



Attachment A

CAMBRIDGE CITY COUNCIL

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 876-6800

David A. Wylie
City Councillor

AGENDA

Finance Committee Meeting

December 17, 1980

SUBJECT: ALTERNATIVE REVENUE SOURCES

1. Payroll Tax
2. Income Tax (Municipal; State)
3. Occupation tax on all persons engaged in an occupation for profit within the city, or license fee on all persons employed
4. Sales tax or Use tax
5. Gross Receipts tax
6. Lottery
7. Dormitory Head tax;
8. General Head tax
9. Billboards and Signs (include in real estate assessments; or impose a license fee)
10. Tax exempt institutions: personal property tax; real property tax; reduce exemptions; increase in-lieu-of-tax payments
11. Impose or increase fees for city services: hospital, library, parking
12. Licenses: Liquor, Taxi:- impose transfer tax; require surrender and reissuance; increase fee
13. Sale of surplus property
14. Increase Federal and State Grants
15. Alcohol, Tobacco, or gasoline tax
16. Increase assessed valuation
17. Referenda to override 2 1/2: (i) in Spring to exempt city with majority vote; (ii) in November election to override pursuant to 2 1/2 with 2/3 vote.
18. Flat Rate License to do Business in Cambridge



City of Cambridge

Attachment B

4.

IN CITY COUNCIL

November 24, 1980

MAYOR DUEHAY

ORDERED: That the City Manager be and hereby is requested to prepare for the City Council's consideration, as one of a number of bills dealing with Proposition 2½ being prepared for the next annual legislative session, a bill which would permit the City of Cambridge to conduct a Municipal Lottery.

In City Council November 24, 1980.
Adopted by the affirmative vote of 5 members.
Attest:- Paul E. Healy, City Clerk.

A true copy;

ATTEST:

Paul E. Healy

Councillors Danehy and Wylie requested to be recorded in the negative on the matter.



Attachment 110

City of Cambridge

7.
IN CITY COUNCIL

November 24, 1980

COUNCILLOR CRANE

ORDERED:

That the City Manager be and hereby is requested to prepare and submit to this City Council by January 1, 1981 specific plans as to how he will deal with the projected excise tax short fall based on Proposition 2½.

In City Council November 24, 1980.
Adopted by the affirmative vote of 7 members.
Attest:- Paul E. Healy, City Clerk.

A true copy;

ATTEST:-

December 11, 1980

CHECKLIST
PROPOSITION 2 1/2: POSSIBILITIES FOR ACTION

In your opinion, what are the most promising and/or important concerns or avenues to pursue? Please check or circle your preferences, add other comments, and hand in at the end of the Conference.

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I. CONSIDERATIONS OF EQUITY IN GOVERNING CHOICE OF MEASURES TO COUNTERACT 2 1/2

- Ensure that new taxes or fees for services do not deprive segments of the population of opportunities or services available to other segments.
- Ensure that city employee composition after any manpower cuts is representative at all salary and job classification levels (i.e. professional, office, laborer, etc.) of the racial, ethnic and sex composition of the city as a whole.
- Ensure that the mix of remedies accommodate differences in ability to pay, and that adverse impacts are counteracted with low-income or elderly credits or exemptions.
- Other considerations (Please specify) _____

II. LEGAL AND LEGISLATIVE APPROACHES

- Pursue all reasonable court challenges re constitutionality of Prop 2 1/2.
- Home rule petitions to legislature to allow local override this year.
- Other legislative initiatives to mitigate impact or to repeal Prop 2 1/2.

III. STATE ACTIONS

New Revenues

- sales tax: raise rate, same coverage
- sales tax: "broaden up" to cover professional services, not just "products"
- sales tax: "broaden down" to cover food and clothing.
- income tax: constitutional amendment for graduated income tax.
- income tax: raise current rates, with or without increased exemptions for low-income, elderly, etc.
- corporate and business taxes: raise
- raise other taxes: cigarettes, liquor, gas, other _____
- other sources of new state revenue (specify) _____

Distribution Formulas for State Aid to Cities and Towns

- Lottery formula: based on equalized valuation per capita; tends to favor densely populated, poorer cities (e.g. Cambridge gets approx. twice as much under this formula as with same amount of \$\$ under school aid formula)
- School aid formula: equalizing but tending to favor communities with larger school age populations (suburbs).
- Other (Please specify) _____

Takeover or Reimbursements of all or part of Local Costs

- tax exempt institutions (post-secondary education, hospitals, etc.)
- County, MBTA, MDC, other _____
- Assistance to cities to get out from under long-term debt.
- Other (Please specify) _____

State Law Reforms or Modifications

- Civil Service
- Collective Bargaining, e.g. requiring preservation of "management rights" as in recent MBTA law; "zero-based collective bargaining."
- Revisions in state aid distribution times and local tax collection times to avoid high interest costs for short term debt.
- Other (Please Specify) _____
- Removal of mandates upon local governments (Please specify which) _____

Economies in State Government

Please Specify: _____

OVER 

IV. LOCAL ACTIONS

New or Increased Revenue Sources

- Payroll tax
- Sales Tax
- Lottery
- Fees for general services: street cleaning, plowing, trash pickup, water, sewer, etc.
- Fees for special services: recreation, ambulance, libraries, health, adult education, licenses, permits, parking lots, etc.
- Fees for parking on city streets.
- Special fees for non-residents' use of city, streets, facilities, etc.

Assessment Practices

- Move to 100% of true market value of all property, IMMEDIATELY.
- Ensure equity within classes of property (e.g. among residential neighborhoods).
- Ensure equitable abatement policies.
- Other (Please specify) _____

Other Local Actions

- Recission of local acceptance of some state laws (Please specify if possible)
- Seek in-kind services from large tax-exempt institutions.

V. IF (IN SPITE OF ACTIONS TAKEN AS OUTLINED ABOVE) CUTS MUST BE MADE, WHAT PROCESSES SHOULD BE USED FOR ALLOCATING CUTS & MODERATING IMPACTS?

- Across the board cuts--all services treated essentially the same to avoid competitiveness and discord.
- Establish program priorities, with procedures for citizen involvement.
- Establish program evaluation process.
- Personnel evaluation and classification process utilized to guide cuts and promote economies (e.g. staffing for lowest level of skills necessary for each job).
- Work sharing, reduced work weeks, rotating layoffs, examine overtime practices to spread work and avoid layoffs.
- Contracting out services.
- Incentives for productivity.
- Promote energy saving and other efficiencies.
- Spin-off services which could be done in private sector.
- Consolidation of agencies/programs if efficiencies and preservation of service quality could result.
- Purchase of services/supplies (consortium buying; bidding vs. negotiating)
- Decentralize where possible; encourage neighborhood self help groups.
- Develop a citizens' coalition to work with local government in seeking ways to preserve vital services and cut costs.
- Other _____

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IF there is follow-up activity as a result of this Conference, would you like to be notified? Yes _____ No _____

If Yes, which areas of government activity are you most interested in? (Please circle one or more choices):

- Education, Health Services, Human Services, Police, Fire, Public Works,
- Youth Services, Elderly, Day Care, Community Schools, Recreation,
- Other (Please Specify) _____

Name: _____ Phone: _____

Address: _____ (ZIP) _____

Additional comments:



Assessment E

December 15, 1980

CAMBRIDGE CIVIC ASSOCIATION
2 ESSEX STREET
CAMBRIDGE, MASS. 02139
(617) 876-9176

FROM CCA CONFERENCE Dec. 11, 1980
COPING WITH 2½: PRELIMINARY RESULTS OF CHECKLIST
OF MOST PROMISING POSSIBILITY FOR ACTION TO COPE WITH PROP. 2½
Preliminary Analysis by Elaine Kistiakowsky

I. Considerations of equity drew support for the ideas that any new taxes or fees for services should not deprive segments of the population of opportunities or services available to other segments. Also, people wanted the mix of remedies to accommodate differences in ability to pay, and that adverse impacts be countered with low-income or elderly credits or exemptions.

II. Under legal or legislative approaches, there was strongest support for Home Rule petitions to the Legislature to allow local override of prop. 2½ this year. Strong support was shown also for pursuit of all reasonable court challenges regarding the constitutionality of Prop 2½.

III. With regard to state initiatives regarding new revenues, strongest preference was shown for a sales tax "broadened up" to cover professional services, not just "products." Other preferences were for raising other taxes such as cigarette, liquor, gas, and "luxuries." Close behind was support for raises in corporation and business taxes.

Concerning distribution formulas, should the State bring itself to raise and/or share additional revenues with cities and towns, the lottery formula (which tends to favor Cambridge and poorer, highly populated cities, was a hands-down favorite over alternatives such as the school aid formula (equalizing but still tending to favor communities with larger school-age populations: e.g. the suburbs).

There was enthusiasm for state reimbursements or takeover of local costs for tax exempt institutions. Interest was also shown in shifting county, MBTA, MDC, "highway, or anything you can logically argue" local costs over to the state.

IV. With regard to local actions, increased revenues were favored to come from a sales tax (probably regional, since that was the approach favored by the panel of speakers). Also favored: special fees for non-residents' use of city streets and facilities. There was also some, but less, support for a payroll tax; fees for special services such as recreation, ambulance, licenses, libraries; as well as for a local lottery.

Under "Assessment Practices", greatest interest was shown in moving to 100% of true market value of all property "immediately." Also important was ensuring equity within classes of property (e.g. so that different residential neighborhoods are treated equitably). Equitable abatement policies also spurred interest.

(see next page)

Enthusiasm was shown for seeking in-kind services from large tax-exempt institutions.

V. Having considered all the options for tax reform and all other conceivable actions at the state level, and possibilities for increasing local resources through the means already mentioned, what, it was asked, should we do if there is still a shortfall and school and municipal budgets must be trimmed?

Greatest support was shown for promoting energy savings and other efficiencies; for developing a citizens' coalition to work with local government in seeking ways to preserve vital services and cut costs; for establishing program priorities with procedures for citizen involvement; and for innovations such as work-sharing, reduced work weeks, rotating layoffs, examination of overtime practices--all with the purpose of spreading work and avoiding layoffs. Other items of interest were decentralization of services where possible in conjunction with encouraging neighborhood self-help groups. There was also support for the idea of consolidation of agencies or programs if both efficiency and preservation of quality of services could result.

&&&&&

Written comments on the checklist urged a variety of other actions:
e.g. --have the 2½ limit apply to residences only;
--public information on all budgets and proposed cuts should be made available as soon as possible;
--several pleas for preserving school programs such as art, music and science;
--giving priority to education--cutting less than other services.
Finally, was the plea: "Save our City and Let's Improve It!"

LIST OF DOCUMENTS, PROPOSED LEGISLATION, COUNCIL ORDERS AND COMMUNICATIONS RECEIVED AT FINANCE COMMITTEE HEARING OF DECEMBER 17, 1980.

- Attachment "A" - Alternative Revenue Sources for the Agenda of the Finance Committee Meeting of December 17, 1980.
- Attachment "B" - Order by Mayor Duehay dated November 24, 1980 providing for a Municipal Lottery.
- Attachment "C" - Order by Councillor Crane requesting specific plans by the City Manager to deal with projected excise tax short fall.
- Attachment "D" - Document entitled NON TAX REVENUE prepared by Departments of the City.
- Attachment "E" - A Checklist For Action Regarding Proposition 2½ prepared by the Cambridge Civic Association.
- Attachment "F" - Preliminary Results of Checklist of Most Promising Possibility for Action to Cope With Proposition 2½.

PROPOSED LEGISLATION

1. AN ACT AUTHORIZING THE CITY OF CAMBRIDGE TO IMPOSE AN EXCISE TAX ON PAYROLLS. submitted by Councillor David Sullivan
2. AN ACT AUTHORIZING THE VOTERS OF CAMBRIDGE TO EXEMPT THEIR CITY FROM CERTAIN PROVISIONS OF THE INITIATIVE LAW LIMITING STATE AND LOCAL TAXATION AND EXPENDITURES - submitted by Councillor David Sullivan.
3. AN ACT AUTHORIZING THE CITY OF CAMBRIDGE TO TAX THE PROPERTY OF CERTAIN CHARITABLE ORGANIZATIONS
4. AN ACT AUTHORIZING THE CITY OF CAMBRIDGE TO IMPOSE AN EXCISE ON RETAIL SALES OF CERTAIN TANGIBLE PERSONAL PROPERTY
5. AN ACT AUTHORIZING THE CITY OF CAMBRIDGE TO IMPOSE AN EXCISE ON CERTAIN PROFESSIONAL, RESEARCH AND COMMERCIAL SERVICES - submitted by Councillor David Sullivan.
6. AN ACT AUTHORIZING THE CITY OF CAMBRIDGE TO EXEMPT ITSELF FROM CERTAIN PROVISIONS OF THE INITIATIVE LAW LIMITING STATE AND LOCAL TAXATION AND EXPENDITURES - submitted by Councillor David Sullivan.

reduction the first year, and 15% more in succeeding years.

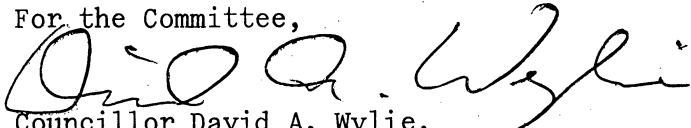
Assessor Kevin McDevitt stated that 44% of 79.9 million dollars tax levy is borne by residential property and that 55% of the 79.9 million dollars is levied on Commercial property; that 310 million dollars represented the assessed valuation of the tax exempt property in the City that the present value may be as high as 347 million dollars.

In consideration of Item Number Sixteen providing for an increase in assessed valuation, Mr. McDevitt stated that as of 12/30/80 the total valuation figure would be in the range of 1.5 billion to 1.7 billion dollars that Cambridge taxable property would gain 18 million dollars each month due to inflation.

At 9:45 p.m. Councillor David Wylie moved that all listed documents proposed legislation, council orders and committee communications be reported to the City Council for their consideration at their meeting on December 22, 1980.

There being no objection the motion prevailed and the Committee adjourned on motion of Councillor David Sullivan at seven o'clock and forty-five minutes p.m.

For the Committee,



Councillor David A. Wylie,
Chairman.

Councillor Wylie stated that this proposal would be added to the Agenda.

The Committee heard from Ben Ross of 2 Ellsworth Park who advocated a Gross Receipts Tax on Professional Services, this being Item Number Five, and researchers at Harvard University and Massachusetts Institute of Technology who are employed by the Federal Government. He stated that architects and engineers and research services who provide these government functions should be taxed on the income derived from this source; that some are incorporated and their records are available; that exemptions of certain amounts could be provided for.

Councillor David Sullivan stated that this proposal could exempt medical, dental and education services but tax only goods sold and services performed and could be collected from the persons concerned.

Mayor Francis H. Duehay favored the filing of Legislation to implement Item Number Six providing for a Municipal Lottery to raise revenue lost under Proposition 2½.

The Committee proceeded to Item Number Seven providing for a Dormitory Head Tax. Mayor Duehay inquired as to how much money it would raise and how many would be involved.

The Committee considered Item Number Eight providing for a General Head Tax. Councillor Wylie stated it was regressive and the return would be minimal and Councillor David Sullivan stated that something more readily identifiable would be more acceptable.

The Committee proceeded to discuss Item Number Nine Billboards and Signs by the imposition on the Real Estate of the sign or by the use of a License Fee.

City Manager James Leo Sullivan indicated that the Assessors would be instructed to proceed in this direction.

The Committee proceeded to a discussion of Item Number Ten which was concerned with Tax Exempt Institutions, personal and real property taxes, tax exemptions, and an increase in lieu of tax payments.

City Manager James L. Sullivan stated that in lieu of tax payments from Harvard and MIT now amount of \$700,000 per year; that proposed legislation would authorize the levy of taxes on the real and personal property of Harvard College at the rate of 5% of the assessed value of said property with a further provision for taxing charitable organizations at the same rate and exempting the real and personal property of Schools with grades one through twelve.

Assessor Kevin McDevitt informed the Committee that he would project and report the amount that such a tax would bring in. He informed the City Council that the Elderly exemption will be reduced from \$900 to \$500 and that the Board of Assessors have a procedure to help those really in need.

The City Manager stated that the proposed total valuation of all property in the City would be one billion, six hundred million dollars which would result in a reduction of the property levy from \$80 million to \$40 million under Proposition 2½; that 15% of \$80 million equals a 12 million dollar

The Committee proceeded to discuss Item Number Two providing for an income tax by the City. Councillor Wylie stated that an income tax by the City would be unconstitutional; that it should be pursued at state level.

Councillor David Sullivan stated that a graduated income tax would provide tax relief.

Ms. Sheila Chemets stated that the best course would be to follow this course of action through the Legislature by seeking the action from our Representatives.

Elaine Kistiakowsky of the CCA directed the Committees attention to Paragraph II of their analysis which provided for the both the legal and legislative approaches by Home Rule Petition to override Proposition 2½ and for the support of all reasonable court challenges to the constitutionality of Proposition 2½.

The Committee considered Item Number Three an occupation tax on all employed in the City. City Manager James L. Sullivan stated that this tax on 80,325 employed would generate needed revenue.

The Committee proceeded to Item Number Four calling for a Sales Tax or Use Tax and heard from Sheila Cheimets who stated broader coverage of the 5% sales tax would result in \$4 million revenue to the City.

The City Manager stated that he favored a 1% increase in the sales tax and indicated that he opposed covering exempted items.

Ms. Chiemets stated that the MMA had filed a fill which would eliminate exemptions.

The City Manager stated that he favored the following:

1. filing of a Home Rule Petition to override Proposition 2½ by a majority vote.
2. 1% Payroll Tax Petition
3. Local Sales Tax of 1%
4. Tax on the Universities.

Councillor David Sullivan stressed the need for tax reform, that the basic purpose of government was to serve people, that the sales tax should be broadened and that taxes should be levied on the ability to pay from those who can afford it.

Councillor Vellucci advocated the licensing of all businesses in the City of Cambridge and raising revenue from this source by filing appropriate legislation.

Councillor David A. Wylie presided and informed the Committee that the meeting would be limited to two hours and that the Committee would consider seventeen proposals for alternative revenue sources as outlined on the Committee Agenda.

City Manager James L. Sullivan informed the Committee that the sum of Eighty Million Dollars now being raised by the Property Tax would have to be reduced to Forty Million Dollars under the requirements of Proposition 2½. He further stated that the proposed revaluation of all property was estimated at \$1,600,000,000 up from \$1,288,000,000. The City Manager stated that a determination should be made as to what Legislative action the City should pursue and that agreement should be made as to the best possible revenue sources.

Councillor Wylie outlined the procedure to be followed which included at the meeting the presentation by speakers of their views, comments and discussion by the Committee with a view to set out goals to obtain additional revenue.

Councillor David Sullivan stated that the first priority should be to resolve the crisis to remove the tax limits imposed by Proposition 2½ that Tax Reform should be considered based on ability to pay; that he would file legislation to meet this goal.

Mayor Francis H. Duchay stressed the need to have the support of all cities, towns and groups in the Legislative proposals prepared by the City; that a legislative package was ready for filing in January 1981.

The Committee considered Item Number One, the Payroll Tax which would authorize the City to levy a 1% tax on all employees of the City of Cambridge.

Councillor David Sullivan stated that the tax should be collected by the employers and would take effect after a referendum and would allow the City Council by subsequent ordinance enactment to exempt groups including the City and make those employees who use the services of the City to contribute to the costs of operation.

The City Manager stated that 80,325 were employed in Cambridge and that 1% payroll tax would generate a large amount of revenue for the City and \$11 million from Harvard and Massachusetts Institute of Technology alone.

The Committee heard from Sheila Chiemets of the Massachusetts Municipal Association who stressed the need for tax reform at the Legislative level by broadening the Sales Tax to include exempted commercial services, alcohol, cigarettes, and eliminate the present exemption for clothing, to change the local aid formula to provide more revenue to the municipalities; to secure additional revenue from the Lottery and the Chapter 70 Formula up to 50%; to provide an increase of the sales tax from 5% to 6% by local option, the additional 1% to be collected by the state and returned to the City on a monthly basis. Sheila Chiemets stressed the need for a unified legislative approach to provide for property tax relief by the use of alternative taxes.

City of Cambridge

In City Council December 22, 1980.....

The Finance

Committee

comprised of the entire membership of the City Council met on Wednesday, December 17, 1980 in the City Council Chamber to conduct a public hearing on proposed alternative revenue sources for the City of Cambridge.

The Committee was in receipt of two proposed bills for their consideration, both filed by Councillor David Sullivan, the first, a proposed Home Rule Petition to the Legislature which would authorize the City of Cambridge to impose an excise on payrolls of persons doing business in the City, and the second legislative proposal which would authorize the voters of the City of Cambridge to exempt their City from certain provisions of the initiative law limiting state and local taxation and expenditures.

The Committee also considered eighteen alternative revenue sources prepared by Councillor Wylie which would provide additional revenue to conduct the business of the City as outlined in Schedule "A" attached.

The Committee also had before it all orders by Mayor Francis H. Duehay adopted by the City Council on November 24, 1980 which would provide for legislation which would permit the City of Cambridge to conduct a Municipal Lottery and a second order by Councillor Kevin Crane requesting the City Manager to submit plans to the City Council as to his plans to deal with the estimated tax short fall resulting from Proposition 2½ on the November Ballot attached hereto and designated as "Attachments "B" and "C" respectively.

The Committee was in receipt of a document entitled Non Tax Revenue prepared by the departments of the City who charge fees for services performed which outlined increases in the present fee schedules as outlined in Attachment "D" attached.

The Committee received two communications from the Cambridge Civic Association from Elaine Kistiakowsky, the first dated December 11, 1980, a Checklist of Possibilities for Action Regarding Proposition 2½ which outlined five approaches to the problems presented by the enactment of Proposition 2½ which is attached and designation Attachment "E".

The second communication dated December 15, 1980 outlined the results of the CCA Conference and commentaries on the five propositions included in the December 11th communication and was entitled Preliminary Results of Checklist of Most Promising Possibility for Action to Cope with Proposition 2½ and is attached and designated as Attachment "F"

REPORT F. 20

Committee on Finance

Meeting held on December 17, 1980
relative to proposed alternative revenue
sources for the city of Cambridge.

In City Council,

December 22, 1980