based on departmental work plans) to City Auditor for execution.
JULY 1, 2025	**First day of FY26** Begin execution of FY26 allotment plans.

BUDGET PROCESS

The preparation of the annual budget for the City is governed by the provisions of Chapter 44 of the Massachusetts General Laws. The budget cycle for FY26 was initiated in November 2024. At that time, Budget Office staff met with the City Manager and Finance Director to update the City's five-year financial projections in order to establish general budgetary guidelines and limitations for the coming year.

The budget format is based on a system of goals and measures that are quantifiable and calculate selected unit costs of services, where applicable. The budget document is continuously being refined in order to promote transparency and clarity on how the City allocates resources to support community and council priorities.

The City Manager, in his guidelines, asked departments to be mindful of the City's new initiatives, as well as City Council goals and priorities and the impacts they will have on the operating budget. There were six City Council Finance Committee hearings between August 2024 and April 2025 related to updates on the American Rescue Plan Act (ARPA) funding, the operating and capital budgets and projections for future years. These hearings were also an opportunity for the City Council to provide input on the development of the FY26 operating and capital budgets. All Other Ordinary Maintenance, Travel & Training, and Extraordinary Expenditures lines should remain level funded going into the formal presentation with the City leadership. Departments should make an effort to absorb increasing costs due to contractual terms within their budgets and not knowingly under-budget them. The supplemental request process remained the same, with requests for new or expanded services submitted separately outside of the base budget.

The FY26 goal was to submit a budget to the City Council that supports Council priorities and programmatic and operational needs. Several processes are used to guide the City's overall strategic planning efforts, all of which help guide budgetary decision making, and to varying degrees consist of community input, goals, objectives, and implementation strategies. These include but are not limited to:

- *City Council Goals and Policy Orders*, which directly reflect City Council policies and priorities
- *Finance Committee hearings* on operating and capital budget development
- *Annual Resident Survey*, a statistically valid random survey, which is used to provide insight into priorities and workplans
- *Cambridge Public Schools District Plan*, a strategic plan that informs the Education Department budget
- *Citizen Advisory Boards and Commissions* help guide Citywide decision-making processes through resident participation on a variety of topic focused boards and commissions
- *Long-term Financial Planning* process updated annually to provide context for budgetary decisions
- *Capital Investment Planning* process updated annually to ensure that citywide capital needs are addressed in a timely and efficient manner
- The *Participatory Budgeting* process directly allocates a portion of the budget and provides insight into residents' budgetary priorities
- *Envision Cambridge*, a City-wide plan which provides a blueprint for the City's growth and change to make Cambridge a sustainable, inclusive, and connected community for generations to come
- *Climate Protection Plan*, which is focused on reducing greenhouse gas emissions and improved resiliency and has led to several other more specific plans and efforts related to sustainability
- *Departmental strategic plans* completed by the Information Technology, Police, and Library departments

- Other recent City-wide plans and studies which directly impact budgetary priorities include the Urban Forest Master Plan; Vision Zero and Complete Streets Program; New Mobility Blueprint; Bicycle Network Plan; Digital Equity Study and 21st Century Broadband Initiatives; Municipal Facilities Improvement Plan; Agenda for Children Out of School Time Collaboration; Future of Public Safety Task Force; Diversity, Equity and Inclusion: A Workforce Plan for Recruitment, Hiring, and Promotion; and the Cambridge Anti-Racism, Equity, and Inclusion Initiative.

By state law, the budget must be submitted to the City Council within 170 days after the Council organizes in early January. The City Manager is submitting the FY26 Budget to the City Council on April 28, 2025.

The City Council will hold a series of public hearings to solicit citizen participation regarding departmental budget requests from May 8-May 15, 2025. The City Council has the jurisdiction to make reductions, but cannot increase the proposed budget without the consent of the City Manager. Following submission of the budget, the City Council has 45 days within which to act (by June 11). If adopted, the annual budget for FY26 will become effective July 1, 2025.

BUDGET AMENDMENT PROCESS

During the course of the year, on recommendation of the City Manager, the City Council may, by majority vote, transfer any amount appropriated by a department to another statutory category within the same department. A two-thirds vote of the City Council is required to transfer appropriations from one department to another. In order to increase the total appropriation in any department, a majority vote of the City Council is required.

CITY COUNCIL GOALS

CITY COUNCIL GOALS

The following chart is intended to provide a very general overview of how the Operating Budget reflects the City Council goals. The chart includes a listing of the values statement and five goals. Relevant objectives within department budget narratives include the corresponding icon.

The City Council held two public meetings in early 2024 to discuss setting high-level goals to guide overall priorities and support communicating major areas of work to the community. City Councilors discussed areas of consensus based on their priorities and incorporating the results of the 2023 resident survey, a representative sample of Cambridge residents. The Council adopted the goals in May 2024.

VALUE STATEMENT	
The Cambridge City Council is committed to developing policies that are reflective of the shared values of our community, recognizing the diversity of our city- including but not limited to race, sexual orientation, language, nationality, income, age, and ability. We will conduct our deliberations with transparency, community engagement, and consideration of the financial and social implications on our residents, visitors, nonprofits, and businesses.	
	1. **Housing and Zoning:** Address the housing crisis by making it easier to build more housing of all types with a focus on affordability and protections for low, middle-income, elderly, and disabled residents.
	2. **Economic Opportunity and Equity:** Ensure the City of Cambridge offers economic opportunities to all residents and businesses and is taking steps toward greater economic equity, especially among our marginalized communities.
	3. **Transportation:** Improve the safety, efficiency, access, and sustainability of transportation options for all, and advocate for key transit priorities with the MBTA and other state and regional partners.
	4. **Sustainability and Climate Resilience**: Deepen the City of Cambridge's commitment to addressing the climate crisis through the use of sustainable energy and strengthening climate resilience and supporting our residents and businesses through this transition.
	5. **Government and Council Performance:** The City Council is committed to effective decision making through close collaboration with each other and the City administration, to communicate transparently and to deepen accountability and engagement with the community.

BASIS OF BUDGETING & ACCOUNTING

BASIS OF BUDGETING AND LEGAL LEVEL OF CONTROL

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for the General, Water, and Capital Funds for which the level of expenditure may not legally exceed appropriations for each department or undertaking classified in the following categories:

1. Salaries & Wages
2. Other Ordinary Maintenance
3. Travel & Training
4. Extraordinary Expenditures

The City Manager is authorized to approve reallocations below this level, such as from one object code to another within the category or from one division to another within a department. The budget must be balanced, meaning receipts must be greater than or equal to expenditures.

Revenues for the Parking Fund are recorded within the Parking Fund; however, no expenditures are charged directly to the Parking Fund. Instead, transfers are made from the Parking Fund to the General Fund and Public Investment Fund to cover related expenditures.

Proposed expenditure appropriations for all departments and operations of the City, except those of the School Department, are prepared under the direction of the City Manager. All budget appropriations, including those of the School Department, are approved by the City Council. The School Department budget is prepared under the direction of the School Committee based upon guidelines provided by the City Manager, who has bottom line authority on the School Budget. The City Manager may recommend additional sums for school purposes.

In addition, the City Manager may submit to the City Council such supplementary appropriation orders as are deemed necessary. The City Manager may amend appropriations within the above-mentioned categories for a department without seeking City Council approval. The City Council may reduce or reject any item in the budget submitted by the City Manager but may not increase or add items without the recommendation of the City Manager.

The City follows a gross budgeting concept pursuant to which expenditures financed by Special Revenue and Trust Funds are budgeted as General Fund expenditures and are financed by transfers from these funds to the General and Water Funds.

The City follows the accounting practices established by the Commonwealth of Massachusetts Department of Revenue, called the budgetary basis method of accounting, in the preparation of the annual budget and property tax certification process. The budgetary basis departs from the accounting basis which follows U.S. generally accepted accounting principles (GAAP) in the following ways:

a. Real estate and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (U.S. GAAP).
b. Encumbrances and continuing appropriations are recorded as the equivalent to expenditures (budgetary), as opposed to a reservation of fund balance (U.S. GAAP).
c. Certain activities and transactions are presented as components of the General Fund (budgetary), rather than as separate funds (U.S. GAAP).
d. Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budgetary) but have no effect on U.S. GAAP revenues.

BASIS OF BUDGETING & ACCOUNTING

BASIS OF ACCOUNTING

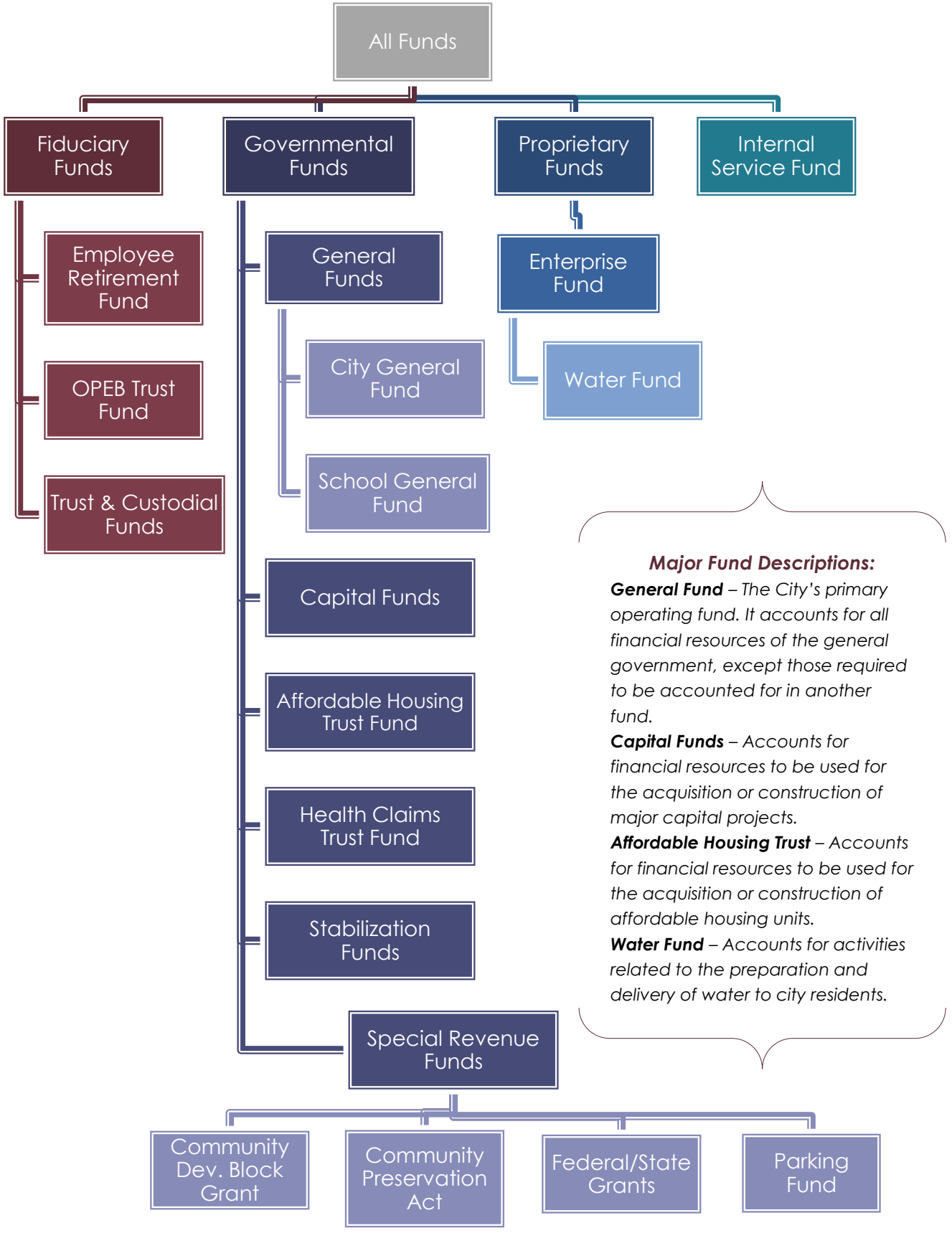
The City prepares its Annual Comprehensive Financial Report in accordance with U.S. GAAP as established by the Governmental Accounting Standards Board (GASB).

a. The accounts of the City are organized and operated on a fund basis. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal, and contractual provisions.
b. Governmental Funds use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are "susceptible to accrual" (i.e., both measurable and available). Property taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Investment income is recorded as earned. Other revenues are recorded on a cash basis, because they are generally not measurable until actually received. Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) tax abatements, judgments, and claims, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available resources.
c. Proprietary Funds and Fiduciary Funds are accounted for using the flow of economic resources measurement focus and full accrual basis of accounting. Under this method, revenues are reported when earned and expenses are recorded at the time liabilities are incurred.

There are certain differences in classifications between revenues, expenditures, and transfers. The following reconciliation summarizes the differences between the Basis of Budgeting and the Basis of Accounting for the year ended June 30, 2024.

	REVENUES	EXPENDITURES	OTHER FINANCING SOURCES (USES), NET
AS REPORTED ON A BUDGETARY BASIS	**$850,469,621**	**$824,000,717**	**(6,235,646)**
Adjustments:			
Revenues to Modified Accrual Basis	$32,226,885	$ -	$ -
Expenditures, Encumbrances, and Accruals (Net)	$ -	($24,524,204)	$ -
On Behalf Contribution for Teachers Pension	$32,417,328	$32,417,328	$ -
Reclassifications:			
Premium on Debt Issuance	$ -	$ -	$736,469
Transfers Not Reported on a Budgetary/GAAP Basis	$ -	$ -	($28,392,018)
AS REPORTED ON AN ACCOUNTING BASIS (GAAP)	**$915,113,834**	**$831,893,841**	**($21,419,903)**

CITY FUND STRUCTURE



Major Fund Descriptions:

General Fund *– The City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.*

Capital Funds *– Accounts for financial resources to be used for the acquisition or construction of major capital projects.*

Affordable Housing Trust *– Accounts for financial resources to be used for the acquisition or construction of affordable housing units.*

Water Fund *– Accounts for activities related to the preparation and delivery of water to city residents.*

Note: the City's Annual Comprehensive Financial Report includes financial information on the Cambridge Health Alliance and Cambridge Redevelopment Authority as discretely-reported component units that are legally separate from the City.

DEPARTMENT/FUND RELATIONSHIP

The following chart shows City departments by fund:

DEPARTMENT	GENERAL FUND	WATER FUND	CAPITAL FUNDS
Animal Commission	√		
Arts Council	√		
Cable TV	√		√
Cambridge Health Alliance	√		
Capital Building Projects	√		√
Cherry Sheet Assessments	√		
City Clerk	√		
City Council	√		
Community Development	√		√
Community Safety	√		
Debt Service	√		
Election	√		
Emergency Communications	√		√
Employee Benefits	√		
Equity and Inclusion	√		
Executive	√		
Finance	√		√
Fire	√		√
Historical Commission	√		
Housing	√		√
Human Resources	√		
Human Rights	√		
Human Services	√		√
Inspectional Services	√		
Law	√		
Library	√		
License Commission	√		
Mayor	√		
MWRA	√		
Office of Sustainability	√		
Peace Commission	√		
Police	√		√
Police Review & Advisory Board	√		
Public Works	√		√
Reserve	√		
Schools	√		√
Transportation	√		√
Veterans	√		
Water		√	√
Women's Commission	√		

BUDGET APPROPRIATION

Below is the breakout of the FY26 Budget Appropriation by Fund.

CAPITAL FUND	
Bonded Projects	$109,936,000
Non-bonded Projects	$41,204,770
TOTAL CAPITAL FUND	**$151,140,770**
GENERAL FUND	
Direct General Fund	$919,527,080
City Debt Stabilization Fund Transfer	$18,000,000
Community Development Block Grant Fund Transfer	$914,905
Health Claims Trust Fund Transfer	$18,000,000
Parking Fund Transfer	$21,136,385
TOTAL GENERAL FUND	**$977,578,370**
WATER FUND	
TOTAL WATER FUND	**$13,602,950**
TOTAL BUDGET APPROPRIATED FUNDS	**$1,142,322,090**

GRANTS

Below is a partial list of grants awarded to the City that are not included in the General Fund Budget. These grants support programs in several departments, benefit Cambridge residents, and help meet community needs.

GENERAL GOVERNMENT

- **Massachusetts Cultural Council Grants ($35,000).** The Arts Council receives Cultural District grants to support initiatives in Central Square and universal participation. (Public Celebrations)
- **Massachusetts Office of Travel and Tourism Massachusetts 250 Grant ($65,000).** This grant will support activities focused on the themes of revolution and independence, celebrating the significant historical milestones that have taken place in Cambridge. (Public Celebrations)
- **Massachusetts Gaming Commission Casino Mitigation Grant ($527,800).** This grant provides funding to mitigate the impacts of casinos on adjacent communities. These funds are being used to fund the purchase of traffic signal equipment, traffic safety enforcement, and the purchase of E-Bikes for the BlueBikes system. (Various departments)

PUBLIC SAFETY

- **MA Department of Fire Services (DFS) Hazardous Materials Grant ($468,750).** This funding supports the purchase of equipment for the hazardous materials response team. (Fire)
- **MA DFS Safety Equipment Grant ($87,019).** This grant supports the purchase of equipment for high-rise incidents, including special nozzles/tips, gauges, and adaptors and rescue equipment. (Fire)
- **MEMA Emergency Management Performance Grant ($79,200).** This grant is used to purchase uniforms and equipment for members of the Department. (Fire)
- **MA EOPSS Municipal Road Safety Grant ($59,982).** This grant supports both high-visibility traffic enforcement and initiatives to address pedestrian and bicycle safety issues. (Police)
- **MA EOPSS Safer Communities Initiative Edward J. Byrne Justice Assistance Grant ($34,535).** This grant will be used to support overtime costs for patrols in areas where gun violence is known to occur and help increase the visibility and presence of officers in the area to suppress violence and support the community. (Police)
- **MA EOPSS Senator Charles E. Shannon, Jr. Community Safety Initiative (CSI) Grant ($42,500)** The Shannon CSI is administered as part of a regional collaborative through the Metropolitan Area Planning Council. Grant funds are used primarily for overtime enforcement through participation in the multi-jurisdictional Metro Gang Task participation and the Focused Deterrence Program. (Police)
- **MA Department of Mental Health Co-Responder Grant ($120,000)** Grant funds will be used to support costs related to contracting services of a specially trained clinician that will respond to mental health calls throughout the city. (Police)
- **MA Office of Grants and Research Body-Worn Camera Grant ($243,689).** This funding is supporting the purchase of some of the hardware necessary to implement the body-worn camera program. (Police)
- **MA 911 Department Emergency Medical Dispatch Grant ($15,063).** These funds support quality assurance call review for the emergency medical protocol used by staff to provide pre- and post-dispatch instructions for medical emergencies. (Emergency Communications)
- **MA 911 Department Training Grant ($300,027).** This formula-based reimbursement grant will support training of Emergency Communications Center personnel, classroom fees, and training materials. (Emergency Communications)

GRANTS

COMMUNITY MAINTENANCE AND DEVELOPMENT

- **U.S. Department of Housing and Urban Development (HUD) Housing Opportunities for People with Aids (HOPWA) Grant ($2,420,070).** The funds will be used for assisted living programs and supportive services, shelter services, rental assistance, and housing search services. (Community Development)
- **U.S. HUD HOME Grant ($634,165).** This funding supports municipalities in expanding their supply of decent, safe and affordable housing. (Housing)
- **Community Development Block Grant (CDBG) Economic Opportunity Funding ($328,500).** These funds support microenterprise, economic opportunity, the biomedical career, small business enhancement, and e-commerce programs. (Community Development)
- **CDBG Housing Funding ($1,173,490).** These funds support the home improvement program, housing rehabilitation, affordable housing project development, housing mediation, and tenant organizing. (Community Development)
- **MA DEP Recycling Dividends Grant ($112,602).** Funding will be used for various City recycling programs, including purchasing compost and recycle carts, conducting a waste characterization and increasing education on recycling. (Public Works)
- **MA DEP Electric Rubbish Packer Grant ($416,991).** This funding supported the purchase of an electric rubbish packer.(Public Works)
- **MA Executive Office of Energy and Environmental Affairs Munipal Vulnerability Preparedness Grant ($276,800).** This grant is designed to increase resiliency to climate change and improve coordination across municipalities. (Public Works)
- **MAPC Accelerating Climate Resilience Grant ($50,000).** Funding from this grant supports the design, application, and installation of a solar photovoltaic system on the roof of the Cambridge Community Center. (Public Works)

HUMAN RESOURCE DEVELOPMENT

- **U.S. HUD Continuum of Care Program Grant ($6,404,386).** These funds will be used to support homeless service providers and cover the costs related to serving homeless persons in Cambridge. (Human Services)
- **MA Department of Housing and Livable Communities Emergency Solutions Grant ($228,471).** The funds are used for shelter operating costs; providing essential services to homeless persons outside of the shelter setting; and rapid re-housing and homelessness prevention case management needed to gain or retain permanent housing. (Human Services)
- **Children's Trust Fund ($180,000).** This Massachusetts Family Center grant funds support programs for families with children from birth to age six. (Human Services)
- **Friends of the Community Learning Center/Cambridge Housing Authority/Miscellaneous ($426,344).** The Community Learning Center receives funds from several foundations, private donors, and the Cambridge Housing Authority for transitional classes for adults with a high school diploma who are interested in attending college; leadership training for students; career awareness workshops; the Certified Nursing Assistant program; additional ESOL classes; and ESOL distance learning workshops. (Human Services)
- **Low-Income Fuel Assistance ($1,272,536).** This program served more than 1,322 households in Cambridge and Somerville during the 2023-2024 winter season through financial assistance for heating bills and rental assistance if heat is included in the rent. (Human Services)

GRANTS

- **MA DESE CLC Grant ($1,148,777).** The Community Learning Center receives state and federal funds for basic adult education, ESOL classes, civic education, volunteer coordination, ESOL distance learning, and family literacy. A state grant through the Metro North Service Delivery Area supports a portion of these activities. Onsite classes are offered for Cambridge Housing Authority residents. (Human Services)
- **MA DESE – Summer Food Grant ($513,500).** These funds are used to provide nutritious meals to Cambridge youth at over 50 meal sites throughout the City during the summer months when schools are closed. (Human Services)
- **Massachusetts Housing and Shelter Alliance Grant ($153,809).** This program provides casework support for men who are moving from homelessness toward permanent housing, and who are housed at the YMCA during the transitional period. (Human Services)
- **Cambridge Housing Authority Cambridge Employment Program Grant ($98,214).** These funds will be used to maintain the capacity of the Cambridge Employment Program by continuing to fund a vocational case manager to provide career counseling and case management services to Cambridge residents seeking employment, particularly those residing in public housing. (Human Services)
- **Alice Wolf Fund Early Childhood Grant ($54,360).** This funding is used to provide continuing support for training and professional development for early childhood educators and those entering the field. (Human Services)
- **Cambridge Community Foundation Agenda for Children Grant ($55,000).** This grant supports coaching for City and community out of school time programs.
- **Cambridge Health Alliance Cambridge Food Pantry Grant ($15,000).** These funds are used to purchase nutritional foods to be distributed to eligible Cambridge residents through the Food Pantry Network. (Human Services)
- **Coordinated Family and Community Engagement Grant ($263,815).** This grant supports staff and programming at the Center for Families. (Human Services)
- **Massachusetts Formula Grant ($283,725).** This grant is awarded annually to the Human Service Programs Council on Aging Division and is used to provide funding for department staff and services. Funds also support instructors and group facilitators who provide services virtually to seniors. (Human Services)
- **U.S. HUD – Fair Housing Assistance Grant ($40,529).** Funds support a portion of the salary of an Attorney-Investigator, who works on cases from the Fair Housing Assistance Program (FHAP). FHAP activities include case processing, education/outreach, and participation in mandatory HUD-sponsored training. (Human Rights)

EDUCATION

For information about School Department grants, please refer to the Cambridge Public School Department's FY26 Budget document, which can be found at www.cpsd.us.

FINANCIAL POLICIES & GUIDELINES

One of the primary reasons that the City is held in high regard by the financial community is its development and implementation of a long-term financial plan. This plan is reviewed on an annual basis in conjunction with the City's bond sale and credit rating application process. The budget for the current fiscal year is used as the base year upon which future year projections are built. All expenditures, revenues, and property valuations are reviewed to ensure that the timeliest information is available to be used for future year projections. The budget for the current year is also compared to the projections for that year from previous five-year plans to determine the accuracy of the projections. If modifications to the projection process are needed, the City's financial staff will make changes accordingly. After careful review, this plan is submitted to the rating agencies in conjunction with their review of the City's financial condition. This plan serves as a basis upon which important decisions concerning the City's financial future are made.

The rating agencies have recognized the prudent nature of the City's budgeting and financial management processes. In the area of debt issuance, it is particularly important to maintain a level of consistency with national standards. The City's average debt position is a reference to debt ratios such as per capita debt and the ratio of debt to equalized valuation, as well as the rapid retirement schedule and low percentage of debt service to the total budget. It is expected that these debt indicators will remain comparable to national standards. The debt to be issued includes tax-supported bonds issued to finance several large construction projects critical to maintaining a high quality of life in Cambridge. The City's debt levels are the direct result of using bond proceeds to finance capital projects only after it has been determined that there are no other feasible means of financing the projects.

The following chart compares selected ratios with the medians of all U.S. cities rated Aaa by Moody's Investors Service. As the chart indicates, the ratios of Cambridge are comparable with the medians of local governments across the nation with the highest rating awarded by Moody's.

Median	U.S. (Aaa)	Massachusetts (Aaa)	Cambridge
Full Value Per Capita	$260,554	$404,333	$724,819
Available Fund Balance Ratio	65.7%	30.3%	53.0%
Liquidity Ratio	93.9%	64.5%	88.5%
Long-Term Liability Ratio	186.4%	211.4%	177.0%

Source: Moody's Investors Service Publicly Rated U.S. Local Government Medians Special Report (April 2025).

FINANCIAL POLICIES & GUIDELINES

The table below shows several financial indicators that were key factors in the decisions made by the rating agencies to award Cambridge three AAA ratings. Numbers are in the millions.

	FY22	FY23	FY24	FY25	FY26
Excess Levy Capacity (1)	$196.6	$201.1	$198.5	$189.1	$170.0
General Fund Balance (2)	$321.3	$325.7	$387.5	$335.7	$330.7
Free Cash (3)	$199.3	$192.3	$233.2	$160.0	$160.0
Rapidity of Debt Retirement (4)	87.0%	82.9%	84.2%	82.8%	82.0%

(1) Excess levy capacity is the difference between the amount in property taxes that the City is allowed to levy under state law and the amount the City actually levies. The amounts shown for FY22-25 are actual amounts and FY26 is a projected figure.

(2) The amounts shown for General Fund Fund Balances include those funds moved to the General Fund to satisfy GASB 34 requirements. FY25 and FY26 are projected figures.

(3) Free Cash is defined as funds remaining from the previous fiscal year that are available for appropriation. The figures shown for FY22-24 are actual amounts and those shown for FY25-26 are projected figures.

(4) The percentages shown represent the percent of total debt that would be retired in 10 years. With few exceptions, all debt issued by the City is retired within 10 years. Percentage does not include ensuing year's bond issue.

INVESTMENT POLICY

I. PURPOSE

The purpose of this document is to specify the policies and guidelines that provide for the prudent and productive investment of City funds. The City's investment program is operated by the City Treasurer in conformance with all applicable federal and state requirements, including MGL chapter 44, sections 54 and 55.

This policy statement reflects the long-term policy guidelines that have been used by the City's management team, which are now incorporated into the City's Annual Budget and Public Investment Program. The City Manager will review these policy statements with the City Council each year, informing the public of the City's desire to maintain the highest standards of governance.

II. SCOPE

This policy applies to the investment of all of the City's funds, excluding the investment of employees' retirement funds. Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with GAAP.

III. INVESTMENT OBJECTIVES

The City shall seek as high a level of investment income as is consistent with, first: the safety of principal and, second: the provision of liquidity to meet daily cash flow requirements.

A. Safety of Principal

Safety of principal, the primary objective, shall be pursued in a number of ways.

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks.
2. Investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality, and maturities.
3. Adequate diversification of instruments, issuers, and maturities shall be maintained.
4. All deliverable securities shall be held by a third-party custodian on the basis of delivery versus payment to a custodian bank.
5. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.

B. Liquidity

The investment portfolio shall be structured to meet all of the City's cash requirements that may reasonably be anticipated. Furthermore, since all cash requirements cannot be anticipated, the portfolio should consist mainly of custodial arrangements, investment pools or money market funds specified below, securities or deposits with very short maturities, or securities with active secondary or resale markets.

C. Yield

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the City's liquidity requirements.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The

investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While investments shall not be made for the purpose of trading or speculating as the dominant criterion, the City may seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.

IV. STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that "investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C. Delegation of Authority

Authority to manage the investment program is granted to the Assistant Finance Director, hereinafter referred to as the investment manager. The investment manager shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment manager. The investment manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers. An investment committee, comprised of the City Treasurer, City Auditor, Director of Assessing, and the investment manager, will meet at least quarterly to review the investment program and activity.

V. FINANCIAL DEALERS AND INSTITUTIONS

The City shall conduct business only with qualified financial institutions. The investment manager shall develop criteria for selecting brokers and dealers. An annual review of the financial condition and registration of qualified bidders will be conducted.

All repurchase agreement transactions will be conducted through primary dealers of the Federal Reserve Bank of New York or applicable state agencies with short-term debt ratings of at least A-1, P-1, or F-1, or qualified depositories as described in the appropriate Section, which have executed master repurchase agreements with the City.

VI. INVESTMENT GUIDELINES

All investments must be made in securities authorized by MGL chapter 44, sections 54 and 55 and this investment policy statement.

A. Suitable and Authorized Investments

The City may invest in the following securities or deposits:

- In term deposits or certificates of deposit in trust companies, national banks, savings banks, banking companies, or cooperative banks.
- In obligations issued or unconditionally guaranteed by the United States government or one of its agencies.
- In United States government securities or securities of United States government agencies.
- Money market mutual funds regulated by the Securities and Exchange Commission, whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools such as the Massachusetts Municipal Depository Trust and Massachusetts Municipal Depository Short Term Bond Fund.

No investments may be made in "derivative" securities such as futures, swaps, options, interest-only or principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These restrictions apply to direct investments as well as to investments through custodial arrangements, pools, or money market funds discussed in applicable Sections. Thus, if a custodial arrangement, pool, or fund includes securities listed in this paragraph, the City may not invest in shares or other interest in such custodial arrangement, pool, or fund.

The City requires full collateralization on all demand deposit accounts including checking accounts, certificates of deposit, and money market accounts.

The City shall not at any one time have on deposit in a bank, trust company, or banking company an amount exceeding 60% of the capital surplus of such bank, trust company, or banking company unless satisfactory security is given to it by such bank, trust company, or banking company for such excess.

Prohibiting certain local investments:

(a) No public funds under the care and custody of the Collector-Treasurer of the City of Cambridge shall be invested or remain invested in the stocks, securities or other obligations of any company, including financial institutions, which derives more than ten percent (10%) of its revenue from the combustion, distribution, extraction, manufacture, or sale of fossil fuels, which shall include coal, oil and gas, or fossil fuel products. With regard to pooled investments, no more than one percent (1%) of the total portfolio may exceed the above restriction.

(b) The Collector-Treasurer of the City of Cambridge shall divest public funds under their care from investments related to fossil fuels. If the Collector-Treasurer determines that such divestment does not provide for the prudent and productive investment of City funds as noted in this policy and as described in MGL Chapter 44, Section 55B at that time, they shall notify the City Council with a projected date when this section will be implemented.

(c) An electric distribution company with corporate affiliates that combust, distribute, extract, manufacture or sell fossil fuels may be considered a fossil fuel investment for definition purposes.

(d) No public funds under the care and custody of the Collector-Treasurer of the City of Cambridge shall be invested or remain invested in the stocks, securities or other obligations of any company, including financial institutions, which derives more than ten percent (10%) of its revenue from the operation, maintenance, servicing, or supply of carceral facilities. With regard to pooled investments, no more than one percent (1%) of the total portfolio may exceed the above restriction.

(e) The Collector-Treasurer of the City of Cambridge shall divest public funds under their care from investments related to the operation, maintenance, servicing, or supply of carceral facilities. If the Collector-Treasurer determines that such divestment does not provide for the prudent and productive investment of City funds as noted in this policy and as described in MGL Chapter 44, Section 55B at that time, they shall notify the City Council with a projected date when this section will be implemented.

B. Diversification

It is the policy of the City to diversify its investment portfolio. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets shall be diversified by maturity, issuer, and class of security. Diversification strategies shall include:

1. At the time of acquisition, no more than 10% of the overall portfolio may be invested in deposits with a single bank, unless the deposits are fully-insured or fully-collateralized, or in repurchase arrangements for a period longer than two business days conducted through a single dealer.
2. There is no limitation on the percentage of the overall portfolio that may be invested in: (1) U.S. government and agency obligations and in repurchase agreements fully collateralized by such securities, appropriate state pools, or an authorized custodial arrangement, pool, or money market fund, if permitted by state statute, specified in the appropriate Section.
3. Investments in securities that are not readily marketable, other than securities or deposits that mature within seven days, may not exceed 10% of the portfolio's net assets at the time of purchase.

This section does not apply to bank accounts used for the temporary deposit of receipts and deposits needed to cover disbursements that are expected to clear over the next seven days.

Investment decisions shall be based on the relative and varying yields and risks of individual securities and the City's liquidity requirements.

VII. REPORTS

Quarterly and annual reports summarizing the investment portfolio by security types and maturities, and describing the portfolio's performance relative to standard benchmarks (e.g., 90-day Treasury bills), shall be provided by the investment committee to the City Manager. A detailed portfolio listing, including cost, market valuations, maturities, and commentary on economic conditions, shall be provided with each report.

VIII. PORTFOLIO VALUATION

The market value of the investment portfolio shall be determined on at least a monthly basis. Significant deviations of market values to amortized costs shall be reported promptly to the City Treasurer.

IX. ADOPTION

This policy shall be adopted by the City Council. Any revisions must be approved by the City Treasurer and City Council.

Any investment held at the time of this policy's adoption that does not conform to the policy shall be exempt from the requirements of the policy so long as such investment is a permitted City investment under state statutes. At maturity or liquidation of such investment, all proceeds shall be reinvested only as provided by this policy.

The City may invest or reinvest in an authorized custodial arrangement, pool, or money market fund specified in the appropriate Section of this policy that currently contains in its portfolio securities that do not meet the criteria set forth in appropriate Section ("Non-Conforming Securities") only if (1) the custodial arrangement, pool, or money market fund is a permitted City investment under state statutes, (2) the custodial arrangement, pool, or money market fund has adopted a written investment policy that precludes future purchases of Non-Conforming Securities for its portfolio, and (3) the custodial arrangement, pool, or money market fund has adopted a written investment policy of liquidating such Non-Conforming Securities as soon as practicable after market conditions permit such liquidation at par.

This policy shall be reviewed during the City's Annual Budget and Public Investment Program process.

COMPLIANCE STATUS

The City is in compliance with this investment policy.

DEBT MANAGEMENT POLICY

I. PURPOSE

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the City.

Debt obligations, which include general obligation bonds, special assessment bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to purchase capital assets that cannot be acquired with current revenues.

This policy statement reflects the long-term policy guidelines that have been used by the City's management team, which are now incorporated into the City's Annual Budget and Public Investment Program. Each year the City Manager will review and revise this policy to make sure it is in line with rating agency standards and medians for Aaa/AAA-rated local governments. This will ensure the City meets its financial goals, achieves the best possible long-term credit rating profile, and enhances its financial flexibility.

II. POLICY STATEMENT

Under the requirements of federal and state laws and City Charter provisions, ordinances, and loan orders, the City may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. It is the City's goal to assure that such debt obligations are issued and managed in such a manner as to obtain the best long-term financial advantage to the City and its residents, while making every effort to maintain the credit ratings of Fitch Ratings – AAA, Moody's Investors Service – Aaa, and Standard and Poor's – AAA, and reputation in the investment community.

III. RESPONSIBILITY FOR POLICY

The City Treasurer shall be responsible for issuing and managing the City's Debt Program. In carrying out this policy, the City Treasurer shall:

1. at least annually consider the need for debt financing based upon the progress on the Public Investment Program;
2. at least annually review the City's adherence to this policy statement and compare the debt ratios established in this policy with where the City actually is;
3. at least annually review the City's authorized but unissued debt to determine if any authorizations are no longer needed; and
4. at least annually determine if there are any opportunities for refinancing current debt.

The City Treasurer shall report his or her findings to the City Manager and City Council in April of each year, prior to the City Council's review of the Public Investment Program.

IV. GENERAL DEBT GOVERNING POLICIES

The City hereby establishes the following policies concerning the issuance and management of debt:

A. The City shall not issue debt obligations or use debt proceeds to finance current operations of the City.
B. The City will utilize debt obligations only for acquisition, construction, or remodeling of capital improvement projects that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
C. The City will measure the impact of debt service requirements of outstanding and proposed debt obligations on single year, five, 10, and 20-year periods. This analysis will consider debt service maturities and payment patterns as well as the City's commitment to a pay-as-you-go budgetary allocation.

V. DEBT POLICIES, RATIOS, AND MEASUREMENT

A. Purposes of Issuance – The City shall only issue debt obligations for acquiring, constructing, or renovating City owned fixed assets or for refinancing existing debt obligations. The City intends only to invest and spend bond proceeds for projected capital expenditures to comply with the 24-month payout exception in the U.S. federal regulations regarding non-arbitrage bonds. In the event of unexpected delays in capital spending, the bond proceeds shall be invested in allowable instruments that either restricts the yield so that the City does not benefit or rebate the positive arbitrage to the U.S. government.
B. Maximum Maturity – All debt obligations shall have a maximum maturity of the earlier of: (1) the estimated useful life of the Public Investment being financed; or (2) 20 years; or (3) in the event debt obligations are being issued to refinance outstanding debt obligations, the final maturity of the debt obligations being refinanced.
C. Average Maturity of General Obligation Bonds – The City shall have at least 70% of outstanding general obligation bonds mature in less than 10 years.
D. The City shall not exceed 50% of its statutory debt limitation.
E. Bond Covenants and Laws – The City shall comply with all covenants and requirements of the bond resolutions, and Massachusetts and federal laws authorizing and governing the issuance and administration of debt obligations.
F. Net Present Value Savings – The City must achieve a Net Present Value Savings of at least 3% and/or at least $1,000,000 over the life of an existing bond issue in order for it to be considered for refunding.
G. Bond Premiums – Any premium received upon the sale of the bonds or notes, less the cost of preparing, issuing and marketing them, and any accrued interest received upon the delivery of the bonds or notes shall be (i) applied to the costs of the project being financed by the bonds or notes and to reduce the amount authorized to be borrowed for the project or (ii) appropriated for a project for which the city has authorized a borrowing, or may authorize a borrowing, for an equal or longer period of time than the original loan.

DEBT RATIOS

H. Net Debt as a Percentage of Equalized Value – This ratio compares the amount of debt issued by the City and the size of its tax base. The City's overall net debt will not exceed 2% of the City's equalized value. The Net Debt as a Percentage of Equalized Value shall be calculated by dividing the City's net debt by the City's equalized value.

EQUALIZED VALUE[1]	NET DEBT[2]	NET DEBT TO EQUALIZED VALUE
$85,379,281,500	$581,125,000	0.68%

[1] The equalized value reflects full market value as of January 1, 2024.
[2] The net debt is as of June 30, 2025 (excludes debt retired during FY25).

I. Gross Debt as a Percentage of Operating Expenditures – This ratio measures the amount of the City's budget that must be allocated to debt service. The City shall adhere to a gross debt management strategy that limits annual gross debt service expenditures to 12.5% of the total budget.

FY25 OPERATING EXPENDITURES	ANNUAL GROSS DEBT SERVICE	GROSS DEBT SERVICE TO OPERATING EXPENDITURES
$991,181,320	$109,178,975	11.02%

J. Net Debt as a Percentage of Operating Expenditures – This ratio gauges the amount of the budget that must be allocated to tax-supported debt service. The City shall adhere to a net debt management strategy that achieves the goal of limiting annual net debt service expenditures to 10.0% of the total budget.

FY25 OPERATING EXPENDITURES	ANNUAL NET DEBT SERVICE	NET DEBT SERVICE TO OPERATING EXPENDITURES
$991,181,320	$83,089,540	8.38%

K. Net Debt as a Percentage of Per Capita – Debt per capita measures the amount of debt relative to the size of the City's population. The City's overall net debt per capita shall not exceed $6,000 per capita. The Direct Debt Per Capita shall be calculated by dividing the City's net debt by the City's population.

POPULATION[3]	NET DEBT[2]	NET DEBT PER CAPITA
118,208	$581,125,000	$4,916

[3] The most recent population figure is from the 2023 decennial census. Source: U.S. Dept. of Commerce, Bureau of Census.

DEBT MANAGEMENT POLICY

GENERAL DEBT LIMIT

Under Massachusetts statutes, the general debt limit of the City consists of a normal debt limit and a double debt limit. The normal debt limit of the City is 5% of the valuation of taxable property as last equalized by the state Department of Revenue. The City can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the members of the Municipal Finance Oversight Board.

There are many categories of general obligation debt that are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds, and, subject to special debt limits, bonds for water (limited to 10% of equalized valuation), housing, urban renewal, economic development (subject to variation debt limits), and electric and gas (subject to a separate limit equal to the general debt limit, including the same doubling provision). Industrial revenue bonds, electrical revenue bonds, and water pollution abatement revenue bonds are not subject to these debt limits. The general debt limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

BOND RATING

In February, 2025, the City received bond ratings of Aaa from Moody's Investor Services and AAA from Fitch Ratings and S&P Global Ratings. All three agencies assessed the City's outlook as stable.

DEBT LIMIT CALCULATION

EQUALIZED VALUATION AS OF JANUARY 1, 2024	**$85,379,281,500**
DEBT LIMIT (5% OF EQUALIZED VALUATION)	**$4,268,964,075**
Total Outstanding Debt as of June 30, 2025	$694,347,485
Total Authorized / Unissued Debt as of June 30, 2025	$362,235,500
TOTAL OUTSTANDING DEBT PLUS TOTAL AUTHORIZED / UNISSUED DEBT	**$1,056,582,985**
Amount of Outstanding Debt Outside the Debt Limit	$3,640,000
Amount of Authorized / Unissued Debt Outside the Debt Limit	$17,750,000
OUTSTANDING DEBT PLUS AUTHORIZED / UNISSUED OUTSIDE THE DEBT LIMIT	**$21,390,000**
Total Outstanding Debt Plus Total Authorized / Unissued Debt	**$1,056,582,985**
Less: Outstanding Debt Plus Authorized / Unissued Outside the Debt Limit	$21,390,000
DEBT SUBJECT TO THE DEBT LIMIT	**$1,035,192,985**
Debt Limit (5% of Equalized Valuation)	$4,268,964,075
REMAINING BORROWING CAPACITY UNDER DEBT LIMIT	**$3,233,771,090**

COMPLIANCE

The City is in compliance with all debt policies.

DEBT MANAGEMENT POLICY

FY26 Debt Distribution

Dept.	Debt Payment	Interest	Required Appropriation*
City	$79,033,990	$29,565,170	$108,599,160
Water	$415,000	$164,815	$579,815
Total	**$79,448,990**	**$29,729,985**	**$109,178,975**

*General Fund debt service does not reflect Water debt service. Water debt service is budgeted at the department level. Please note, fees are not included in this debt distribution.

Debt Position (based on outstanding debt June 30, 2025)

The City has historically had conservative debt guidelines. When the City embarked on an aggressive capital improvement program several years ago, it established a policy of measuring the impact of debt service requirements on the long-term financial plan, retiring 70% of its debt within 10 years of the date of issue and allocating funds from reserve accounts to finance projects that would otherwise have been supported through bond proceeds. The City's rapid repayment schedule has given the City considerable flexibility to extend redemption schedules for long-life projects such as the elementary school reconstruction program. In addition, key ratios, such as net direct debt to assessed value and unreserved fund balance as a percent of revenues, compare favorably with national medians.

YEAR	TOTAL DEBT	DEBT PAYMENT	INTEREST	REQUIRED APPROPRIATION
2025-2026	$694,347,485	$79,448,988	$29,729,979	$109,178,967
2026-2027	$614,898,497	$72,995,200	$26,719,825	$99,715,025
2027-2028	$541,903,297	$68,014,600	$23,268,000	$91,282,600
2028-2029	$473,888,697	$63,439,200	$20,046,425	$77,678,343
2029-2030	$410,449,497	$58,919,497	$17,044,494	$70,618,972
2030-2031	$351,530,000	$55,210,000	$14,239,143	$64,744,450
2031-2032	$296,320,000	$48,500,000	$11,699,475	$56,052,856
2032-2033	$247,820,000	$45,220,000	$9,534,450	$51,075,088
2033-2034	$202,600,000	$39,280,000	$7,552,856	$43,921,875
2034-2035	$163,320,000	$30,440,000	$5,855,088	$34,344,663
2035-2036	$132,880,000	$20,100,000	$4,641,875	$23,280,801
2036-2037	$112,780,000	$19,550,000	$3,904,663	$22,106,888
2037-2038	$93,230,000	$18,560,000	$3,180,801	$20,586,151
2038-2039	$74,670,000	$15,605,000	$2,556,888	$17,171,701
2039-2040	$59,065,000	$13,310,000	$2,026,151	$14,447,750
2040-2041	$45,755,000	$12,865,000	$1,566,701	$14,431,701
2041-2042	$32,890,000	$12,280,000	$1,137,750	$13,417,750
2042-2043	$20,610,000	$9,650,000	$720,600	$10,370,600
2043-2044	$10,960,000	$7,500,000	$369,200	$7,869,200
2044-2045	$3,460,000	$3,460,000	$103,800	$3,563,800

DEBT MANAGEMENT POLICY

USE OF DEBT

The following table summarizes bond issues that are still partially outstanding. Amounts shown are the amount of the original issue and not the amount still outstanding. The table only includes original debt issues, without refunding issues.

Year Issued	City Facility (incl. schools)	Streets & Sidewalks	Water & Sewer	Open Space
FY06	$51,000,000			
FY07	$17,000,000			
FY08	$40,205,000			
FY09	$40,575,000			
FY10	$25,000,000			
FY11	$20,145,000			
FY12	$10,535,000			
FY13	$37,070,000			
FY14	$18,500,000			
FY15	$41,000,000			
FY16	$17,000,000	$4,500,000	$26,740,000	
FY17	$31,740,000	$5,140,000	$21,045,000	$470,000
FY18	$65,266,000		$14,612,000	
FY19	$59,505,000		$16,972,625	
FY20	$21,950,000	$6,580,000	$17,165,000	
FY21	$40,210,000	$11,925,000	$18,420,000	
FY22	$62,725,000	$6,765,000	$12,335,000	
FY23	$44,880,000	$4,480,000	$34,140,000	$450,000
FY24	$118,140,000	$14,545,000	$22,690,000	$4,845,000
FY25	$111,205,000	$16,985,000	$21,525,000	$3,575,000

RESERVE POLICY

I. PURPOSE

The purpose of this policy is to 1) preserve the creditworthiness of the City for borrowing monies at favorable interest rates; 2) provide working capital to meet cash flow needs during the year; and 3) attempt to stabilize fluctuations from year to year in property taxes paid by City taxpayers.

This policy statement reflects the long-term policy guidelines that have been used by the City's management team, which are now incorporated into the City's Annual Budget and Public Investment Program. The City Manager will review these policy statements with the City Council each year, informing the public of the City's desire to maintain the highest standards of governance.

II. POLICY STATEMENT

Fund Balance is an important indicator of a community's financial position. An adequate fund balance must be maintained to allow the City to continue to meet its obligations in the event of an economic downturn and/or emergency. Therefore, the City shall maintain:

An Unassigned General Fund Fund Balance as of June 30 of each year equal to or greater than 15% of the ensuing fiscal year's operating revenue, and total General Fund Fund Balance as of June 30 of each year equal to or greater than 25% of the ensuing fiscal year's operating revenue.

III. RESPONSIBILITY FOR POLICY

As part of the annual budget preparation process, the City Treasurer will estimate the surplus or deficit for the current year and prepare a projection of the year-end unreserved/undesignated General Fund Fund Balance. Any anticipated balance in excess of the targeted minimum unreserved/undesignated fund balance may be budgeted to reduce the ensuing year's property tax levy or fund one-time expenditures.

This policy shall be reviewed during the City's Annual Budget and Public Investment Program process.

COMPLIANCE

The City is in compliance with the reserve policy.

THREE-YEAR CONSOLIDATED FINANCIAL SCHEDULE

This schedule is a consolidated three-year financial summary for the General, Water, and Capital Funds (in thousands).

	FY24 Actual	FY25 Projected	FY26 Proposed Budget
General Fund			
Revenues			
Charges For Services	$90,629	$90,310	$99,743
Fines & Forfeits	$12,337	$11,324	$10,157
Intergovernmental Revenue	$62,378	$65,521	$63,351
Licenses and Permits	$55,865	$43,842	$38,991
Miscellaneous Revenue	$62,529	$69,935	$71,523
Taxes	$619,615	$662,465	$715,482
Transfers (In)	$728	$729	$3,106
Transfers (Out)	($21,353)	($26,148)	($24,775)
Total Revenues	$882,729	$917,979	$977,578
Expenditures By Function			
General Gov.	$69,158	$80,024	$186,085
Public Safety	$181,595	$194,067	$136,473
Community Maintenance and Development	$198,392	$223,241	$214,284
Human Resource Development	$74,582	$92,008	$83,729
Education	$241,076	$268,250	$280,250
Intergovernmental Expenditures	$70,737	$73,198	$76,756
Total Expenditures	$835,541	$930,788	$977,578
Water Fund			
Revenues			
Charges For Services	$18,994	$21,307	$21,161
Transfers (In)	$0	$0	$0
Transfers (Out)	($3,933)	($6,619)	($7,558)
Total Revenues	$15,061	$14,688	$13,603
Expenditures			
Water Department Expenditures	$14,365	$15,275	$13,603
Capital Fund			
Revenues			
Intergovernmental Revenue	$4,426	$5,338	$3,351
Miscellaneous Revenue	$3,937	$5,385	$8,627
Bond Proceeds (including Premiums)	$180,100	$165,860	$109,936
Transfers (In)	$24,558	$32,038	$29,227
Total Revenues	$213,021	$208,621	$151,141
Expenditures			
Capital Outlays	$190,775	$236,696	$151,141
Total			
Total Revenues	$1,110,811	$1,141,288	$1,142,322
Total Expenditures	$1,040,680	$1,182,758	$1,142,322

Numbers may not add due to rounding.

FUND BALANCE

FUND BALANCE REPORTING

Fund Balance refers to the difference between assets and liabilities. GASB 54 established the five different classifications summarized below. The City is required to report these classifications in its annual report.

NON-SPENDABLE	Cannot be spent (legally restricted or in un-spendable form)
RESTRICTED	External constraints (law, creditor, grantor, bond covenant)
COMMITTED	Can only be used for a specific purpose pursuant to constraints imposed by City Council
ASSIGNED	Can be used for a specific purpose, but is not restricted or committed
UNASSIGNED	Available to spend, unrestricted

In the annual report, the City Stabilization Fund, Health Claims Trust Fund, Internal Service Fund, and School Debt Stabilization Fund Fund Balances are included in the General Fund.

GENERAL FUND

$17 million in free cash will be used in FY26 as an operating revenue source, and $8.8 million will be used for the Capital Fund, reducing the unassigned General Fund Fund Balance by $25.8 million.

CITY DEBT STABILIZATION FUND

This fund was established as a reserve to offset a portion of the debt service on large, tax-supported projects. In FY26, $18 million will be used to cover debt service costs. The FY26 estimated ending Fund Balance is $35.8 million.

HEALTH CLAIMS TRUST FUND

This fund was established as a contingency against possible deficits in health insurance allotments due to higher than anticipated claims. Employee deductions for healthcare coverage are deposited into this fund and interest earned by the fund is recorded as income in this trust fund. The City's policy is to transfer a portion of the balance to the General Fund to cover a portion of health insurance costs. Employee contributions to this fund will increase in future years due to increases to the base upon which employee contributions are calculated. The transfer to the General Fund in FY26 is projected to be $18 million. The FY26 estimated ending Fund Balance is $40 million.

PARKING FUND

This fund is used to record revenue from meter permits, meter collection, resident parking stickers, parking lots and garages, parking fines, and interest charges. Expenditures are not charged directly to the Parking Fund; instead, transfers are made from the Parking Fund to the General Fund and Capital Fund to cover related expenditures. The FY26 estimated ending Fund Balance is $4.6 million.

WATER FUND

This enterprise fund supports the operations of the Water Department and related capital projects. The FY26 estimated ending Fund Balance is $3.6 million.

FUND BALANCE

This consolidated financial schedule breaks revenue out by type and expenditures out by both function and category. The fund balance includes projected changes for all appropriated funds.

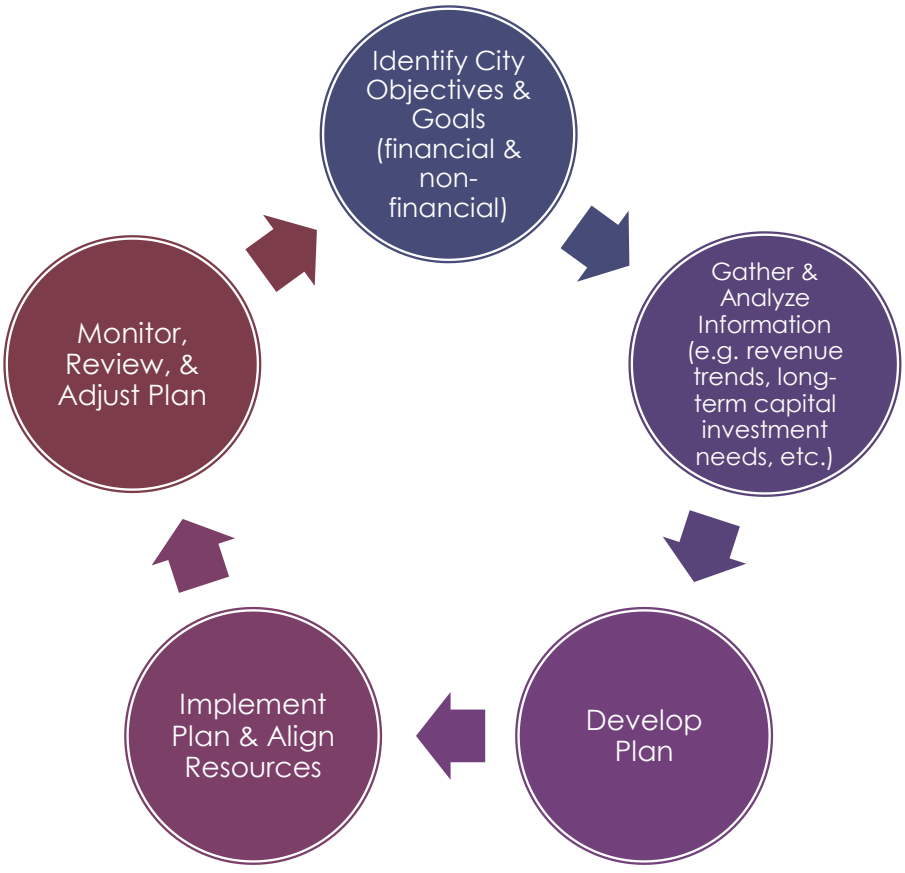
FY26 Budget	General Fund	Water Fund	Capital Fund	Total
Revenues				
Charges for Services	$88,364,575	$16,458,480	$16,010,385	$120,833,440
Fines & Forfeits	$9,582,105	$ -	$575,000	$10,157,105
Intergovernmental Revenue	$63,350,885	$ -	$3,351,075	$66,701,960
Licenses & Permits	$38,991,360	$ -	$ -	$38,991,360
Miscellaneous Revenue	$45,766,500	$ -	$8,446,810	$54,213,310
Taxes	$711,417,415	$ -	$4,065,000	$715,482,415
Bond Proceeds	$ -	$ -	$109,936,000	$109,936,000
Total Revenues	**$957,472,840**	**$16,458,480**	**$142,384,270**	**$1,116,315,590**
Expenditures by Function				
General Government	$186,085,215	$ -	$4,027,000	$190,112,215
Public Safety	$136,473,250	$ -	$4,892,000	$141,365,250
Community Maintenance and Development	$214,284,350	$13,602,950	$121,977,770	$349,865,070
Human Resource Development	$83,729,320	$ -	$258,000	$83,987,320
Education	$280,250,000	$ -	$19,986,000	$300,236,000
Intergovernmental	$76,756,235	$ -	$ -	$76,756,235
Total Expenditures	**$977,578,370**	**$13,602,950**	**$151,140,770**	**$1,142,322,090**
Expenditures by Category				
Salaries & Wages	$612,278,350	$6,369,310	$ -	$618,647,660
Other Ordinary Maintenance	$248,645,440	$6,267,245	$ -	$254,912,685
Travel & Training	$5,073,320	$86,580	$ -	$5,159,900
Extraordinary Expenditures	$111,581,260	$879,815	$ -	$112,461,075
Capital Outlay	$ -	$ -	$151,140,770	$151,140,770
Total Expenditures	**$977,578,370**	**$13,602,950**	**$151,140,770**	**$1,142,322,090**
Net Transfers	**($5,650,970)**	**($3,105,530)**	**$8,756,500**	$ -
Excess (Deficiency) of Revenues over Expenditures	**($25,756,500)**	**($250,000)**	$ -	**($26,006,500)**
Estimated Unassigned Beginning Fund Balance - July 1, 2025	**$248,500,000**	**$3,821,890**	$ -	**$252,321,890**
Estimated Unassigned Ending Fund Balance - June 30, 2026	**$222,743,500**	**$3,571,890**	$ -	**$226,315,390**
Estimated Ending Unassigned Fund Balance as a Percent of Total Revenues	**23%**	**26%**	**0%**	**20%**

LONG-TERM FINANCIAL PLANS

The City's long-term financial plan is prepared annually and is monitored throughout the year. The plan is intended to serve as a tool to ensure the continued financial viability of the City as well as to align the City's financial capacity with City Council objectives. The plan spans a five-year time frame and considers the following:

ECONOMIC ENVIRONMENT	New growth, construction and development activity, and employment
DEBT & RESERVE POLICIES	Impact of future debt issuances on policies and ratios
AFFORDABILITY ANALYSIS	Debt ratios, debt coverage analysis, impact on levy capacity, Free Cash analysis, and rapidity of debt retirement
FINANCIAL PROJECTIONS	Analysis of revenue and expense trends including State Aid analysis and insurance costs
STAKEHOLDERS	Impact of decisions on taxpayers and other stakeholders

The plan is presented to the three major credit rating agencies each year prior to the issuance of new debt and receipt of credit scores on new and outstanding debt. In the short term, the plan is used to develop operating and capital budget guidelines and recommendations for loan authorizations and for scenario analysis.



LONG-TERM FINANCIAL PLANS

ASSUMPTIONS FOR REVENUE PROJECTIONS

1. Sewer and Water revenues increase annually by the amount needed to fully cover their costs.
2. Cherry Sheet revenue (State Aid) remains level based on FY26.
3. Transfers from the Health Claims Trust Fund will be $18 million from FY27-FY30.
4. There are $18,000,000 transfers from the Debt Stabilization Fund in FY27 through FY30.
5. Other non-property tax revenues remain level or are projected to increase modestly based on recent trends.
6. The property tax levy will increase to cover the remaining expenditure increases and balance the budget. Estimated property tax increases range from 5%-8% annually.

ASSUMPTIONS FOR EXPENDITURE PROJECTIONS

1. Salaries & Wages include the following increases, along with an allowance for new positions:

YEAR	DATE	INCREASE	BUDGET COST
FY27	7/1/2026	2.50%	2.50%
FY28	7/1/2027	2.50%	2.50%
FY29	7/1/2028	2.50%	2.50%
FY30	7/1/2029	2.50%	2.50%

2. Health insurance costs increase will be 7.5% in FY27-30.
3. Dental insurance costs increase 2.5% from FY27-FY30.
4. Contributory pensions are based on the actuarially required amounts to be fully-funded by FY29 and remain fully-funded thereafter.
5. OPEB contributions are $2,000,000 for FY27-FY28 and $20,000,000 from FY29-FY30 .
6. Other Ordinary Maintenance expenses increase by 6% annually.
7. Travel & Training expenses increase by 6% annually.
8. Extraordinary Expenditures increase by 5% annually.
9. Debt costs reflect issued debt and debt issuance schedule.
10. The MWRA assessment includes increases of 3.5% each year.
11. Cherry Sheet assessment remains level funded annually based on FY26.

LONG-TERM FINANCIAL PLANS

The chart below is the City's projected preliminary long-term financial operating plan, which incorporates the revenue and expenditure assumptions given on the previous page. The long-term public investment plans are available on pages VI-3 and VI-6.

	FY26 SUBMITTED	FY27 PROJECTED	FY28 PROJECTED	FY29 PROJECTED	FY30 PROJECTED
REVENUES					
Charges for Services	$105,073,055	$113,883,575	$123,042,960	$131,021,840	$139,021,840
Fines & Forfeits	$9,582,105	$9,582,105	$9,582,105	$9,582,105	$9,582,105
Intergovernmental Revenue	$63,350,885	$63,914,340	$65,995,760	$61,367,225	$61,367,225
Licenses & Permits	$38,991,360	$37,915,260	$36,915,260	$36,915,260	$38,915,260
Miscellaneous Revenue	$62,766,500	$61,266,500	$59,866,500	$59,366,500	$60,366,500
Taxes	$711,417,415	$758,710,020	$816,188,620	$859,384,510	$905,134,070
TOTAL REVENUES	**$991,181,320**	**$1,045,271,800**	**$1,111,591,205**	**$1,157,637,440**	**$1,214,387,000**
Salary & Wages	$618,647,660	$643,419,430	$677,980,775	$694,889,370	$725,284,960
Other Ordinary Maintenance	$254,912,685	$269,539,745	$285,014,385	$301,386,100	$318,707,310
Travel & Training	$5,159,900	$5,446,625	$5,749,530	$6,069,530	$6,407,605
Extraordinary Expenditures	$112,461,075	$126,866,000	$142,846,525	$155,292,440	$163,987,125
TOTAL EXPENDITURES	**$991,181,320**	**$1,045,271,800**	**$1,111,591,215**	**$1,157,637,440**	**$1,214,387,000**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	$ -	$ -	$ -	$ -

LONG-TERM UNFUNDED LIABILITIES

As of January 1, 2024, the City's share of the Cambridge Retirement Board had an unfunded actuarial accrued liability of $168.1 million and a funding ratio of 91.71%. The City's proportionate share of the liability is $125.4 million as of June 30, 2023. The City will make a contribution of $49.9 million in FY26 and is on track to have the pension fully funded by 2029.

The City will make its annual $2 million payment to the OPEB Trust Fund in FY26. As of December 31, 2024, the OPEB asset valuation is $36.4 million. The actuarial net OPEB liability was $749.8 million as of June 30, 2024. The next actuarial valuation of the OPEB liabilities is planned for July 1, 2025.