



Haverhill

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To The Honorable City Council

The fiscal 2027 Mayor's budget proposal aims to keep the tax bill increase at a maximum of 3.3%. This approach is intended to minimize the impact on taxpayers and ensure long-term financial sustainability amid ongoing inflation and declining revenues in key areas, such as state aid and motor vehicle excise taxes. Given the Governor's budget proposal along with the city's revenue collected through February 2026, we estimate general fund revenue for 2027 to be \$283,829,459, an increase of only 2.4% from 2026. This revenue estimate leaves approximately \$2.6 million in excess levy capacity for 2027 or 1.8% of the total tax levy.

With a 2.5% increase in direct contributions to the school department, the total departmental budget request for 2027 is \$289,324,971. This amount exceeds the city's estimated 2027 revenue by \$5.5 million.

Over the past several weeks, the Mayor's team has conducted a lengthy series of budget meetings with department heads to thoroughly evaluate all line-item requests. As a result of these meetings, we have reduced the budget requests by \$1,088,724 without implementing any layoffs. Although this is a significant reduction, we still face a \$4.4 million budgetary shortfall, which substantially exceeds the city's available levy.

Using the city's excess levy may appear to be a quick solution; however, depleting this reserve could lead to significant budget constraints in 2028. This is because expenditure growth would then rely entirely on revenue increases. Since revenue increases in 2027 cannot cover inflationary costs related to a level services budget, we should not assume a different outcome for 2028. If there is no remaining levy reserve to bridge a budget shortfall, budget cuts would be necessary to balance the operating budget. In the case of a substantial budget gap, staffing reductions would be likely, as salaries and benefits account for 67% of the city's total spending. Furthermore, utilizing the entire levy reserve in 2027 would lead to a 5.2% tax increase, which is 58% above the Mayor's target.

The first round of budget meetings will finish by week's end. At that time, the Mayor's budget team will reconvene to discuss the next steps in balancing the city's operating budget for 2027.

Angel A. Perkins, CPFO, CGA, CFE
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City of Haverhill, Massachusetts