

2027 Preliminary Budget Assumptions and Projections

The preliminary framework guiding the budget directives for 2027 includes the following initiatives:

- ✓ Limit tax bill increases to a **maximum of 3.3%** to reduce and stabilize the impact on taxpayers.
- ✓ Maintain a consistent excess levy set at 1.6% of the total available levy.
- ✓ Decrease reliance on free cash to support the operating budget.

Furthermore, the long-term goals that influence the current framework include:

- ✓ Building a steady operating budget using a 10-year projection model as a guide to ensure long-term sustainability.
- ✓ Maintaining financial reserves that adhere to internal policies.
- ✓ Ensuring that debt ratios are compliant with financial policies.
- ✓ Meeting or exceeding net school spending requirements.
- ✓ Funding routine capital equipment and building maintenance.
- ✓ Planning for large capital projects (Fire Station, JG Whittier, Whittier Tech.).
- ✓ Beginning to fund OPEB in 2033 using the retirement pension appropriation that will expire in 2032.

These initiatives shaped the directives sent to departments, which requested all departments to prepare 2027 budgets that increase by no more than 2.5% over fiscal 2026.

The 2.5% increase extends to the school department's direct city contribution; however, Chapter 70 is estimated to increase by 2.34%, resulting in a bottom-line increase to the school of 2.4%.

Other 2027 budget assumptions include the following:

- Actual debt service payments, including the onboarding of the Landfill Closure bond of \$8M with an annual repayment of \$526K
- Employee benefits reflect a year-over-year increase of 5.8% or \$3.3M, which incorporates an estimated 7.9% increase in group insurance and a 3.8% increase in the pension assessment.
- An increase in state assessments of 12.4% or \$1,179,460 based on the Governor's budget proposal released on 1/28/26.
- A decrease in the Ch. 70 School Contribution from the Superintendent's estimate of \$100,909,229 to the Governor's budget of \$96,427,042.
- A reduction in operating reserves of 4.5% or \$85,660.

The result of these assumptions is a bottom-line operating budget of \$285,931,880.

This is an increase of 3.14% or \$8,713,432 over fiscal 2026.

Preliminary 2027 revenue was projected using the following assumptions

- **3.3%** increase in Real Estate taxes or **\$4,631,233**
- Local receipts, excluding earnings from investments, are estimated to increase by **1%** or **\$268,083**.
 - **NOTE:** *This revenue category is trending down by 3.9% compared to last year. However, our past conservative budgeting practices allow us the option to absorb some of this reduction while still achieving a slight overall increase. *Choosing a less conservative revenue estimate will benefit the 2027 budget but will reduce July 1, 2027, free cash certification.*
- Earnings on investments are estimated to decrease by **49% or \$1M** due to the usage of invested ARPA and Consentino funds.
- A **3%** decrease or **\$172,758** in other available funds (mainly free cash) as a result of the city's initiative to reduce its reliance on one-time funds to subsidize the operating budget.
- An increase of **4.7%** or **\$654,036** in State Aid, not including Chapter 70.
- An increase of **2.34%** or **\$2,207,407** in Chapter 70, which will all be allocated to the School Department.

These assumptions result in a preliminary bottom-line revenue increase for 2027 of 2.4% or \$6,611,010.

The result is a budget deficit of \$2.1 million as increases in costs of \$8,713,432 exceed increases in revenue of \$6,611,010.

What are some options to balance the budget?

- Increase property taxes.
- Not fund a budgetary increase of 2.5% for all departments.
- Advocate for increased state aid.

Increase Property Taxes?

The preliminary budget initiative is to increase the city's total property tax by no more than **3.3%**. Using the fiscal 2026 valuations and the current shift of 1.65, the result would be an increase of **\$196.73 for the average single-family home valued at \$561,903.**

- For every \$100,000 in tax levy used, the taxes on the average single-family home would increase by **\$4.25** using the current valuations and tax shift.
- Funding the entire budget gap of \$2,102,421 would increase the average single-family tax bill in 2027 by **\$286.04 or 4.8%** over 2026.

***Funding the budget gap with the available 2027 tax levy would create an unresolvable deficit in 2028, forcing mandatory cuts just to balance the budget.**

**This assumes that current revenue projections and departmental increases of 2.5% will continue, while fixed costs, such as debt service and employee benefits, will also rise as projected.*

Not allocate 2.5% funding to all departments?

Department Expenditures

- From fiscal 2022 to 2025, city department **EXPENSES (not BUDGETS and not including salaries)** have ranged from an average 4-year decrease of (17.9%) for the Senior Center to a high of 182.6% for Public Health. However, combined, the bottom-line 4-year average for all departments was an increase of 2.4% with the largest overall annual increase in fiscal 2023 totaling 7.2% or \$1.6 million.
- In fiscal 2025, we saw a decrease in spending of (5.3%) or (\$1,344,642) which was most likely due to the spending freeze instituted.
- The largest spending swings in terms of dollars were in the Fire Department, Highway, IT, Legal, Liability Insurance, Outdoor Lighting, Parks, Police and Refuse.

Takeaway: We may have flexibility in approving department budgets outside the 2.5% limit, **if** we maintain the bottom-line goal of increasing the total 2027 budget by no more than **2.4% or \$6,611,010**.

The chart below lists **ACTUAL EXPENDITURES (not including salaries)** by department for 2021 to 2025. The large dollar swings (up and down) are highlighted in yellow. Percentage increases over 2.5% are highlighted in red.

Department	2021 Actual	2022 Actual	22 \$ Change	22 % Change	2023 Actual	23 \$ Change	23 % Change	2024 Actual	24 \$ Change	24 % Change	2025 Actual	25 \$ Change	25 % Change	4 Year Average Budget Change
Assessor's Office	\$ 83,019	\$ 106,937	\$ 23,918	28.8%	\$ 258,110	\$ 151,173	141.4%	\$ 218,866	\$ (39,244)	-15.2%	\$ 130,793	\$ (88,073)	-40.2%	28.7%
Building Inspections			\$ -	0.0%		\$ -	0.0%		\$ -	0.0%		\$ -	0.0%	0.0%
Building Maintenance	\$ 205,991	\$ 208,800	\$ 2,809	1.4%	\$ 296,855	\$ 88,055	42.2%	\$ 302,247	\$ 5,392	1.8%	\$ 270,828	\$ (31,419)	-10.4%	8.7%
Citizens Center	\$ 98,940	\$ 141,534	\$ 42,594	43.1%	\$ 186,244	\$ 44,710	31.6%	\$ 159,606	\$ (26,638)	-14.3%	\$ 151,958	\$ (7,648)	-4.8%	13.9%
City Auditor's Office	\$ 107,889	\$ 111,672	\$ 3,783	3.5%	\$ 115,292	\$ 3,620	3.2%	\$ 114,925	\$ (366)	-0.3%	\$ 164,532	\$ 49,607	43.2%	12.4%
City Clerk	\$ 97,657	\$ 129,995	\$ 32,338	33.1%	\$ 158,938	\$ 28,943	22.3%	\$ 146,440	\$ (12,498)	-7.9%	\$ 152,693	\$ 6,253	4.3%	12.9%
City Council	\$ 3,027	\$ 5,966	\$ 2,939	97.1%	\$ 4,820	\$ (1,146)	-19.2%	\$ 4,492	\$ (329)	-6.8%	\$ 2,887	\$ (1,605)	-35.7%	8.8%
Constituent Services	\$ 27,403	\$ 28,028	\$ 624	2.3%	\$ 35,879	\$ 7,851	28.0%	\$ 37,745	\$ 1,866	5.2%	\$ 14,393	\$ (23,352)	-61.9%	-6.6%
Crossing Guards			\$ -	0.0%		\$ -	0.0%		\$ -	0.0%		\$ -	0.0%	0.0%
Economic Development	\$ 38,562	\$ 39,806	\$ 1,244	3.2%	\$ 61,616	\$ 21,810	54.8%	\$ 49,908	\$ (11,708)	-19.0%	\$ 40,613	\$ (9,295)	-18.6%	5.1%
Fire Department	\$ 665,235	\$ 737,127	\$ 71,892	10.8%	\$ 957,159	\$ 220,032	29.8%	\$ 935,055	\$ (22,104)	-2.3%	\$ 871,149	\$ (63,906)	-6.8%	7.9%
Health & Inspections	\$ 27,356	\$ 33,671	\$ 6,314	23.1%	\$ 42,579	\$ 8,908	26.5%	\$ 36,807	\$ (5,772)	-13.6%	\$ 44,522	\$ 7,715	21.0%	14.2%
Highway	\$ 688,921	\$ 576,787	\$ (112,134)	-16.3%	\$ 331,200	\$ (245,587)	-42.6%	\$ 1,621,730	\$ 1,290,530	389.7%	\$ 671,945	\$ (949,785)	-58.6%	68.1%
Human Resources	\$ 125,060	\$ 81,978	\$ (43,082)	-34.4%	\$ 131,390	\$ 49,412	60.3%	\$ 149,938	\$ 18,548	14.1%	\$ 162,545	\$ 12,607	8.4%	12.1%
Information Technology	\$ 603,540	\$ 635,497	\$ 31,957	5.3%	\$ 865,837	\$ 230,340	36.2%	\$ 882,260	\$ 16,423	1.9%	\$ 747,533	\$ (134,727)	-15.3%	7.0%
Legal Department	\$ 192,962	\$ 195,351	\$ 2,389	1.2%	\$ 153,469	\$ (41,882)	-21.4%	\$ 203,900	\$ 50,431	32.9%	\$ 505,527	\$ 301,627	147.9%	40.1%
Liability Insurance	\$ 735,015	\$ 826,840	\$ 91,825	12.5%	\$ 923,131	\$ 96,291	11.6%	\$ 1,130,741	\$ 207,610	22.5%	\$ 1,241,709	\$ 110,968	9.8%	14.1%
Library	\$ 329,160	\$ 356,735	\$ 27,575	8.4%	\$ 341,545	\$ (15,190)	-4.3%	\$ 375,635	\$ 34,090	10.0%	\$ 335,601	\$ (40,034)	-10.7%	0.9%
Mayor's Office	\$ 33,605	\$ 36,415	\$ 2,810	8.4%	\$ 35,172	\$ (1,243)	-3.4%	\$ 39,358	\$ 4,186	11.9%	\$ 125,802	\$ 86,444	219.6%	59.1%
Outdoor Lighting	\$ 839,937	\$ 619,678	\$ (220,259)	-26.2%	\$ 906,404	\$ 286,726	46.3%	\$ 529,757	\$ (376,647)	-41.6%	\$ 533,079	\$ 3,322	0.6%	-5.2%
Parking	\$ 226,609	\$ 340,276	\$ 113,667	50.2%	\$ 344,811	\$ 4,535	1.3%	\$ 334,457	\$ (10,354)	-3.0%	\$ 328,636	\$ (5,821)	-1.7%	11.7%
Parks Department	\$ 246,612	\$ 245,754	\$ (858)	-0.3%	\$ 449,139	\$ 203,385	82.8%	\$ 326,953	\$ (122,186)	-27.2%	\$ 269,028	\$ (57,925)	-17.7%	9.4%
Police Department	\$ 1,620,585	\$ 1,602,661	\$ (17,924)	-1.1%	\$ 1,915,998	\$ 313,337	19.6%	\$ 2,135,326	\$ 219,328	11.4%	\$ 1,865,239	\$ (270,087)	-12.6%	4.3%
Public Health Department	\$ -	\$ 885	\$ 885	0.0%	\$ 7,279	\$ 6,394	722.5%	\$ 8,518	\$ 1,239	17.0%	\$ 7,735	\$ (783)	-9.2%	182.6%
Public Works Administration	\$ 23,193	\$ 29,654	\$ 6,461	27.9%	\$ 31,928	\$ 2,274	7.7%	\$ 34,826	\$ 2,898	9.1%	\$ 39,647	\$ 4,821	13.8%	14.6%
Purchasing	\$ 7,777	\$ 10,595	\$ 2,817	36.2%	\$ 8,033	\$ (2,562)	-24.2%	\$ 15,604	\$ 7,571	94.2%	\$ 16,695	\$ 1,091	7.0%	28.3%
Recreation	\$ 83,444	\$ 82,856	\$ (588)	-0.7%	\$ 87,976	\$ 5,120	6.2%	\$ 87,698	\$ (278)	-0.3%	\$ 85,792	\$ (1,906)	-2.2%	0.7%
Refuse Collection	\$ 4,749,776	\$ 5,354,297	\$ 604,521	12.7%	\$ 5,628,137	\$ 273,840	5.1%	\$ 5,433,788	\$ (194,349)	-3.5%	\$ 5,283,028	\$ (150,760)	-2.8%	2.9%
Regional Schools	\$ 9,300,583	\$ 9,291,965	\$ (8,618)	-0.1%	\$ 9,198,351	\$ (93,614)	-1.0%	\$ 9,280,537	\$ 82,186	0.9%	\$ 9,231,406	\$ (49,131)	-0.5%	-0.2%
Senior Center	\$ 1,852	\$ 1,398	\$ (454)	-24.5%	\$ 1,685	\$ 287	20.5%	\$ 1,237	\$ (448)	-26.6%	\$ 728	\$ (509)	-41.1%	-17.9%
Stadium	\$ 13,357	\$ 14,258	\$ 901	6.7%	\$ 14,443	\$ 185	1.3%	\$ 58,019	\$ 43,576	301.7%	\$ 54,326	\$ (3,693)	-6.4%	75.8%
Street Marking	\$ 105,918	\$ 87,293	\$ (18,625)	-17.6%	\$ 112,483	\$ 25,190	28.9%	\$ 131,741	\$ 19,258	17.1%	\$ 114,633	\$ (17,108)	-13.0%	3.9%
Treasurer & Collector	\$ 233,355	\$ 191,218	\$ (42,137)	-18.1%	\$ 212,514	\$ 21,296	11.1%	\$ 238,887	\$ 26,373	12.4%	\$ 246,427	\$ 7,540	3.2%	2.2%
Vehicle Maintenance	\$ 52,007	\$ 59,264	\$ 7,257	14.0%	\$ 76,202	\$ 16,938	28.6%	\$ 36,436	\$ (39,766)	-52.2%	\$ 48,189	\$ 11,753	32.3%	5.7%
Veterans Services	\$ 590,488	\$ 557,794	\$ (32,694)	-5.5%	\$ 479,188	\$ (78,606)	-14.1%	\$ 510,550	\$ 31,362	6.5%	\$ 469,727	\$ (40,823)	-8.0%	-5.3%
Grand Total	\$ 22,158,836	\$ 22,742,983	\$ 584,147	2.6%	\$ 24,373,806	\$ 1,630,823	7.2%	\$ 25,573,987	\$ 1,200,181	4.9%	\$ 24,229,345	\$ (1,344,642)	-5.3%	2.4%

Other Expenditures

Other spending categories affecting the budget are debt service, capital, budget reserves, snow removal, and state assessments. Combined, these categories ranged from an increase of 20.3% in 2022 to a decrease of (11.8%) in 2024.

Department	2021 Actual	2022 Actual	22 \$ Change	22 % Change	2023 Actual	23 \$ Change	23 % Change	2024 Actual	24 \$ Change	24 % Change	2025 Actual	25 \$ Change	25 % Change	4 Year Average Budget Change
Debt Services	\$ 7,729,734	\$ 7,631,997	\$ (97,737)	-1.3%	\$ 6,428,069	\$ (1,203,928)	-15.8%	\$ 5,179,894	\$ (1,248,175)	-19.4%	\$ 5,651,600	\$ 471,706	9.1%	-6.8%
Pay As You Go Capital	\$ 673,924	\$ 2,854,406	\$ 2,180,482	323.6%	\$ 1,147,414	\$ (1,706,992)	-59.8%	\$ 307,000	\$ (840,414)	-73.2%	\$ 1,263,942	\$ 956,942	311.7%	125.6%
Reserves	\$ -	\$ -	\$ -	0.0%	\$ 954,493	\$ 954,493	0.0%	\$ 1,399,942	\$ 445,449	46.7%	\$ 146,605	\$ (1,253,337)	-89.5%	-10.7%
Snow & Ice	\$ 1,827,890	\$ 2,156,260	\$ 328,370	18.0%	\$ 2,325,698	\$ 169,438	7.9%	\$ 1,241,109	\$ (1,084,589)	-46.6%	\$ 1,942,500	\$ 701,391	56.5%	8.9%
State Assessments	\$ 6,685,970	\$ 7,709,183	\$ 1,023,213	15.3%	\$ 8,370,284	\$ 661,101	8.6%	\$ 8,827,111	\$ 456,827	5.5%	\$ 9,268,509	\$ 441,398	5.0%	8.6%
Grand Total	\$ 16,917,518	\$ 20,351,846	\$ 3,434,328	20.3%	\$ 19,225,958	\$ (1,125,888)	-5.5%	\$ 16,955,056	\$ (2,270,902)	-11.8%	\$ 18,273,156	\$ 1,318,100	7.8%	2.7%

Salaries

The largest spending category in the city budget is salaries, which make up about 67% of the total budget. This category has experienced an average annual increase of 5.1% from 2021 to 2025. The largest impact has come from employee benefits, which have increased by about \$2.2 annually. This category is mainly driven by the significant increase in health insurance costs, which are estimated to increase by 7.9% for fiscal 2027.

The following page summarizes the salaries and benefits paid to city employees from 2021 to 2025.

Department	2021 Actual	2022 Actual	22 \$ Change	22 % Change	2023 Actual	23 \$ Change	23 % Change	2024 Actual	24 \$ Change	24 % Change	2025 Actual	25 \$ Change	25 % Change	4 Year Average Budget Change
Assessor's Office	\$ 260,256	\$ 269,310	\$ 9,054	3.5%	\$ 267,976	\$ (1,334)	-0.5%	\$ 267,899	\$ (77)	0.0%	\$ 292,378	\$ 24,479	9.1%	3.0%
Building Inspections	\$ 304,248	\$ 275,367	\$ (28,881)	-9.5%	\$ 342,915	\$ 67,548	24.5%	\$ 266,887	\$ (76,028)	-22.2%	\$ 398,713	\$ 131,826	49.4%	10.6%
Building Maintenance	\$ 146,863	\$ 115,566	\$ (31,297)	-21.3%	\$ 77,986	\$ (37,580)	-32.5%	\$ 61,945	\$ (16,041)	-20.6%	\$ 67,719	\$ 5,774	9.3%	-16.3%
Citizens Center	\$ 257,406	\$ 302,490	\$ 45,084	17.5%	\$ 305,925	\$ 3,435	1.1%	\$ 319,855	\$ 13,930	4.6%	\$ 309,494	\$ (10,361)	-3.2%	5.0%
City Auditor's Office	\$ 276,079	\$ 335,845	\$ 59,767	21.6%	\$ 369,840	\$ 33,995	10.1%	\$ 362,945	\$ (6,895)	-1.9%	\$ 335,790	\$ (27,155)	-7.5%	5.6%
City Clerk	\$ 375,292	\$ 379,502	\$ 4,210	1.1%	\$ 455,792	\$ 76,290	20.1%	\$ 549,323	\$ 93,531	20.5%	\$ 603,852	\$ 54,529	9.9%	12.9%
City Council	\$ 189,488	\$ 186,724	\$ (2,764)	-1.5%	\$ 195,631	\$ 8,908	4.8%	\$ 215,320	\$ 19,689	10.1%	\$ 230,755	\$ 15,435	7.2%	5.1%
Constituent Services	\$ 85,307	\$ 103,059	\$ 17,751	20.8%	\$ 100,465	\$ (2,594)	-2.5%	\$ 101,617	\$ 1,152	1.1%	\$ 104,643	\$ 3,026	3.0%	5.6%
Economic Development	\$ 194,431	\$ 197,800	\$ 3,369	1.7%	\$ 246,450	\$ 48,650	24.6%	\$ 269,372	\$ 22,922	9.3%	\$ 258,535	\$ (10,837)	-4.0%	7.9%
Employee Benefits	\$ 43,036,346	\$ 44,826,993	\$ 1,790,647	4.2%	\$ 48,003,300	\$ 3,176,307	7.1%	\$ 50,414,874	\$ 2,411,574	5.0%	\$ 51,985,424	\$ 1,570,550	3.1%	4.8%
Fire Department	\$ 10,651,309	\$ 10,927,019	\$ 275,711	2.6%	\$ 10,951,534	\$ 24,515	0.2%	\$ 12,284,600	\$ 1,333,066	12.2%	\$ 13,089,948	\$ 805,348	6.6%	5.4%
Health & Inspections	\$ 452,005	\$ 510,766	\$ 58,761	13.0%	\$ 624,810	\$ 114,044	22.3%	\$ 766,090	\$ 141,280	22.6%	\$ 736,131	\$ (29,959)	-3.9%	13.5%
Highway	\$ 929,368	\$ 932,635	\$ 3,267	0.4%	\$ 981,588	\$ 48,953	5.2%	\$ 1,142,124	\$ 160,536	16.4%	\$ 1,147,836	\$ 5,712	0.5%	5.6%
Human Resources	\$ 213,699	\$ 207,184	\$ (6,515)	-3.0%	\$ 228,350	\$ 21,167	10.2%	\$ 265,808	\$ 37,458	16.4%	\$ 298,013	\$ 32,205	12.1%	8.9%
Information Technology	\$ 103,760	\$ 42,607	\$ (61,153)	-58.9%	\$ 43,585	\$ 978	2.3%	\$ 51,898	\$ 8,313	19.1%	\$ 122,173	\$ 70,275	135.4%	24.5%
Legal Department	\$ 83,202	\$ 85,027	\$ 1,825	2.2%	\$ 114,641	\$ 29,614	34.8%	\$ 64,980	\$ (49,661)	-43.3%	\$ 46,818	\$ (18,162)	-28.0%	-8.6%
Library	\$ 1,103,025	\$ 1,219,197	\$ 116,172	10.5%	\$ 1,373,017	\$ 153,820	12.6%	\$ 1,455,437	\$ 82,420	6.0%	\$ 1,513,771	\$ 58,334	4.0%	8.3%
Mayor's Office	\$ 358,190	\$ 358,605	\$ 414	0.1%	\$ 392,491	\$ 33,886	9.4%	\$ 430,469	\$ 37,978	9.7%	\$ 439,579	\$ 9,110	2.1%	5.3%
Parking	\$ 43,771	\$ 48,558	\$ 4,787	10.9%	\$ 31,841	\$ (16,717)	-34.4%	\$ 53,202	\$ 21,361	67.1%	\$ 50,142	\$ (3,060)	-5.8%	9.5%
Parks Department	\$ 323,411	\$ 319,278	\$ (4,133)	-1.3%	\$ 410,192	\$ 90,914	28.5%	\$ 441,072	\$ 30,880	7.5%	\$ 500,091	\$ 59,019	13.4%	12.0%
Police Department	\$ 11,568,815	\$ 11,839,786	\$ 270,971	2.3%	\$ 12,663,750	\$ 823,964	7.0%	\$ 12,745,347	\$ 81,597	0.6%	\$ 13,845,198	\$ 1,099,851	8.6%	4.6%
Public Health Department	\$ -	\$ 27,020	\$ 27,020	0.0%	\$ 132,725	\$ 105,705	391.2%	\$ 284,922	\$ 152,197	114.7%	\$ 269,693	\$ (15,229)	-5.3%	125.1%
Public Works Administration	\$ 68,559	\$ 48,980	\$ (19,579)	-28.6%	\$ 36,341	\$ (12,639)	-25.8%	\$ 224,740	\$ 188,399	518.4%	\$ 60,466	\$ (164,274)	-73.1%	97.7%
Purchasing	\$ 123,786	\$ 104,964	\$ (18,822)	-15.2%	\$ 115,047	\$ 10,083	9.6%	\$ 102,425	\$ (12,622)	-11.0%	\$ 100,547	\$ (1,878)	-1.8%	-4.6%
Recreation	\$ 114,705	\$ 138,326	\$ 23,621	20.6%	\$ 136,889	\$ (1,437)	-1.0%	\$ 182,642	\$ 45,753	33.4%	\$ 206,274	\$ 23,632	12.9%	16.5%
Refuse Collection	\$ 145,197	\$ 144,526	\$ (671)	-0.5%	\$ 142,812	\$ (1,714)	-1.2%	\$ 197,979	\$ 55,167	38.6%	\$ 213,630	\$ 15,651	7.9%	11.2%
Senior Center	\$ 91,152	\$ 9,743	\$ (81,409)	-89.3%	\$ 9,998	\$ 255	2.6%	\$ 11,941	\$ 1,943	19.4%	\$ 10,000	\$ (1,941)	-16.3%	-20.9%
Snow & Ice	\$ 194,250	\$ 227,887	\$ 33,637	17.3%	\$ 231,948	\$ 4,061	1.8%	\$ 183,632	\$ (48,316)	-20.8%	\$ 267,576	\$ 83,944	45.7%	11.0%
Treasurer & Collector	\$ 436,018	\$ 455,268	\$ 19,250	4.4%	\$ 445,978	\$ (9,290)	-2.0%	\$ 433,137	\$ (12,841)	-2.9%	\$ 485,072	\$ 51,935	12.0%	2.9%
Vehicle Maintenance	\$ 192,709	\$ 146,427	\$ (46,282)	-24.0%	\$ 203,868	\$ 57,441	39.2%	\$ 196,240	\$ (7,628)	-3.7%	\$ 218,711	\$ 22,471	11.5%	5.7%
Veterans Services	\$ 87,199	\$ 78,605	\$ (8,594)	-9.9%	\$ 107,991	\$ 29,386	37.4%	\$ 109,935	\$ 1,944	1.8%	\$ 113,451	\$ 3,516	3.2%	8.1%
Grand Total	\$ 72,409,844	\$ 74,865,063	\$ 2,455,219	3.4%	\$ 79,745,676	\$ 4,880,613	6.5%	\$ 84,458,657	\$ 4,712,981	5.9%	\$ 88,322,423	\$ 3,863,766	4.6%	5.1%

Collective Bargaining Agreements

- ✓ Animal Control (ACO) & Highway are out of contract, but proposed MOAs are in progress.
- ✓ The Dispatchers contract is due for renewal in fiscal 2027.
- ✓ AFSCME, Citizens Center, City Hall Clerks, Engineering, Inspectional Services, Library Water and Wastewater are due in 2028.
- ✓ Public Safety and Highway are due for renewal in 2029.

Table of collective bargaining contracts and their agreed pay increases.

OOC = Out of Contract.

Bargaining Unit	2026 COLA	2027 COLA	2028 COLA	Step Increases
ACO	OOC	OOC	OOC	
AFSCME	2%	2%	OOC	Approximately 3.5%
Citizens Center	2%	2%	OOC	Approximately 3.5%
City Hall Clerks	2%	2%	OOC	Approximately 3.5%
Dispatcher	2%	OOC	OOC	
Engineering	2%	2%	OOC	Approximately 3.5%
Inspectional Services	2%	2%	OOC	Approximately 3.5%
Fire	2%	2%	2%	2.3% to 6.9%
Highway	OOC	OOC	OOC	
Library	2%	2%	OOC	Approximately 3.5%
Patrolman	2%	2%	2%	2.2% to 3.4%
Superior Offices	2%	2%	2%	2.2% to 3.4%
Water/Wasterwater Tech.	2%	2%	OOC	Approximately 3.5%
Water Department	2%	2%	OOC	Approximately 3.5%
Water Purification	2%	2%	OOC	Approximately 3.5%

Employee Benefits

The city is currently contracted with the (GIC) – Group Insurance Commission. The (GIC) is a Massachusetts state agency that provides high-value health insurance and other benefits (like dental, vision, life, and disability insurance) to state employees, retirees, their families, and eligible municipal workers. The GIC is the biggest employer purchaser of health insurance in the state, and it uses this leverage to drive quality and affordability in the market.

The Mayor, CFO, HR Director, and the city's independent insurance advisor recently met to discuss the city's group insurance plan, anticipated rate increases, and alternative options the city has for managing health care costs.

The following facts were discussed:

- Loss ratio. To determine if continued participation in the GIC is beneficial for the city, our insurance advisor calculates a loss ratio, which is a ratio of total claims paid for all city employees, retirees, spouses, and dependents enrolled in the plan, divided by the total premiums paid.
LOSS RATIO = TOTAL CLAIMS / TOTAL PREMIUMS
- The GIC's target loss ratio ranges between 87% to 90%. A loss ratio of 87% means that the GIC pays out \$0.87 in claims for every dollar of premium received. The remaining \$.13 is used to cover administration and other plan costs and fund reserves. A loss ratio greater than 100% means the GIC has paid out more in claims for a given period than it has received in premiums.
- The city's 3-year average loss ratio for fiscal 2023 to 2025 was 121.1%, indicating a loss for the GIC.
- If the city's loss ratio were favorable, we would be able to solicit bids from competing health care providers. However, due to our high loss ratio, the city received no proposals for 2027.

Other Important Considerations:

- ✓ The city has the option to withdraw or renew from the GIC every two years.
- ✓ If the city chooses to withdraw, it must wait three fiscal years to reapply. The GIC is **NOT** required to accept a future application if the city were to leave the plan.
- ✓ If the city remains with the GIC, the GIC **MUST** renew the policy if proper renewal procedures are followed. **The GIC is the only entity required to follow this mandatory renewal procedure.**
- ✓ In addition to covering state employees, the GIC presently covers 11 cities, 27 towns and 16 school districts.
- ✓ No municipal units left the GIC in fiscal 2026.
- ✓ 11 new municipal units have joined for 2027.

State Aid

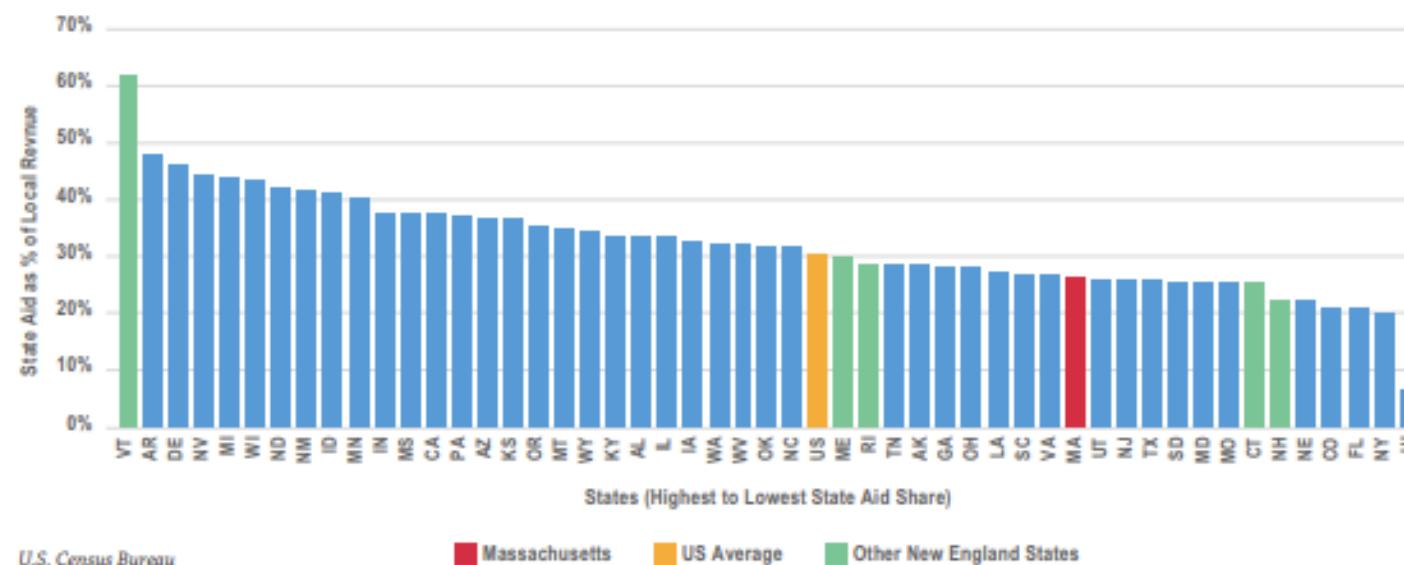
In a recent article published by the **Massachusetts Municipal Association**, titled “**A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures**,” MMA claims that nationwide, cities and towns get about 31 percent of their revenue via state aid. Here in Massachusetts, it’s 26 percent.

mma.org/wp-content/uploads/2025/10/MMA-APerfectStorm-HistoricFiscalPressures-report-10.9.25.pdf

FIGURE 2

State Aid as Share of Local Revenue by State

Percentage of local government revenue from state government



U.S. Census Bureau

Massachusetts

US Average

Other New England States

Other key points mentioned in the article:

- Inflation — The 2.5 percent cap on annual property tax increases doesn't include any kind of adjustment for inflation. Obviously a 2.5 percent increase in tax receipts is a lot more manageable in a low-inflation environment, when costs are growing 1-2 percent per year, as they did through the 2010s. When costs grow over 3 percent per year, as they have since COVID, cities and towns are effectively obligated to cut real spending every year.
- Disappearing Federal Aid — In the immediate aftermath of the COVID pandemic, the federal government provided substantial direct assistance to cities and towns, but that support has now ended and was always intended to be temporary.
- Between 2010 and 2022 (the most recent year available), real, inflation-adjusted spending on current operations in Massachusetts municipalities grew at just 0.6 percent per year, which is slower than the U.S. average for local spending growth. It's also vastly slower than the growth in real spending through the state budget, which has risen at roughly 2.8 percent per year.
- Proposition 2½ was intended to limit local spending, but real spending growth of 0.6 percent per year suggests the constraints may be too restrictive. This austere growth in spending has made it extremely difficult for cities and towns to attract staff, repair roads, and generally fund the essential services their residents demand.
- Virtually all municipalities in Massachusetts have seen similar dropoffs in unrestricted state support. Since 2002, when adjusted for inflation, UGGA has fallen 25 percent overall. A decade after the true trough of the great recession, UGGA support has stalled at a relatively low level — despite many years of strong state revenue growth and healthy economic conditions.

Budget Framework

The five guiding principles of the budget process include the evaluation of:

1. Fiscal Reserves
2. Long-Term Debt
3. Capital Planning
4. Budget Sustainability
5. Net School Spending

Fiscal Reserves

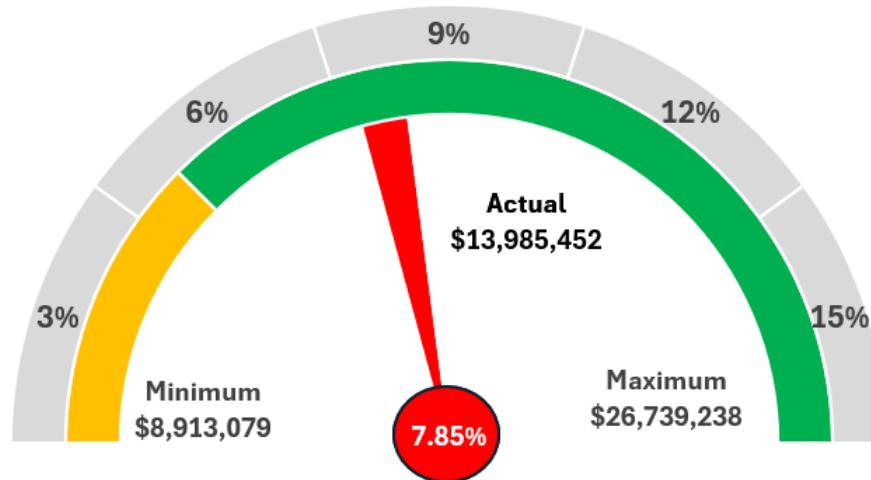
1. Ensure that **FISCAL RESERVES** are adequate and sustainable for future fiscal years, while meeting or exceeding the city's financial policy benchmarks, Department of Revenue recommendations, bond rating agency standards, and aligning with GFOA best practices.
 - a. Considerations include:
 - i. Ensuring minimum excess levy reserves
 - ii. Ensuring undesignated fund balance levels -**Reserve Policy #1**
 - iii. Ensuring minimum free cash levels -**Reserve Policy #3**
 - iv. Ensuring stabilization reserve levels -**Reserve Policy #4**

City Reserve Policy #1:

The City shall maintain an undesignated fund balance between 5% and 15% of general fund revenues, less debt exclusion and Ch. 70.

The city's undesignated fund balance as of June 30, 2025, was \$13,985,452 or 7.85% of general fund revenue.

This is up from June 2024, which was \$12,569,995 or 7.36%.

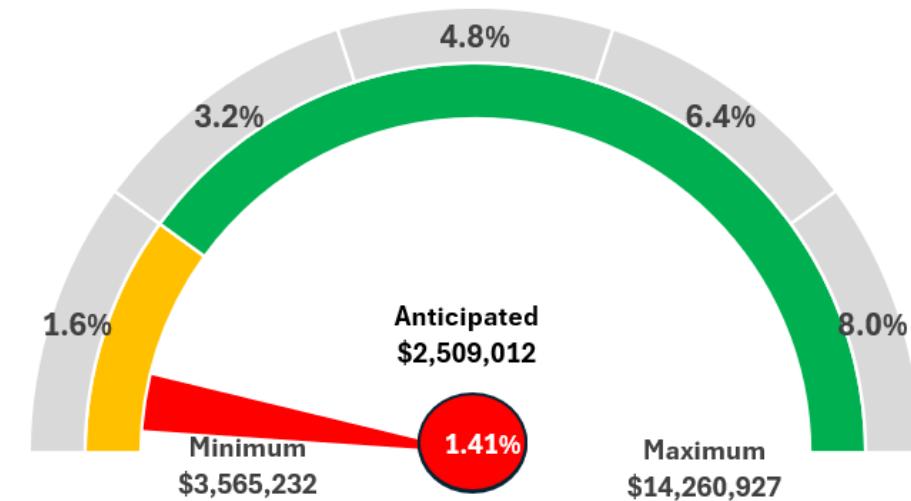


City Reserve Policy #3:

The amount held in free cash shall not be less than 2% or more than 8% of general fund revenues, less debt exclusion and Ch. 70.

The city's free cash balance at the conclusion of fiscal 2026 is anticipated to be \$2,509,012 or 1.41% of general fund revenue.

This is down from the city's free cash balance at the conclusion of fiscal 2025, which was \$2,578,279 or 1.51%.

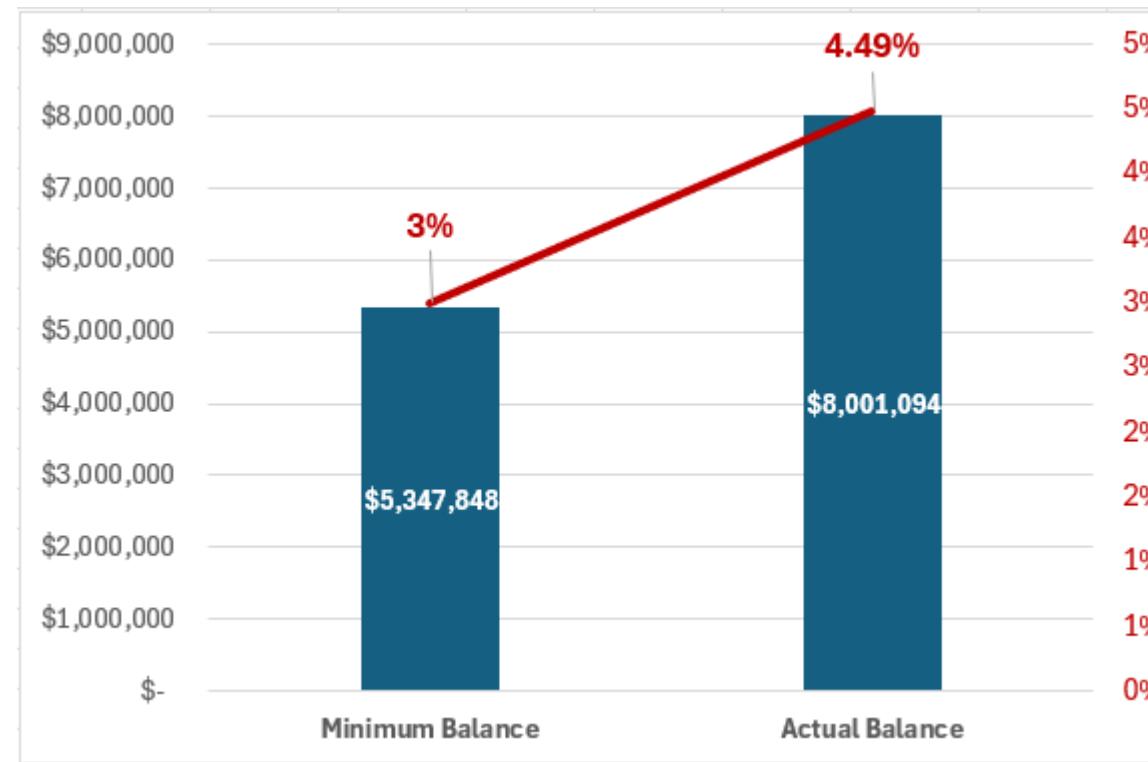


City Reserve Policy #4:

The city shall maintain a Stabilization Reserve Fund of at least 3% of general fund revenue, less debt exclusion and Chapter 70.

The city's stabilization fund is \$8,001,094 or 4.49% of general fund revenue, not including Chapter 70 and debt exclusions.

This is up from fiscal 2025 which had a balance of \$7,533,248 or 4.41%.



Long-Term Debt

2. Understand the **LONG-TERM DEBT**

- a.** Evaluate debt limits per state statute and city's financial debt policies, which state:
 - i.** Debt shall not exceed 5% of the city's equalized valuation – **Debt Policy #1 & MGL c.58 s.10c**
 - ii.** Annual general fund debt service payments shall not exceed 4% of net general fund operating revenue – **Debt Policy #2a**
 - iii.** 65% of total debt will retire within 10 years – **Debt Policy #2b**
 - iv.** Analyze the following and evaluate trends
 - 1. What percentage of total outstanding debt to equalized valuation does the city have?
 - 2. What is the city's total outstanding debt per capita?
 - 3. What percentage is annual debt service payments to the operating budget?
 - 4. What is the city's available debt capacity?
 - 5. Does utilizing additional debt fit into the city's current and future available levy limit, and if so, what is the fiscal impact?

The city's estimated total outstanding debt at the end of fiscal 2026 will be **\$165,478,308**. This includes:

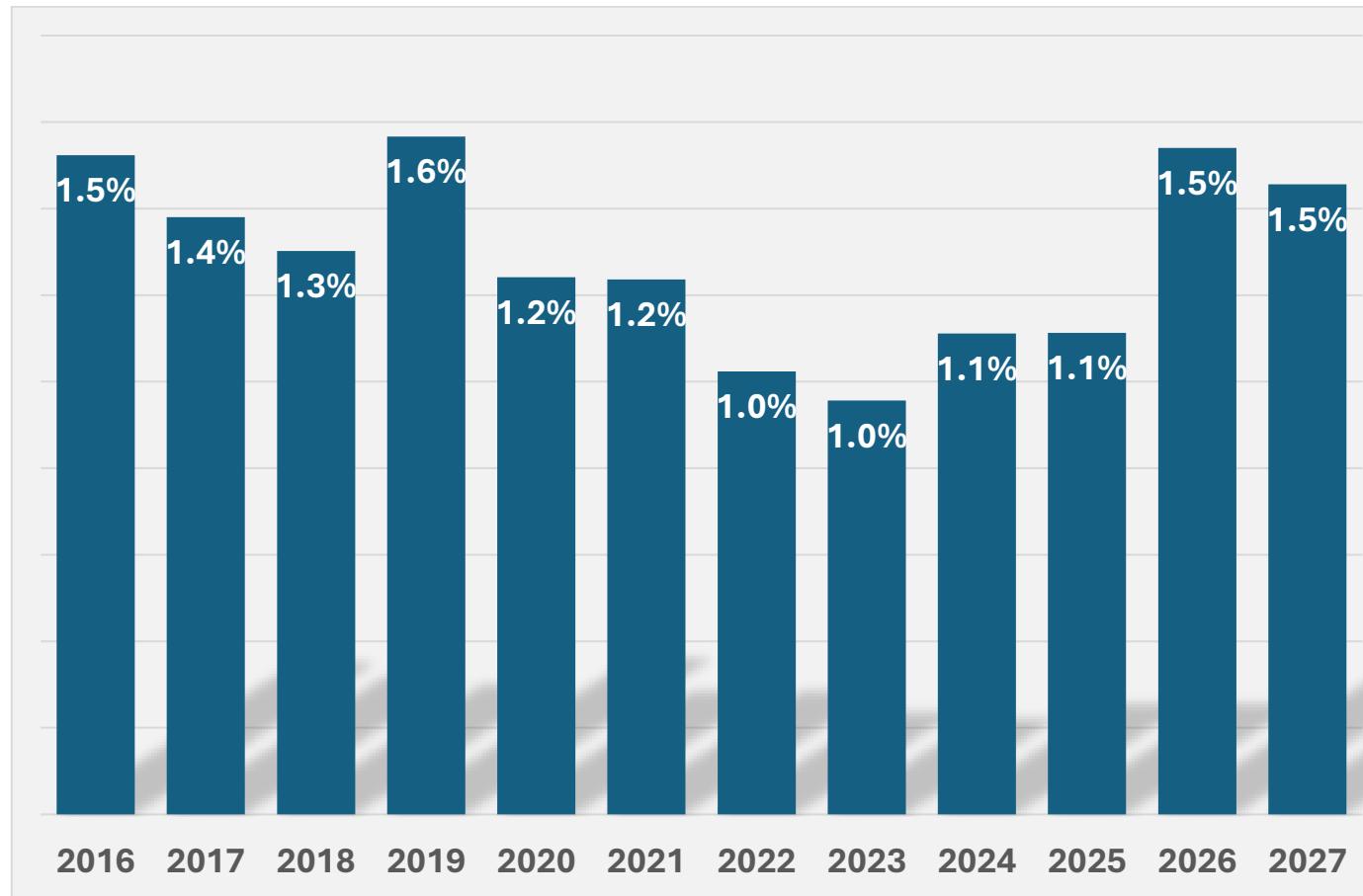
- \$88.4 million obligated by the general fund
- \$33.3 million by the wastewater fund
- \$43.7 million by the water fund

The city's available borrowing capacity in accordance with MGL c.58 s10c is **\$402,547,957**.

Debt Policy #1:

DEBT TO EQUALIZED VALUATION:

Debt shall not exceed 5% of the city's equalized valuation MGL c.58 s.10c



Debt Policy #2a:

General Fund debt service as a percentage of net general fund operating revenue shall not exceed 4%

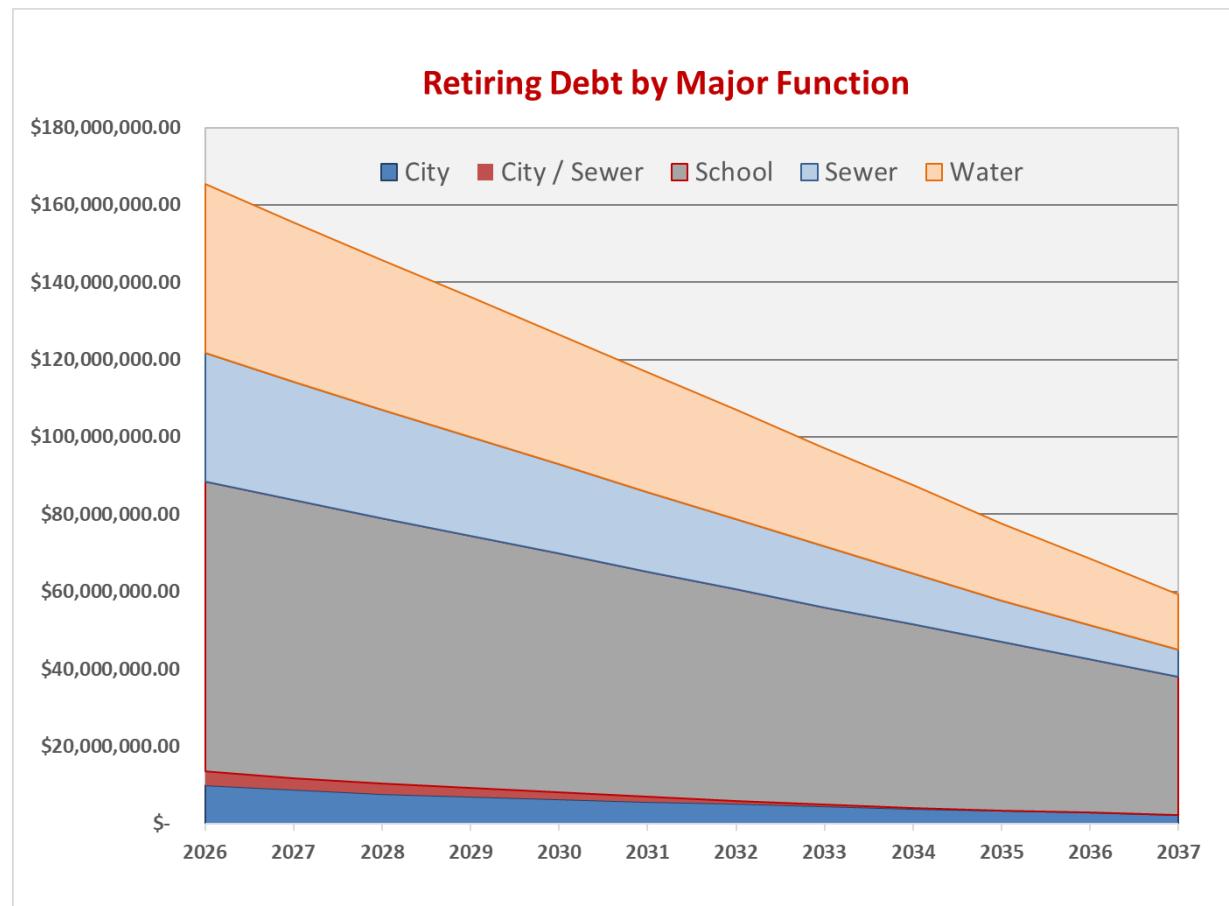
Over the past nine fiscal years, the average debt service has accounted for 3.1% of net general fund operating revenue. The city's current debt payments will decline by 2-3% annually until 2044 when the first Consentino bond retires.

Net General Fund Revenue	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$ 182,561,796	\$ 188,461,755	\$ 196,439,798	\$ 202,377,896	\$ 211,200,356	\$ 225,917,161	\$ 239,096,205	\$ 252,756,494	\$ 266,381,222	\$ 278,274,871
DEBT SERVICE PAYMENTS	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
City	\$ 4,060,750	\$ 4,243,521	\$ 3,963,736	\$ 4,303,779	\$ 4,313,761	\$ 3,281,234	\$ 1,396,274	\$ 1,349,054	\$ 1,728,873	\$ 1,599,700
School	\$ 3,129,615	\$ 3,878,163	\$ 2,564,334	\$ 2,672,786	\$ 2,615,872	\$ 2,538,254	\$ 3,041,148	\$ 3,005,940	\$ 6,771,319	\$ 6,157,903
Grand Total	\$7,190,365	\$8,121,684	\$6,528,070	\$6,976,566	\$6,929,633	\$5,819,489	\$4,437,422	\$4,354,994	\$8,500,192	\$7,757,603
Debt Payments as % of Net Revenue	3.9%	4.3%	3.3%	3.4%	3.3%	2.6%	1.9%	1.7%	3.2%	2.8%

Debt Policy #2b:

65% of all debt shall retire at the end of 10 years.

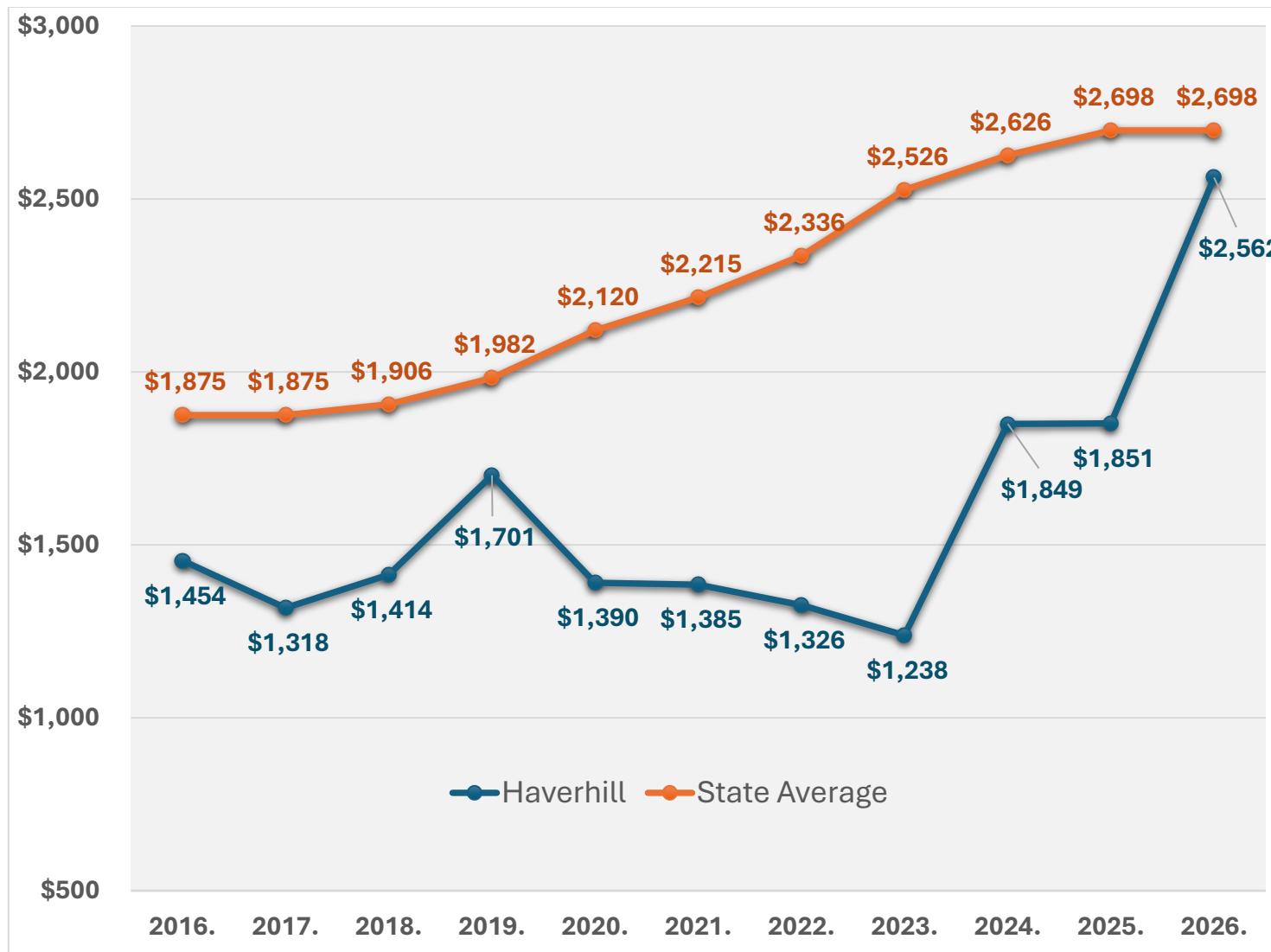
The city will not achieve this financial policy benchmark. At the end of 10 years, the city will have retired 59% of its current outstanding debt. However, I believe that, at present, this benchmark is less critical, as the cost of borrowing has dropped significantly since this policy was written, making borrowing over longer periods more economical. Conversely to rapidly declining debt, is the consideration of matching the use of an asset with the payment of the asset.



Debt per Capita

Haverhill's debt per capita has historically remained below the state average. It has increased in 2026 with the onboarding of the Consentino debt.

As of present, the state's 2026 average has not been reported on the DLS databank, therefore the chart below uses an estimation.



Capital Planning

3. Evaluate the city's multi-year **CAPITAL PLAN**

- a. Determine appropriate funding sources based on project cost, estimated useful life, and grant funding opportunities
- b. Internally rank all projects based on:
 - i. Magnitude of fiscal impact
 - ii. Urgency of replacement or maintenance
 - iii. Impact on health and safety
 - iv. Legal obligation
 - v. If the project has commenced with planning and development or engineering if applicable
 - vi. Executive priority of capital request
- c. Determine the budget availability to acquire new debt service and/or use pay as you go funding
 - i. Consider tax bill impact
 - ii. If debt service, consider the future impact of new debt service payments on the budget, specifically the levy limit and other financial obligations or priorities

Preliminary capital requests submitted by departments include **84** unfunded requests spanning from **2026 to 2031**, totaling **\$151,893,929**.

Final capital and budget requests for fiscal year 2027 are due on **February 6, 2026**, and the updated final capital list will be distributed at that time.

The first round of capital and budget reviews will take place in person with the Mayor, the Chief Financial Officer (CFO), and each Department Head. During these meetings, the Mayor will assign a priority ranking to each project as Low, Moderate, or High, at her discretion.

Departments were asked to rank their capital requests upon submission using the categories Low, Moderate, High, and Essential.

The final capital review and recommendations will be made by the Budget Team, and will evaluate factors such as fiscal impact, urgency of maintenance or replacement, importance to health and safety, legal obligations, and whether a prior phase of the project has already begun.

SUMMARY OF CAPITAL REQUESTS:

	2026	2027	2028	2029	2030	2031	Grand Total
Buildings & Building Improvements	\$ 125,000	\$ 3,824,000	\$ 119,710,000	\$ 735,000	\$ 215,000	\$ 1,000,000	\$ 125,609,000
Computer Equipment		\$ 492,110				\$ 160,972	\$ 653,082
Computer Software		\$ 546,014					\$ 546,014
Equipment		\$ 1,630,863	\$ 435,000	\$ 500,000			\$ 2,565,863
Infrastructure	\$ 4,325,000	\$ 2,955,500	\$ 2,360,000	\$ 2,310,000	\$ 2,310,000	\$ 1,150,000	\$ 15,410,500
Land & Land Improvements		\$ 55,000					\$ 55,000
Parks & Recreation			\$ 450,000				\$ 450,000
Planning & Design		\$ 305,000		\$ 75,000	\$ 750,000		\$ 1,130,000
Vehicles		\$ 871,900	\$ 2,122,570	\$ 1,955,000	\$ 525,000		\$ 5,474,470
Grand Total	\$ 4,450,000	\$ 10,680,387	\$ 125,077,570	\$ 5,575,000	\$ 3,800,000	\$ 2,310,972	\$ 151,893,929

Request Description	2026	2027	2028	2029	2030	2031	Grand Total
Buildings & Building Improvements	\$ 125,000	\$ 3,824,000	\$ 119,710,000	\$ 735,000	\$ 215,000	\$ 1,000,000	\$ 125,609,000
Animal Shelter - Police			\$ 1,725,000				\$ 1,725,000
Bradford Elem HVAC		\$ 1,000,000					\$ 1,000,000
Bradford Elem Roof				\$ 300,000			\$ 300,000
City Hall Auditorium Balcony Railings		\$ 250,000					\$ 250,000
City Hall Elevator Rehabilitation		\$ 200,000					\$ 200,000
City Hall Heating Circulation & Controls		\$ 665,000					\$ 665,000
City Hall Repairs & Maintenance			\$ 75,000		\$ 80,000		\$ 155,000
City Hall Window Caulking		\$ 450,000					\$ 450,000
City Hall Window Replacement			\$ 2,700,000				\$ 2,700,000
DPW Yard Rehabilitation	\$ 300,000	\$ 320,000	\$ 20,000	\$ 20,000			\$ 660,000
HVAC replacement for Indoor Skating Rink			\$ 300,000				\$ 300,000
JGW / Tilton School Core Project			\$ 90,000,000				\$ 90,000,000
New Fire Station			\$ 20,000,000				\$ 20,000,000
Park Barn Rehabilitation	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000			\$ 60,000
Parking Lot Repairs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000			\$ 400,000
Pentucket Lake Roof			\$ 300,000				\$ 300,000
Police HVAC		\$ 532,000					\$ 532,000
Police Locker Rooms						\$ 1,000,000	\$ 1,000,000
Safety Glass for Treasurer's Office							
School Ceiling Refurbishments	\$ 100,000	\$ 100,000					\$ 200,000
Stadium Restrooms	\$ 200,000						\$ 200,000
Water Heater	\$ 12,000						\$ 12,000
Winnekenni Castle Repairs & Restorations - CONSTRUCTION			\$ 4,375,000				\$ 4,375,000
WTP: HVAC rooftop unit replacement	\$ 125,000						\$ 125,000

Request Description	2026	2027	2028	2029	2030	2031	Grand Total
Computer Equipment		\$ 492,110				\$ 160,972	\$ 653,082
Backup System Redundancy - IT		\$ 25,972					\$ 25,972
Core Network Overhaul - IT		\$ 103,870					\$ 103,870
DPW Internet Resilience - IT		\$ 54,972					\$ 54,972
Fire Station Internet Resilience- IT		\$ 54,972					\$ 54,972
Firewall Upgrade - IT		\$ 57,940					\$ 57,940
Legacy Wiring Clean Up - IT		\$ 38,972					\$ 38,972
New Ipads & Phones		\$ 30,000					\$ 30,000
Poll pads for elections		\$ 25,200					\$ 25,200
Remote Location Fiber Upgrade - IT						\$ 160,972	\$ 160,972
Server Hardware Refresh - IT		\$ 56,972					\$ 56,972
Server Room Upgrade - IT		\$ 43,240					\$ 43,240
Computer Software		\$ 546,014					\$ 546,014
Archival Inventory and Digitization		\$ 160,000					\$ 160,000
Tax Collection Software		\$ 386,014					\$ 386,014
Equipment	\$ 1,630,863	\$ 435,000	\$ 500,000				\$ 2,565,863
Backhoe - Highway		\$ 170,000					\$ 170,000
Parking Kiosks				\$ 500,000			\$ 500,000
SCBA		\$ 1,290,863					\$ 1,290,863
Sidearm Mower			\$ 235,000				\$ 235,000
Trackless Tractor - Highway		\$ 170,000	\$ 170,000				\$ 340,000
Zero Turn Mower - Highway			\$ 30,000				\$ 30,000

Request Description	2026	2027	2028	2029	2030	2031	Grand Total
<input checked="" type="checkbox"/> Infrastructure	\$ 4,325,000	\$ 2,955,500	\$ 2,360,000	\$ 2,310,000	\$ 2,310,000	\$ 1,150,000	\$ 15,410,500
Comcast iNet Replacement - IT		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 5,000,000
Forest Street Bridge Replacement		\$ 287,500					\$ 287,500
Kingsbury Ave/Chadwick/Willow Intersection Improvements		\$ 600,000					\$ 600,000
Little River Dam Removal	\$ 4,000,000						\$ 4,000,000
Parking Lot Paving at Citizens Center		\$ 60,000					\$ 60,000
Parking Lots - Elliott Place						\$ 50,000	\$ 50,000
Parking Lots - Essex St						\$ 50,000	\$ 50,000
Parking Lots - Haverhill Place						\$ 50,000	\$ 50,000
Parking Lots - Locke Street		\$ 50,000					\$ 50,000
Parking Lots - Phoenix Row		\$ 50,000					\$ 50,000
Parking Lots - Washington & Wingate		\$ 50,000					\$ 50,000
Parking Lots - Washington Square			\$ 50,000				\$ 50,000
Replace bricks in downtown sidewalks		\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000		\$ 50,000
Supplemental Paving			\$ 1,300,000	\$ 1,300,000	\$ 1,300,000		\$ 3,900,000
W. Lowell Ave Bridge Replacement		\$ 63,000					\$ 63,000
WW/SW: Locke Street Area Preliminary Design		\$ 775,000					\$ 775,000
WWTP: Disinfection Evaluation and Repairs	\$ 300,000						\$ 300,000
WWTP: Storage tank sample/monitoring locations	\$ 25,000						\$ 25,000
<input checked="" type="checkbox"/> Land & Land Improvements		\$ 55,000					\$ 55,000
Railroad Square Garage Brownfields Closure		\$ 55,000					\$ 55,000
<input checked="" type="checkbox"/> Parks & Recreation			\$ 450,000				\$ 450,000
Riverside Park (Pugellie Field) Upgrades - NON QCT			\$ 450,000				\$ 450,000

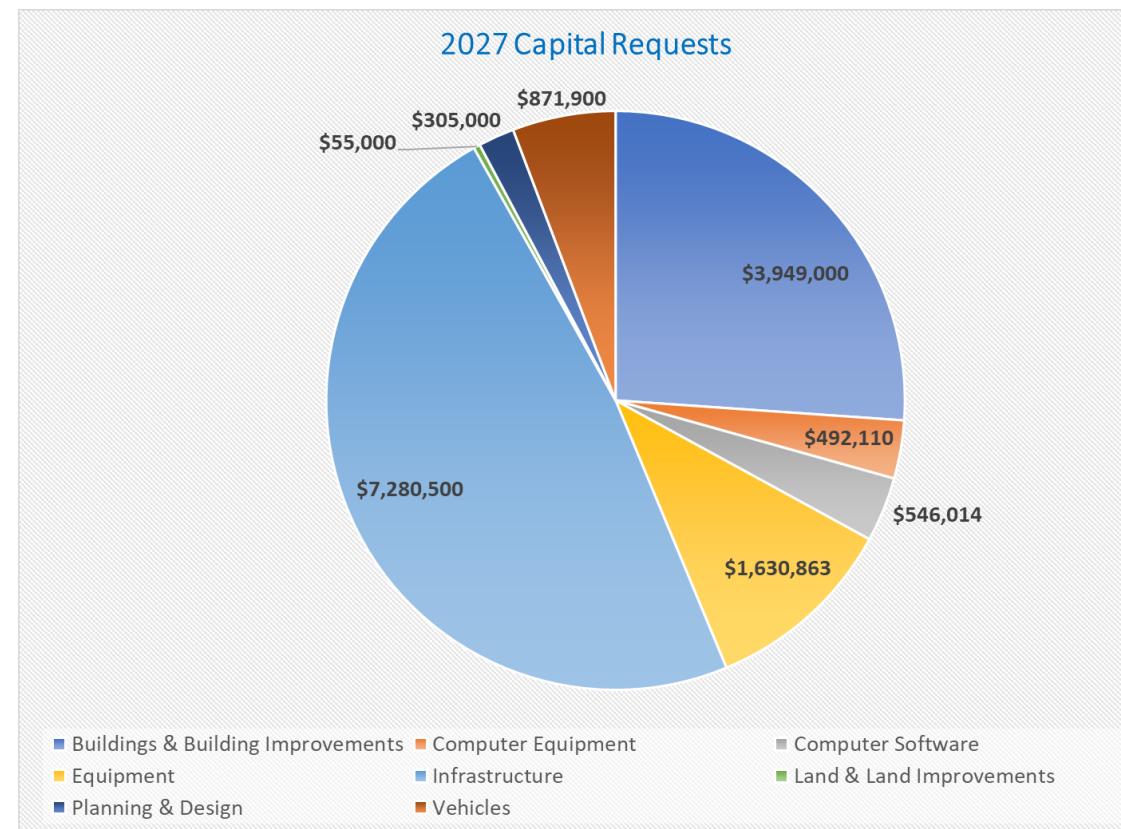
Request Description	2026	2027	2028	2029	2030	2031	Grand Total
Planning & Design		\$ 305,000		\$ 75,000	\$ 750,000		\$ 1,130,000
City Hall Auditorium Air Conditioning					\$ 750,000		\$ 750,000
City Hall Auditorium Air Conditioning - PLANNING & DESIGN				\$ 75,000			\$ 75,000
City Hall Window Caulking	PLANNING & DESIGN	\$ 30,000					\$ 30,000
Winnekenni Castle Repairs & Restorations - PLANNING & DESIGN		\$ 275,000					\$ 275,000
Vehicles		\$ 871,900	\$ 2,122,570	\$ 1,955,000	\$ 525,000		\$ 5,474,470
1-Ton Truck - Highway		\$ 105,000	\$ 105,000				\$ 210,000
(1) 6 Wheel Dump Trucks with Sanders and Plows - Highway		\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000		\$ 1,000,000
10-Wheeler Plow Truck - Highway			\$ 250,000				\$ 250,000
1-Ton Truck - Highway			\$ 105,000	\$ 105,000	\$ 105,000		\$ 315,000
Chevrolet Tahoe C-1 - Fire		\$ 45,000					\$ 45,000
Chevrolet Tahoe C-2 - Fire			\$ 45,000				\$ 45,000
Chevrolet Traverse C-4 - Fire			\$ 35,000				\$ 35,000
Command Vehicle		\$ 79,900					\$ 79,900
Ford Escape		\$ 40,000					\$ 40,000
Ford F-250 M-1 - Fire		\$ 45,000					\$ 45,000
Ford F550 Bucket FA-2 - Fire					\$ 120,000		\$ 120,000
Incident Command Vehicle - Police		\$ 250,000					\$ 250,000
Pick-Up Truck		\$ 57,000					\$ 57,000
Pick-up Truck - Highway			\$ 50,000		\$ 50,000		\$ 100,000
Pierce Ladder Truck - Fire				\$ 1,600,000			\$ 1,600,000
Pierce Pumper - Fire			\$ 650,000				\$ 650,000
Tanker			\$ 632,570				\$ 632,570
Grand Total	\$ 4,450,000	\$ 10,680,387	\$ 125,077,570	\$ 5,575,000	\$ 3,800,000	\$ 2,310,972	\$ 151,893,929

2027 Capital Funding Options

For the 2027 budget, I estimate the city can use approximately \$1 million from free cash and up to \$1 million from the Land Sale Fund. The restrictions on the use of Land Sale Funds are as follows: ***"Proceeds may be used for any purpose for which the city, town, or district is authorized to borrow money for a period of five years or more."***

If the city issues bonds, the estimated annual debt service payment per \$1,000,000 in bonds over a 10-year period is approximately \$123,000, assuming a 4% interest rate. The residential tax bill impact would be \$ 0.93 per \$100,000 of valuation, or \$5.22 on the average single-family home valued at \$561,903.

No additional debt service has been factored into the preliminary 2027 budget projection.



Budget Sustainability & Long-Term Planning

4) Evaluate the long-term impact of **BUDGET DECISIONS**

- a. Are increases implemented now sustainable in the future? Be mindful that even small increases added to an operating budget base compound and have a profound effect over a 5 to 10-year period
- b. Separate fixed costs versus discretionary spending
- c. Ensure the budget is structurally balanced (revenues equal expenditures) and it is not artificially balanced using one-time funds or by deferring necessary costs
- d. If free cash is relied upon to fund capital or subsidize the operating budget, is the budget designed to generate sufficient free cash?
- e. What are the tax bill impacts of budget decisions or alternatives?

Revenue Projection

The city's practice, which is in accordance with the Massachusetts Department of Revenue (DOR) and the Government Finance Officers Association (GFOA), is to estimate revenue conservatively. This practice accomplishes two critical objectives.

- ✓ It safeguards the budget against not meeting revenue estimates and thus needing to make mid-year cuts to balance the budget.
- ✓ It generates free cash, which the city historically uses as a source of reserves, to fund capital, for snow and ice removal, to fund unforeseen emergency uses such as natural disasters (floods, storms, large snow events), and to partially fund the operating budget.

The data below details the tax levy calculations and the estimated available levy for 2027. This model incorporates actual excluded debt service, a conservative estimate of new growth, and an annual increase in levy usage between 3.2% and 3.3% compared to the previous fiscal year. It maintains an excess levy of 1.7% of the total available levy.

If new growth exceeds estimates, the result will be a larger excess levy, assuming the city maintains an annual increase in levy usage of 3.3%.

10-Year Tax Levy Calculation with Estimated Usage and Excess Levy Results

Tax Levy Calculation	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
1. Prior Year Levy Limit	\$ 132,973,124	\$ 138,288,883	\$ 142,946,105	\$ 147,743,758	\$ 152,685,832	\$ 157,776,427	\$ 163,019,757	\$ 168,420,148	\$ 173,982,046	\$ 179,710,020	\$ 185,608,762
2. 2 1/2% Increase	\$ 3,324,328	\$ 3,457,222	\$ 3,573,653	\$ 3,693,594	\$ 3,817,146	\$ 3,944,411	\$ 4,075,494	\$ 4,210,504	\$ 4,349,551	\$ 4,492,751	\$ 4,640,219
3. Plus New Growth	\$ 1,991,431	\$ 1,200,000	\$ 1,224,000	\$ 1,248,480	\$ 1,273,450	\$ 1,298,919	\$ 1,324,897	\$ 1,351,395	\$ 1,378,423	\$ 1,405,991	\$ 1,434,111
4. Sub-Total Levy Limit	\$ 138,288,883	\$ 142,946,105	\$ 147,743,758	\$ 152,685,832	\$ 157,776,427	\$ 163,019,757	\$ 168,420,148	\$ 173,982,046	\$ 179,710,020	\$ 185,608,762	\$ 191,683,092
5. Plus Issued Debt Exclusion	\$ 4,640,402	\$ 4,644,131	\$ 4,635,006	\$ 4,644,411	\$ 4,645,206	\$ 4,642,494	\$ 4,645,119	\$ 4,638,845	\$ 4,635,106	\$ 4,647,453	\$ 4,649,657
<i>5a. Plus Future Authorized Debt Exclusion Consentino Est Add'l</i>											
<i>\$10M</i>	<i>\$ -</i>										
6. Total Available Levy	\$ 142,929,285	\$ 147,590,236	\$ 152,378,764	\$ 157,330,243	\$ 162,421,634	\$ 167,662,250	\$ 173,065,266	\$ 178,620,891	\$ 184,345,126	\$ 190,256,215	\$ 196,332,749
7. Levy Amount Used	\$ 140,340,389	\$ 144,971,622	\$ 149,755,686	\$ 154,697,623	\$ 159,647,947	\$ 164,756,682	\$ 170,028,895	\$ 175,469,820	\$ 181,084,854	\$ 186,879,570	\$ 192,859,716
8. Excess Levy Capacity	\$ 2,588,896	\$ 2,618,614	\$ 2,623,079	\$ 2,632,620	\$ 2,773,686	\$ 2,905,569	\$ 3,036,371	\$ 3,151,071	\$ 3,260,272	\$ 3,376,645	\$ 3,473,033
<i>Excess Levy as % of Available Levy</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>
<i>Annual Levy Use Increase</i>	<i>5.3%</i>	<i>3.3%</i>	<i>3.3%</i>	<i>3.3%</i>	<i>3.2%</i>						

Values	New Growth
2018	\$ 1,449,667
2019	\$ 1,463,464
2020	\$ 1,708,930
2021	\$ 1,968,936
2022	\$ 1,037,283
2023	\$ 1,661,382
2024	\$ 1,240,126
2025	\$ 1,971,395
2026	\$ 1,991,431
2027	\$ 1,200,000
2028	\$ 1,224,000
2029	\$ 1,248,480
2030	\$ 1,273,450
2031	\$ 1,298,919
2032	\$ 1,324,897
2033	\$ 1,351,395
2034	\$ 1,378,423
2035	\$ 1,405,991
2036	\$ 1,434,111
2018-26 Average	\$ 1,610,290
2022-26 Average	\$ 1,580,323

"New Growth" refers to the increase in a municipality's property tax revenue from new construction, subdivisions, renovations, or previously exempt properties returning to the tax rolls, allowing municipalities to increase their levy limit beyond the standard 2.5% allowed by [Proposition 2½](#). It's the additional tax capacity from physical growth, distinct from market-value increases from revaluations.

The revenue projection below is more conservative than anticipated in fiscal 2025, as the city has experienced its fourth consecutive month of declines in local receipts. Local receipts, excluding investment earnings, are trending down by almost 4% compared to this same time last year. As key revenue sources, such as motor vehicle excise, decline, we are seeing an increase in penalty and interest collections, which are up 10.3% year-over-year. This trend underscores the strain our local economy is under, as evidenced by delays in real estate and motor vehicle excise payments, resulting in late fees and interest charges.

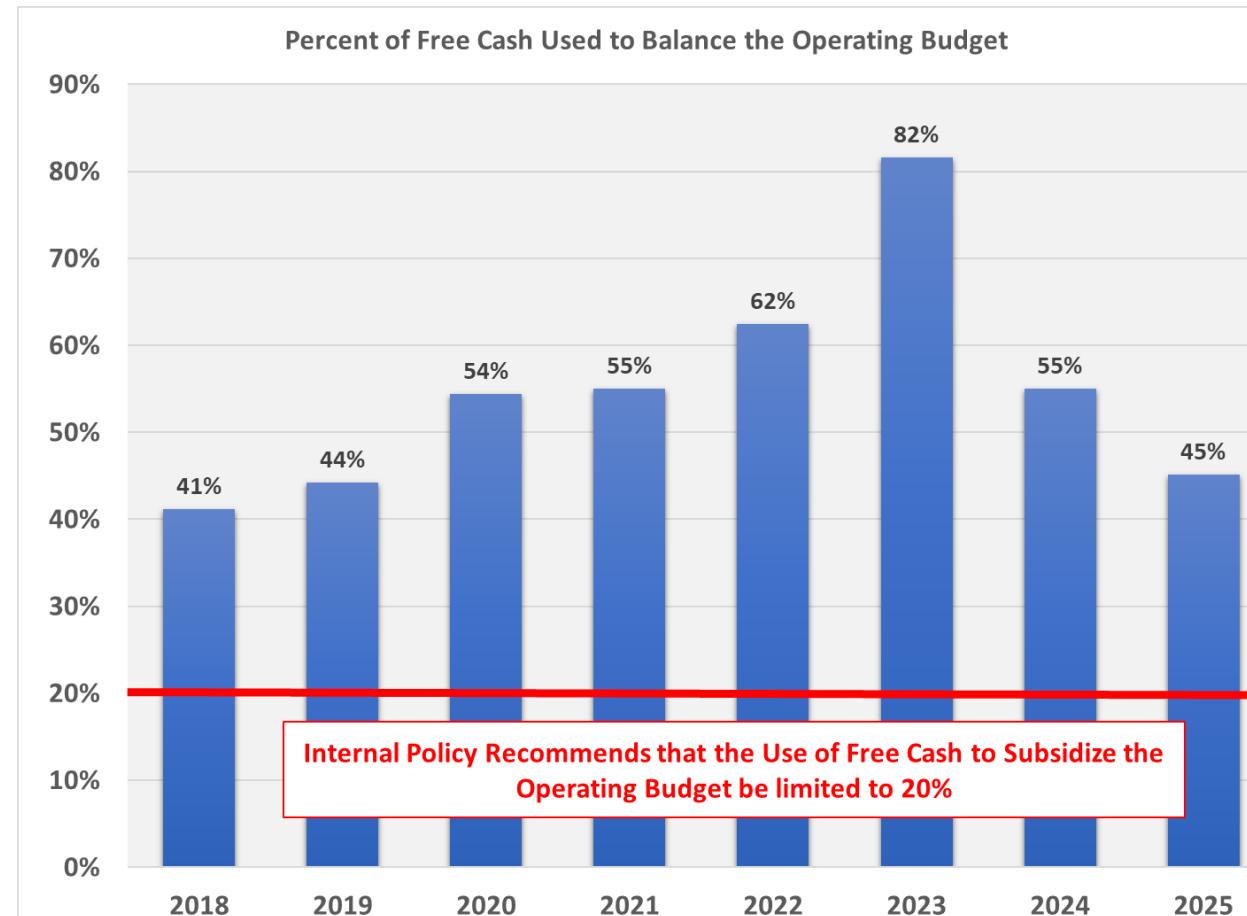
The result is an average annual revenue increase from 2027 to 2036 of 3.2%, as shown below.

10-Year Revenue Projection

Revenue	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
1. TAX LEVY	\$ 140,340,389	\$ 144,971,622	\$ 149,755,686	\$ 154,697,623	\$ 159,647,947	\$ 164,756,682	\$ 170,028,895	\$ 175,469,820	\$ 181,084,854	\$ 186,879,570	\$ 192,859,716
2. MOTORVEHICLE EXCISE	\$ 8,477,111	\$ 8,477,111	\$ 8,561,882	\$ 8,733,120	\$ 8,995,113	\$ 9,354,918	\$ 9,729,115	\$ 10,118,279	\$ 10,523,010	\$ 10,943,931	\$ 11,381,688
3. OTHER EXCISE	\$ 2,711,464	\$ 2,751,440	\$ 2,820,226	\$ 2,904,833	\$ 3,006,502	\$ 3,126,762	\$ 3,251,832	\$ 3,381,906	\$ 3,517,182	\$ 3,657,869	\$ 3,804,184
4. PENALTIES & INTEREST	\$ 742,361	\$ 742,000	\$ 764,260	\$ 787,188	\$ 810,803	\$ 835,128	\$ 860,181	\$ 885,987	\$ 912,566	\$ 939,943	\$ 968,142
5. PILOT & WASTE DISPOSAL FEE	\$ 3,014,364	\$ 3,059,042	\$ 3,135,519	\$ 3,229,584	\$ 3,326,472	\$ 3,426,266	\$ 3,529,054	\$ 3,634,925	\$ 3,743,973	\$ 3,856,292	\$ 3,971,981
6. FEES	\$ 962,670	\$ 998,900	\$ 1,018,878	\$ 1,039,256	\$ 1,060,041	\$ 1,081,241	\$ 1,102,866	\$ 1,124,924	\$ 1,147,422	\$ 1,170,371	\$ 1,193,778
7. RENTALS	\$ 198,450	\$ 198,450	\$ 204,404	\$ 210,536	\$ 216,852	\$ 223,357	\$ 230,058	\$ 236,960	\$ 244,068	\$ 251,391	\$ 258,932
8. OTHER DEPT. REVENUE	\$ 658,253	\$ 555,000	\$ 568,875	\$ 583,097	\$ 597,674	\$ 612,616	\$ 627,932	\$ 643,630	\$ 659,721	\$ 676,214	\$ 693,119
9. MEDICAID REIMBURSEMENT	\$ 950,000	\$ 1,000,000	\$ 1,025,000	\$ 1,050,625	\$ 1,082,144	\$ 1,114,608	\$ 1,148,046	\$ 1,182,488	\$ 1,217,962	\$ 1,254,501	\$ 1,292,136
10. LICENSE & PERMITS	\$ 2,289,912	\$ 2,500,000	\$ 2,550,000	\$ 2,613,750	\$ 2,700,004	\$ 2,794,504	\$ 2,892,312	\$ 2,964,619	\$ 3,038,735	\$ 3,114,703	\$ 3,192,571
11. FINES & FORFEITS	\$ 628,275	\$ 619,000	\$ 637,570	\$ 656,697	\$ 676,398	\$ 696,690	\$ 717,591	\$ 739,118	\$ 761,292	\$ 784,131	\$ 807,655
12. INVESTMENTS	\$ 1,976,991	\$ 1,000,000	\$ 1,030,000	\$ 1,060,900	\$ 1,098,032	\$ 1,136,463	\$ 1,176,239	\$ 1,217,407	\$ 1,260,016	\$ 1,304,117	\$ 1,349,761
14. STATE AID (CHERRY SHEET) W/O CH. 70	\$ 13,815,512	\$ 14,469,548	\$ 14,831,287	\$ 15,202,069	\$ 15,642,929	\$ 16,096,574	\$ 16,563,374	\$ 17,043,712	\$ 17,537,980	\$ 18,046,581	\$ 18,569,932
15. CH 70 STATE AID	\$ 94,219,635	\$ 96,427,042	\$ 100,284,124	\$ 104,295,489	\$ 108,467,308	\$ 112,806,000	\$ 117,318,241	\$ 122,010,970	\$ 126,891,409	\$ 131,967,065	\$ 137,245,748
17. OTHER AVAILABLE REVENUE SOURCES	\$ 6,233,062	\$ 6,060,304	\$ 5,636,083	\$ 5,241,557	\$ 4,874,648	\$ 4,533,422	\$ 4,216,083	\$ 3,920,957	\$ 3,646,490	\$ 3,391,236	\$ 3,153,849
Grand Total	\$ 277,218,449	\$ 283,829,459	\$ 292,823,792	\$ 302,306,322	\$ 312,202,866	\$ 322,595,231	\$ 333,391,819	\$ 344,575,702	\$ 356,186,682	\$ 368,237,915	\$ 380,743,192
Annual % Increase	5.5%	2.4%	3.2%	3.2%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%

The city is striving to comply with Budget Policy #2, which states that **no more than 20% of non-recurring revenue shall be allocated to ongoing expenditures.** This policy addresses the use of Free Cash to subsidize the operating budget. The city recognizes it has been out of compliance with this policy for several years and is actively working to resolve this. Achieving full compliance with the 2027 budget would require a \$2.8 million reduction in the operating budget. Instead, the city is focusing on reducing its reliance on Free Cash over several fiscal years.

Below is a chart of the historical free cash used to subsidize the operating budget.



Operating Budget Projection & Assumptions

The estimated 2027 general fund budget and 10-year projection model assume the following:

- Actual debt service costs for current bonds and a placeholder in 2033 for JG Whittier and a Fire Station.
- 5.82% increase in employee benefits based on recent trends.
- An increase of \$200,000 in the 2027 overlay account (reserve for real estate abatements and exemptions) to fund newly adopted exemptions for qualifying individuals under MGL Ch. 59 as well as funding for exemptions for qualifying small businesses. A 1% increase in all subsequent years.
- 3.9% increase in State Assessments based on historical average
- Initially, a 2.5% increase for all departments, including the school department's direct city contribution with 100% of Ch.70 State Aid directed to the school department. The preliminary Ch. 70 increase for 2027 is 2.34% resulting in a bottom-line increase for the school of 2.4%.
- Other departmental scenarios include a 1.25% increase for all departments and a blend of 1.25% and 2.5%.
- 1.5% increase in budget reserves
- Funding to replace the Fire Department's Federal SAFER grant due to expire in 2028.
- Funding for OPEB in 2033 using the savings in the annual unfunded pension liability assessment which will be satisfied in 2032.

The assumptions have led to a projected operating budget deficit of \$2.1 million in 2027, which is almost doubled in 2028. Under the 2.5% model, the projected deficit is expected to continue growing through 2032 as indicated below.

2.5% Departmental Increase from 2027-2036

Appropriations	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Budget Reserve	\$ 1,885,660	\$ 1,800,000	\$ 1,827,000	\$ 1,854,405	\$ 1,882,221	\$ 1,910,454	\$ 1,939,111	\$ 1,968,198	\$ 1,997,721	\$ 2,027,687	\$ 2,058,102
Culture & Recreation	\$ 2,237,576	\$ 2,293,515	\$ 2,350,853	\$ 2,409,625	\$ 2,469,865	\$ 2,531,612	\$ 2,594,902	\$ 2,659,775	\$ 2,726,269	\$ 2,794,426	\$ 2,864,286
Debt Services	\$ 9,491,018	\$ 8,398,423	\$ 7,912,862	\$ 7,559,113	\$ 7,431,954	\$ 7,321,863	\$ 7,129,645	\$ 6,936,605	\$ 6,543,300	\$ 6,407,869	\$ 6,094,382
Education	\$ 143,170,043	\$ 146,554,369	\$ 151,616,855	\$ 156,862,804	\$ 162,299,097	\$ 167,932,881	\$ 173,771,576	\$ 179,822,887	\$ 186,094,817	\$ 192,595,676	\$ 199,334,093
Employee Benefits	\$ 56,514,045	\$ 59,802,851	\$ 63,383,586	\$ 67,072,162	\$ 70,975,392	\$ 75,105,769	\$ 79,476,511	\$ 59,101,606	\$ 62,540,993	\$ 66,180,535	\$ 70,031,877
General Government	\$ 6,225,314	\$ 6,380,947	\$ 6,540,471	\$ 6,703,982	\$ 6,871,582	\$ 7,043,371	\$ 7,219,456	\$ 7,399,942	\$ 7,584,941	\$ 7,774,564	\$ 7,968,928
Human Services	\$ 2,471,833	\$ 2,533,629	\$ 2,596,970	\$ 2,661,894	\$ 2,728,441	\$ 2,796,652	\$ 2,866,568	\$ 2,938,233	\$ 3,011,688	\$ 3,086,981	\$ 3,164,155
New Debt Service		\$ 526,274	\$ 495,683	\$ 495,760	\$ 495,839	\$ 495,920	\$ 496,002	\$ 6,659,749	\$ 8,169,420	\$ 9,515,987	\$ 11,119,805
OPEB Funding								\$ 8,960,112	\$ 7,509,039	\$ 5,911,792	\$ 4,175,627
Other Insurance	\$ 1,303,678	\$ 1,369,000	\$ 1,410,070	\$ 1,452,372	\$ 1,495,943	\$ 1,540,822	\$ 1,587,046	\$ 1,634,658	\$ 1,683,697	\$ 1,734,208	\$ 1,786,234
Overlay	\$ 250,000	\$ 450,000	\$ 454,500	\$ 459,045	\$ 463,635	\$ 468,272	\$ 472,955	\$ 477,684	\$ 482,461	\$ 487,286	\$ 492,158
Public Safety	\$ 31,376,149	\$ 32,160,553	\$ 33,756,537	\$ 34,600,451	\$ 35,465,462	\$ 36,352,099	\$ 37,260,901	\$ 38,192,424	\$ 39,147,234	\$ 40,125,915	\$ 41,129,063
Public Works	\$ 12,672,086	\$ 12,958,638	\$ 13,282,604	\$ 13,614,669	\$ 13,955,036	\$ 14,303,912	\$ 14,661,510	\$ 15,028,047	\$ 15,403,749	\$ 15,788,842	\$ 16,183,563
State Assessments	\$ 9,621,046	\$ 10,703,682	\$ 11,121,126	\$ 11,554,849	\$ 12,005,489	\$ 12,473,703	\$ 12,960,177	\$ 13,465,624	\$ 13,990,783	\$ 14,536,424	\$ 15,103,344
Grand Total	\$ 277,218,448	\$ 285,931,880	\$ 296,749,116	\$ 307,301,131	\$ 318,539,957	\$ 330,277,329	\$ 342,436,359	\$ 345,245,543	\$ 356,886,113	\$ 368,968,191	\$ 381,505,620
Annual % Increase		3.1%	3.8%	3.6%	3.7%	3.7%	3.7%	0.8%	3.4%	3.4%	3.4%
Budget Surplus (Deficit)	\$ 1	\$ (2,102,421)	\$ (3,925,325)	\$ (4,994,808)	\$ (6,337,091)	\$ (7,682,098)	\$ (9,044,541)	\$ (669,840)	\$ (699,431)	\$ (730,276)	\$ (762,428)

Reducing the departmental increases from **2.5% to 1.25%** from fiscal 2027 and beyond, with all other appropriations unchanged, gives the city a significantly more balanced budget and even produces a surplus in 2033, which the city could use to more aggressively fund OPEB and capital.

The 1.25% scenario results in a bottom-line 2027 budget increase of \$2.7% or \$7,546,495.

As mentioned previously, city leadership could focus on building an operating budget with a bottom-line target rather than regimented individual departmental increases.

1.25% Departmental Increase from 2027-2036

Appropriations	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Budget Reserve	\$ 1,885,660	\$ 1,800,000	\$ 1,827,000	\$ 1,854,405	\$ 1,882,221	\$ 1,910,454	\$ 1,939,111	\$ 1,968,198	\$ 1,997,721	\$ 2,027,687	\$ 2,058,102
Culture & Recreation	\$ 2,237,576	\$ 2,265,546	\$ 2,293,865	\$ 2,322,538	\$ 2,351,570	\$ 2,380,965	\$ 2,410,727	\$ 2,440,861	\$ 2,471,372	\$ 2,502,264	\$ 2,533,542
Debt Services	\$ 9,491,018	\$ 8,398,423	\$ 7,912,862	\$ 7,559,113	\$ 7,431,954	\$ 7,321,863	\$ 7,129,645	\$ 6,936,605	\$ 6,543,300	\$ 6,407,869	\$ 6,094,382
Education	\$ 143,170,043	\$ 146,059,593	\$ 150,608,750	\$ 155,322,274	\$ 160,206,492	\$ 165,267,979	\$ 170,513,570	\$ 175,950,368	\$ 181,585,760	\$ 187,427,419	\$ 193,483,327
Employee Benefits	\$ 56,514,045	\$ 59,802,851	\$ 63,383,586	\$ 67,072,162	\$ 70,975,392	\$ 75,105,769	\$ 79,476,511	\$ 59,101,606	\$ 62,540,993	\$ 66,180,535	\$ 70,031,877
General Government	\$ 6,225,314	\$ 6,303,130	\$ 6,381,920	\$ 6,461,694	\$ 6,542,465	\$ 6,624,246	\$ 6,707,049	\$ 6,790,887	\$ 6,875,773	\$ 6,961,720	\$ 7,048,741
Human Services	\$ 2,471,833	\$ 2,502,731	\$ 2,534,015	\$ 2,565,690	\$ 2,597,761	\$ 2,630,233	\$ 2,663,111	\$ 2,696,400	\$ 2,730,105	\$ 2,764,232	\$ 2,798,784
New Debt Service		\$ 526,274	\$ 495,683	\$ 495,760	\$ 495,839	\$ 495,920	\$ 496,002	\$ 6,659,749	\$ 8,169,420	\$ 9,515,987	\$ 11,119,805
OPEB Funding								\$ 8,960,112	\$ 7,509,039	\$ 5,911,792	\$ 4,175,627
Other Insurance	\$ 1,303,678	\$ 1,369,000	\$ 1,410,070	\$ 1,452,372	\$ 1,495,943	\$ 1,540,822	\$ 1,587,046	\$ 1,634,658	\$ 1,683,697	\$ 1,734,208	\$ 1,786,234
Overlay	\$ 250,000	\$ 450,000	\$ 454,500	\$ 459,045	\$ 463,635	\$ 468,272	\$ 472,955	\$ 477,684	\$ 482,461	\$ 487,286	\$ 492,158
Public Safety	\$ 31,376,149	\$ 31,768,351	\$ 33,149,495	\$ 33,563,863	\$ 33,983,412	\$ 34,408,204	\$ 34,838,307	\$ 35,273,786	\$ 35,714,708	\$ 36,161,142	\$ 36,613,156
Public Works	\$ 12,672,086	\$ 12,815,362	\$ 12,975,554	\$ 13,137,749	\$ 13,301,970	\$ 13,468,245	\$ 13,636,598	\$ 13,807,056	\$ 13,979,644	\$ 14,154,389	\$ 14,331,319
State Assessments	\$ 9,621,046	\$ 10,703,682	\$ 11,121,126	\$ 11,554,849	\$ 12,005,489	\$ 12,473,703	\$ 12,960,177	\$ 13,465,624	\$ 13,990,783	\$ 14,536,424	\$ 15,103,344
Grand Total	\$ 277,218,448	\$ 284,764,943	\$ 294,548,425	\$ 303,821,515	\$ 313,734,144	\$ 324,096,674	\$ 334,830,808	\$ 336,163,592	\$ 346,274,776	\$ 356,772,953	\$ 367,670,401
Annual % Increase		2.7%	3.4%	3.1%	3.3%	3.3%	3.3%	0.4%	3.0%	3.0%	3.1%
Budget Surplus (Deficit)	\$ 1	\$ (935,484)	\$ (1,724,634)	\$ (1,515,193)	\$ (1,531,278)	\$ (1,501,443)	\$ (1,438,989)	\$ 8,412,110	\$ 9,911,906	\$ 11,464,962	\$ 13,072,791

Using a blended method of 2.5% for the school department's direct contribution and 1.25% for all city departments, increases the deficit from \$935,484 to \$1,430,259 in 2027. This deficit would rise to over \$4.6M by 2032.

10-Year 2.5% Increase for School Direct Contribution from the City (not including Ch. 70) and 1.25% Department Increases

Appropriations	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Budget Reserve	\$ 1,885,660	\$ 1,800,000	\$ 1,827,000	\$ 1,854,405	\$ 1,882,221	\$ 1,910,454	\$ 1,939,111	\$ 1,968,198	\$ 1,997,721	\$ 2,027,687	\$ 2,058,102
Culture & Recreation	\$ 2,237,576	\$ 2,265,546	\$ 2,293,865	\$ 2,322,538	\$ 2,351,570	\$ 2,380,965	\$ 2,410,727	\$ 2,440,861	\$ 2,471,372	\$ 2,502,264	\$ 2,533,542
Debt Services	\$ 9,491,018	\$ 8,398,423	\$ 7,912,862	\$ 7,559,113	\$ 7,431,954	\$ 7,321,863	\$ 7,129,645	\$ 6,936,605	\$ 6,543,300	\$ 6,407,869	\$ 6,094,382
Education	\$ 143,170,043	\$ 146,554,369	\$ 151,616,855	\$ 156,862,804	\$ 162,299,097	\$ 167,932,881	\$ 173,771,576	\$ 179,822,887	\$ 186,094,817	\$ 192,595,676	\$ 199,334,093
Employee Benefits	\$ 56,514,045	\$ 59,802,851	\$ 63,383,586	\$ 67,072,162	\$ 70,975,392	\$ 75,105,769	\$ 79,476,511	\$ 59,101,606	\$ 62,540,993	\$ 66,180,535	\$ 70,031,877
General Government	\$ 6,225,314	\$ 6,303,130	\$ 6,381,920	\$ 6,461,694	\$ 6,542,465	\$ 6,624,246	\$ 6,707,049	\$ 6,790,887	\$ 6,875,773	\$ 6,961,720	\$ 7,048,741
Human Services	\$ 2,471,833	\$ 2,502,731	\$ 2,534,015	\$ 2,565,690	\$ 2,597,761	\$ 2,630,233	\$ 2,663,111	\$ 2,696,400	\$ 2,730,105	\$ 2,764,232	\$ 2,798,784
New Debt Service		\$ 526,274	\$ 495,683	\$ 495,760	\$ 495,839	\$ 495,920	\$ 496,002	\$ 6,659,749	\$ 8,169,420	\$ 9,515,987	\$ 11,119,805
OPEB Funding								\$ 8,960,112	\$ 7,509,039	\$ 5,911,792	\$ 4,175,627
Other Insurance	\$ 1,303,678	\$ 1,369,000	\$ 1,410,070	\$ 1,452,372	\$ 1,495,943	\$ 1,540,822	\$ 1,587,046	\$ 1,634,658	\$ 1,683,697	\$ 1,734,208	\$ 1,786,234
Overlay	\$ 250,000	\$ 450,000	\$ 454,500	\$ 459,045	\$ 463,635	\$ 468,272	\$ 472,955	\$ 477,684	\$ 482,461	\$ 487,286	\$ 492,158
Public Safety	\$ 31,376,149	\$ 31,768,351	\$ 33,149,495	\$ 33,563,863	\$ 33,983,412	\$ 34,408,204	\$ 34,838,307	\$ 35,273,786	\$ 35,714,708	\$ 36,161,142	\$ 36,613,156
Public Works	\$ 12,672,086	\$ 12,815,362	\$ 12,975,554	\$ 13,137,749	\$ 13,301,970	\$ 13,468,245	\$ 13,636,598	\$ 13,807,056	\$ 13,979,644	\$ 14,154,389	\$ 14,331,319
State Assessments	\$ 9,621,046	\$ 10,703,682	\$ 11,121,126	\$ 11,554,849	\$ 12,005,489	\$ 12,473,703	\$ 12,960,177	\$ 13,465,624	\$ 13,990,783	\$ 14,536,424	\$ 15,103,344
Grand Total	\$ 277,218,448	\$ 285,259,719	\$ 295,556,530	\$ 305,362,044	\$ 315,826,749	\$ 326,761,576	\$ 338,088,814	\$ 340,036,111	\$ 350,783,833	\$ 361,941,209	\$ 373,521,167
Annual % Increase		2.9%	3.6%	3.3%	3.4%	3.5%	3.5%	0.6%	3.2%	3.2%	3.2%
Budget Surplus (Deficit)	\$ 1	\$ (1,430,259)	\$ (2,732,738)	\$ (3,055,722)	\$ (3,623,883)	\$ (4,166,345)	\$ (4,696,995)	\$ 4,539,591	\$ 5,402,849	\$ 6,296,705	\$ 7,222,025

Demonstration of the cumulative fiscal impact of a 1% increase in the School Direct Contribution

1% City Contribution	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2036 Total
2.5% Annual Increase	\$ 39,582,025	\$ 40,571,576	\$ 41,585,865	\$ 42,625,512	\$ 43,691,150	\$ 44,783,428	\$ 45,903,014	\$ 47,050,590	\$ 48,226,854	\$ 49,432,526	\$ 50,668,339	\$ 454,538,854
3.5% Annual Increase	\$ 40,967,396	\$ 42,401,255	\$ 43,885,299	\$ 45,421,284	\$ 47,011,029	\$ 48,656,415	\$ 50,359,390	\$ 52,121,969	\$ 53,946,237	\$ 55,834,356	\$ 480,604,631	
INCREASED CITY COST	\$ 395,820	\$ 815,390	\$ 1,259,787	\$ 1,730,135	\$ 2,227,601	\$ 2,753,401	\$ 3,308,800	\$ 3,895,114	\$ 4,513,712	\$ 5,166,017	\$ 26,065,777	

Net School Spending

5) Ensure compliance with **NET SCHOOL SPENDING MGL c.70**

- a) Determine net school spending requirements
- b) Calculate the city's compliance with NSS by reviewing contributions to the school department budget in the areas of:
 - i) Ch 70 contribution
 - ii) City direct contribution (budget allocation)
 - iii) City's indirect allocation (administrative, operations and maintenance, employee benefits, liability and property and casualty insurance)
- c) Estimate long-term compliance based on current budget decisions and future assumptions

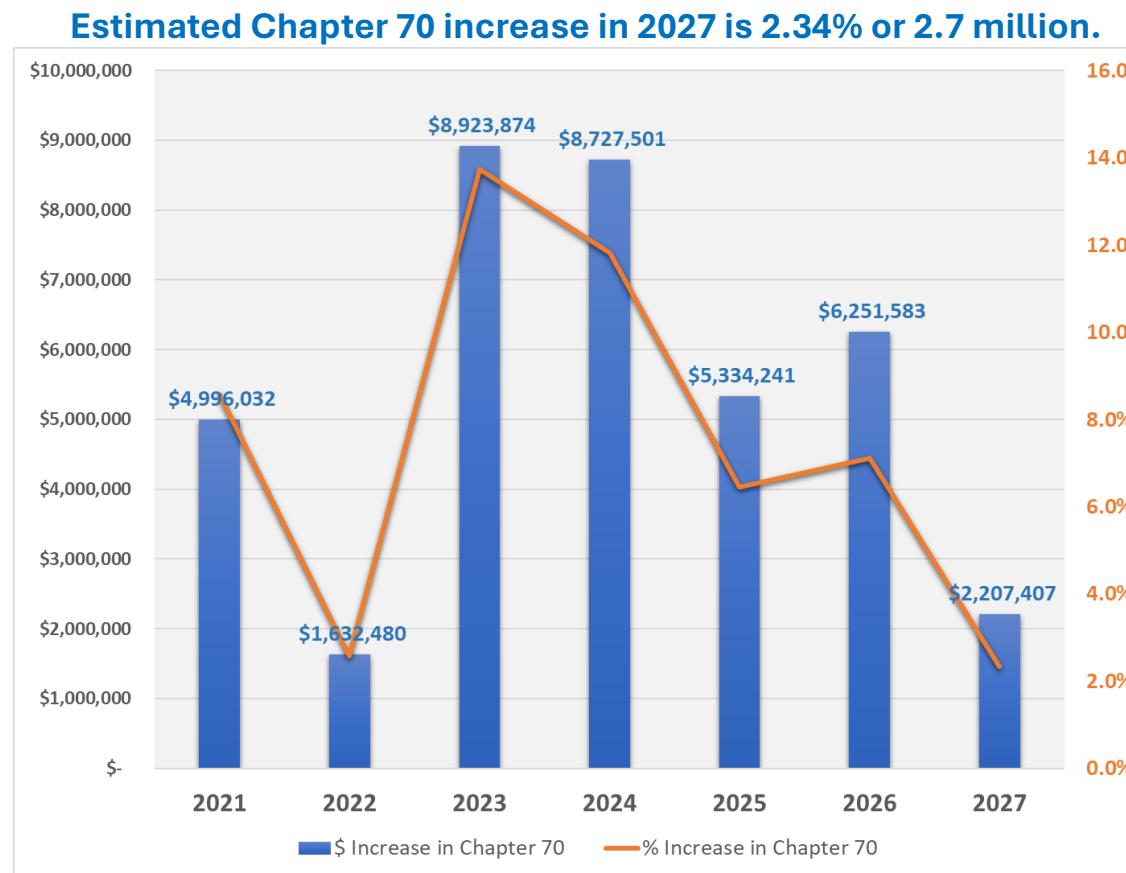
The School Department budget is comprised of three components:

1. Ch 70 contribution from the Commonwealth
2. City Direct Contribution
3. City Indirect Contribution

Chapter 70 – State Funding for Schools

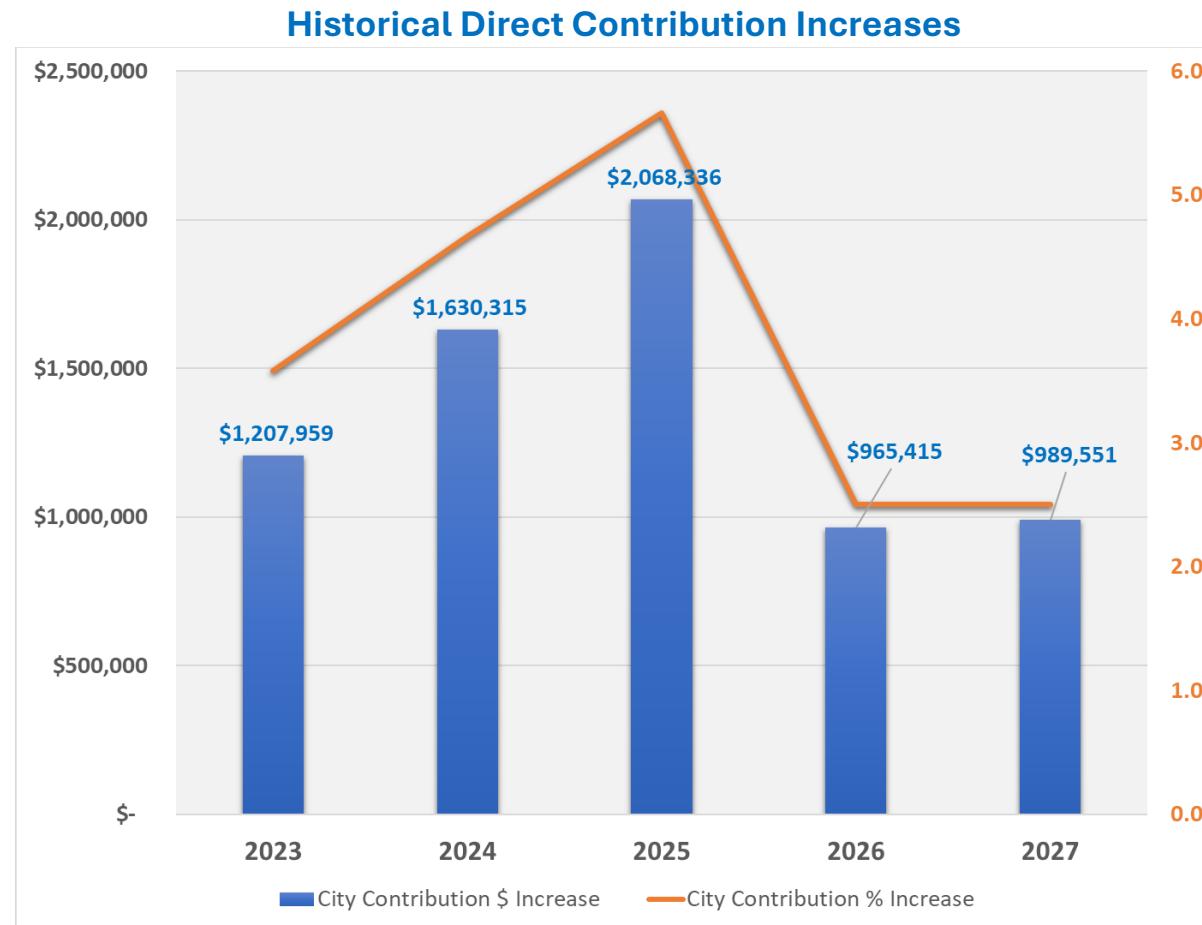
Chapter 70 state funding has increased in recent years due to the implementation of the Student Opportunity Act (SOA), which significantly revised the state formula to better address student needs by increasing funding for low-income students, English Language Learners, special education, and other high-need areas.

Below is a graph demonstrating the increase in Ch. 70 funding to Haverhill, which has increased from **\$63.3M in 2021** to an estimated **\$96.4M in 2027**.



City Direct Contribution to the School Department

The City's **Direct Contribution** to the School Department has increased by an average of 4.6% per year from 2023 to 2025, rising from \$33.7 million in 2022 to \$38.6 million in 2025. In fiscal year 2026, the city was limited to a 2.5% increase in the school's contribution due to budget constraints. The preliminary estimate for 2027 is to again cap the direct contribution at a 2.5% increase. However, achieving this may be difficult due to declining revenues and higher-than-expected fixed costs.

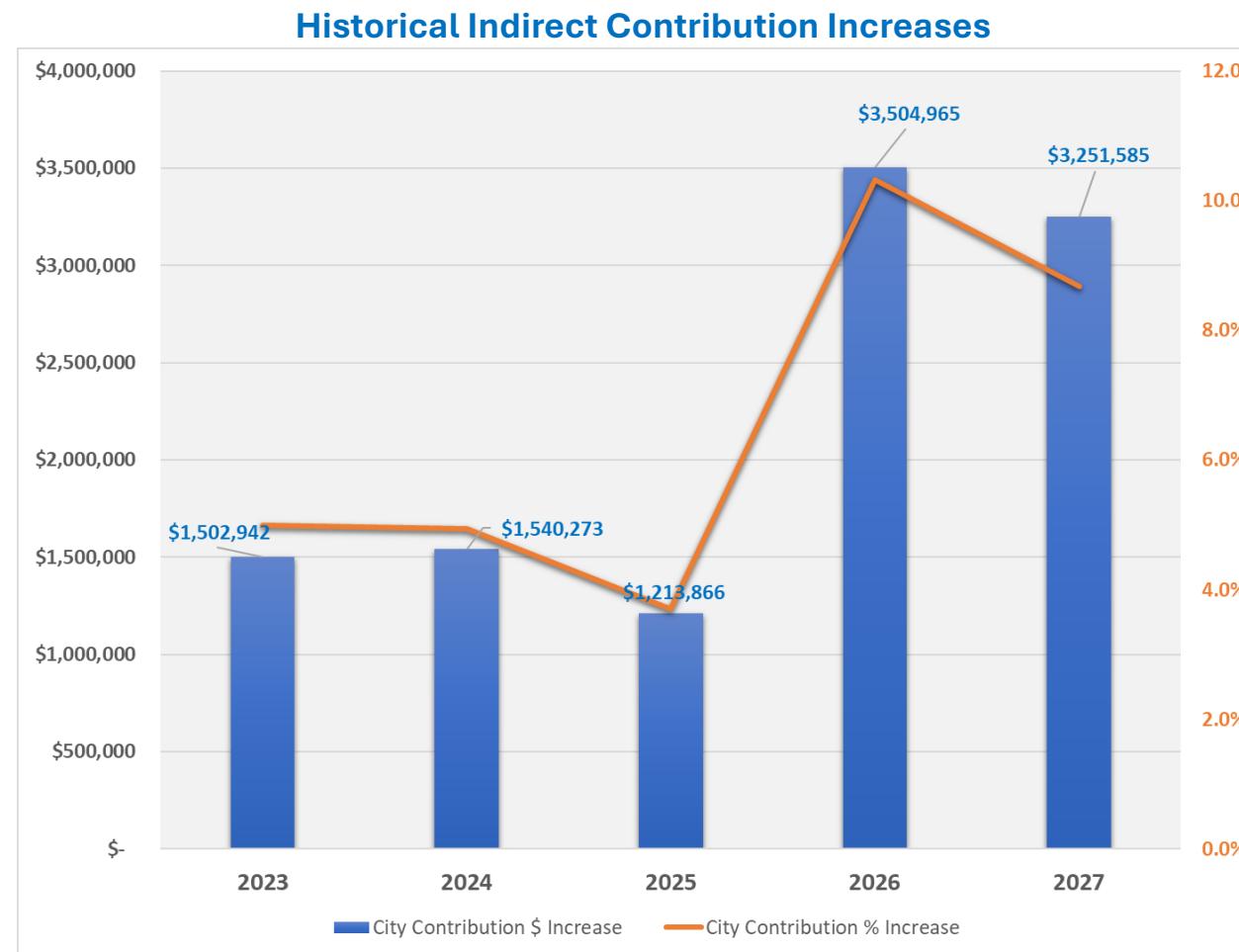


City Indirect Contribution to the School Department

The City's **Indirect Contribution** to the School Department has increased on average 6% per year from 2023 to 2026, rising from \$31.2M in 2023 to \$37.4M in 2026. Indirect Contributions include employee benefits, administrative support, snow plowing, and facility usage at City Hall.

Indirect Contributions do not include outstanding debt, which totals \$74,995,500 with annual debt payments of \$6,771,319

The City's Indirect School Contribution is expected to increase by 8.7% in 2027 and by 4% thereafter.



Net School Spending Calculation

All three categories of School Department funding are combined, with adjustments for transportation and charter tuition reimbursement, and Net School Spending is calculated. As demonstrated below, the city is projected to exceed its Net School Spending Obligation by an average of \$11.8 million annually from 2026 through 2030.

Projection assumes an annual 2.5% increase in City Direct Contributions

Net School Spending	2023	2024	2025	2026	2027	2028	2029	2030
Chapter 70	\$ 73,906,310	\$ 82,633,811	\$ 87,968,052	\$ 94,219,635	\$ 96,427,042	\$ 100,284,124	\$ 104,295,489	\$ 108,467,308
City Direct Contribution	\$ 34,917,959	\$ 36,548,274	\$ 38,616,610	\$ 39,775,108	\$ 40,571,576	\$ 41,585,865	\$ 42,625,512	\$ 43,691,150
City Indirect Contribution	\$ 31,183,401	\$ 32,723,674	\$ 33,937,540	\$ 37,442,505	\$ 40,694,090	\$ 42,321,854	\$ 44,014,728	\$ 45,775,317
Less Transportation	\$ (5,477,557)	\$ (7,600,000)	\$ (6,646,810)	\$ (8,651,163)	\$ (9,429,767)	\$ (9,901,255)	\$ (10,396,318)	\$ (10,916,134)
Less Charter Tuition Reimbursement	\$ (1,611,461)	\$ (1,377,211)	\$ (1,345,511)	\$ (787,542)	\$ (1,170,508)	\$ (1,205,623)	\$ (1,241,792)	\$ (1,279,046)
Total NSS Contribution	\$ 132,918,652	\$ 142,928,548	\$ 152,529,881	\$ 161,998,543	\$ 167,092,433	\$ 173,084,964	\$ 179,297,618	\$ 185,738,595
Required Net School Spending	\$ 121,331,843	\$ 132,551,888	\$ 140,785,594	\$ 149,713,125	\$ 154,969,204	\$ 161,167,972	\$ 167,614,691	\$ 174,319,279
Over / (Under) NSS	\$ 11,586,809	\$ 10,376,660	\$ 11,744,287	\$ 12,285,418	\$ 12,123,229	\$ 11,916,992	\$ 11,682,927	\$ 11,419,316

Historical and Projected Net School Spending

