

FY27 Budget Outlook

City of Somerville, MA

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*Presented to
Somerville City Council
& School Committee*

April 14, 2026

Section 1
Trends across the
Commonwealth

Mounting Fiscal Pressures Leading to Service Cutbacks

- Boston – Eliminating 262 teacher positions and 145 aide positions
- Winchester – Weighing staff reductions in Police, Fire, reduced library hours, and up to 56 school employees
- Lexington – Cutting the equivalent FTE of 65 teaching, classroom aide, and staff positions.
- Malden – Cutting 60 service positions in schools, public works, and local government.
- Brookline – Could eliminate more than 240 FTE positions if \$23.25 million tax hike fails
- Athol – Reducing workforce by 20% over 2 years

Proposition 2 ½ Overrides Surge Across Massachusetts

- Arlington – \$14.8 million – Approved
- Malden – \$ 8.2 million – Rejected
- Winchester – \$11.5 million – Rejected
- Brookline – \$23.5 million – Upcoming
- Athol – \$2.5 million – Rejected
- Marblehead – \$15 million over 3 years – In discussion
- Stoneham – \$9.3 million – Approved
- Melrose – \$13.5 million – Approved
- Milton – \$8.8 million – Approved





A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures

An Analysis of Fiscal Pressures on Massachusetts Municipalities

OCTOBER 2025

[A Perfect Storm: Cities and Towns Face Historic Fiscal Pressures](#)

Key Findings:

1. State aid in Massachusetts is less generous than the U.S. average.
2. Flexible state aid has fallen for all cities and towns.
3. Given the 2.5 percent cap on local tax increases, the best tool for ... towns is often an expensive and temporary override.

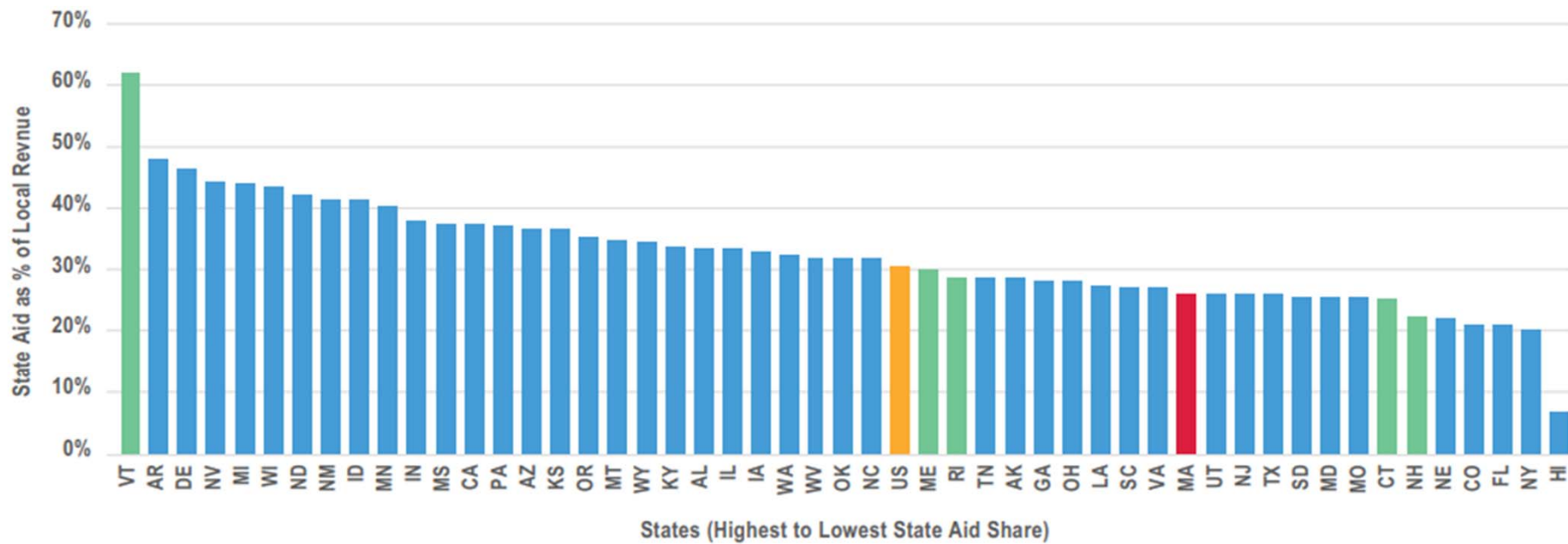


Local Aid in Massachusetts

FIGURE 2

State Aid as Share of Local Revenue by State

Percentage of local government revenue from state government



U.S. Census Bureau

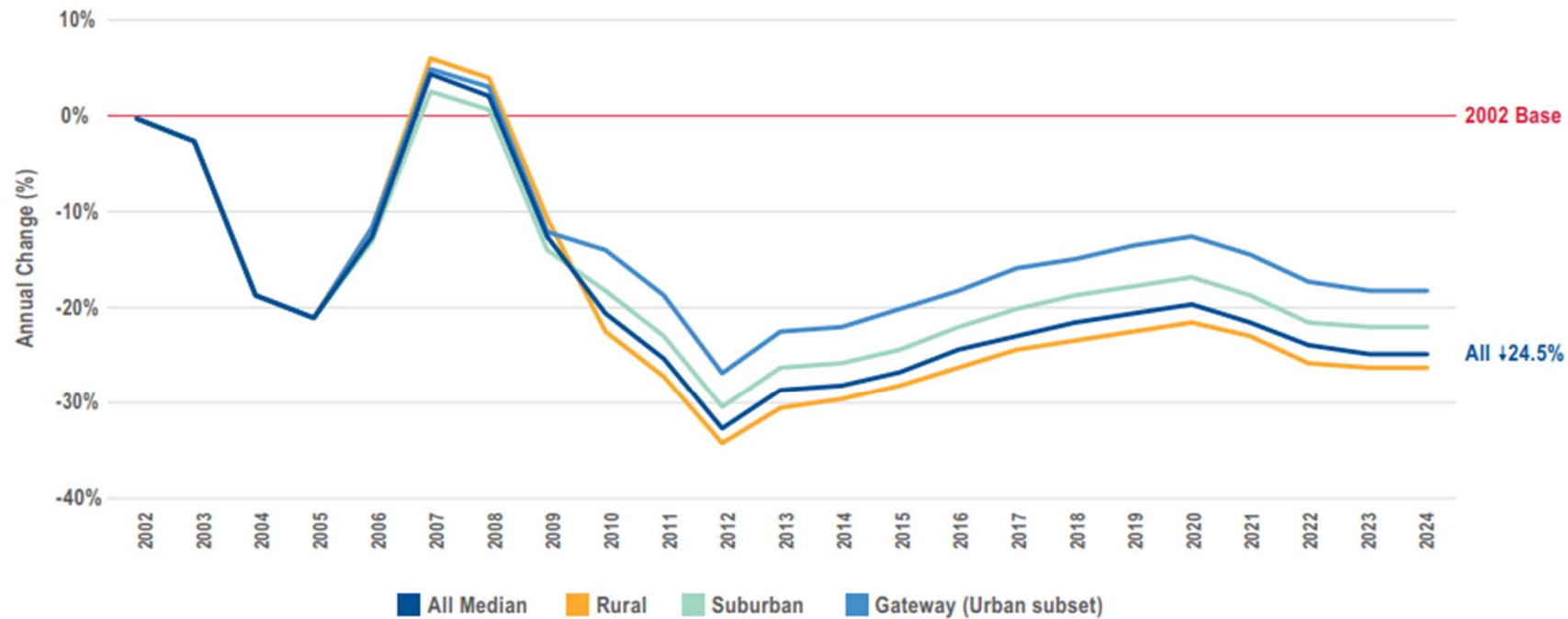
■ Massachusetts ■ US Average ■ Other New England States

Primary Sources of Local Aid:

- Unrestricted General Government Aid (UGGA)
- Chapter 70 Educational Aid

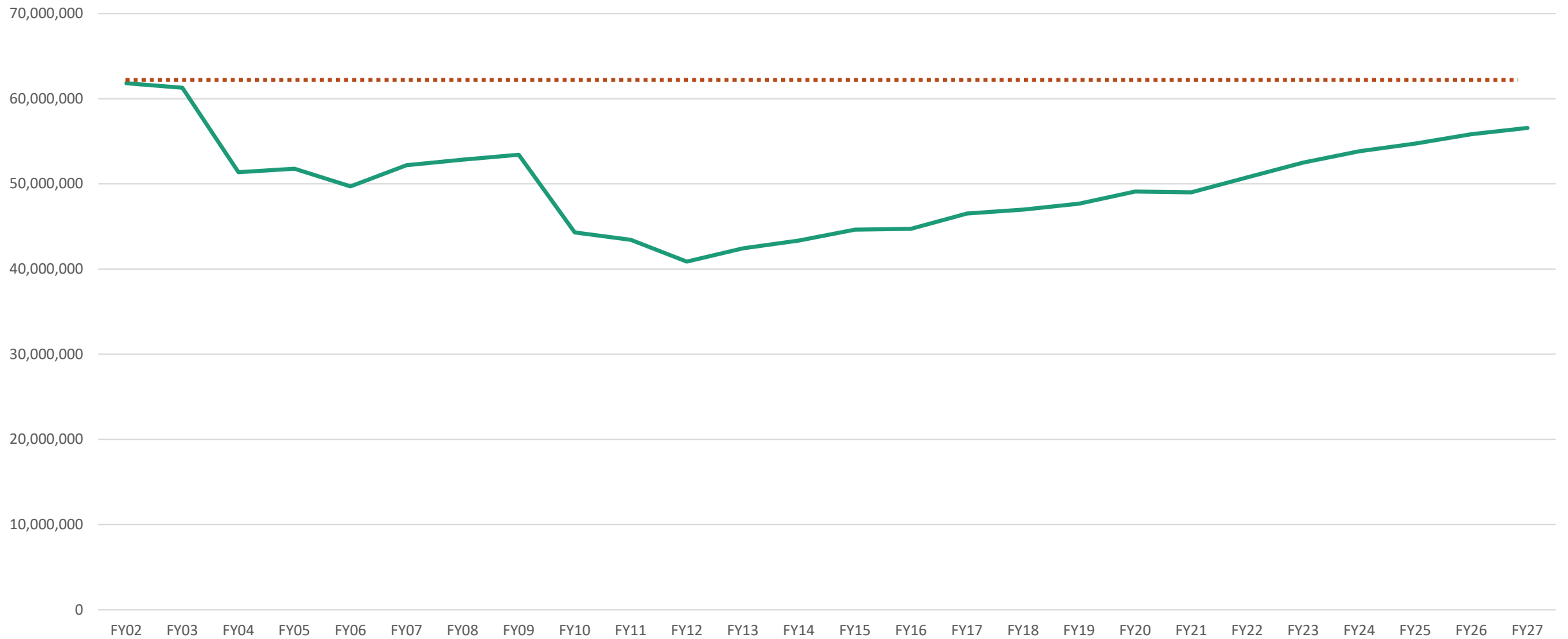
Unrestricted General Government Aid

FIGURE 5
Unrestricted Aid Has Fallen for Virtually All Municipalities
Percent change, 2002–2024



Division of Local Services; CSPA calculations

State Aid to Somerville remains below FY02 levels (*in real dollars*)



Historic Changes To Revenue Base

	FY2002	FY2009	FY2026
Taxes	42.68%	56.27%	77.10%
State Aid	38.20%	30.96%	14.60%
Local Receipts	5.03%	9.44%	7.13%

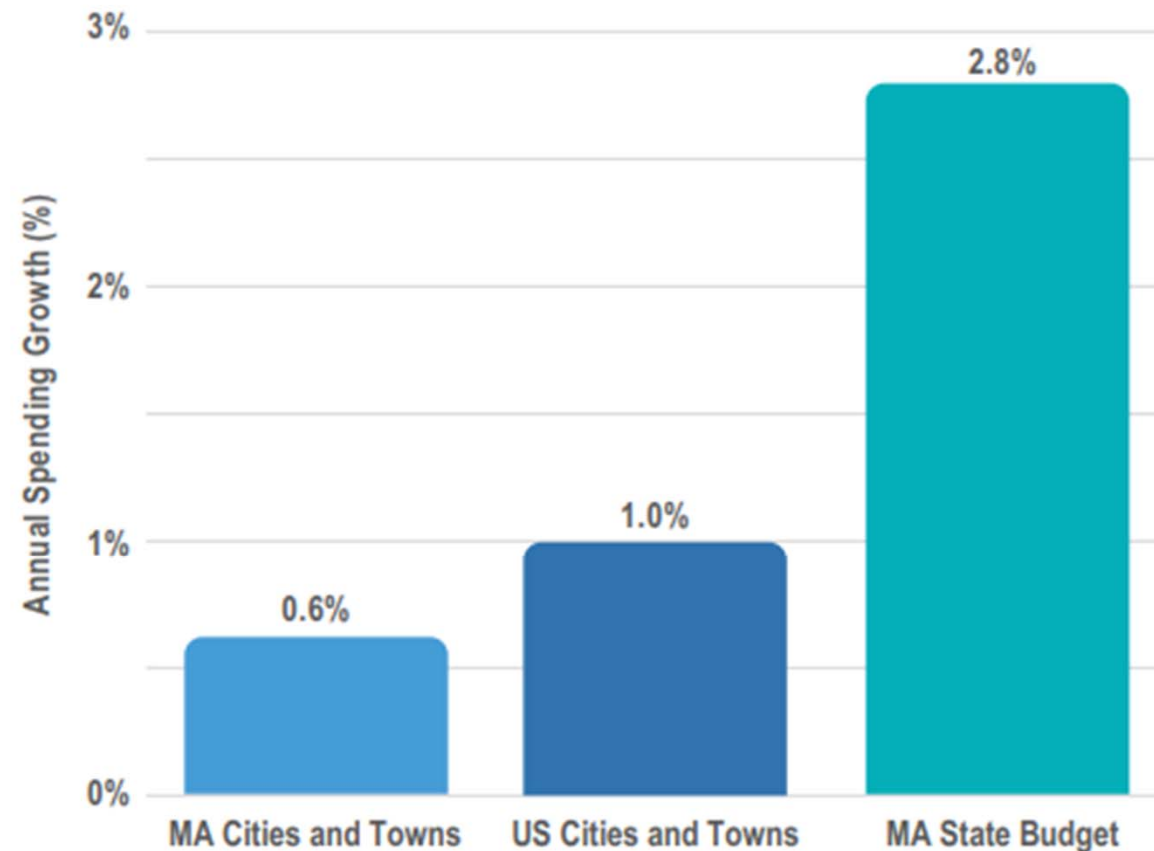
Proposition 2½ Impact

Significant limits to real spending growth by municipalities with little capacity for residents across the Commonwealth's communities to bear the burden of Prop 2½ overrides.

FIGURE 1

Massachusetts Municipalities Have Been Frugal

Annual change in total operating spending, 2010-2022



U.S. Census Bureau, MassBudget's Budget Browser, CSPA calculations

MMA Recommendations

Restore Adequate and reliable state aid

- Provide \$351 million in new UGGA funding – an increase of 26.5% above FY2026 Levels.

Provide property taxation flexibility

- Allow an Adjustable Levy Cap to adjust the 2.5% Levy Limit upward to a specific economic indicator (e.g. the CPI)
- Permit Multi-Year Overrides allowing voters to authorize an override that phases in over multiple years.

MMA Recommendations

Prioritize key accounts

- Support continued investment in Chapter 70 School Aid and reforms to minimum new aid levels for districts
- Fully fund the special education circuit breaker, charter mitigation funding, and all school transportation accounts

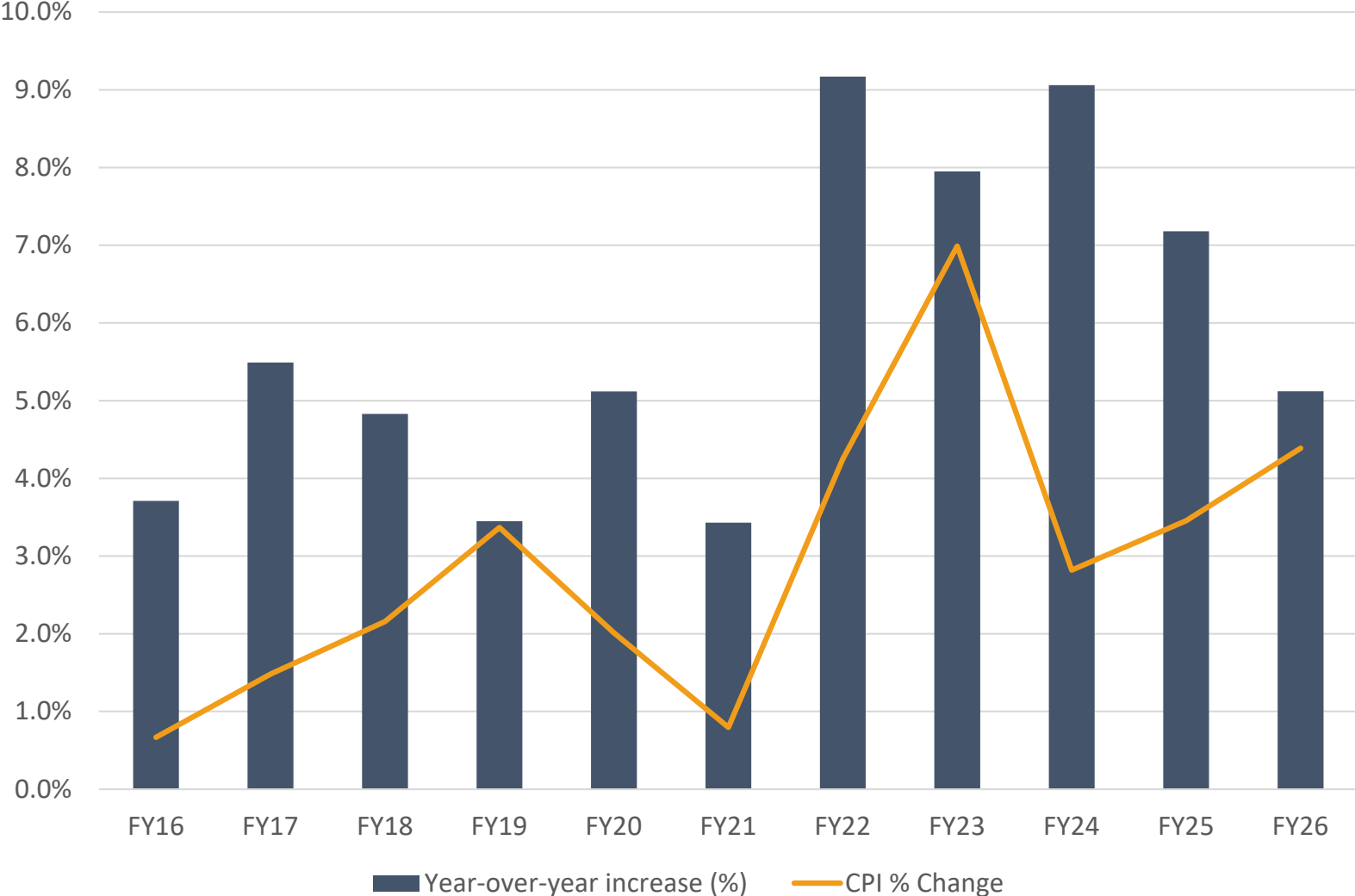
Expand local revenue options

- Raise the meals tax ceiling to generate more dining and retail revenue
- Increase the lodging (hotel) tax
- Introduce a local-option surcharge on motor vehicle excise bills
- Authorize a real estate transfer fee (or deed excise) dedicated to local affordable housing trusts, linking property market activity to housing affordability investments

Despite the trend statewide, the City's General Fund budget has grown by **80%** since FY16

CPI change in Massachusetts over the same period amounts to 36.5%.

This means the City budget has grown at more than twice the rate of CPI in the last decade



Source: US BLS: <https://www.bls.gov/cpi/regional-resources.htm>

Somerville's growth has supported investments in families, youth, schools, and new services found throughout the budget. [These programs and facilities are essential to our work and to the community.](#)

Fixed Costs

Insurance
Pension

Information Technology
HR & Accounting

Debt Service
Water & Sewer Service

Facilities & Assets

Building Maintenance
HVAC in schools

Playground & School
Yards

Dilboy & Ginny Smithers
Pool

WHCIS Interim Projects

Programming

Health & Human Services
Food Access
SomerPromise
Mayor's Jobs Program
Youth Services

Culture & Creativity
Opportunities

Out-of-School-Time

Section 2
Where we stand now in
FY26

FY26 Performance: General Fund

Data presented through April 9, 2026

Through 77.7% of the fiscal year, 74.58% of the General Fund appropriation has been expended and encumbered.

	Appropriation	Year-To-Date Expended	Encumbered	Available	Exp/Encum
City	276,666,242	193,562,175	15,657,507	67,446,560	75.62%
School	113,981,703	76,131,293	6,007,467	31,842,943	72.06%
Total	390,647,945	269,693,468	21,664,974	99,289,503	74.58%

FY26 Budgetary Review: Snow & Ice Deficit

\$3,551,048.21

(Based on current projections)

We will close this deficit with free cash.



Category	
Snow Removal Vendors	\$2,941,482.90
Vehicle Rentals	\$293,421.60
Equipment and Supplies	\$874,348.10
Payroll	\$793,165.91
Public Safety Details	\$75,600.51
Requisitions	\$147,725
Encumbrances	\$162,388

Appropriation \$1,737,083 Total Possible expenses \$5,288,131.21

FY26 Budgetary Review: Unemployment Compensation



\$288,000

Increased turnover due to a change in Administration has cause a spike in unemployment claims. We believe this to be a one-time issue.

This deficit will be remediated before year end.

Category	Amount
Initial Budget	\$175,000
Projected Spend through June	\$463,000
Expected Deficit	\$288,000

Section 3
Looking ahead to
FY27 - Revenue

FY27 Revenue Projection

As of April 14, 2026.
Estimates will change

Revenue Category	FY26 Revised	FY27 Projected	Change
Property Taxes	279,376,680	291,342,293	11,965,613
Excise Taxes	13,503,283	14,081,931	578,648
Penalties & Interest on Taxes	849,225	849,225	0
Payments in Lieu of Taxes	1,717,564	1,717,564	0
Sanitation Fees	76,861	276,861	200,000
Fees	1,996,564	2,037,879	41,315
Rentals	88,715	88,715	0
Other Department Revenue	60,000	60,000	0
Licenses & Permits	9,744,526	10,945,751	1,201,225
Fines & Forfeits	7,745,452	7,370,199	-375,253
Investment Income	4,200,794	2,700,000	-1,500,794
Miscellaneous Recurring	746,398	746,398	0
State Revenue	55,641,890	56,375,838	733,948
Other Financing Sources	4,101,961	3,912,406	-189,555
Electricity Usage	76,195	160,000	83,805
Total Revenue & OFS	379,926,108	392,665,060	12,738,952

FY27 Revenue by Type – how we fund the budget

The City continues to lean on property tax as a primary funding source in the face of middling State Aid and limited revenue generation opportunities.



FY27 Levy Calculation – How we project tax revenue

\$ 272,660,166 FY2026 Property Tax Levy – Below the Levy Limit

\$ 198,806 PLUS FY2026 Unused Levy

\$ 272,858,972 EQUALS FY2026 Levy Limit

\$ 272,858,972 FY2026 Levy Limit

+ 6,821,474 PLUS 2 ½%

+ 5,000,000 PLUS Estimated new growth

\$284,680,446 EQUALS FY2027 Levy Limit

+ 6,661,847 FY 2027 Debt Exclusion

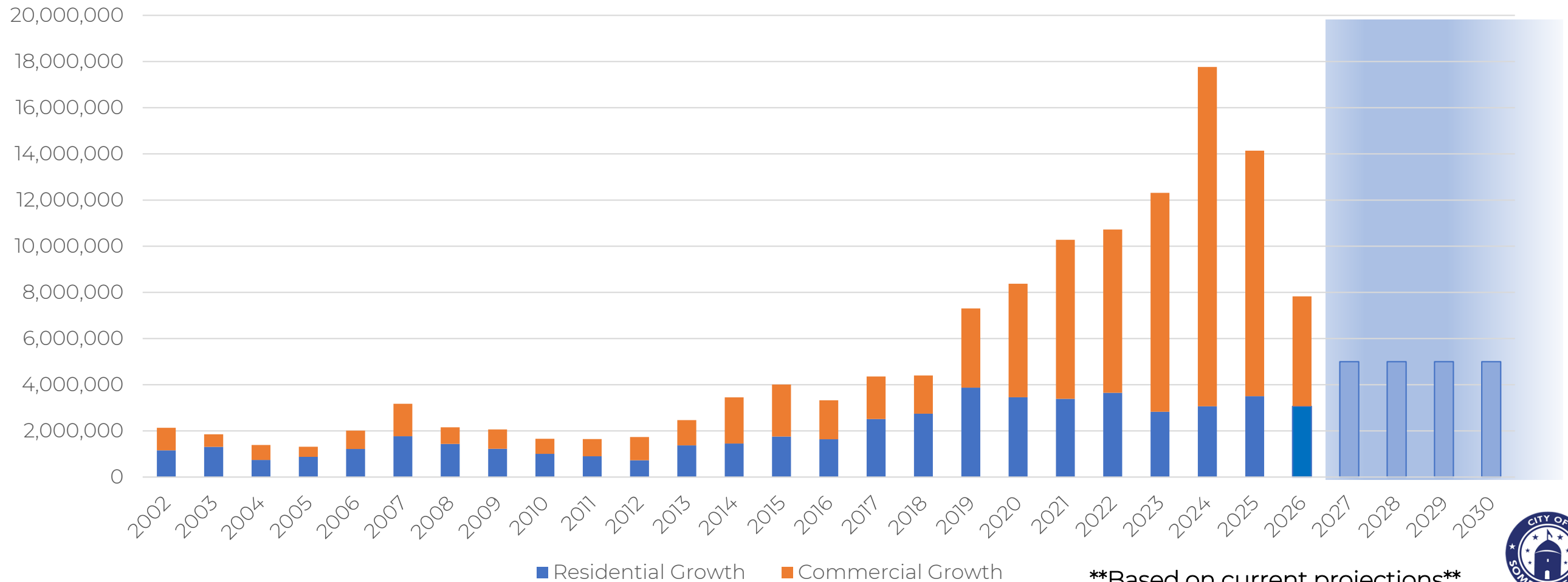
\$291,342,293 FY 2027 Projected Levy

A potential **\$11,965,613** in new property tax revenue could be raised in FY2027.

**This projection assumes \$5M in new growth.*

The City has benefitted from record new growth since FY20, but projections show a slow down

New Growth Applied to the Levy Limit: FY02-FY26



Based on current projections



Life Science New Growth Forecast

Points of Interest
<ul style="list-style-type: none"> 15 Million SF Vacant in Greater Boston Area
<ul style="list-style-type: none"> 2 Million SF is the annual demand
<ul style="list-style-type: none"> Life Science FY 2026 market depreciated 20% from FY 2025 to FY 2026
<ul style="list-style-type: none"> FY26 New growth with exception of 250 Water St, and 188 Assembly Prk Dr will not be captured.
<ul style="list-style-type: none"> The Life Science market depreciation will absorb the new growth captured as our building values fall.
<ul style="list-style-type: none"> The FY 2027 new growth estimate will fall on the percent complete as of 6/30/26 for 100 Chestnut & 188 Assembly.

Location	6/30/2025 % Complete	6/30/2026 Potential Growth	Tenant Status	Rentable Area
222 Jacobs St	100%	-	Stabilized	426,869
101 South St	100%	-	Stabilized	287,959
250 Water St	100%	-	Stabilized	479,004
100 Chestnut St	83%	-	Stabilized	208,616
Life Science Properties Capped at 60% - No Tenants				
10 Prospect St	60%	0%	Vacant	196,495
808 Windsor St	60%	0%	Vacant	370,000
188 Assembly Prk Dr	60%	0%	Vacant	495,000
74 Middlesex Ave	57%	0%	Vacant	467,952
599 Somerville Ave	50%	0%	Vacant	42,780
495 Columbia St	57%	0%	Vacant	338,603

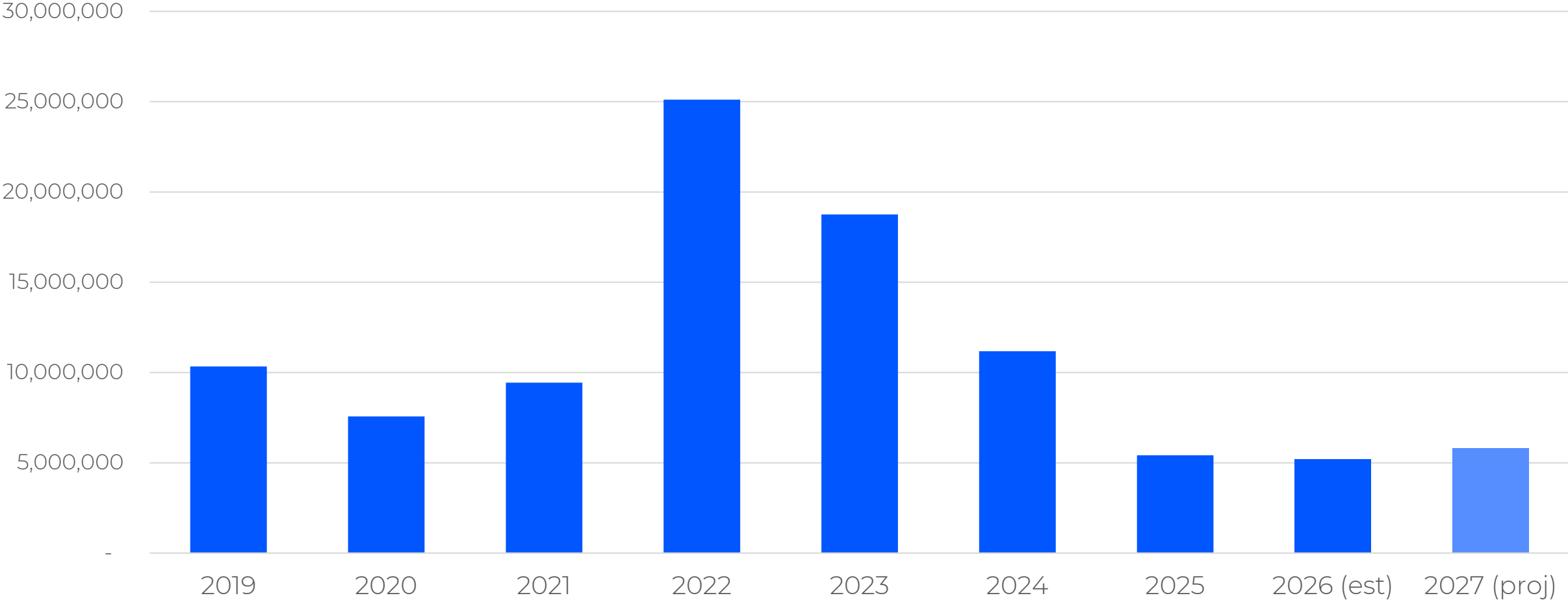
Rentable Area	3,313,278
Vacant	1,910,830

Property Tax Levy History

	Total Tax Levy	Debt Exclusion	Tax Levy w/o exclusions	Increase from prior year
FY20	167,812,263		167,812,263	
FY21	184,014,988	1,335,839	182,679,149	14,866,886
FY22	200,839,916	6,033,610	194,806,306	12,127,157
FY23	221,093,410	6,674,013	214,419,397	19,613,091
FY24	244,828,530	6,705,968	238,122,562	23,703,165
FY25	264,969,748	6,625,681	258,344,067	20,221,505
FY26	279,376,680	6,716,514	272,660,166	14,316,099
FY27	291,342,293	6,661,847	284,680,446	12,020,280

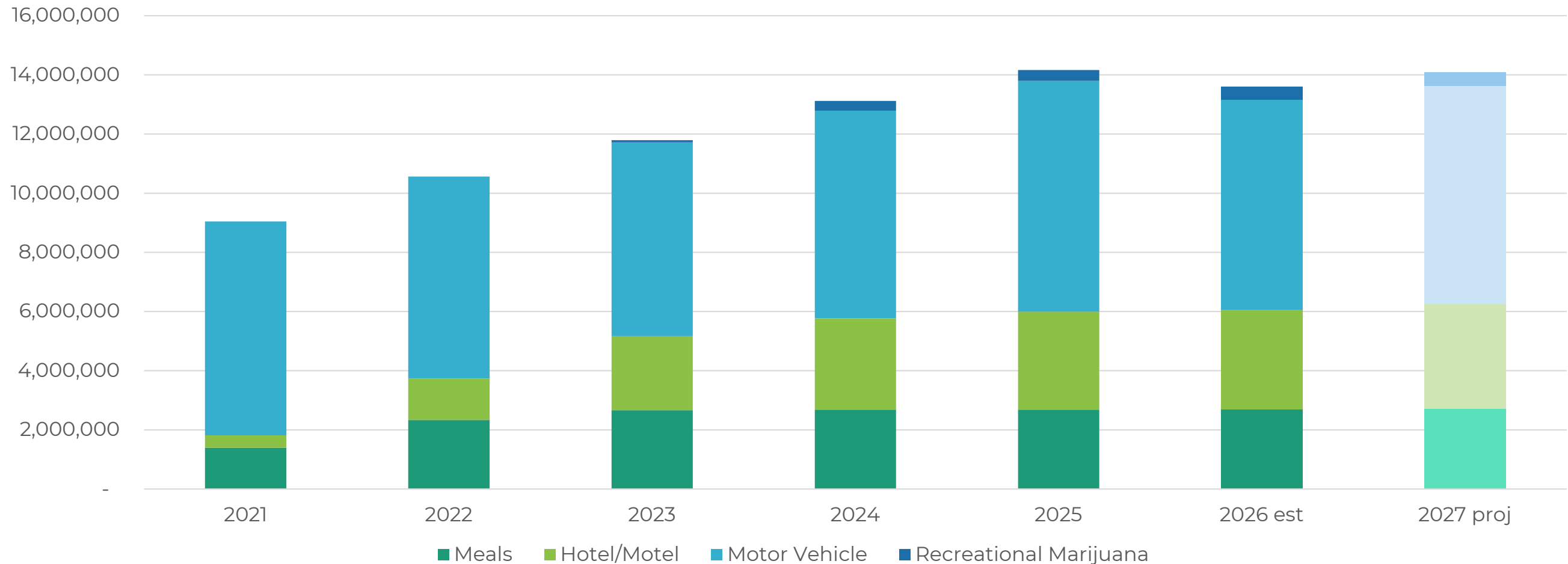
Building Permits remain a core revenue source

Building Permit Revenue: FY19-FY27 estimated



Excise Tax growth is moderating, but remains a valuable part of our revenue

Annual Excise Revenue by Type: FY21-FY27 estimated



State Aid – Governor’s FY27 Proposal

Category	Program	FY26 Cherry Sheet	FY27 Governor’s Proposal	Variance
Education	Chapter 70	22,553,482	22,934,482	381,000
Education	Charter Tuition Reimbursement	1,304,541	793,811	-510,730
Gen. Govt.	Unrestricted General Government Aid	31,366,085	32,148,394	782,309
Gen. Govt.	Veterans Benefits	142,971	146,752	3,781
Gen. Govt.	Exempt: VBS & Elderly	274,811	352,399	77,588
Offset Receipt	Public Libraries	190,323	195,477	5,154
				0
	Total Estimated Receipts	55,832,213	56,571,315	739,102

FY27 Cherry Sheet – Preliminary Assessments

Category	Assessment	FY26 Cherry Sheet	FY27 Governor's Proposal	Variance
State Charges	Air Pollution Districts	34,346	32,726	-1,620
State Charges	MAPC	48,765	49,867	1,102
State Charges	RMV Non-Renewal Surcharge	240,400	252,940	12,540
Transportation	MBTA	6,170,510	6,287,154	116,644
Transportation	Boston Metro Transit District	-		
Annual Charges	Special Education	41,196	50,680	9,484
Tuition	School Choice Sending Tuition	125,969	206,714	80,745
Tuition	Charter School Tuition	8,470,289	8,054,753	-415,536
	Total Estimated Assessments	15,131,475	14,934,834	-196,641

FY27 Net State Aid Summary

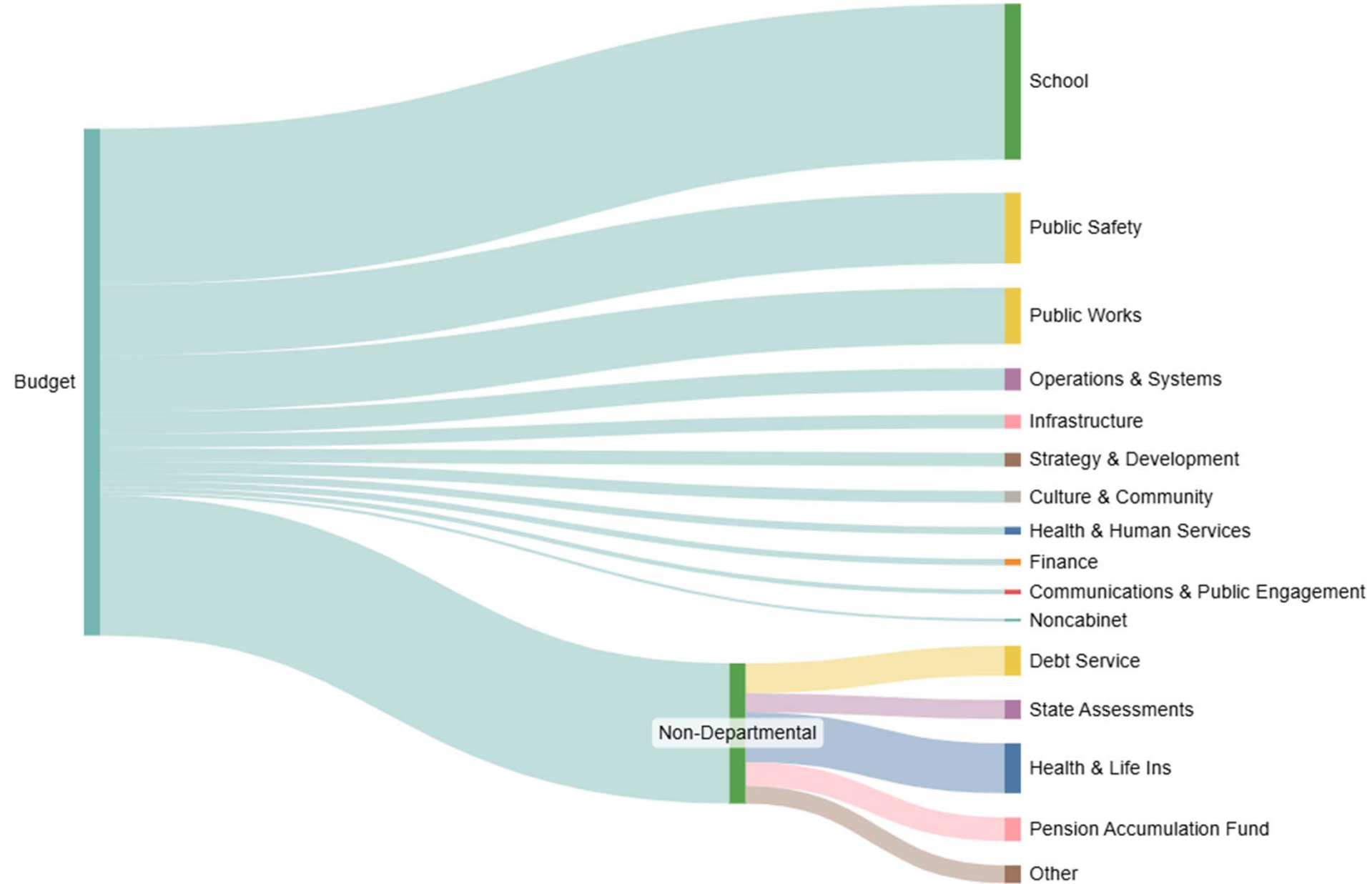
	FY26	FY27	\$ Increase	% Increase
Total Estimated Receipts	55,832,213	56,571,315		
Total Estimated Assessments	15,131,475	14,934,834		
Net State Aid	40,700,738	41,636,481	+935,743	2.30%

Section 4
Looking ahead to
FY27 - Expenses

**Somerville Public
Schools continues to be
our #1 investment**

FY27 Budget Composition

Schools remain the largest component of the City budget, at 30% of all budgeted expenditures.



**Fixed Costs
Drive
municipal
budgets**

Salaries

More than half of the City's General Fund pays for employee wages. (53.0%)

Health Insurance

Almost one out of every ten dollars funds health insurance for employees. (9.7%)
The City funds 80% of premiums.

Pensions

4.8% of the City's budget goes to the Somerville Retirement Board based on a full funding schedule complete in 2033.

Key components of a base budget

While we grow our scope of services, fixed costs rise and may conflict with future planning.

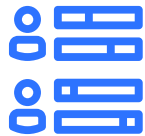
When we refer to a ‘base budget’, it means fixed costs as a proportion of the overall budget.

- **Essential Services:** These are non-negotiables for a functioning city.
- **Operational Costs:** The ongoing expenses for running the city.
 - Personnel: The cost of salaries and benefits for employees including health insurance and pension benefits.
 - Operating Expenses: Utilities and
- **Maintenance:** Keeping our city's infrastructure, parks, and public spaces in top shape and investing in them to mitigate long term costs.

While the base budget covers our essentials, it doesn't include new projects or expansions. Discretionary and new investments typically come second, ensuring we're always focusing on what's crucial while preparing for the future.

A higher base exposes us to external pressures

01



Proposition 2 1/2

Places constraints on the amount of property taxes a community can levy.

02



Salaries & Benefits

Adding new positions increases exposure to CBA changes, benefits costs, etc.

03



Economic Factors

Inflation can put upward pressure on contract values and limit capacity in future years.

04



Long-Term Planning

Preserving future capacity is essential to meet these required costs that communities face.

FY27 Major Cost Drivers: Health Insurance



Health Insurance

Group Insurance Commission increased plan amounts on average of 8%. Last year's average increase was 11.4%. This is the highest increase we have experienced. At current caseload levels, we anticipate the health insurance appropriation to increase by approximately \$2.8M in FY27.

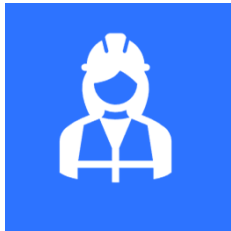
Current caseload is 2,987 (+17 from prior year). New positions added to the FY27 Budget will increase this amount.

City contributes 80% of the premium.

Plan Name	Type	FY27 Increase for Family Plan
Harvard Pilgrim Explorer*	POS	14.7%
Harvard Pilgrim Quality	HMO	10.3%
Health New England	HMO	5.2%
MGB Complete	HMO	13.6%
Wellpoint Total Choice	Indemnity	4.2%
Wellpoint Community Choice	PPO-type	8.4%
Wellpoint Plan/PLUS	PPO-type	6.6%
Harvard Pilgrim Across America	PPO	5.1%

**Harvard Pilgrim Explorer is the City's most common plan.*

FY27 Personal Services: Labor



Collective Bargaining

The following units settled collective bargaining agreements in FY26:

- SMEU D
- SPEA – Police Patrol
- SPSOA – Police Superiors
- SEU – Teachers

Settlements reached in the next few months will be built into Departmental salaries. Capacity must be reserved for future negotiations.



Salary Contingency & Reserves

By planning for these costs in advance, we ensure stability in services and workforce, avoiding last-minute budget adjustments or cuts to other essential items.

This proactive approach demonstrates fiscal responsibility and supports the long-term sustainability of municipal operations, ultimately benefiting every department.

Salaries must be sustainable in the long term, to avoid layoffs or service cuts.

FY27 Cost Drivers: Pension Appropriation



Somerville Retirement Board

The Somerville Retirement System conducted an updated actuarial study of our pension liability as required by law. The current unfunded pension liability is \$114,615,283. Full funding of the liability will be achieved in 2033.

The pension appropriation will increase by \$451,030 in FY2027 from \$ 18,342,078 to \$18,793,108.

FY27 Cost Drivers: Debt



Debt Service

GENERAL FUND DEBT SERVICE FY2027	Amount
Existing Amortized Debt	\$14,971,319
Existing Projects to be borrowed May 2026	\$1,844,959
Total Non-Excluded Debt	16,816,278
High School Excluded Debt	6,661,847
Total General Fund Debt	23,478,125

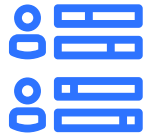
Section 4
Looking ahead to
FY27 - Mitigation

FY27 Revenue Projection:	\$392.8M
FY27 Level Service Projection:	\$397.3M
Gap to be mitigated:	\$4.5M

At this time last year, we were working to mitigate a \$3M deficit, primarily with reductions on the City side of the ledger.

Closing the FY27 Gap

01



Enhancing Revenue

Updating fees, fines, and permits through a cost recovery lens to charge appropriately.

02



Use of Reserves

Draw down reserves for capital projects and one-time expenses

03



Vacancy Control

Vacant positions are reviewed for long-term need based on service levels.

04



Audit Expenditures

City departments are developing 5% non-personnel reduction scenarios.

We continue to work with SPS to identify areas of opportunity.

What will this look like in the budget?

01

Enhancing Revenue

Examining and updating fees-for-service.

Negotiating with Tufts University on PILOT payments.

02

Reserves

Prudent use of reserves can be a strategy to mitigate costs long-term.

We expect to use stabilization funds to net down borrowing.

03

Vacancy Control

Positions are being re-evaluated, moved, updated, or funded in a different department.

04

Audit Expenditures

Reduce discretionary spending such as travel and conferences.

Evaluate indirect costs for Water & Sewer Enterprise

City priorities throughout all these treatments are focused on preserving core services and avoiding layoffs. Small changes add up.

Several key budgets will change in the next few weeks

01

State Aid

Budget figures are currently based on the Governor's FY27 proposal.

02

Debt Service

The City borrows in May, and we will fine tune results as we get closer.

03

Health Insurance

Open enrollment is underway.

What to expect in the FY27 General Fund Budget

Level Service

The FY27 budget will be predominantly level service, with a few targeted investments.

Organizational Reform

Departments may be re-named, moved, or incorporated into existing budgets.

We'll make sure that these changes are clear.

Revenue-Focused

We will work to mitigate the level service deficit through revenue where appropriate.

Thinking Long-Term

Long-term fiscal health is a major priority. We must focus on a sustainable base budget and use one-time resources cautiously.