



Watertown City Council

**Committee of the Budget and Fiscal Oversight
Meeting
Thursday, November 13, 2025 at 6:00 PM
Richard E. Mastrangelo Council Chambers- Second
Floor**

Agenda

Pursuant to Chapter 2 of the Acts of 2025, the meeting and public hearing will be conducted with remote opportunities for participation. Remote participation and access methods include:

ACCESS INFORMATION:

- A. This meeting will be held on November 13, 2025 at 6:00 P.M. Location: Richard E. Mastrangelo Council Chamber
- B. The Public may join the virtual meeting online: <https://watertown-ma.zoom.us/j/86148538260>
- C. Public may join the virtual meeting audio only by phone: (877) 853-5257 or (888) 475-4499 (Toll Free) and enter Webinar ID: 861 4853 8260
- D. Public may comment through email: ngardner@watertown-ma.gov
- E. Please Visit the Committee of the Budget and Fiscal Oversight Webpage here: https://watertownma.portal.civicclerk.com/?category_id=82


-
1. Call to Order
 2. Discussion
 - A. Make Recommendations on the Fiscal Year 2027 Budget Policy Guidelines
 3. Adjournment

ELECTED OFFICIALS

Vincent J. Piccirilli, Jr.,
Chair

Emily Izzo,
Vice Chair

Nicole Gardner,
Secretary

A photograph of the City of Watertown Administration Building at sunset. The building is a two-story brick structure with a prominent portico supported by six classical columns. Above the columns, a stone lintel is inscribed with "WATERTOWN ADMINISTRATION BUILDING". A tall, white, classical-style tower rises from the roofline in the center. The sky is a mix of blue and orange, with the sun low on the horizon to the right. In the background, there are green trees and other residential buildings.

City of Watertown Fiscal Year 2027 Preliminary Budget Overview

Submitted by George J. Proakis, City Manager
October 14, 2025

Today's Presentation

To follow along at home:
watertown-ma.gov/FY27

Today's Presentation

Introduction

Closeout of FY 2025 (through 6/30/25)

Update on FY 2026 (7/1/25 – 6/30/26)

An early look at FY 2027 (starting 7/1/26) and beyond

Introduction

Watertown Home Rule Charter

Preamble

The guiding principles for civic and environmental stewardship in the Home Rule Charter highlight the need to prioritize safety & tranquility; health & well-being; education & excellence; creativity & innovation; equity & diversity; and accountability & transparency.

The preamble notes that taken together, these principles yield:
“vibrant and welcoming neighborhoods, high-quality and inclusive schools, transparent and accountable municipal operations – including performance excellence, responsiveness, and collaboration – and thriving local businesses.”

Charter Guiding Principles

- Safety & Tranquility
- Learning & Excellence
- Equity & Diversity
- Health & Well-Being
- Creativity & Innovation
- Accountability & Transparency

- Continued Fiscal Stability
- Climate Mitigation and Resiliency
- A Commitment to Planning
- Enhanced Organizational Effectiveness
- Building for the Future

City Manager's Strategic Priorities

Leadership Formula

- Maintain the highest ethical standards
- Ensure collaborative departments
- Provide accurate, courteous, and easy customer service
- Transparency in process and outcomes
- Be abnormal – find new and unique solutions to the challenges of leading in local government.

Watertown's City Goals

Charter Preamble Guiding Principles

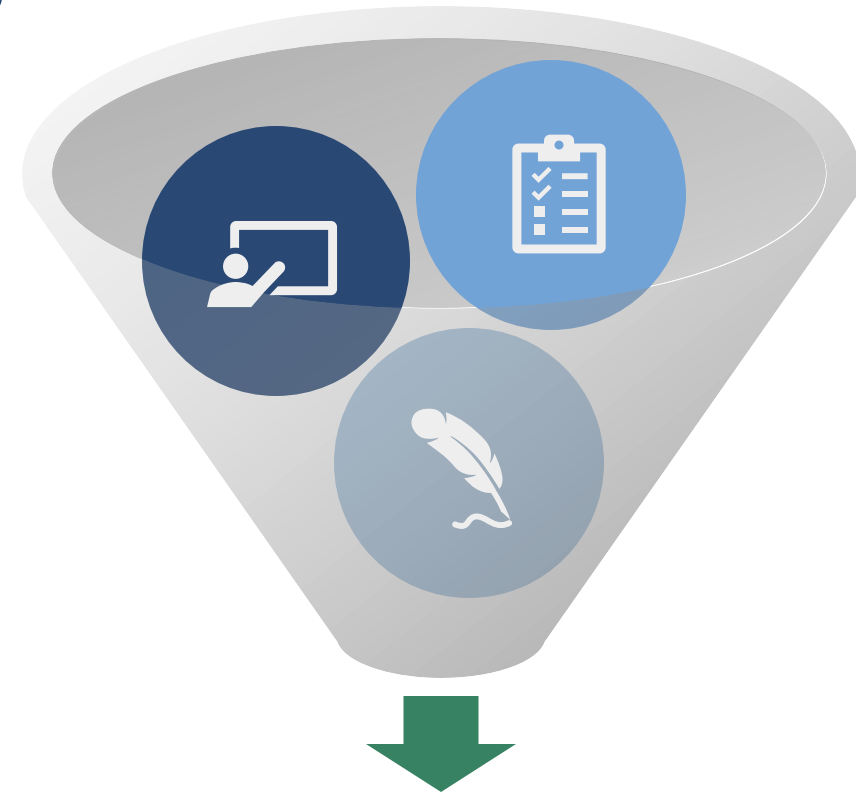
The Charter Preamble is the guiding document of our City and help define many of the successes we aim to achieve in Watertown.

City Manager's Strategic Priorities

A group of five strategic priorities that focus on climate, fiscal stability, planning, and organizational effectiveness.

Leadership Formula

My series of five leadership principles that I point to with my staff in meetings and in presentations to the Council and community.



Watertown's City Goals

A collection of goals that combine the Charter's Guiding principles, strategic priorities, and leadership formula to better capture the mission of our City and define the work staff do each and every day.

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations

Fiscal Stability

**Community Engagement & Customer
Service**

**Vibrant & Welcoming
Community**

Public Health & Safety

Commitment to the Future

A Watertown for All

Effective Operations

The City of Watertown will operate an ethical, efficient, and creative organization that delivers timely and high-quality services that meet the needs of the community. We will continually modernize systems and foster a culture of collaboration to achieve the highest standards of performance.

Fiscal Stability

The City of Watertown will manage our finances in a professional and responsible manner to maintain our strong fiscal position. We will operate using sound financial policies and practices to most effectively use taxpayer dollars and ensure we are equipped to weather economic uncertainty.

Community Engagement & Customer Service

The City of Watertown will prioritize proactive communication and responsive customer service to effectively inform, educate, and empower its constituents. We will ensure that all voices in the community are heard by offering a variety of meaningful opportunities for engagement and civic participation.

Public Health & Safety

The City of Watertown will enhance the health, wellbeing, and safety of the Watertown community. We will provide programs, resources, and professional emergency response services to ensure a healthy Watertown that is safe for all who live, work, and visit here.

Commitment to the Future

The City of Watertown will make responsible and timely investments to deliver a resilient and beautiful future for Watertown. By enacting meaningful climate and energy policies, implementing thoughtful community design, supporting flourishing businesses, and investing in state-of-the-art schools, we will ensure that future generations can thrive.

A Watertown for All

The City of Watertown will foster a welcoming, inclusive, and accessible environment. We will invest in cultural assets and provide diverse programming that makes Watertown a desirable community for all to enjoy.

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations

Fiscal Stability

**Community Engagement & Customer
Service**

**Vibrant & Welcoming
Community**

Public Health & Safety

Commitment to the Future

A Watertown for All

Connecting our City Goals to the Budget



City Goals

Our Administration's 6 goals to drive our efforts.



Department Goals

Each department will have their own goals that contribute to our City goals.



Department Objectives

Specific and clear efforts that contribute to a department's goal.



Performance Measures

Measures of the successes and improvements our departments are making.



Budget Performance Indicators

A clear connection between our successes, needs, and our budgeting.

Budget Development

To preserve the City's financial condition we are committed to:

1. Provide the highest level of services possible to meet community needs with the most efficient utilization of resources.
2. Ensure annual costs of all operations to be funded on an annual basis out of current revenues.
3. Not defer maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years.
4. Remain focused on achieving our long-term goal of sound financial management and fiscal stability.
5. Present budget based on sound business practices.

City Council FY 2026 Budget Policy Guidelines

(Page 1 of 4)

(adopted November 26, 2024)

The following are the top two priorities of the ranked Cost-Savings/Revenues Guidelines:

1. Continue to proceed with the guidelines of the Comprehensive Plan, with the long-term goal to promote a **diversified and growing tax base**, and a renewed focus on small business, retail corridors, and emerging industry clusters.
2. Continue to pursue the implementation of the **Watertown Square Area Plan** with the long-term goal of increasing our tax base through the development of multi-family housing and small and medium sized businesses in the Square.

City Council FY 2026 Budget Policy Guidelines

(Page 2 of 4)
(adopted November 26, 2024)

The following are the top seven priorities of the ranked Program Enhancements/Expenditures Guidelines:

1. All departmental budgets should prioritize and enhance the ability of the City to implement the strategies and action items in the **Climate and Energy Plan**.
2. Provide resources to address the strategies and action items in the **Comprehensive Plan** and **Watertown Square Area Plan**.
3. Continue to work collaboratively with the Watertown Public Schools on the comprehensive multi-year educational budget that assures **sustainable funding for our schools** and the successful education of our children, and seek to accommodate a 3.5% annual increase for FY25 for the Education appropriation that will provide level-service funding for our schools.

City Council FY 2026 Budget Policy Guidelines

(Page 3 of 4)

(adopted November 26, 2024)

The following are the top seven priorities of the ranked Program

Enhancements/Expenditures Guidelines:

4. Based on the final City Council policy direction, develop a budgetary plan, within the confines of Proposition 2 ½ for the **five unfunded capital items**:
 - Senior Center
 - East End Fire Station
 - DPW Staging Area
 - Watertown Square Implementation
 - Middle School Renovations
5. Continue support for Building for the Future Initiative funding in collaboration with the School Building Committee, for the MSBA **High School project**, without debt exclusion funding.

City Council FY 2026 Budget Policy Guidelines

(Page 4 of 4)

(adopted November 26, 2024)

The following are the top seven priorities of the ranked Program

Enhancements/Expenditures Guidelines:

6. Fund the recommendations of the **Community Health & Human Services Assessment** in the FY26 budget.
7. Provide funding and resources to ensure that the 5-year **rolling plans for streets, sidewalks, water, sewer, stormwater, and underground utilities** are effectively planned and executed for optimal results.

- The biotech industry
- Federal grants
- Tariffs & new development
- Municipal operating costs:
 - Inflation
 - Department expenses
 - Insurance costs
- A risky moment with the “tax split home rule”

Financial Headwinds

A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures

An Analysis of Fiscal Pressures on Massachusetts Municipalities

OCTOBER 2025



Financial Headwinds

- Watertown does better:
 - We had the benefit of new growth – first residential and then commercial growth
 - We have built in conservative financial strategies in our budget
 - We maintain stabilization funds for capital projects
- This gives us OPTIONS and FLEXIBILITY
- **As City Manager, I aim to maintain those options and flexibility**

Financial Headwinds

FY 2025

A Look Back

**FY 2025
General Fund
Revenue**

- Real and Personal Property Tax
- State Aid
- Local Receipts
- “Other Sources”

Revenue and Other Sources	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Real & Personal Property Tax	\$ 157,286,627	\$ 157,173,273	\$ 167,525,917	\$ 168,708,735	\$ 174,240,316
State Aid	\$ 16,064,530	\$ 15,916,182	\$ 16,597,664	\$ 16,654,474	\$ 16,926,406
Total	\$ 173,351,157	\$ 173,089,455	\$ 184,123,581	\$ 185,363,209	\$ 191,166,722

REVENUE PROPERTY TAX AND STATE AID

REVENUE LOCAL RECEIPTS

Source	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Motor Vehicle	\$ 4,500,000	\$ 5,246,683	\$ 4,600,000	\$ 5,239,044	\$ 4,725,000
Meals Excise	\$ 800,000	\$ 967,954	\$ 850,000	\$ 935,349	\$ 900,000
Hotel and Other Excise	\$ 1,125,000	\$ 1,595,324	\$ 1,250,000	\$ 1,436,339	\$ 1,250,000
Cannabis Excise	\$ 475,000	\$ 475,387	\$ 475,000	\$ 395,125	\$ 475,000
Opioid Settlement	\$ 60,000	\$ -	\$ -	\$ 80,258	\$ -
Penalties & Interest	\$ 250,000	\$ 372,745	\$ 250,000	\$ 528,528	\$ 250,000
PILOT	\$ 87,628	\$ 47,044	\$ 88,168	\$ 102,286	\$ 78,708
COMM. Trash	\$ 20,000	\$ 30,457	\$ 20,000	\$ 32,778	\$ 20,000
Fees	\$ 4,477,000	\$ 6,872,162	\$ 4,597,000	\$ 6,229,877	\$ 4,597,000
Rentals	\$ 752,215	\$ 723,662	\$ 526,644	\$ 510,341	\$ 569,267
Cemetery	\$ 100,000	\$ 90,175	\$ 100,000	\$ 89,550	\$ 100,000
Recreation	\$ 420,000	\$ 411,033	\$ 420,000	\$ 466,108	\$ 420,000
License & Permits	\$ 225,000	\$ 264,373	\$ 225,000	\$ 269,753	\$ 228,000
Fines & Forfeits	\$ 350,000	\$ 367,970	\$ 350,000	\$ 460,814	\$ 350,000
Investment Income	\$ 1,500,000	\$ 8,890,524	\$ 2,760,000	\$ 7,930,928	\$ 2,760,000
Sale of City Prop.	\$ 5,000	\$ 25,280	\$ 5,000	\$ 6,970	\$ 5,000
Grant/Employee Reimb.	\$ 27,749	\$ 43,014	\$ 32,129	\$ 43,342	\$ 32,129
Medicaid	\$ -	\$ 304,979	\$ -	\$ 401,326	\$ -
Miscellaneous*	\$ -	\$ 247,024	\$ -	\$ 290,335	\$ -
Total	\$ 15,174,592	\$ 26,975,788	\$ 16,548,941	\$ 25,449,051	\$ 16,760,104

Source	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Motor Vehicle	\$ 4,500,000	\$ 5,246,683	\$ 4,600,000	\$ 5,239,044	\$ 4,725,000
Meals Excise	\$ 800,000	\$ 967,954	\$ 850,000	\$ 935,349	\$ 900,000
Hotel and Other Excise	\$ 1,125,000	\$ 1,595,324	\$ 1,250,000	\$ 1,436,339	\$ 1,250,000
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Medicaid	\$ -	\$ 304,979	\$ -	\$ 401,326	\$ -
Miscellaneous*	\$ -	\$ 247,024	\$ -	\$ 290,335	\$ -
Total	\$ 15,174,592	\$ 26,975,788	\$ 16,548,941	\$ 25,449,051	\$ 16,760,104

Permit Fees

Interest Income

REVENUE
LOCAL RECEIPTS

Source Transfer from:	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Sale of Lots	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Parking Meter	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Opioid Settlement	\$ -	\$ -	\$ -	\$ -	\$ -
Cemetery Perpetual Care	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Capital Proj. Stab. Fund	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
O'Neill Properties Fund	\$ -	\$ -	\$ -	\$ -	\$ -
ESCO Capital Project Stab. Fund	\$ 494,438	\$ 494,438	\$ 493,225	\$ 493,225	\$ 492,125
New High School Stab. Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Utilization Of Overlay Surplus	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
Free Cash	\$ 5,688,029	\$ 5,688,029	\$ 11,300,000	\$ 11,300,000	\$ 10,900,000
Acquisition of Land Stab. Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Collective Bargaining Stab. Fund	\$ 860,550	\$ 860,550	\$ -	\$ -	\$ -
Water Fund	\$ 1,423,464	\$ 1,423,464	\$ 1,615,298	\$ 1,615,298	\$ 1,665,625
Sewer Fund	\$ 1,494,512	\$ 1,494,512	\$ 1,718,878	\$ 1,718,878	\$ 1,895,857
Total	\$ 11,740,993	\$ 11,740,993	\$ 15,907,401	\$ 15,907,401	\$ 15,733,607

REVENUE OTHER SOURCES

Source	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Property Tax	\$ 157,286,627	\$ 157,173,273	\$ 167,525,917	\$ 168,708,735	\$ 174,240,316
State Aid	\$ 16,064,530	\$ 15,916,182	\$ 16,597,664	\$ 16,654,474	\$ 16,926,406
Local Receipts	\$ 15,174,592	\$ 26,975,788	\$ 16,548,941	\$ 25,449,051	\$ 16,760,104
Other Sources	\$ 11,740,993	\$ 11,740,993	\$ 15,907,401	\$ 15,907,401	\$ 15,733,607
Total Revenue	\$ 200,266,742	\$ 211,806,237	\$ 216,579,923	\$ 226,719,661	\$ 223,660,433

REVENUE SUMMARY

(PAGE 1 OF 2)

Source	FY 2025 Budget	FY 2025 Actual	Variance	FY 2026 Budget
Property Tax	\$ 167,525,917	\$ 168,708,735	\$ 1,182,818	\$ 174,240,316
State Aid	\$ 16,597,664	\$ 16,654,474	\$ 56,810	\$ 16,926,406
Local Receipts	\$ 16,548,941	\$ 25,449,051	\$ 8,900,110	\$ 16,769,104
Other Sources	\$ 15,907,401	\$ 15,907,401	\$ -	\$ 15,733,607
Total Revenue	\$ 216,579,923	\$ 226,719,661	\$ 10,139,738	\$ 223,660,433

Last Year: \$11.5m

REVENUE SUMMARY

(PAGE 2 OF 2)

Departmental Expenses

Debt Service and Capital Projects

State & County Charges

Pension and OPEB

Insurance and Employee Benefits

Other Financing Uses

**FY 2025
General Fund
Expenditures**

	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
General Government	\$ 14,558,749	\$ 10,130,133	\$ 14,247,325	\$ 13,644,466	\$ 19,307,258
Public Safety	\$ 25,399,729	\$ 24,266,264	\$ 26,059,607	\$ 25,783,770	\$ 28,146,405
Public Works	\$ 7,781,828	\$ 6,817,443	\$ 7,686,946	\$ 7,335,158	\$ 8,732,868
Snow & Ice	\$ 1,500,000	\$ 1,141,600	\$ 1,500,000	\$ 1,493,520	\$ 1,500,000
Waste Disposal	\$ 5,476,705	\$ 5,330,855	\$ 5,516,607	\$ 5,353,541	\$ 6,185,500
Health & Human Services	\$ 1,713,566	\$ 1,475,455	\$ 1,809,916	\$ 1,714,149	\$ 2,215,420
Library	\$ 3,754,120	\$ 3,594,275	\$ 4,104,650	\$ 4,014,928	\$ 3,991,377
Recreation Department	\$ 508,943	\$ 492,078	\$ 579,829	\$ 571,393	\$ 600,085
Skating Arena	\$ 456,658	\$ 419,478	\$ 345,360	\$ 337,799	\$ 382,083
Education	\$ 57,583,829	\$ 57,583,829	\$ 59,704,263	\$ 59,704,263	\$ 61,893,912
Total Departmental	\$ 118,734,127	\$ 111,251,410	\$ 121,554,503	\$ 119,952,987	\$ 132,954,908

DEPARTMENTAL EXPENDITURES

General Government FY 2026 budget amount includes City Council Reserve of \$3,900,000

	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
General Government	\$ 14,558,749	\$ 10,130,133	\$ 14,247,325	\$ 13,644,466	\$ 19,307,258
Public Safety	\$ 25,399,729	\$ 24,266,264	\$ 26,059,607	\$ 25,783,770	\$ 28,146,405
Public Works	\$ 7,781,828	\$ 6,817,443	\$ 7,686,946	\$ 7,335,158	\$ 8,732,868
Snow & Ice	\$ 1,500,000	\$ 1,141,600	\$ 1,500,000	\$ 1,493,520	\$ 1,500,000
Waste Disposal	\$ 5,476,705	\$ 5,330,855	\$ 5,516,607	\$ 5,353,541	\$ 6,185,500
Health & Human Services	\$ 1,713,566	\$ 1,475,455	\$ 1,809,916	\$ 1,714,149	\$ 2,215,420
Library	\$ 3,754,120	\$ 3,594,275	\$ 4,104,650	\$ 4,014,928	\$ 3,991,377
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Education	\$ 57,583,829	\$ 57,583,829	\$ 59,704,263	\$ 59,704,263	\$ 61,893,912
Total Departmental	\$ 118,734,127	\$ 111,251,410	\$ 121,554,503	\$ 119,952,987	\$ 132,954,908

Actual department expenses are much closer to budget in FY 2025 than in FY 2024

DEPARTMENTAL EXPENDITURES

General Government FY 2026 budget amount includes City Council Reserve of \$3,900,000

	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Debt Retirement	\$ 25,777,300	\$ 24,193,402	\$ 28,409,701	\$ 28,171,220	\$ 34,770,413
School Capital Projects	\$ 390,000	\$ 390,000	\$ 1,110,000	\$ 1,110,000	\$ 155,000
City Capital Projects	\$ 6,423,528	\$ 6,419,128	\$ 7,105,495	\$ 7,105,495	\$ 2,342,800
Total Debt Svc. & Cap. Proj.	\$ 32,590,828	\$ 31,002,530	\$ 36,625,196	\$ 36,385,715	\$ 37,268,213

DEBT SERVICE AND CAPITAL PROJECTS EXPENDITURES

	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Debt Retirement	\$ 25,777,300	\$ 24,193,402	\$ 28,409,701	\$ 28,171,220	\$ 34,770,413
School Capital Projects	\$ 390,000	\$ 390,000	\$ 1,110,000	\$ 1,110,000	\$ 155,000
City Capital Projects	\$ 6,423,528	\$ 6,419,128	\$ 7,105,495	\$ 7,105,495	\$ 2,342,800
Total Debt Svc. & Cap. Proj.	\$ 32,590,828	\$ 31,002,530	\$ 36,625,196	\$ 36,385,715	\$ 37,268,213

DEBT SERVICE AND CAPITAL PROJECTS EXPENDITURES

	FY 2024 Budget	FY 2024 Actual	FY 2025 Budget	FY 2025 Actual	FY 2026 Budget
Total Departmental	\$ 118,734,127	\$ 111,251,412	\$ 121,554,503	\$ 119,952,987	\$ 132,954,908
Total Debt Svc. & Cap. Proj.	\$ 32,590,828	\$ 31,002,530	\$ 36,625,196	\$ 36,386,715	\$ 37,268,213
State & County Charges	\$ 3,375,115	\$ 3,148,484	\$ 3,153,666	\$ 3,015,323	\$ 3,120,643
Pension & OPEB	\$ 10,930,432	\$ 10,920,858	\$ 10,802,717	\$ 10,801,768	\$ 7,504,283
Insurance & Employee Benefits	\$ 23,124,838	\$ 23,106,928	\$ 21,095,060	\$ 21,076,082	\$ 25,509,523
Other Financing Uses	\$ 11,511,402	\$ 11,492,850	\$ 23,348,781	\$ 23,347,987	\$ 17,302,863
Grand Total	\$ 200,266,742	\$ 190,923,062	\$ 216,579,923	\$ 214,580,862	\$ 223,660,433

EXPENDITURES SUMMARY

(PAGE 1 OF 2)

	FY 2025 Budget	FY 2025 Actual	Variance	FY 2026 Budget
General Government	\$ 14,247,325	\$ 13,644,466	\$ 602,859	\$ 19,307,258
Public Safety	\$ 26,059,607	\$ 25,783,770	\$ 275,837	\$ 28,146,405
Public Works	\$ 7,686,946	\$ 7,335,158	\$ 351,788	\$ 8,732,868
Snow & Ice	\$ 1,500,000	\$ 1,493,520	\$ 6,480	\$ 1,500,000
Waste Disposal	\$ 5,516,607	\$ 5,353,541	\$ 163,066	\$ 6,185,500
Health & Human Services	\$ 1,809,916	\$ 1,714,149	\$ 95,767	\$ 2,215,420
Library	\$ 4,104,650	\$ 4,014,928	\$ 89,722	\$ 3,991,377
Recreation Department	\$ 579,829	\$ 571,393	\$ 8,436	\$ 600,085
Skating Arena	\$ 345,360	\$ 337,799	\$ 7,561	\$ 382,083
Education	\$ 59,704,263	\$ 59,704,263	\$ -	\$ 61,893,912
Total Departmental	\$ 121,554,503	\$ 119,952,987	\$ 1,601,516	\$ 132,954,908
Total Debt Svc. & Cap. Proj.	\$ 36,625,196	\$ 36,386,715	\$ 238,481	\$ 37,268,213
State & County Charges	\$ 3,153,666	\$ 3,015,323	\$ 138,343	\$ 3,120,643
Pension & OPEB	\$ 10,802,717	\$ 10,801,768	\$ 949	\$ 7,504,283
Insurance & Employee Benefits	\$ 21,095,060	\$ 21,076,082	\$ 18,978	\$ 25,509,523
Other Financing Uses	\$ 23,348,781	\$ 23,347,987	\$ 794	\$ 17,302,863
Grand Total	\$ 216,579,923	\$ 214,580,862	\$ 1,999,061	\$ 223,660,433

EXPENDITURES SUMMARY

(PAGE 2 OF 2)

General Government FY 2026 budget amount includes City Council Reserve of \$3,900,000

	FY 2025 Budget	FY 2025 Actual	Variance	FY 2026 Budget
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Public Safety	\$ 26,059,607	\$ 25,783,770	\$ 275,837	\$ 28,146,405
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Snow & Ice	\$ 1,500,000	\$ 1,493,520	\$ 6,480	\$ 1,500,000
Waste Disposal	\$ 5,516,607	\$ 5,353,541	\$ 163,066	\$ 6,185,500
Health & Human Services	\$ 1,809,916	\$ 1,714,149	\$ 95,767	\$ 2,215,420
Library	\$ 4,104,650	\$ 4,014,928	\$ 89,722	\$ 3,991,377
Recreation Department	\$ 579,829	\$ 571,393	\$ 8,436	\$ 600,085
Skating Arena	\$ 345,360	\$ 337,799	\$ 7,561	\$ 382,083
Education	\$ 59,704,263	\$ 59,704,263	\$ -	\$ 61,893,912
Total Departmental	\$ 121,554,503	\$ 119,952,987	\$ 1,601,516	\$ 132,954,908
Total Debt Svc. & Cap. Proj.	\$ 36,625,196	\$ 36,386,715	\$ 238,481	\$ 77,268,213
State & County Charges	\$ 3,153,666	\$ 3,015,323	\$ 138,343	\$ 3,120,643
Pension & OPEB	\$ 10,802,717	\$ 10,801,768	\$ 949	\$ 7,504,283
Insurance & Employee Benefits	\$ 21,095,060	\$ 21,076,082	\$ 18,978	\$ 25,509,523
Other Financing Uses	\$ 23,348,781	\$ 23,347,987	\$ 794	\$ 17,302,863
Grand Total	\$ 216,579,923	\$ 214,580,862	\$ 1,999,061	\$ 223,660,433

Last Year: \$9.3m

EXPENDITURES SUMMARY

(PAGE 2 OF 2)

General Government FY 2026 budget amount includes City Council Reserve of \$3,900,000

Debt

as of June 30, 2025

Capital Improvement Program

The five-year Capital Improvement Program (CIP) is included within the FY 2026 Budget. The Fiscal Year 2026-2030 General Fund CIP totals \$273,090,100 . This includes the anticipated \$70,000,000 of borrowing and for the middle school.

The Fiscal Year 2026-2030 Water and Sewer Enterprise Funds CIP totals \$76,165,000. The CIP includes all known capital needs, regardless of the sources of funding.

	Permanent Debt Balances 6/30/25	Budgeted FY 2026 Bond Payments	Permanent Debt Balances 6/30/26
FY 2008 Bond Issue	\$ 2,000,000	\$ 500,000	\$ 1,500,000
FY 2010 Bond Issue	\$ 1,050,000	\$ 210,000	\$ 840,000
FY 2012 Bond Issue	\$ 250,000	\$ 125,000	\$ 125,000
FY 2013 Bond Issue	\$ 2,715,000	\$ 305,000	\$ 2,410,000
FY 2014 Bond Issue	\$ 650,000	\$ 205,000	\$ 445,000
FY 2018 Bond Issue	\$ 1,155,000	\$ 280,000	\$ 875,000
FY 2019 Bond Issue	\$ 925,000	\$ 240,000	\$ 685,000
FY 2020 Bond Issue	\$ 8,915,000	\$ 713,000	\$ 8,200,000
FY 2021 Bond Issue	\$ 41,705,000	\$ 2,610,000	\$ 39,095,000
FY 2021 Bond Issue	\$ 29,540,000	\$ 2,375,000	\$ 27,165,000
FY 2022 Bond Issue	\$ 4,565,000	\$ 755,000	\$ 3,810,000
FY 2022 Bond Issue	\$ 22,735,000	\$ 1,345,000	\$ 21,390,000
FY 2023 Bond Issue	\$ 72,780,000	\$ 3,760,000	\$ 69,020,000
FY 2024 Bond Issue	\$ 57,510,000	\$ 2,375,000	\$ 55,135,000
FY 2025 Bond Issue	\$ 54,060,500	\$ 2,300,500	\$ 51,760,000
TOTAL	\$ 300,555,500	\$ 18,100,500	\$ 282,455,000

PERMANENT GENERAL FUND DEBT SUMMARY

Reflects existing bonds issued for general fund purposes as of June 30, 2025. 0% interest MWRA Loans and bonds issued for water and sewer projects are not included.

Date of Loan Order Vote	Description	Amount
	Total Permanent General Fund Debt	\$ 282,455,000
	Authorized General Fund Debt (not yet issued):	
06/24/2025	Victory Field	\$ 8,932,206
06/24/2025	Parker Annex	\$ 5,778,000
09/09/2025	Streets and Sidewalks	\$ 2,750,000
09/23/2025	DPW Roof Replacement	\$ 1,886,000
09/23/2025	Purchase of EV and outfitting	\$ 60,000
09/23/2025	IT Infrastructure Buildout Parker Annex 2nd fl	\$ 250,000
	Subtotal Authorized Unissued Debt:	\$ 19,656,206
	Total Permanent & Short Term And Authorized Un-issued Debt	\$ 302,020,206
	Previously authorized projects, which have been permanently financed, are not included in the above list as any remaining portions are expected to be rescinded.	

GENERAL FUND DEBT SUMMARY

Rank	Municipality	Total Outstanding Debt	Equalized Values (EQV)	Outstanding Debt as a % of EQV	Population	Total Budget
1	Worcester	1,013,187,032	18,737,985,800	5.41%	205,918	856,430,066
2	Pittsfield	225,591,828	4,240,409,000	5.32%	43,641	209,091,469
3	Quincy	1,045,371,162	20,526,193,400	5.09%	101,119	431,411,967
4	Brockton	501,800,235	10,593,077,300	4.74%	105,446	508,319,950
5	Orange	30,676,976	704,170,400	4.36%	7,577	27,787,207
6	Spencer	60,289,914	1,407,446,100	4.28%	11,928	27,137,525
7	Fall River	330,915,061	7,843,860,400	4.22%	93,884	388,454,399
8	Gardner	70,095,248	1,722,018,500	4.07%	21,191	76,226,045
9	Chicopee	180,188,096	4,667,842,700	3.86%	55,190	284,453,162
10	Greenfield	65,939,861	1,751,876,500	3.76%	17,652	70,128,892



46	Watertown	273,202,650	11,132,886,300	2.45%	35,149	210,019,191
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OUTSTANDING DEBT AS PERCENT OF FULL AND FAIR CASH VALUE OF REAL ESTATE AND PERSONAL PROPERTY (FY 2024)

Rank	Municipality	Population	Outstanding Debt Per Capita	Total Budget
1	Gosnold	70	\$23,174	\$1,542,837
2	Eastham	5,832	\$18,634	\$42,998,293
3	Nantucket	14,491	\$17,746	\$160,533,929
4	Tisbury	4,920	\$17,335	\$46,078,390
5	Chatham	6,703	\$15,818	\$64,104,683
6	Provincetown	3,708	\$15,788	\$44,894,644
7	Orleans	6,411	\$12,815	\$52,005,173
8	Lincoln	6,890	\$11,960	\$47,742,096
9	Quincy	101,119	\$10,338	\$431,411,967
10	Andover	36,517	\$9,660	\$218,531,203
11	Belmont	26,838	\$8,780	\$156,117,544
12	Monroe	116	\$8,769	\$1,187,885
13	Watertown	35,149	\$7,773	\$210,019,191
14	Wellfleet	3,635	\$7,758	\$33,698,479
15	Hingham	24,311	\$7,716	\$145,037,971

DEBT PER CAPITA (FY 2024)

Rank	Municipality	Population	Outstanding Debt Per Capita	Total Budget
1	Gosnold	70	\$23,174	\$1,542,837
2	Eastham	5,832	\$18,634	\$42,998,293
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14	Wellfleet	3,635	\$7,758	\$33,698,479
15	Hingham	24,311	\$7,716	\$145,037,971

DEBT PER CAPITA (FY 2024)

**In FY 2026, Watertown
is at \$8,036**

Rank	Municipality	Population	Debt Service as % of Budget	Total Budget
1	Stockbridge	2,003	16.65%	\$15,062,953
2	Quincy	101,119	14.74%	\$431,411,967
3	Eastham	5,832	14.73%	\$42,998,293
4	Tisbury	4,920	14.38%	\$46,078,390
5	Orleans	6,411	13.67%	\$52,005,173
6	Watertown	35,149	11.52%	\$210,019,191
7	Andover	36,517	11.51%	\$218,531,203
8	Arlington	45,617	11.45%	\$207,270,355
9	Sharon	18,494	11.45%	\$110,663,593
10	Chatham	6,703	10.70%	\$64,104,683
11	Templeton	8,160	10.46%	\$20,168,099
12	Marblehead	20,296	10.40%	\$105,800,948
13	Harvard	6,844	10.37%	\$37,530,666

DEBT SERVICE AS PERCENT OF BUDGET (FY 2024)

*All 338 remaining cities and towns were below 10%

Rank	Municipality	Population	Debt Service as % of Budget	Total Budget
1	Stockbridge	2,003	16.65%	\$15,062,953
2	Quincy	101,119	14.74%	\$431,411,967
3	Eastham	5,832	14.73%	\$42,998,293
4	Tisbury	4,920	14.38%	\$46,078,390
5	Orleans	6,411	13.67%	\$52,005,173
6	Watertown	35,149	11.52%	\$210,019,191
7	Andover	36,517	11.51%	\$218,531,203
8	Arlington	45,617	11.45%	\$207,270,355
9	Sharon	18,494	11.45%	\$110,663,593
10	Chatham	6,703	10.70%	\$64,104,683
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12	Marblehead	20,296	10.40%	\$105,800,948
13	Harvard	6,844	10.37%	\$37,530,666

DEBT SERVICE AS PERCENT OF BUDGET (FY 2024)

**FY 2026 Budget puts
Watertown at 15.55%**

*All 338 remaining cities and towns were below 10%

Enterprise Funds in FY 2025

	FY 2025 BUDGET	FY 2025 ACTUAL	FY 2026 BUDGET
REVENUE & OTHER SOURCES:			
USAGE CHARGES	\$ 9,197,054	\$ 9,628,770	\$ 9,431,532
MUNICIPAL CHARGES	\$ 201,348	\$ 201,348	\$ 239,111
INTEREST AND PENALTY CHARGES	\$ 50,000	\$ 70,285	\$ 50,000
WATER LIENS	\$ -	\$ 501,489	\$ -
OTHER UTILITY CHARGES	\$ 100,000	\$ 128,809	\$ 100,000
TEST CHARGES	\$ 80,000	\$ 98,812	\$ 80,000
USE OF RETAINED EARNINGS	\$ -	\$ -	\$ -
SALE OF PROPERTY	\$ -	\$ -	\$ -
INTEREST INCOME	\$ 5,000	\$ 11,893	\$ 5,000
TOTAL REVENUE	\$ 9,633,402	\$ 10,641,406	\$ 9,905,643
EXPENDITURE & OTHER USES:			
PERSONNEL SERVICES	\$ 1,281,231	\$ 1,188,721	\$ 1,316,084
SUPPLIES AND SERVICES	\$ 471,475	\$ 420,734	\$ 492,757
MWRA ASSESSMENT	\$ 4,592,938	\$ 4,592,105	\$ 4,688,527
CAPITAL OUTLAY	\$ 286,000	\$ 286,000	\$ 286,000
TRANSFER TO GENERAL FUND	\$ 1,615,298	\$ 1,615,298	\$ 1,665,625
TRANSFER TO CAP. PROJECT/WATER	\$ -	\$ -	\$ -
DEBT SERVICE	\$ 1,386,460	\$ 1,164,200	\$ 1,456,650
TOTAL EXPENDITURES	\$ 9,633,402	\$ 9,267,058	\$ 9,905,643

WATER ENTERPRISE FUND

SEWER ENTERPRISE FUND

	FY 2025 BUDGET	FY 2025 ACTUAL	FY 2026 BUDGET
REVENUE & OTHER SOURCES:			
USAGE CHARGES	\$ 12,352,969	\$ 13,021,653	\$ 13,157,650
MUNICIPAL CHARGES	\$ 128,731	\$ 128,731	\$ 128,751
INTEREST AND PENALTY CHARGES	\$ 60,000	\$ 105,199	\$ 60,000
SEWER LIENS	\$ -	\$ 776,077	\$ -
OTHER UTILITY CHARGES	\$ -	\$ 210	\$ -
INTEREST INCOME	\$ 5,000	\$ 16,324	\$ 5,000
TOTAL REVENUE	\$ 12,546,700	\$ 14,048,194	\$ 13,351,401
EXPENDITURE & OTHER USES:			
PERSONNEL SERVICES	\$ 885,697	\$ 796,215	\$ 924,601
SUPPLIES AND SERVICES	\$ 511,000	\$ 464,259	\$ 513,775
MWRA ASSESSMENT	\$ 7,332,350	\$ 7,277,190	\$ 7,713,813
CAPITAL OUTLAY	\$ 1,405,000	\$ 1,404,205	\$ 1,405,000
TRANSFER TO GENERAL FUND	\$ 1,718,878	\$ 1,718,878	\$ 1,895,857
DEBT SERVICE	\$ 693,775	\$ 419,904	\$ 898,355
TOTAL EXPENDITURES	\$ 12,546,700	\$ 12,080,651	\$ 13,351,401

Fund Balances as of June 30, 2025

Fund Balances as of June 30, 2025

Overlay Accounts

Special Revenue Accounts

CPA Fund Balances

Capital Projects Accounts

Stabilization, Trust and Agency Accounts

Fiscal Year	Amounts
2021	\$ 297,723
2022	\$ 601,401
2023	\$ 547,389
2024	\$ 565,954
2025	\$ 631,101
	\$ 2,643,568

OVERLAY ACCOUNTS

**BALANCES AS OF
JUNE 30, 2025**

Fund Description	Fund Balance
Circuit Breaker	\$ 3,514,134
School Extended Day Program	\$ 3,316,201
ARPA Fund	\$ 3,237,658
Parking Meter Fund*	\$ 1,748,299
School Lunch Program	\$ 1,414,082
Cannabis Host Agreement	\$ 821,652
Recreation Revolving	\$ 573,277
Library Lig/Meg Fund	\$ 550,989
Food Pantry	\$ 513,727
Multi Drug Task Force	\$ 495,367
Supplemental Liquor Licenses	\$ 442,406
Sale Of Cemetery Lots*	\$ 372,685
Before School Program	\$ 285,457
School Foundation Reserve	\$ 250,000
Top Fourteen Total	\$ 17,535,932
All Others (139)	\$ (249,608)
Total Special Revenue (153)	\$ 17,286,324

SPECIAL REVENUE ACCOUNTS

**BALANCES AS OF
JUNE 30, 2025**

* Includes amounts to be transferred for FY 2026 Budget.

Account Description	Account Balance
FY 2018 – FY 2020 Reserve for Open Space/Recreation	\$ 634,879
FY 2021 Reserve for Open Space/Recreation	\$ 260,000
FY 2022 Reserve for Open Space/Recreation	\$ 10,926
FY 2023 Reserve for Open Space/Recreation	\$ 250,195
FY 2024 Reserve for Open Space/Recreation	\$ -
FY 2025 Reserve for Open Space/Recreation	\$ 365,000
Total Reserve Open Space/Recreation	\$ 365,000
FY 2018 – FY 2020 Reserve for Historic Preservation	\$ 634,879
FY 2021 Reserve for Historic Preservation	\$ 260,000
FY 2022 Reserve for Historic Preservation	\$ 272,121
FY 2023 Reserve for Historic Preservation	\$ 125,640
FY 2024 Reserve for Historic Preservation	\$ 392,750
FY 2025 Reserve for Historic Preservation	\$ 350,497
Total Reserve for Historic Preservation	\$ 2,035,887

**COMMUNITY
PRESERVATION ACT
(CPA)**

**BALANCES AS OF JUNE
30, 2025**

(PAGE 1 OF 2)

Account Description	Account Balance
FY 2018 – FY2020 Reserve for Community Housing	\$ 634,879
FY 2021 Reserve for Community Housing	\$ 260,000
FY 2022 Reserve for Community Housing	\$ 305,121
FY 2023 Reserve for Community Housing	\$ 195,000
FY 2024 Reserve for Community Housing	\$ 400,000
FY 2025 Reserve for Community Housing	\$ 365,000
Total Reserve for Community Housing	\$ 2,160,000
Reserve for Expenditures	\$ 4,000,964
Reserve for Encumbrances	1,360,167
Undesignated Fund Balance	\$ 13,357,900
Total:	\$ 23,279,918
NOTE: During Fiscal Year 2026, it is estimated that the CPA fund will grow another \$3,737,500.	

**COMMUNITY
PRESERVATION ACT
(CPA)**

**BALANCES AS OF
JUNE 30, 2025**

(PAGE 2 OF 2)

CAPITAL PROJECT ACCOUNTS

BALANCES AS OF JUNE 30, 2025

Fund Description	Fund Balance
Watertown High School Project	\$ 21,934,461
3 Elementary School Project	\$ 3,376,334
Public Buildings Capital Projects	\$ 3,323,162
Street & Sidewalks	\$ 2,625,000
ARPA Cottage Street Project	\$ 2,000,000
Rink Improvements	\$ 1,373,201
Sewer System Improvements	\$ 1,361,940
Greystar Capital Mitigation	\$ 1,250,000
MWRA I&I	\$ 1,217,544
DPW Streets & Sidewalks	\$ 1,144,942
Top Ten Total	\$ 39,606,584
All Others (89)	\$ 11,194,432
Total Capital Projects (99)	\$ 50,801,016

Fund Description	Balance
OPEB Trust Fund	\$ 63,879,218
Middle School Stabilization*	\$15,200,000
New High School Stabilization	\$14,270,493
Watertown Square Stabilization*	\$ 8,863,692
Capital Proj. Stabilization*	\$ 6,860,499
Unfunded Pension Stabilization	\$ 5,195,768
Acquisition of Land/Open Space Stabilization*	\$ 5,295,623
Top Seven Total	\$ 119,565,293
All Others (71)	\$ 9,543,372
Total Trusts & Agency (78)	\$ 129,108,665

* Includes amounts to be transferred for FY 2026 Budget

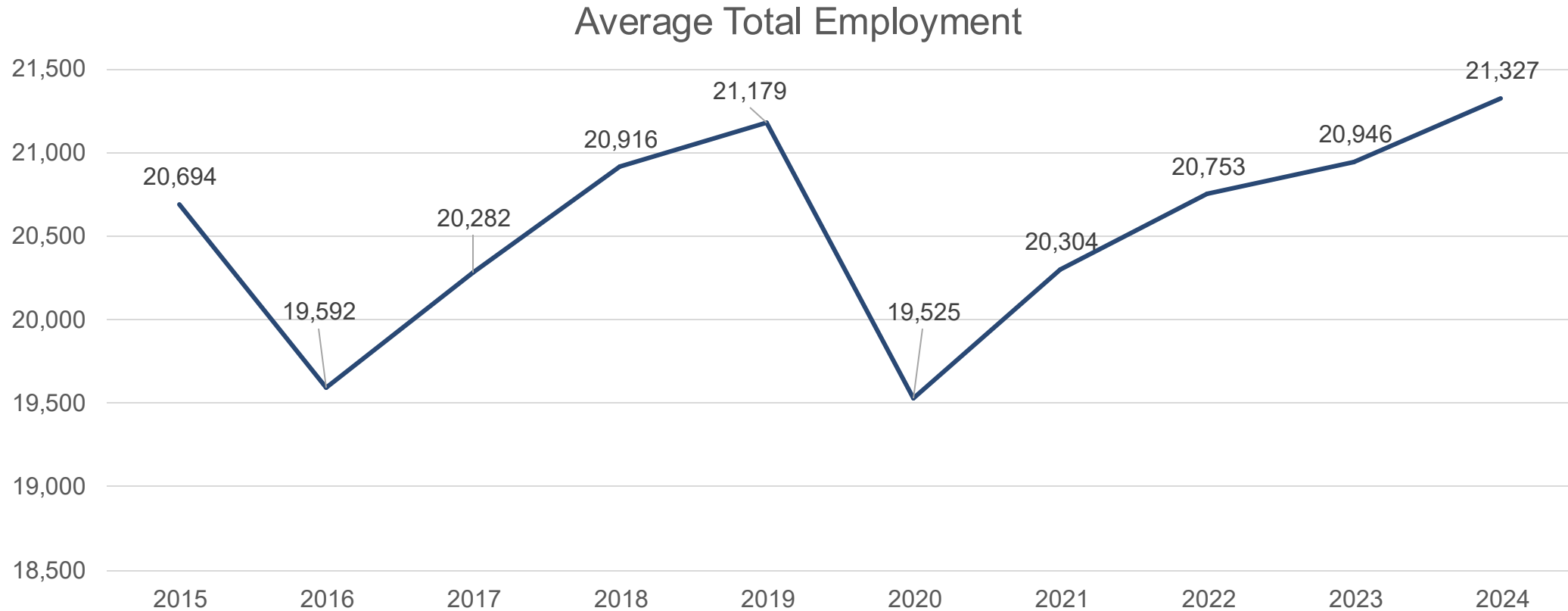
STABILIZATIONS, TRUSTS AND AGENCY ACCOUNTS

BALANCES AS OF JUNE 30, 2025

**FY 2026:
Where are we now?**

Economic Indicators

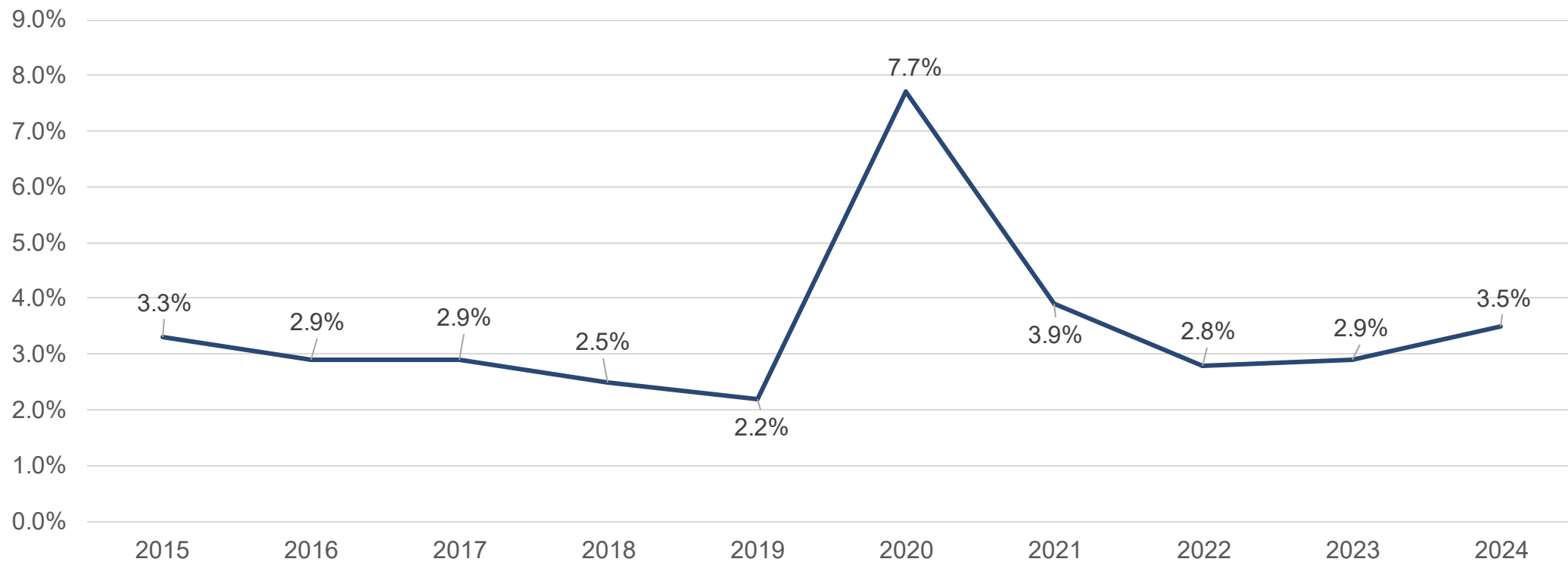
Employment Data



Source: MA Dept of Economic Research

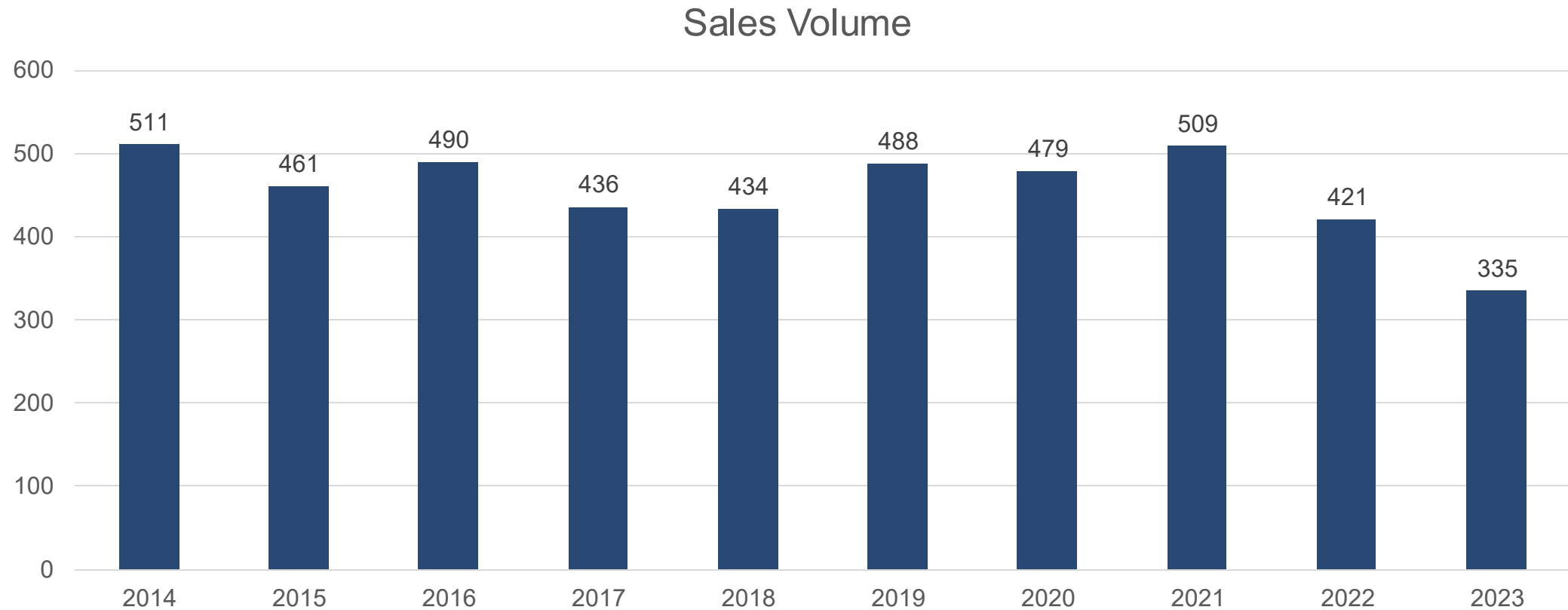
Employment Data

Unemployment Rate



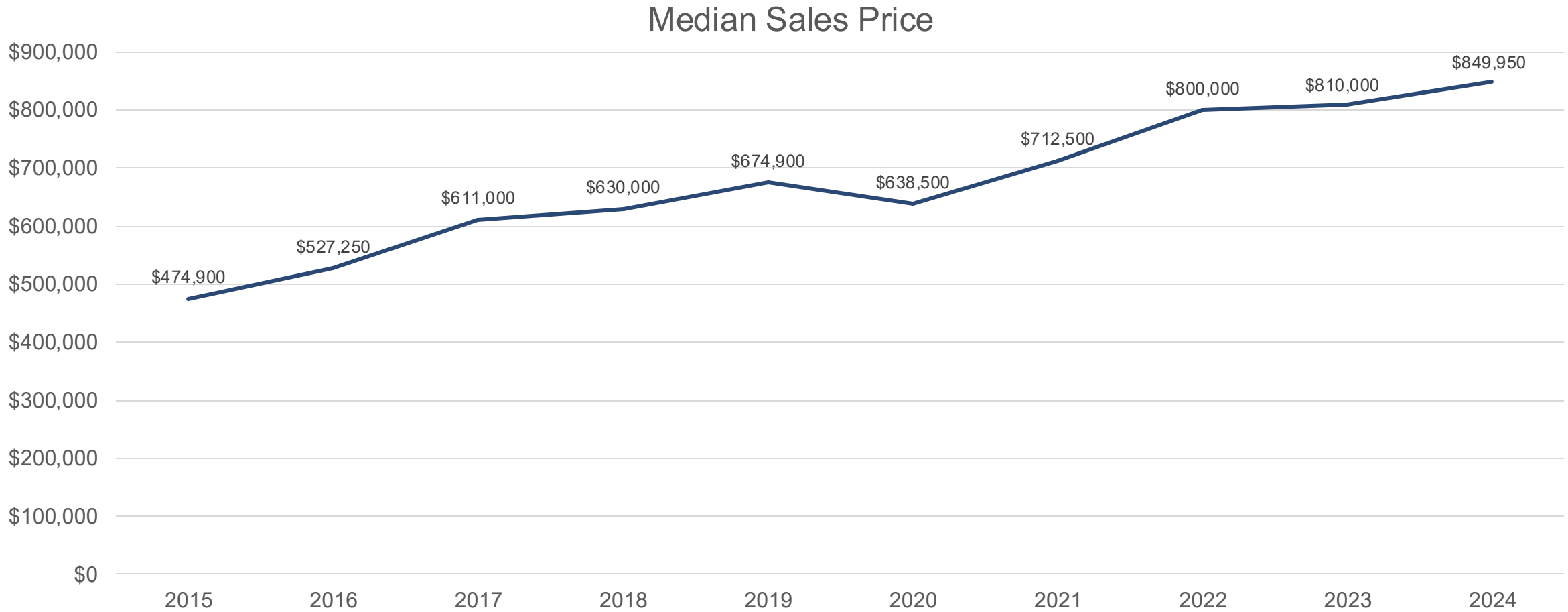
Source: MA Dept of Economic Research

Residential Sales Data



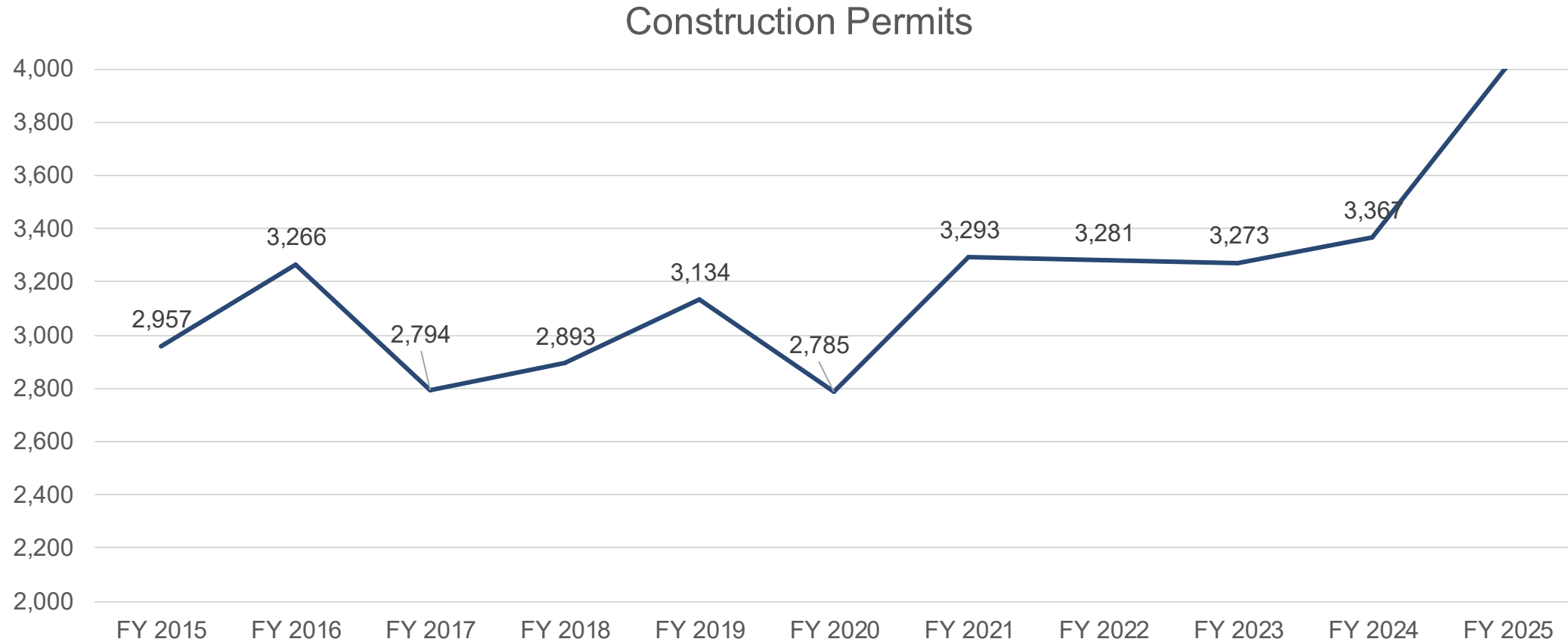
Source: Banker & Tradesman

Residential Sales Data



Source: Banker & Tradesman

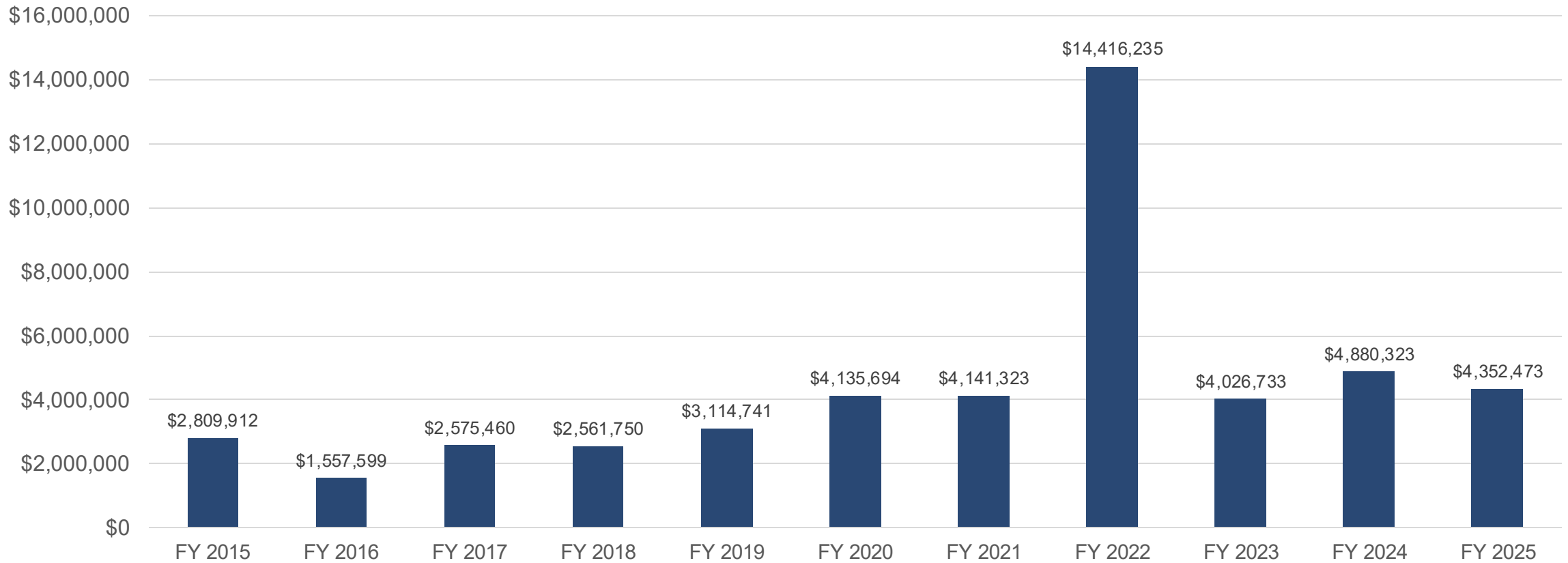
Construction Data



Source: City of Watertown Inspectional Services Division

Construction Data

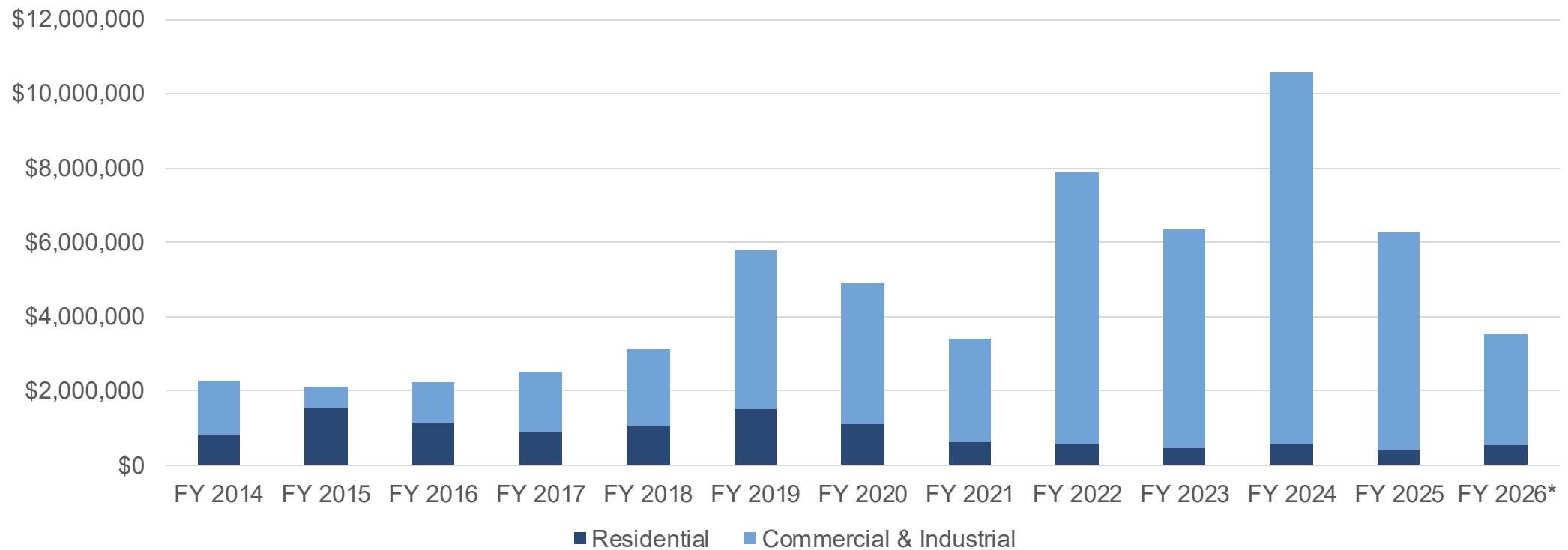
Permit Fee Revenue



Source: City of Watertown Inspectional Services Division

Assessment Data

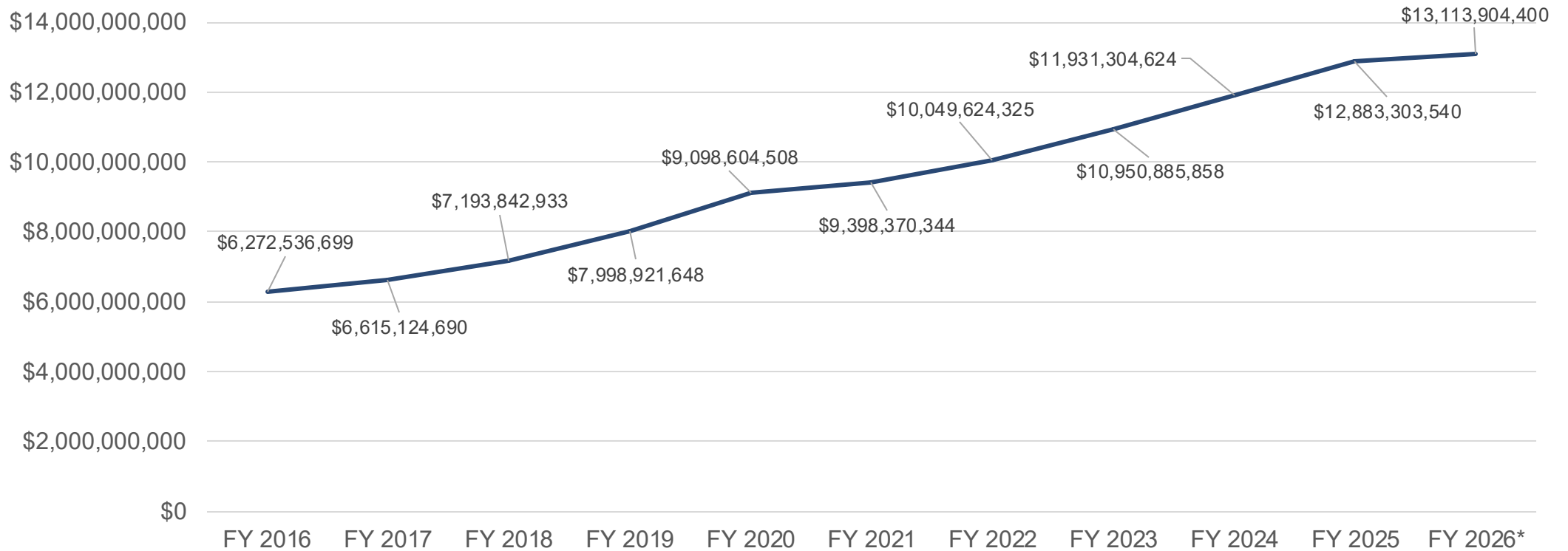
New Growth



**FY 2026 numbers are awaiting certification from the Department of Revenue*

Assessment Data

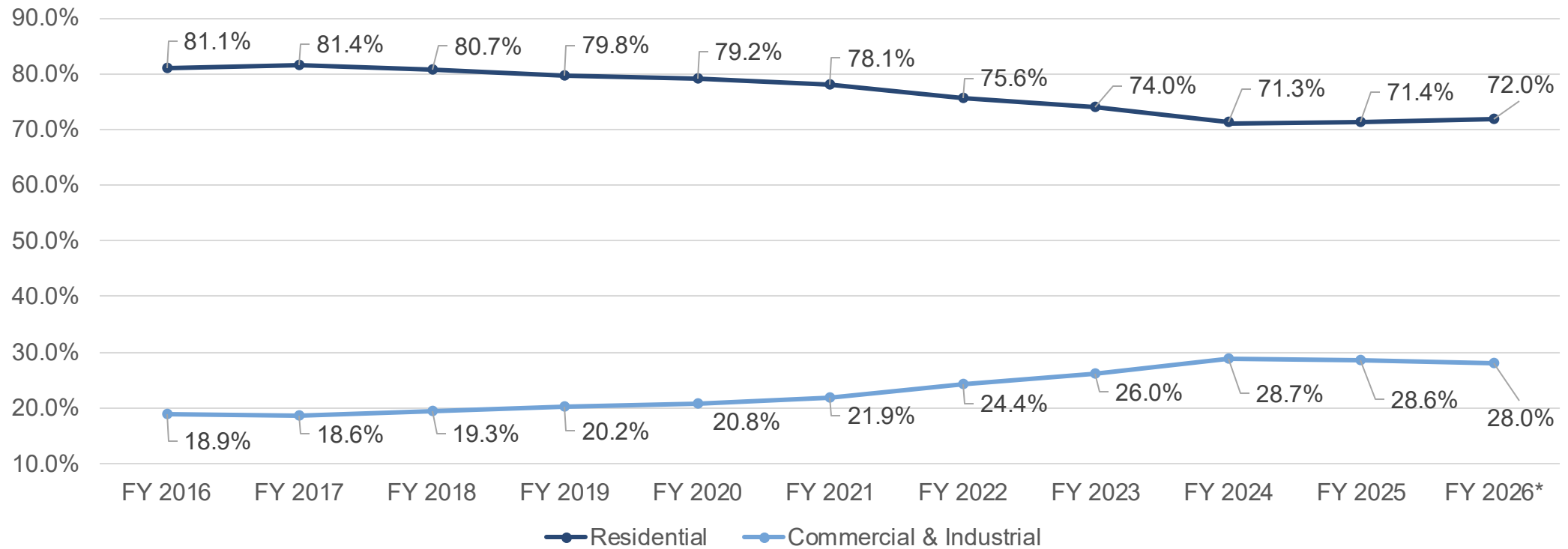
Total Property Valuation



**FY 2026 numbers are awaiting certification from the Department of Revenue*

Assessment Data

Total Valuation – Relative Share



**FY 2026 numbers are awaiting certification from the Department of Revenue*

FY 2026: Update on Goals

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations

Fiscal Stability

**Community Engagement & Customer
Service**

**Vibrant & Welcoming
Community**

Public Health & Safety

Commitment to the Future

A Watertown for All



Filling Vacancies

We continue to improve our hiring process to fill vacant positions quickly and with qualified candidates.



Admin Code Submission

We submitted the draft Administrative Code to the City Council on 9/23.



Department Collaboration

Our departments are collaborating more than ever before, streamlining projects and improving service to our residents.

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations



Pension

We continue to fully fund our pension.



OPEB Projections

We continue to fund OPEB and expect it to be fully funded by 2031.



High Marks

We continue to utilize sound financial practices that maintain our AAA bond rating.

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Fiscal Stability



311 Calls Going Up

311's call volume continues to grow, exceeding 100 calls a day this summer, as residents learn of and gain trust in the service.



DPW Comms Hiring

We are in the hiring process for a position in DPW to assist with construction communication.



Adding Engagement Pathways

Our Communications Team continues to add engagement opportunities with City efforts for our residents.

**Excellent, Responsive, &
Collaborative Municipal
Operations**

**Community Engagement & Customer
Service**

Vibrant & Welcoming Community

Public Health & Safety



Human Services Department

The City established the Human Services Department and hired a Director.



Public Health Programming

Our Health Department has increased community programs – from our sharps collection kiosk to sunscreen in parks.



Emergency Response Investments

We have started to fund a second in-house ALS ambulance and rolled out our body-worn camera program with WPD.

Vibrant & Welcoming Community

Commitment to the Future



Parker Building

The City continues to make significant progress on the Parker Building.



Watertown High School

The City's new Watertown High School is preparing to open in 2026.



Watertown Parks

The City continues to invest in its parks, and those projects continue to move forward.



PARKER BUILDING RENOVATION

New Meeting Room

A new space to host meetings, hearings, and events is close to completion.

New Food Pantry

The new food pantry space is under construction and expected to open in early 2026.

New Office Space

All CDP staff will be located together in new office space in early 2026.



WATERTOWN HIGH SCHOOL

Remain On Budget

We are on budget at \$220,388,049 and meeting sustainability goals.

High School Stabilization

The high school stabilization account sits at \$14,270,493.

Budget Remain Within Confines

The project budget remains within the confines of proposition 2 ½ and the confines of the CIP.



WATERTOWN PARKS

Parks Completed

Arsenal Park Phase B is open.
Lowell Playground & Upper
Saltonstall are near completion.
7 parks completed since 2022.

New Construction

Victory Field Phase II under
construction.
Bemis Park is next.

Parks Projects

Community meetings for
Walker Pond are underway
and expected to be
completed this winter.

Vibrant & Welcoming Community

A Watertown for All



ADA Self Evaluation & Transition Plan

Self-evaluation plan was completed by KMA; transition plan is being refined by City staff.



Promoting Our Festivals and Events

Watertown's Faire on the Square and Arts Market each yielded over 3,500 visitors each this year.



Building Belonging Across Watertown

Our City continues our commitment to ensuring everyone in Watertown feels they belong and are represented.

FY 2026: Budget Amendment

Fiscal Year 2026 Budget Amendment #2

FISCAL YEAR 2026 BUDGET AMENDMENT 2

REVENUE	INCREASE (DECREASE)	TO READ
REAL ESTATE AND PROPERTY TAXES	\$ 1,030,620	\$ 175,270,936
UTILIZATION OF FREE CASH	\$ 285,456	\$ 11,185,456
STATE AID	\$ 149,232	\$ 17,075,638
TOTAL REVENUE ADJUSTMENT	\$ 1,465,308	
EXPENDITURES	INCREASE (DECREASE)	TO READ
SCHOOL CHOICE ASSESSMENT 0182056-560629	\$ 71,280	\$ 274,151
METROPOLITAN AREA PLANNING COUNCIL 0182056-560641	\$ (32)	\$ 21,382
MBTA ASSESSMENT 0182056-560661	\$ (326)	\$ 2,705,579
CHARTER SCHOOL ASSESSMENT 0182056-560630	\$ 15,303	\$ 133,435
EDUCATION 0195000-590999	\$ 211,875	\$ 62,105,787
FIRE FULL TIME SALARIES 0122051-510111	\$ 681,752	\$ 9,897,053
VETERANS FULL TIME SALARIES 0154351-510111	\$ (110,139)	\$ -
HUMAN SERVICES FULL TIME SALARIES 0153051-510111	\$ 110,139	\$ 460,364
FIRE MEDICAL SUPPLIES 0122052-550500	\$ 40,000	\$ 108,065
CITY HEALTH INSURANCE 0191200-510180	\$ 160,000	\$ 6,899,723
TRANSFER TO OPIOID SETTLEMENT FUND 0194000-596822	\$ 285,456	\$ 285,456
TOTAL EXPENDITURE ADJUSTMENT	\$ 1,465,308	

Fiscal Year 2026 Budget Amendment #2

FISCAL YEAR 2026 BUDGET AMENDMENT 2

New Growth

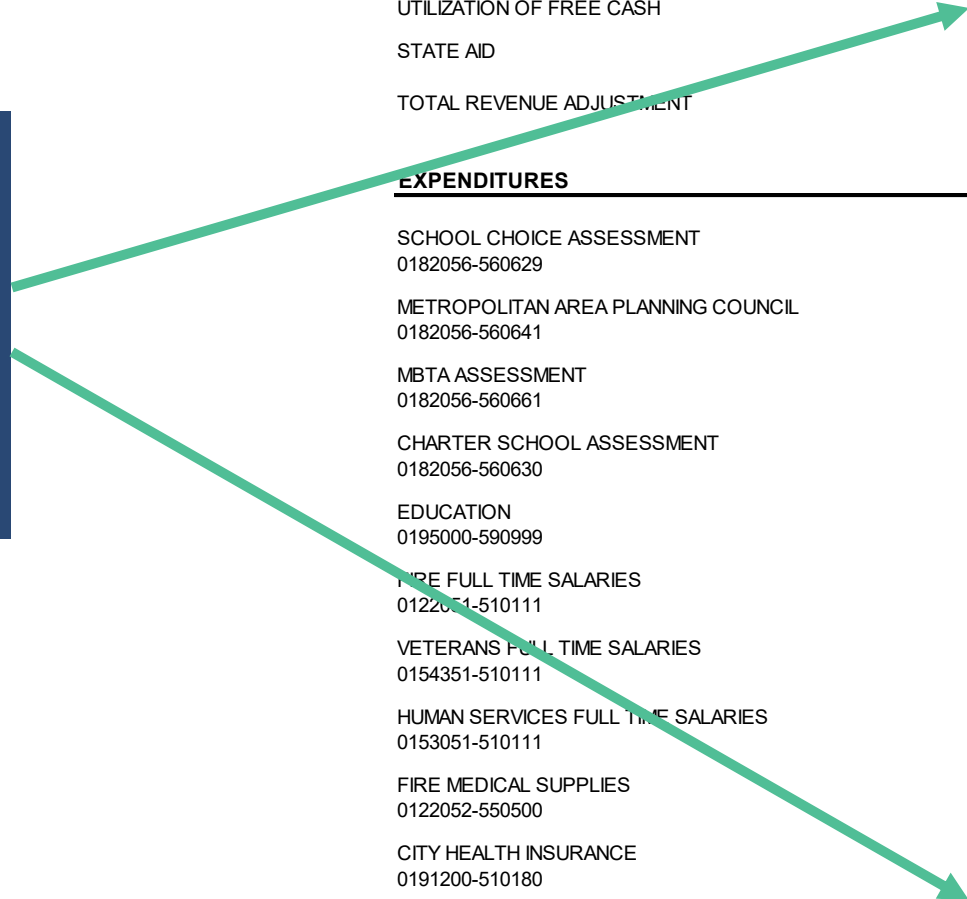
<u>REVENUE</u>	<u>INCREASE (DECREASE)</u>	<u>TO READ</u>
REAL ESTATE AND PROPERTY TAXES	\$ 1,030,620	\$ 175,270,936
UTILIZATION OF FREE CASH	\$ 285,456	\$ 11,185,456
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<u>EXPENDITURES</u>	<u>INCREASE (DECREASE)</u>	<u>TO READ</u>
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METROPOLITAN AREA PLANNING COUNCIL 0182056-560641	\$ (32)	\$ 21,382
MBTA ASSESSMENT 0182056-560661	\$ (326)	\$ 2,705,579
CHARTER SCHOOL ASSESSMENT 0182056-560630	\$ 15,303	\$ 133,435
EDUCATION 0195000-590999	\$ 211,875	\$ 62,105,787
FIRE FULL TIME SALARIES 0122051-510111	\$ 681,752	\$ 9,897,053
VETERANS FULL TIME SALARIES 0154351-510111	\$ (110,139)	\$ -
HUMAN SERVICES FULL TIME SALARIES 0153051-510111	\$ 110,139	\$ 460,364
FIRE MEDICAL SUPPLIES 0122052-550500	\$ 40,000	\$ 108,065
CITY HEALTH INSURANCE 0191200-510180	\$ 160,000	\$ 6,899,723
TRANSFER TO OPIOID SETTLEMENT FUND 0194000-596822	\$ 285,456	\$ 285,456
TOTAL EXPENDITURE ADJUSTMENT	\$ 1,465,308	

Fiscal Year 2026 Budget Amendment #2

FISCAL YEAR 2026 BUDGET AMENDMENT 2

<u>REVENUE</u>	<u>INCREASE (DECREASE)</u>	<u>TO READ</u>
REAL ESTATE AND PROPERTY TAXES	\$ 1,030,620	\$ 175,270,936
UTILIZATION OF FREE CASH	\$ 285,456	\$ 11,185,456
STATE AID	\$ 149,232	\$ 17,075,638
TOTAL REVENUE ADJUSTMENT	\$ 1,465,308	
<u>EXPENDITURES</u>	<u>INCREASE (DECREASE)</u>	<u>TO READ</u>
SCHOOL CHOICE ASSESSMENT 0182056-560629	\$ 71,280	\$ 274,151
METROPOLITAN AREA PLANNING COUNCIL 0182056-560641	\$ (32)	\$ 21,382
MBTA ASSESSMENT 0182056-560661	\$ (326)	\$ 2,705,579
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TOTAL EXPENDITURE ADJUSTMENT	\$ 1,465,308	

**Fund Opioid
Settlement
Account
With
Receipts
from Legal
Settlements**

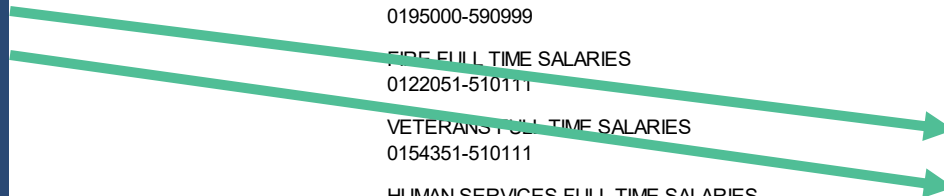


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**Move
Veterans
Office
Salary to
Human
Services
Dept**

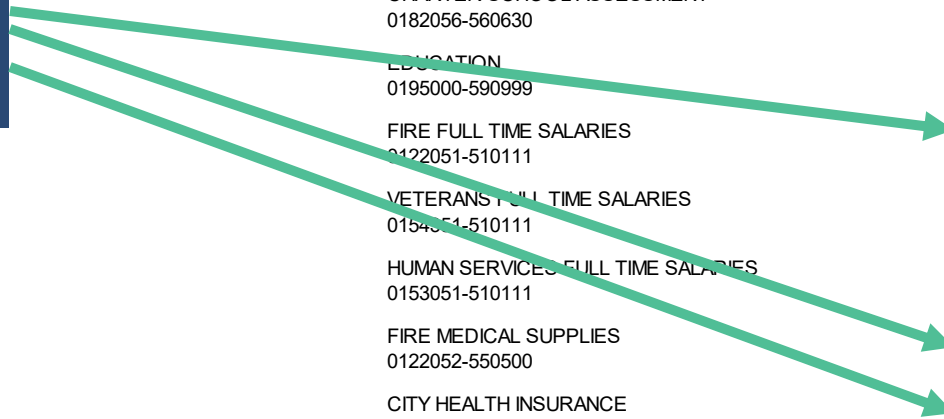


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**Full Funding
for Second
Ambulance**

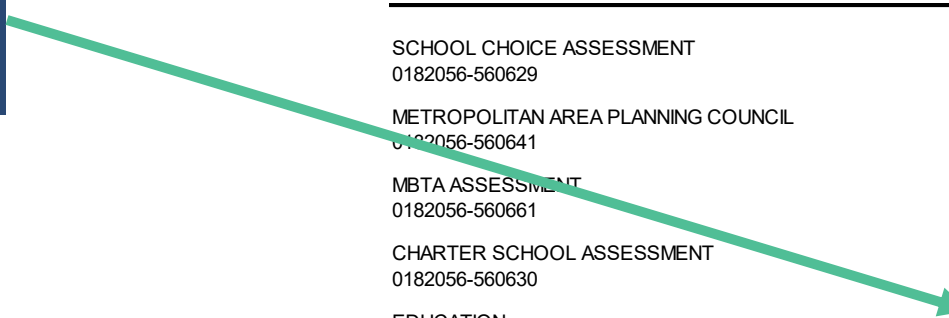


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**Additional
Chapter 70
for Schools**



Unreserved Fund Balance at End of FY 2025

What Exactly Is Free Cash?

“Free Cash” represents the amount of funds unrestricted and available for supplemental appropriations.

In a given year, free cash is generated by unanticipated revenue or by unspent funds in budgeted expenditure accounts.

Free Cash is not available for use until after it is certified by the Commonwealth and can only be appropriated in the current budget year.

Free Cash plays an important role in sustaining strong credit.

As a non-recurring source, free cash should be restricted to paying one-time expenditures, funding capital projects, or replenishing other reserves.

Watertown will put \$2 million in free cash into the annual budget, but this amount is less than the total “Tax Revenue” capital expenses budgeted each year.

At no time can free cash pay for ongoing programs or employee salaries with free cash

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Unreserved Fund Balance - Beginning of Fiscal Year	\$ 22,212,609	\$ 24,822,306	\$ 33,810,897	\$ 27,457,483	\$ 46,782,693
Revenues Over/(Under) Budget	\$ 12,337,314	\$ 9,873,298	\$ 8,742,357	\$ 11,539,495	\$ 10,139,736
Expenditures (Over)/Under Budget	\$ 2,125,255	\$ 1,439,072	\$ 3,202,868	\$ 9,343,681	\$ 1,999,059
Use of Free Cash	\$ (11,000,000)	\$ (2,000,000)	\$ (17,688,029)	\$ (2,000,000)	\$ (20,200,000)
GAAP Adjustments	\$ (852,872)	\$ (323,779)	\$ (610,610)	\$ 442,034	\$ 460,310
Unreserved Fund Balance - End of Fiscal Year	\$ 24,822,306	\$ 33,810,897	\$ 27,457,483	\$ 46,782,693	\$ 39,181,798
Certified Free Cash	\$ 22,663,363	\$ 30,557,663	\$ 25,322,330	\$ 43,649,326	\$ 33,000,000*

*FY 2025 Certified Free Cash is an estimated figure.

UNRESERVED FUND BALANCE

CERTIFIED FREE CASH ANALYSIS

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Unreserved Fund Balance - Beginning of Fiscal Year	\$ 22,212,609	\$ 24,822,306	\$ 33,810,897	\$ 27,457,483	\$ 46,782,693
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UNRESERVED FUND BALANCE

CERTIFIED FREE CASH ANALYSIS

*FY 2025 Certified Free Cash is an estimated figure.

Financial Reserve Goal

Our goal remains to fund and maintain Financial Reserves of 8 – 15% of the City's annual budget.

We must:

1. Preserve the City's AAA bond rating
2. Promote financial flexibility and stability
3. Meet extraordinary and unforeseen events
4. Have sufficient liquidity and cash flow to pay bills on time without the necessity of short-term borrowing

Financial Reserve Goal

“Financial Reserves” include:

- Our general Stabilization Account
- Free Cash

FY 2025 estimated free cash plus general stabilization fund balance will be equal to about 15% of the final FY 2026 budget.

FY 2027: A Look Ahead

- Annual revenues and expenditures will be estimated by use of objective analysis. The assumptions and factors through which the estimates are derived will be clearly stated and explained during the budget process.
- The numbers provided are preliminary and subject to change as the budget process evolves.

Fiscal Year 2027 Preliminary Budget Overview

Revenues & Expenditures

- Real and Personal Property Tax
- State Aid
- Local Receipts
- “Other Sources”

FY 2027 General Fund Revenue Forecast

- Real Estate and Personal Property taxes are increased 2.5% per year.
- New growth is projected to be \$2,250,000 in FY 2027, \$2,750,000 in FY 2028 and 3,000,000 in FY 2029.
- Funding for the Optional Tax Exemption for homeowners at 100% over the statutory level is included in the overlay adjustment.
- State Aid is level funded at the FY 2026 amount.
- Once again, our forecast is based upon the projection that no new biotechnology lab buildings start construction in FY 2027.

Revenue Forecast:

Assumptions (page 1 of 3)

- The majority of Local Receipts are projected to remain constant or increase 2.5% annually. Inspection Fees are projected at \$2,750,000 and Investment Income is projected at \$2,760,000 annually through FY 2029.
- Motor Vehicle Excise is projected at \$4,725,000 in FY 2027- FY 2029. Meals Excise is projected to increase \$50,000 annually from FY 2026 through FY 2029. Hotel Excise is projected at \$1,250,000 in FY 2027 through FY 2029.

Revenue Forecast:

Assumptions (page 2 of 3)

- Other Financing Sources reflect transfers; from the Cemetery Perpetual Care Expendable Trust Fund and the Sale of Lots Fund to partially offset the Department of Public Works Cemetery Budget; from the Water and Sewer Enterprise Funds to cover applicable indirect costs; and from the Parking Meter Fund to partially offset the Parking Lots and Meters Budget.
- Utilization of Free Cash is recommended at a level of \$2,000,000 annually through FY 2029. Transfer from the Capital Projects Stabilization Fund is projected at \$500,000 annually through FY 2029.
- The budget includes \$250,000 annually for the Special Education Stabilization Fund for FY 2027 through FY 2029.
- Transfer from the ESCO Capital Project Stabilization Fund includes projected funds from departmental energy savings, rebates and grants.

Revenue Forecast

Assumptions (page 3 of 3)

Taxes	FY 2026	FY 2027	FY 2028	FY 2029
Prior Year Levy Limit	\$ 168,575,917	\$ 176,320,936	\$ 182,978,960	\$ 190,303,434
Add 2.5%	\$ 4,214,399	\$ 4,408,024	\$ 4,574,474	\$ 4,757,586
New Growth	\$ 3,530,620	\$ 2,250,000	\$ 2,750,000	\$ 3,000,000
Adjusted Levy Limit	\$ 176,320,936	\$ 182,978,960	\$ 190,303,434	\$ 198,061,020
Overlay	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)
Net Levy Limit	\$ 175,270,936	\$ 181,928,960	\$ 189,253,434	\$ 197,011,020

REVENUE FORECAST

TAXES

State Aid	FY 2026	FY 2027	FY 2028	FY 2029
Cherry Sheet Receipts	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638
Total State Aid	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638

REVENUE FORECAST

STATE AID

	FY 2026	FY 2027	FY 2028	FY 2029
Motor Vehicle Excise	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000
Meals Excise	\$ 900,000	\$ 950,000	\$ 1,000,000	\$ 1,050,000
Hotel Excise	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Cannabis Excise	\$ 475,000	\$ 475,000	\$ 475,000	\$ 475,000
Penalties & Interest	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
PILOT	\$ 78,708	\$ 79,248	\$ 79,788	\$ 80,328
Commercial Trash	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Fees	\$ 4,597,000	\$ 4,597,000	\$ 4,597,000	\$ 4,597,000

REVENUE FORECAST

LOCAL RECEIPTS (1 OF 2)

	FY 2026	FY 2027	FY 2028	FY 2029
Rentals	\$ 569,267	\$ 569,267	\$ 569,267	\$ 569,267
Cemetery	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Recreation	\$ 420,000	\$ 420,000	\$ 420,000	\$ 420,000
Licenses & Permits	\$ 228,000	\$ 228,000	\$ 228,000	\$ 228,000
Fines & Forfeits	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Investment Income	\$ 2,760,000	\$ 2,760,000	\$ 2,760,000	\$ 2,760,000
Sale of City Property	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Grant/Employee Reimbursements	\$ 32,129	\$ 32,129	\$ 32,129	\$ 32,129
Total Local Receipts	\$ 16,760,104	\$ 16,810,644	\$ 16,861,184	\$ 16,911,724

REVENUE FORECAST

LOCAL RECEIPTS (2 OF 2)

Transfer from:	FY 2026	FY 2027	FY 2028	FY 2029
Sale of Lots	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Parking Meter	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Cemetery Perpetual Care	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Capital Project Stabilization	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
ESCO Capital Proj. Stabilization	\$ 492,125	\$ 485,950	\$ 484,400	\$ 485,980
Water Fund	\$ 1,665,625	\$ 1,665,625	\$ 1,665,625	\$ 1,665,625
Sewer Fund	\$ 1,895,857	\$ 1,895,857	\$ 1,895,857	\$ 1,895,857
Free Cash	\$ 11,185,456	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Total Other Sources	\$ 16,019,063	\$ 6,827,432	\$ 6,825,882	\$ 6,827,462

REVENUE FORECAST

OTHER FINANCING SOURCES

Transfer from:	FY 2026	FY 2027	FY 2028	FY 2029
Sale of Lots	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Parking Meter	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Cemetery Perpetual Care	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Capital Project Stabilization	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
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REVENUE FORECAST

OTHER FINANCING SOURCES

Transfer from:	FY 2026	FY 2027	FY 2028	FY 2029
Sale of Lots	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Parking Meter	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Cemetery Perpetual Care	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
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Total Other Sources	\$ 16,019,063	\$ 6,827,432	\$ 6,825,882	\$ 6,827,462

Includes transfer of \$8.9 million for purchase of 148 Waltham Street and transfer back for Opioid Fund

REVENUE FORECAST

OTHER FINANCING SOURCES



Source	FY 2026	FY 2027	FY 2028	FY 2029
Real Estate & Personal Prop. Tax	\$ 175,270,936	\$ 181,928,960	\$ 189,253,434	\$ 197,011,020
State Aid	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638
Local Receipts	\$ 16,760,104	\$ 16,810,644	\$ 16,861,184	\$ 16,911,724
Other Financing Sources	\$ 16,019,063	\$ 6,827,432	\$ 6,825,882	\$ 6,827,462
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844

REVENUE FORECAST SUMMARY

3.1% increase in FY 2027*
3.3% increase in FY 2028
3.4% increase in FY 2029

***excluding transfer for one-time purchase in FY 2026**

Source	FY 2026	FY 2027	FY 2028	FY 2029
Real Estate & Personal Prop. Tax	\$ 175,270,936	\$ 181,928,960	\$ 189,253,434	\$ 197,011,020
State Aid	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638	\$ 17,075,638
Local Receipts	\$ 16,760,104	\$ 16,810,644	\$ 16,861,184	\$ 16,911,724
Other Financing Sources	\$ 16,019,063	\$ 6,827,432	\$ 6,825,882	\$ 6,827,462
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844

REVENUE FORECAST SUMMARY

From FY 2025 to FY 2026

Tax receipts excluding new growth:	Up 2.5%
Total budget expenditures*:	Up 4.2%
Average exempted residential tax bill:	Up 6.2%

From FY 2026 to FY 2027

Tax receipts excluding new growth:	Up 2.5%
Total budget expenditures*	Up 3.1%
Average exempted residential tax bill (with home rule)	Up 4.2%
Average exempted residential tax bill (without home rule)	Up 18.4%

*excluding one-time transfers

A NOTE ABOUT TAXES

Policies and Goals

Baseline Forecast Assumptions

Standard Department Funding Strategies

The OPEB and School Debt Situation

A Preliminary Expenditure Forecast

Middle School Scenario Analysis

FY 2027 Preliminary General Fund Expenditure Forecast

Policies and Goals

Baseline Forecast Assumptions

Standard Department Funding Strategies

The OPEB and School Debt Situation

A Preliminary Expenditure Forecast

Middle School Scenario Analysis

FY 2027 Preliminary General Fund Expenditure Forecast

Each year following the Preliminary Budget Overview, the City Council provides the City Manager with a set of Budget Policy Guidelines that inform the policy decisions surrounding the budget.

This is a process developed by the council with administrative support from the city manager's office and auditor's office

As we begin that process, here are a few things to consider as it relates to each of the six goals that will be used to develop budget policy indicators in FY 2027.

Budget Policy Guidelines

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations

Fiscal Stability

**Community Engagement & Customer
Service**

**Vibrant & Welcoming
Community**

Public Health & Safety

Commitment to the Future

A Watertown for All



HR Study Implementation

Continue modernizing back-end systems to unlock more streamlined HRIS processes and improve accountability and transparency.



Complete City Hall Renovations

Complete office and break room renovations and move remaining departments into their new locations.



Internal Policy Development

Develop and update policies across the organization to ensure departments and staff operate according to best practices.

FY 2027 | A Look Ahead

**Excellent, Responsive, &
Collaborative Municipal
Operations**

Effective Operations



Pension

Ensure full pension funding, with second year of adjustments due to class & comp study.



OPEB Projections

Continue funding OPEB with a goal to be fully funded by 2031, with adjustments if recommended to address other needs.



New Growth

Continue to encourage new growth, especially around Watertown Square, as we adjust to limited growth in the biotech lab sector.

FY 2027 | A Look Ahead

Excellent, Responsive, &
Collaborative Municipal
Operations

Fiscal Stability



Responsive City Hall

Provide constituents with new ways to access the 311 Service Center.



Construction Communications

Provide improved communication to constituents so they can better prepare for the impacts of construction.



Adding Engagement Pathways

Continue to seek out and implement strategies to engage populations that have been historically underrepresented in civic activity.

FY 2027 | A Look Ahead

Excellent, Responsive, &
Collaborative Municipal
Operations

**Community Engagement & Customer
Service**

FY 2027 | A Look Ahead

Vibrant & Welcoming Community

Public Health & Safety



Housing Stability & Food Access

Enhance collaboration with community partners to provide wraparound services to constituents facing housing instability and food insecurity.



Substance Use Programming

Use opioid settlement funds to invest in harm reduction, community education, and enhanced treatment and recovery services.



Emergency Response Investments

Finalize implementation of the second ALS ambulance and modern computer-aided dispatch system.

FY 2027 | A Look Ahead

**Vibrant & Welcoming
Community**

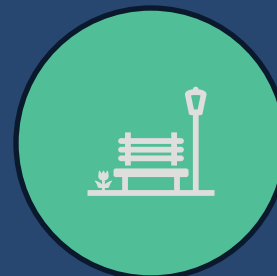
Commitment to the Future



Climate Plan & Comprehensive Plan
Continue implementation of Comprehensive Plan and Climate Plan goals.



Watertown Square
Continue implementation of the Watertown Square plan.



Watertown Parks
Continue Investment in community parks and open spaces.



CLIMATE PLAN

Electrification

Continue to shift City fleet to electric vehicles while continuing energy upgrades in City buildings.

Home Improvements

Continue to encourage private investment in solar and heat pumps to meet our climate goals.

Multi-Modal Transportation

Address vehicle-reduction strategies in new developments, street designs, policies, and transit operations.



COMPREHENSIVE PLAN

Citywide Zoning

Continue efforts to update zoning to address resiliency, neighborhoods, economic development, and housing.

Economic Growth

Continue economic development strategies focused on small businesses, corridors and emerging industry.

Additional Plans

Focus on implementing the historic preservation plan and updating the complete streets policies.



WATERTOWN SQUARE

Implement Revitalization

Implement demonstration project plan while continuing revitalization plan efforts.

High Quality Design

Complete phases of the streetscape and open space designs in the Square.

Funding Strategy

Develop a funding strategy for each phase of the Watertown Square plan.



WATERTOWN PARKS

What's Next

Construction to be underway at How and Sullivan playgrounds in FY 2027.

In Design

Victory: Phase III and Tot Lot;
Saltonstall Tot Lot:
ready for design in FY 2027.

Parks Projects

Walker Pond will be ready to move from design to construction in FY 2027.

FY 2027 | A Look Ahead

**Vibrant & Welcoming
Community**

A Watertown for All



ADA Self Evaluation & Transition Plan

Continue addressing issues identified in the ADA plan to increase access to our buildings and programs.



Promoting Watertown

Continue investing citywide in our cultural assets, including a focus on our new cultural district.



Building Belonging Across Watertown

Empower our departments to prioritize innovative and diverse programs that meet the needs of every resident in Watertown.

Policies and Goals

Baseline Forecast Assumptions

Standard Department Funding Strategies

The OPEB and School Debt Situation

A Preliminary Expenditure Forecast

Middle School Scenario Analysis

**FY 2027
Preliminary
General Fund
Expenditure
Forecast**

General Government expenditures are again projected in the baseline case to increase 2.5% annually from FY 2027 through FY 2029.

The Education appropriation is again projected in the baseline case to increase 3.5% annually from FY 2027 through FY 2029.

Snow and Ice Removal is projected at \$1,500,000 through FY 2029.

The Waste Disposal appropriation is projected to increase 5% annually from FY 2026 through FY 2029.

State Assessments, exclusive of the MBTA Assessment, are projected to increase 2.5% annually. The MBTA Assessment is projected to increase 2.75% annually.

Expenditure Forecast: Assumptions (page 1 of 3)

General Government expenditures are again projected in the baseline case to increase 2.5% annually from FY 2027 through FY 2029.

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Expenditure Forecast: Assumptions (page 1 of 3)

% Increase in Budget from Prior Fiscal Year

Forecast Line	FY23	FY24	FY25	FY26	Avg	Assumption in Forecast
City Departments	3.28%	18.35%	9.62%	6.47%	9.43%	2.50%
Snow & Ice Removal	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Waste Disposal	22.09%	21.49%	5.02%	7.54%	14.04%	5.00%
Education	3.50%	3.50%	3.68%	3.67%	3.59%	3.50%
All Departments	4.02%	10.54%	6.41%	5.12%	6.52%	3.07%

Department Expenses

Historical Data

% Increase in Budget from Prior Fiscal Year

Forecast Line	FY23	FY24	FY25	FY26	Avg	Assumption in Forecast
City Departments	3.28%	18.35%	9.62%	6.47%	9.43%	2.50%
Snow & Ice Removal	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Waste Disposal	22.09%	21.49%	5.02%	7.54%	14.04%	5.00%
Education	3.50%	3.50%	3.68%	3.67%	3.59%	3.50%
All Departments	4.02%	10.54%	6.41%	5.12%	6.52%	3.07%

Department Expenses

Historical Data

Source	FY 2026	FY 2027	FY 2028	FY 2029
General Government	\$ 15,789,258	\$ 16,183,991	\$ 16,588,590	\$ 17,003,305
Public Safety	\$ 28,868,157	\$ 29,589,861	\$ 30,329,607	\$ 31,087,848
Public Works	\$ 8,732,868	\$ 8,951,190	\$ 9,174,969	\$ 9,404,344
Snow & Ice Removal	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Waste Disposal	\$ 6,185,500	\$ 6,494,775	\$ 6,819,514	\$ 7,160,489
Health & Human Services	\$ 2,215,420	\$ 2,270,806	\$ 2,327,576	\$ 2,385,766
Library	\$ 3,991,377	\$ 4,091,161	\$ 4,193,440	\$ 4,298,276
Recreation	\$ 982,168	\$ 1,006,722	\$ 1,031,890	\$ 1,057,688
Education	\$ 62,105,787	\$ 64,279,490	\$ 66,529,272	\$ 68,857,796
Total Departmental	\$ 130,370,535	\$ 134,367,996	\$ 138,494,858	\$ 142,755,512
Insurance & Employee Benefits	\$ 25,669,523	\$ 25,124,217	\$ 26,908,362	\$ 28,824,176

EXPENDITURE FORECAST

DEPARTMENTAL EXPENDITURES

General Government expenditures are again projected in the baseline case to increase 2.5% annually from FY 2027 through FY 2029.

The Education appropriation is again projected in the baseline case to increase 3.5% annually from FY 2027 through FY 2029.

Snow and Ice Removal is projected at \$1,500,000 through FY 2029.

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State Assessments, exclusive of the MBTA Assessment, are projected to increase 2.5% annually. The MBTA Assessment is projected to increase 2.75% annually.

Expenditure Forecast: Assumptions (page 1 of 3)

Health Insurance costs, included within Insurance & Employee Benefits, are projected in the baseline case to increase 7.5% annually.

Public Employee Pension costs projections are projected to be \$4,039,557 in FY27 and \$1,150,000 annually for future years.

A long-range financial plan will pay down of the Unfunded Other Post-Employment Benefits (OPEB) Liability has by FY 2031. Funding of the OPEB Liability is projected at \$4,031,193 in FY 2027, \$4,620,250 in FY 2028 and \$3,995,650 in FY 2029.

Expenditure Forecast: Assumptions (page 2 of 3)

Health Insurance costs, included within Insurance & Employee Benefits, are projected in the baseline case to increase 7.5% annually.

Public Employee Pension costs projections are projected to be \$4,039,557 in FY27 and \$1,150,000 annually for future years.

A long-range financial plan will pay down of the Unfunded Other Post-Employment Benefits (OPEB) Liability has by FY 2031. Funding of the OPEB Liability is projected at \$4,031,193 in FY 2027, \$4,620,250 in FY 2028 and \$3,995,650 in FY 2029.

Expenditure Forecast: Assumptions (page 2 of 3)

Debt figures are from current and projected future debt as listed in the FY 2026-2030 CIP / Debt Projection Table of the Capital Improvement Program. This baseline projection maintains the previously planned \$70 million of borrowing for the middle school project.

Street and Sidewalk Improvements are projected to increase 5% annually.

Transfer to the Acquisition of Land/Open Space Stabilization Fund is projected at \$1,250,000 annually from FY 2025 through FY 2028.

Expenditure Forecast: Assumptions (page 3 of 3)

April 2022	\$11,080,000	2.489%
June 2023	\$80,310,000	3.603%
June 2024	\$61,080,000	3.818%
May 2025	\$55,440,000	4.288%

Borrowing Rates

Policies and Goals

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FY 2027 Preliminary General Fund Expenditure Forecast

Source	FY 2026	FY 2027	FY 2028	FY 2029
General Government	\$ 15,789,258	\$ 16,183,991	\$ 16,588,590	\$ 17,003,305
Public Safety	\$ 28,868,157	\$ 29,589,861	\$ 30,329,607	\$ 31,087,848
Public Works	\$ 8,732,868	\$ 8,951,190	\$ 9,174,969	\$ 9,404,344
Snow & Ice Removal	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Waste Disposal	\$ 6,185,500	\$ 6,494,775	\$ 6,819,514	\$ 7,160,489
Health & Human Services	\$ 2,215,420	\$ 2,270,806	\$ 2,327,576	\$ 2,385,766
Library	\$ 3,991,377	\$ 4,091,161	\$ 4,193,440	\$ 4,298,276
Recreation	\$ 982,168	\$ 1,006,722	\$ 1,031,890	\$ 1,057,688
Education	\$ 62,105,787	\$ 64,279,490	\$ 66,529,272	\$ 68,857,796
Total Departmental	\$ 130,370,535	\$ 134,367,996	\$ 138,494,858	\$ 142,755,512
Insurance & Employee Benefits	\$ 25,669,523	\$ 25,124,217	\$ 26,908,362	\$ 28,824,176

EXPENDITURE FORECAST

DEPARTMENTAL EXPENDITURES

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FY 2027 Preliminary General Fund Expenditure Forecast

Expenditure Forecast 04/08/2025 – Submission of the Fiscal Year 2026 Budget

Source	FY 2026	FY 2027	FY 2028	FY 2029
Pension	\$ 3,935,255	\$ 4,039,557	\$ 1,150,000	\$ 1,150,000
Other Post Employment Benefits (OPEB)	\$ 3,569,028	\$ 4,031,193	\$ 4,620,250	\$ 3,995,650
3 Elem School Proj. & High School Proj. –Debt Service	\$ 19,279,050	\$ 19,145,917	\$ 18,611,417	\$ 17,946,017
New Middle School Debt Service	\$ -	\$ 783,333	\$ 3,118,333	\$ 5,408,333
Transfer To Middle School Stabilization	\$ 3,800,000	\$ -	\$ -	\$ -
Transfer To New Senior Center Stabilization	\$ -	\$ 6,500,000	\$ 7,000,000	\$ 6,000,000
TOTAL	\$ 34,500,000	\$ 34,500,000	\$ 34,500,000	\$ 34,500,000

Expenditure Forecast 10/14/2024 – Fiscal Year 2027 Preliminary Budget Overview

Source	FY 2025	FY 2026	FY 2027	FY 2028
Pension	\$ 3,935,255	\$ 4,039,557	\$ 1,150,000	\$ 1,150,000
Other Post Employment Benefits (OPEB)	\$ 3,569,028	\$ 4,031,193	\$ 4,620,250	\$ 3,995,650
3 Elem School Proj. & High School Proj. –Debt Service	\$ 19,279,050	\$ 19,145,917	\$ 18,611,417	\$ 17,946,017
New Middle School Debt Service	\$ -	\$ 783,333	\$ 3,118,333	\$ 5,408,333
Transfer To Middle School Stabilization	\$ 3,800,000	\$ -	\$ -	\$ -
Transfer To New Senior Center Stabilization	\$ -	\$ 6,500,000	\$ 7,000,000	\$ 6,000,000
TOTAL	\$ 34,500,000	\$ 34,500,000	\$ 34,500,000	\$ 34,500,000

Variance Between the Expenditure Forecasts

Source	FY 2025	FY 2026	FY 2027	FY 2028
Pension	\$ -	\$ -	\$ -	\$ -
Other Post Employment Benefits (OPEB)	\$ -	\$ -	\$ -	\$ -
3 Elem School Proj. & High School Proj. –Debt Service	\$ -	\$ -	\$ -	\$ -
New Middle School Debt Service	\$ -	\$ -	\$ -	\$ -
Transfer To Middle School Stabilization	\$ -	\$ -	\$ -	\$ -
Transfer To New Senior Center Stabilization	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	\$ -

• As of July 1, 2024, the Unfunded OPEB Liability is estimated to be \$38,000,000 which is projected to be fully funded in FY 2031.

Source	FY 2026	FY 2027	FY 2028	FY 2029
3 Elem School Proj. & High School Proj. – Permanent Debt/Interest	\$ 23,195,717	\$ 19,145,917	\$ 18,611,417	\$ 17,946,017
Middle School Project – Authorized/Unissued Debt	\$ -	\$ 783,333	\$ 3,118,833	\$ 5,408,333
Transfer To Middle School Stab.	\$ 3,800,000	\$ -	\$ -	\$ -
Transfer to Senior Center Stab	\$ -	\$ 6,500,000	\$ 7,000,000	\$ 6,000,000
Pension & OPEB	\$ 7,504,283	\$ 8,070,750	\$ 5,770,250	\$ 5,145,650
Total	\$34,500,000	\$34,500,000	\$34,500,000	\$34,500,000

SCHOOL PROJECTS, SENIOR CENTER, PENSION AND OPEB

- 1) Fiscal Year 2025 is the projected high point for the 3 elementary schools debt service.
- 2) New High School Project estimated at \$200,000,000 (\$150,000,000 City & \$50,000,000 MSBA)
- 3) New High School debt service will be financed over 30 years.
- 4) New Middle School debt service will be financed over 30 years.
- 5) Fiscal Year 2026 is the projected high point for the New High School debt service.
- 6) Fiscal Year 2029 is the projected high point for the new Middle School debt service.

Source	FY 2026	FY 2027	FY 2028	FY 2029
Permanent Debt/Interest	\$ 6,127,401	\$ 8,970,800	\$ 8,167,362	\$ 7,449,736
ESCO - Permanent Debt/Interest	\$ 492,125	\$ 485,950	\$ 484,400	\$ 485,980
3 Elem School Proj. & High School Proj. – Permanent Debt/Interest	\$ 19,279,050	\$ 15,304,250	\$ 14,844,750	\$ 14,254,350
High School Project - Authorized/Unissued	\$ 3,916,667	\$ 3,841,667	\$ 3,766,667	\$ 3,691,667
New Middle School Project – Authorized/Unissued	\$ -	\$ 783,333	\$ 3,118,333	\$ 5,408,333
Street & Sidewalk – Auth/Unissued & Planned	\$ 2,413,250	\$ 3,861,975	\$ 5,235,850	\$ 6,682,550
Other Debt – Authorized/Unissued & Planned	\$ 2,536,920	\$ 5,516,505	\$ 6,416,926	\$ 8,773,008
Cost of Certifying Bonds	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Total Expenditure	\$ 34,770,413	\$ 38,769,480	\$ 42,039,288	\$ 46,750,624

EXPENDITURE FORECAST

DEBT AND INTEREST

Source	FY 2026	FY 2027	FY 2028	FY 2029
City Capital	\$ 920,000	\$ 870,000	\$ 951,000	\$ 790,000
School Capital Projects	\$ 155,000	\$ 230,000	\$ 255,000	\$ 255,000
Street & Sidewalk Improvements	\$ 1,422,800	\$ 1,493,800	\$ 1,568,600	\$ 1,647,000
Total Expenditure	\$ 2,497,800	\$ 2,593,800	\$ 2,774,600	\$ 2,692,000

EXPENDITURE FORECAST

CAPITAL PROJECTS

Policies and Goals

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Middle School Scenario Analysis

FY 2027 Preliminary General Fund Expenditure Forecast

Source	FY 2026	FY 2027	FY 2028	FY 2029
Total Departmental	\$ 130,370,535	\$ 134,367,996	\$ 138,494,858	\$ 142,755,512
Total Debt Svc.	\$ 34,770,413	\$ 38,769,480	\$ 42,039,288	\$ 46,750,624
Total Cap. Proj.	\$ 2,497,800	\$ 2,593,800	\$ 2,774,600	\$ 2,692,000
State & County Charges	\$ 3,206,868	\$ 3,205,424	\$ 3,292,510	\$ 3,381,965
Pension & OPEB	\$ 7,504,283	\$ 8,070,750	\$ 5,770,250	\$ 5,145,650
Insurance & Employee Benefits	\$ 25,669,523	\$ 25,124,217	\$ 26,908,362	\$ 28,824,176
Other Financing Uses & Misc.	\$ 21,106,319	\$ 14,113,899	\$ 13,775,266	\$ 12,936,974
Total Expenditure	\$ 225,125,741	\$ 226,245,566	\$ 233,055,134	\$ 242,486,901

EXPENDITURE FORECAST

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 226,245,566	\$ 233,055,134	\$ 242,486,901
Projected Surplus/(Deficits)	\$ (0)	\$ (3,602,892)	\$ (3,038,996)	\$ (4,661,057)

FORECAST SUMMARY

Deficits to close

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 226,245,566	\$ 233,055,134	\$ 242,486,901
Projected Surplus/(Deficits)	\$ (0)	\$ (3,602,892)	\$ (3,038,996)	\$ (4,661,057)

FORECAST SUMMARY

Policies and Goals

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FY 2027 Preliminary General Fund Expenditure Forecast

The Middle School: Reviewing Our Next Generation Challenges

Last Year we discussed and prioritized unfunded capital items:

- Senior Center / Recreation
- East End Fire Station
- DPW Staging Area
- Watertown Square Plan Implementation
- Middle School

Reviewing Our Next Generation Challenges

At the end of that conversation, we built the FY 26-30 Capital Plan with:

- Middle School funded at \$70 million in borrowing FY26-28
 - Stabilization up to \$17.2 million
- Watertown Square unfunded (to be funded from stabilization as well as new growth in the square)
 - Design funded from stabilization starting in FY 2026
- Senior Center at \$25m unfunded in FY 2030
 - Feasibility funded in 2026 operating budget
 - Aggressive forecasted stabilization contributions designed to reduce the need to borrow
- DPW staging unfunded
 - Temporary use of 148 Waltham Street site to address this need
- East Fire Station unfunded – for potential start after FY 2030

As Presented At FY'26 Preliminary Budget Presentation | Watertown Middle School

- Middle school options and costs:
 - Tear down and rebuild school: \$132.0 million
 - Base repair and code upgrades: \$76.7 million
 - Complete renovation: \$127.8 million
 - Renovate 1922 / upgrade remaining areas: \$120.7 million
 - Replace 1922 / upgrade remaining areas: \$84.8 million

As Presented At FY'26 Preliminary Budget Presentation | Watertown Middle School

- Middle school options and costs:
 - Tear down and rebuild school: \$132.0 million
 - Base repair and code upgrades: \$76.7 million
 - Complete renovation: \$127.8 million
 - Renovate 1922 / upgrade remaining areas: \$120.7 million
 - Replace 1922 / upgrade remaining areas: \$84.8 million

What happened next?



- November 2024: City Council voted to prioritize Middle School renovation, if it can be done within prop 2 ½ confines.
- January 2025: City approves capital plan that repurposes funds to allocate \$70m for middle school borrowing.
- January-April 2025: School Building Committee selected a design consultant to conduct a feasibility study and conducted visioning sessions.
- June 2025: Ai3 Architects presented preliminary cost estimates for the project, with the two preferred options exceeding priced at over \$120m.
- June-August 2025: Ai3 explored options to reduce cost of the preferred designs to making these options more viable financially.

Watertown Middle School Revised Cost Options

	Preferred Option 1	Preferred Option 2
Type of Construction	Add/Renovation	New Build
Project Delivery Method	CM at Risk	CM at Risk
Square Footage	123,152	113,373
Number of Students	630	630
Project Cost	\$116,042,289	\$112,239,426

Our budget for this project was estimated to be \$84.7 million to be possible without a Prop 2 ½ override or debt exclusion.

Middle School Math



- Early 2025 plan included:
 - \$14.7m in stabilization funds
 - \$12.7m set aside
 - \$2m anticipated from funds remaining in the elementary school accounts
 - \$70m in borrowing
 - Total available funds: \$84.7m
 - Additional funds needed to cover rent of modulars and reimbursement of MSBA
 - This plan substantially squeezed the capital plan
- June 2025:
 - Additional \$2.5m added to stabilization to account for possible costs of modulars and reimbursement
 - Total available: \$17.2m in stabilization
 - Total project funds available: \$87.2m
- August 2025 proposal:
 - \$103m proposal matches original plan but does not meet educational needs
 - \$112m plan meets educational needs.
- Total project gap: \$25.8m PLUS:
 - Costs due to additional delays
 - MSBA reimbursements

**So . . . Can we do this
middle school project?**

Better Questions:

What happens if we do this project?

What are the risks?

How does this project impact our
OPTIONS and FLEXIBILITY?

How do we maintain OPTIONS and FLEXIBILITY?

1. Fund Pension + OPEB + “Building for the Future” at a set rate (currently \$34.5 million).
2. Contribute annually to key stabilization funds that can be rolled back in a financial crisis without an impact on the operating services provided by the city.
3. Work to fund our future capital projects out of stabilization or unspent “debt service” funds to reduce total borrowing.

Maintaining Fiscally Conservative Budgets

Why do we need OPTIONS and FLEXIBILITY?

1. Department operating budgets have exceeded our estimates year after year - as we seek to implement the council's budget priorities and focus on being an employer of choice that offers salaries that match our market.
2. Construction costs continue to escalate, including materials, labor and borrowing interest rates.
3. Insurance costs, especially health insurance, are growing at a rate faster than inflation.

In the past, “new growth” has been adequate to fund our additional programs, allow us to grow debt AND limit the impacts of these risks, but low-growth years will impact us.

There is also risk if the “tax split home rule” does not pass. This risk may not be significant, but it is worth understanding

Maintaining Fiscally Conservative Budgets

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	?	?
With Middle School	?	?

Base Case Forecast:

Budget Deficits

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 226,245,565	\$ 233,055,134	\$ 242,486,900
Projected Surplus/(Deficits)	\$ (0)	\$ (3,602,891)	\$ (3,038,996)	\$ (4,661,056)

Source	FY 2026	FY 2027	FY 2028	FY 2029
General Government	\$ 15,789,258	\$ 16,183,991	\$ 16,588,590	\$ 17,003,305
Public Safety	\$ 28,868,157	\$ 29,589,861	\$ 30,329,607	\$ 31,087,848
Public Works	\$ 8,732,868	\$ 8,951,190	\$ 9,174,969	\$ 9,404,344
Snow & Ice Removal	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Waste Disposal	\$ 6,185,500	\$ 6,494,775	\$ 6,819,514	\$ 7,160,489
Health & Human Services	\$ 2,215,420	\$ 2,270,806	\$ 2,327,576	\$ 2,385,766
Library	\$ 3,991,377	\$ 4,091,161	\$ 4,193,440	\$ 4,298,276
Recreation	\$ 982,168	\$ 1,006,722	\$ 1,031,890	\$ 1,057,688
Education	\$ 62,105,787	\$ 64,279,490	\$ 66,529,272	\$ 68,857,796
Total Departmental	\$ 130,370,535	\$ 134,367,996	\$ 138,494,858	\$ 142,755,512
Insurance & Employee Benefits	\$ 25,669,523	\$ 25,124,217	\$ 26,908,362	\$ 28,824,176

Adjusted Department Expenses

Source	FY 2026	FY 2027	FY 2028	FY 2029
General Government	\$ 15,789,258	\$ 16,420,828	\$ 17,077,662	\$ 17,760,768
Public Safety	\$ 28,868,157	\$ 30,022,883	\$ 31,223,799	\$ 32,472,751
Public Works	\$ 8,732,868	\$ 9,082,183	\$ 9,445,470	\$ 9,823,289
Snow & Ice Removal	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Waste Disposal	\$ 6,185,500	\$ 6,494,775	\$ 6,819,514	\$ 7,160,489
Health & Human Services	\$ 2,215,420	\$ 2,304,037	\$ 2,396,199	\$ 2,492,047
Library	\$ 3,991,377	\$ 4,151,032	\$ 4,317,073	\$ 4,489,756
Recreation	\$ 982,168	\$ 1,021,455	\$ 1,062,313	\$ 1,104,806
Education	\$ 62,105,787	\$ 64,690,018	\$ 67,277,619	\$ 69,968,724
Total Departmental	\$ 130,370,535	\$ 135,687,211	\$ 141,119,649	\$ 146,772,630
Insurance & Employee Benefits	\$ 25,669,523	\$ 25,124,217	\$ 26,908,362	\$ 28,824,176

Adjusted Department Expenses

This scenario still does not address:

- Potential impacts of collective bargaining:
 - Generally, we seek to cover these costs by increasing council reserve during years when contracts need to be renewed.
- Likely higher insurance costs:
 - Increase in FY 2027 likely over 10%
- Continued increases in capital costs:
 - Due to inflation / tariffs

A Note About This Scenario

Adjusted Department Expense Forecast:

Budget Deficits

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 227,564,782	\$ 235,679,924	\$ 246,504,017
Projected Surplus/(Deficits)	\$ (0)	\$ (4,922,108)	\$ (5,663,786)	\$ (8,678,174)

Now . . .

Add the additional middle school borrowing:

- Assuming 30-year borrowing
- Assuming \$98.2 million in borrowing instead of \$70 million

This scenario also does not address costs due to:

- Delay of start beyond June 2026
- Refunds due to MSBA

Add
Additional
Middle School
Borrowing

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With Alternative Tax Relief
Without Middle School	?	?
With Middle School	?	?

Source	FY 2026	FY 2027	FY 2028	FY 2029
Permanent Debt/Interest	\$ 6,127,401	\$ 8,970,800	\$ 8,167,362	\$ 7,449,736
ESCO - Permanent Debt/Interest	\$ 492,125	\$ 485,950	\$ 484,400	\$ 485,980
3 Elem School Proj. & High School Proj. – Permanent Debt/Interest	\$ 19,279,050	\$ 15,304,250	\$ 14,844,750	\$ 14,254,350
High School Project - Authorized/Unissued	\$ 3,916,667	\$ 8,341,667	\$ 3,766,667	\$ 3,691,667
New Middle School Project – Authorized/Unissued	\$ -	\$ 783,333	\$ 3,118,333	\$ 5,408,333
Street & Sidewalk – Auth/Unissued & Planned	\$ 2,413,250	\$ 3,861,975	\$ 5,235,850	\$ 6,682,550
Other Debt – Authorized/Unissued & Planned	\$ 2,536,920	\$ 5,516,505	\$ 6,416,926	\$ 8,773,008
Cost of Certifying Bonds	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Total Expenditure	\$ 34,770,413	\$ 38,769,480	\$ 42,039,288	\$ 46,750,624

Add Middle School Borrowing

Source	FY 2026	FY 2027	FY 2028	FY 2029
Permanent Debt/Interest	\$ 6,127,401	\$ 8,970,800	\$ 8,167,362	\$ 7,449,736
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3 Elem School Proj. & High School Proj. – Permanent Debt/Interest	\$ 19,279,050	\$ 15,304,250	\$ 14,844,750	\$ 14,254,350
High School Project - Authorized/Unissued	\$ 3,916,667	\$ 8,341,667	\$ 3,766,667	\$ 3,691,667
New Middle School Project – Authorized/Unissued	\$ -	\$ 783,333	\$ 4,136,667	\$ 7,425,500
Street & Sidewalk – Auth/Unissued & Planned	\$ 2,413,250	\$ 3,861,975	\$ 5,235,850	\$ 6,682,550
Other Debt – Authorized/Unissued & Planned	\$ 2,536,920	\$ 5,516,505	\$ 6,416,926	\$ 8,773,008
Cost of Certifying Bonds	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Total Expenditure	\$ 34,770,413	\$ 38,769,480	\$ 43,057,622	\$ 48,767,791

Add Middle School Borrowing

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 227,564,782	\$ 236,698,258	\$ 248,521,184
Projected Surplus/(Deficits)	\$ (0)	\$ (4,922,108)	\$ (6,682,120)	\$ (10,695,341)

Adjusted Middle School Borrowing Forecast:

Budget Deficits

FY 2027:

- Reduce contribution to OPEB from \$4 million to \$2 million
- Reduce Senior Center stabilization from \$6.5 million to \$3.6 million

FY 2028:

- Reduce contribution to OPEB from \$4.6 million to \$1.5 million
- Reduce contribution to senior center from \$7 million to \$3.5 million

FY 2029:

- Reduce contribution to OPEB from \$4 million to \$800,000
- Eliminate senior center stabilization payment of \$ 6 million
- Eliminate open space contribution of \$1.1 million
- Eliminate affordable housing contribution of \$250,000

Adjusted Middle School Borrowing Forecast:

Closing The Gap

The impact of these changes:

- We have no borrowing capacity for the senior center project
- The strategy of depending on new growth to cover Watertown Square expenses becomes more limited if all new growth is needed to reach this position
- OPEB payoff is delayed past 2031
- By FY 2029 there are limitations on funding for open space and affordable housing

**Adjusted
Middle School
Borrowing
Forecast:**

**Closing
The Gap**

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	?	?
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	?

Fiscal Year 2029 Outlook

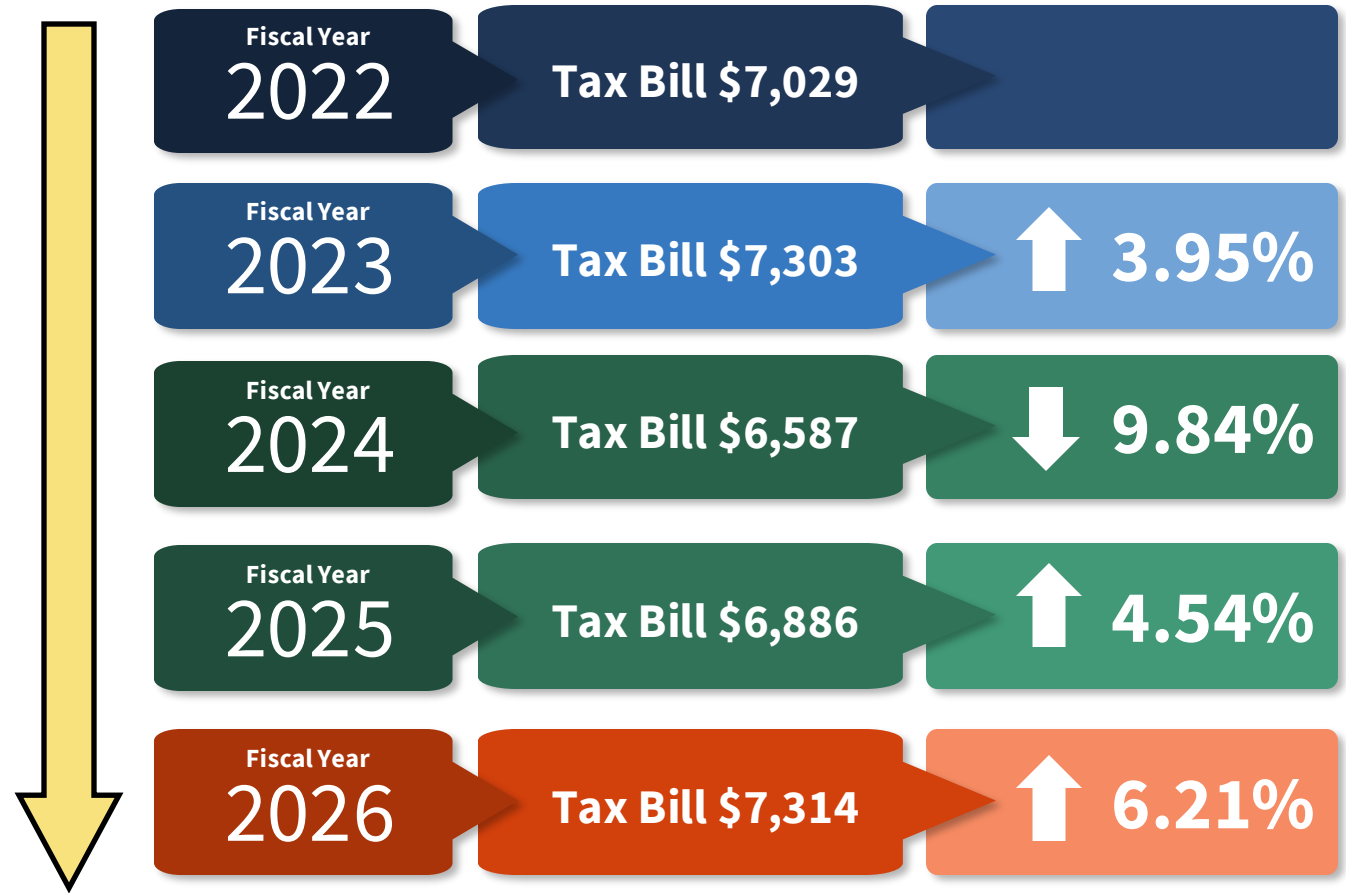
	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	?	?
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	?

Fiscal Year 2029 Outlook

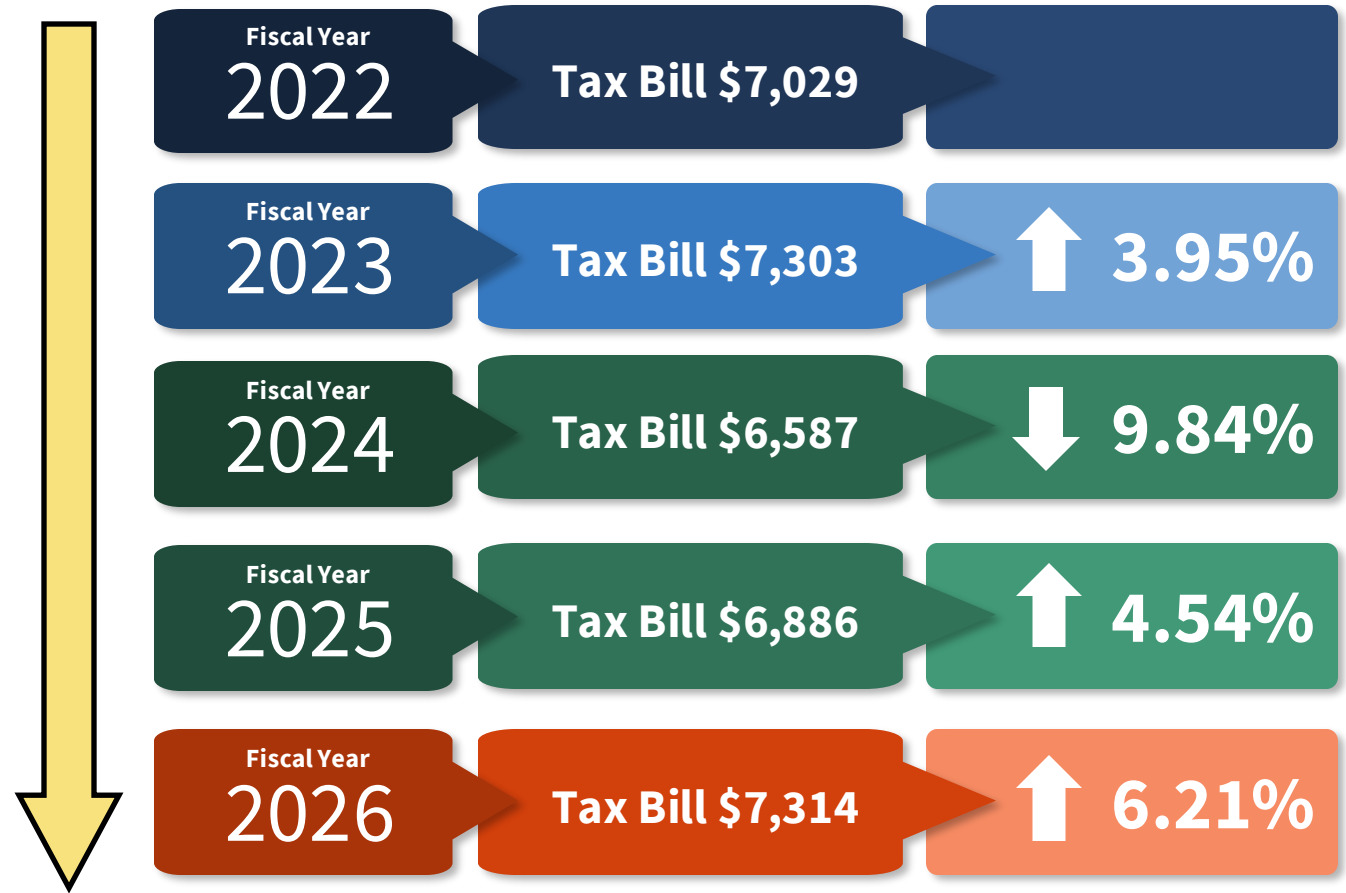
	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	<p>?</p>
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	<p>?</p>

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	<p>?</p>
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The Tax Split Home Rule Problem



With Home Rule



Without Home Rule



The Tax Split Home Rule Problem

Our delegation is working hard to get this home rule done.

But if it doesn't pass – we need to either:

- accept this large tax increase, OR
- tax below the cap.

A one-year delay in the home rule may be addressed with a one-time infusion of free cash:

- But – we don't usually use free cash to cover operating costs – this can only be done for one year, AND
- This is why we should leave our free cash at 15% of our budget this year.

Otherwise, we need to see if we have OPTIONS and FLEXIBILITY to tax below the Proposition 2 ½ cap.

What does this look like?

- Taxing \$10 million below the cap would reduce the FY27 tax increase
 - But it still will likely be over 11%

The Tax Split Home Rule Problem

Taxes	FY 2026	FY 2027	FY 2028	FY 2029
Prior Year Levy Limit	\$ 168,575,917	\$ 176,320,936	\$ 182,978,960	\$ 190,303,434
Add 2.5%	\$ 4,214,398	\$ 4,408,023	\$ 4,574,474	\$ 4,757,586
New Growth	\$ 3,530,620	\$ 2,250,000	\$ 2,750,000	\$ 3,000,000
Adjusted Levy Limit	\$ 176,320,936	\$ 182,978,960	\$ 190,303,434	\$ 198,061,020
Overlay	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)
Net Levy Limit	\$ 175,270,936	\$ 181,928,960	\$ 189,253,434	\$ 197,011,020

The Tax Split Home Rule Problem

Taxes	FY 2026	FY 2027	FY 2028	FY 2029
Prior Year Levy Limit	\$ 168,575,917	\$ 176,320,936	\$ 182,978,960	\$ 190,303,434
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Overlay	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)	\$ (1,050,000)
Net Levy Limit	\$ 175,270,936	\$ 181,928,960	\$ 189,253,434	\$ 197,011,020
Residential Tax Relief		\$ (10,000,000)	\$ (10,250,000)	\$ (10,506,250)
LEVY AFTER TAX RELIEF	\$ 175,270,936	\$ 171,928,960	\$ 179,003,434	\$ 186,504,770

The Tax Split Home Rule Problem

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 222,642,674	\$ 230,016,138	\$ 237,825,844
Total Expenditures	\$ 225,125,741	\$ 227,564,782	\$ 236,698,258	\$ 248,521,184
Projected Surplus/(Deficits)	\$ (0)	\$ (4,922,108)	\$ (5,663,786)	\$ (8,678,174)

The Tax Split Home Rule Problem

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$ 225,125,741	\$ 212,642,674	\$ 219,766,138	\$ 227,319,594
Total Expenditures	\$ 225,125,741	\$ 227,564,782	\$ 236,698,258	\$ 248,521,184
Projected Surplus/(Deficits)	\$ (0)	\$ (14,922,108)	\$ (16,932,120)	\$ (21,201,591)

The Tax Split Home Rule Problem

FY 2027:

- Eliminate contributions to OPEB, Senior Center, Watertown Square, Land Acquisition and Affordable Housing trust
- Reduce Council Reserve from \$3.5 million to \$1.6 million.

FY 2028:

- Eliminate contribution to OPEB, Senior Center, Watertown Square, Land Acquisition and Affordable Housing trust
- Reduce Council Reserve from \$3.65 million to \$1.65 million.
- Additional \$1.8 million in deficit to be closed with program cuts.

FY 2029:

- Eliminate contribution to OPEB, Senior Center, Watertown Square, Land Acquisition and Affordable Housing trust
- Reduce Council Reserve from \$3.8 million to \$1.7 million.
- **Additional \$7.6 million in deficit to be closed with program cuts.**


Tax Split Home Rule Problem:

Closing The Gap


Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	<p>?</p>
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	<p>?</p>

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	<ul style="list-style-type: none"> - Substantial reductions in council reserve - No contributions to open space, Senior Center, affordable housing, and Watertown Square between FY 2027-2029 - No contributions to OPEB FY27-29 - Program cuts in FY28 and beyond

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	<ul style="list-style-type: none"> - Substantial reductions in council reserve - No contributions to open space, Senior Center, affordable housing, and Watertown Square between FY 2027-2029 - No contributions to OPEB FY27-29 - Program cuts in FY28 and beyond

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	<ul style="list-style-type: none"> - Reduce contributions to the Senior Center stabilization fund by average of \$3.3 million FY27-29 to balance the budget 	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - No contributions to senior center and open space in FY27-29 - Reduce council reserve FY27-29
With Middle School	<ul style="list-style-type: none"> - Reduce OPEB FY27-29 - Reduce Senior Center contributions FY27-28 and eliminate in FY29 - Eliminate open space and affordable housing contributions in FY29 	<ul style="list-style-type: none"> - Substantial reductions in council reserve - No contributions to open space, Senior Center, affordable housing, and Watertown Square between FY 2027-2029 - No contributions to OPEB FY27-29 - Program cuts in FY28 and beyond

Fiscal Year 2029 Outlook

	With Home Rule	Without Home Rule With \$10 Million of Tax Relief
Without Middle School	MAINTAINS FLEXIBILITY AND OPTIONS	USES MUCH OF OUR FLEXIBILITY BUT MAINTAINS FUTURE OPTIONS
With Middle School	USES MUCH OF OUR FLEXIBILITY AND REDUCES FUTURE OPTIONS	SUBSTANTIAL PROGRAM CUTS

What happens now?

OPTIONS FOR CITY COUNCIL

**PURSUE
MIDDLE SCHOOL
PROJECT
IMMEDIATELY AT
\$112 MILLION PLUS
EXTRA COSTS**

**HOLD ON MIDDLE
SCHOOL PROJECT
AND PURSUE ONE
OF FOUR OPTIONS**



New School



- Immediately restart design for a full new school using CM at risk construction
- Borrowing at \$98 million+ (final number TBD)
- Build a capital plan around this new situation

What happens now?

FOUR OPTIONS FOR CITY COUNCIL IF WE DON'T DO A FULL MIDDLE SCHOOL PROJECT NOW

HOLD
STABILIZATION
FUNDS AND
RELEASE
MODULARS

UPDATE THE
MIDDLE SCHOOL
OVER THE NEXT
FEW SUMMERS
USING
STABILIZATION
FUNDS

UPDATE THE
MIDDLE SCHOOL
OVER ONE
SCHOOL YEAR
USING MODULARS
AND
STABILIZATION
FUNDS

SEEK A SITE FOR A
FUTURE MIDDLE
SCHOOL USING
STABILIZATION
FUNDS AND
PURSUE A FUTURE
PROJECT ON
THAT SITE



A. Hold Funds

- No immediate action
- Release modulars and rebuild Moxley Field
- Seek MSBA funding at some future date





B. Summer Updates

- Maintain the current school for a longer time until future funds are available for a new school
- Use funds over summers to improve the middle school
- Release modulars and restore Moxley Field



C. One Year Updates

- Maintain the current school for a longer time until future funds are available for a new school
- Use funds over school year 2026-27 to improve the middle school
- Use modulars for middle school until June 2027



D. Secure a Site

- Purchase land somewhere in Watertown for a new school
- Release modularity and restore Moxley Field
- Maintain the current school – without upgrades - for a longer time until future funds are available for a new school

What happens now?

OPTIONS FOR CITY COUNCIL

**PURSUE
MIDDLE SCHOOL
PROJECT
IMMEDIATELY AT
\$112 MILLION PLUS
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What happens now?

FOUR OPTIONS FOR CITY COUNCIL IF WE DON'T DO A FULL MIDDLE SCHOOL PROJECT NOW

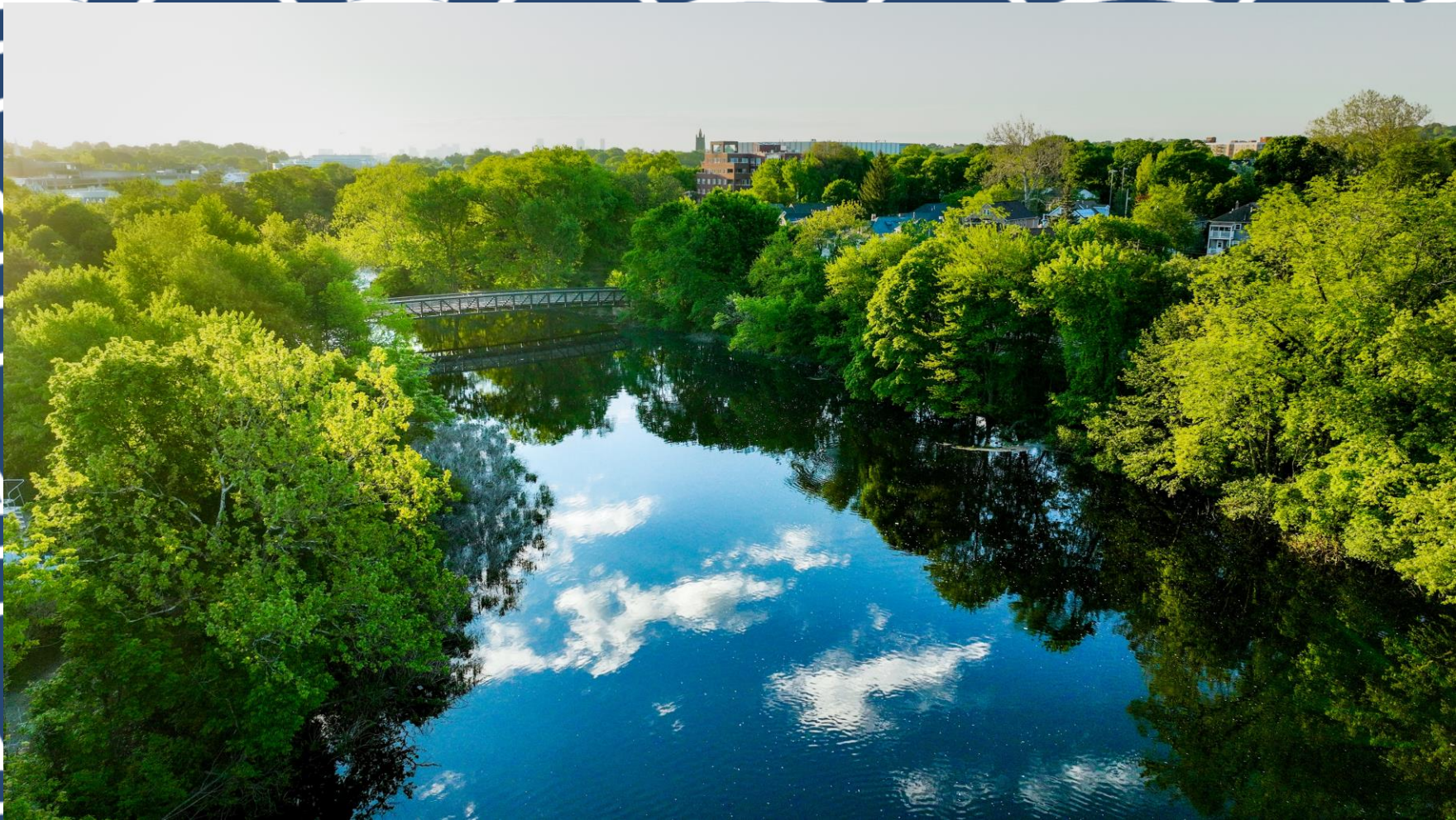
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**SEEK A SITE FOR A
FUTURE MIDDLE
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THANK YOU