City of Cambridge

FINANCE COMMITTEE MEMBERS
Councillor Michael A. Sullivan, Chair
Councillor Kathleen L. Born
Councillor Jim Braude
Councillor Henrietta Davis,
Councillor Marjorie C. Decker
Vice Mayor David P. Maher
Councillor Kenneth E. Reeves
Councillor Timothy J. Toomey, Jr.
Mayor Anthony D. Galluccio

In City Council April 10, 2000

The Finance Committee held a public meeting on March 28, 2000, beginning at 4:63 P.M. in the Ackermann Room for the purpose of a preliminary overview of the FY 2001 budget.

Present at the hearing were Michael A. Sullivan, Chair of the Committee, Councillor Kathleen L. Born, Councillor Jim Braude, Councillor Henrietta Davis, Councillor Marjorie C. Decker, Vice Mayor David P. Maher, Mayor Galluccio, City Clerk D. Margaret Drury and Deputy City Clerk, Donna Lopez. Also present were Robert W. Healy, City Manager; James Maloney, Assistant City Manager for Finance; Louise DePasquale, Budget Director; and Lisa Peterson, Assistant to the City Manager.

Councillor Sullivan convened the hearing and explained the purpose. He outlined the budget schedule and provided a brief description of the structure of the upcoming budget hearings.

Councillor Michael A. Sullivan said that on Monday, the City financial staff, the School Department financial staff, and the City council and School Committee Budget Committee Chairs met for a preliminary budget overview. They reached agreement as to the School Department needs for operating expenses. Robert W. Healy stated that the joint understanding assumes that the $1.1 million state aid proposed by the Governor will be the amount allocated to Cambridge in the final state budget. The remainder of the shortfall in the school budget will be resolved by the City Manager allocating about an additional $435,000 in property tax revenue to the schools and the Superintendent cutting about $424,000 from her budget request. This will mean a $4.6 million property tax revenue increase for school expenses.

In response to a question from Councillor Kathleen L. Born, Mr. Healy stated that the total tax levy is $165 million for FY00 and may reach $177-178 million next year.

Mayor Anthony Galluccio asked if the percentage increase to the schools is consistent with previous years.

Mr. Healy said that the City tries to blend bonding and "pay-as-you-go" capital expenditures. But the queue of projects now being discussed would mean a $10-11 million "pay-as-you-go" cost.

Councillor Marjorie Decker asked for an example of what is included. Mr. Healy listed the new open space by Columbia Street, traffic calming, a ladder truck for the Fire Department, $4.5 million for the Affordable Housing Trust, the open space fund, MIS, and park and playground improvements. Mr. Healy said that this is the hardest budget year since Proposition 2½ because of the high capital numbers. He added that on the operating expense side, there is a better picture. He noted that the Human Services Department operating budget is up about 10%, the largest single increase.

Councillor Sullivan said that part of the reason is the choice to keep the Harrington extended day program money in the City's Human Services budget, rather than in the School budget.

Mr. Healy said, given the size of the capital demands, he has temporarily put the War Memorial renovation project on hold and also the Cambridge Street roadway improvements. The Cambridge Street decision is driven partly by the fact that the project is going to cost twice as much as projected, and the fact of the reduction in the state Chapter 90 funds for road repair.

In response to a question, Mr. Maloney said that regarding debt issue, the sale will be $15 million this year with $200,000 increased debt service in this fiscal year.

Mr. Healy stated that capital expenditures through FY00 approved loan orders include Danehy Park renovations, Russell Field rehabilitation, Gately Shelter, the Yerxa Road underpass, the Magazine Beach improvements and the Taylor Square firehouse.

Mayor Galluccio asked what is the estimated tax increase. Mr. Healy said it looks like a $13.8 million total levy increase.

James Maloney said they are estimating an 8-9% increase in taxes, but they won't know what the total is until the assessment values are recertified by the state.

Councillor Sullivan noted in the last several years the tax increases have been offset by new construction revenues so that the tax increases have been 0-2%. This would be the largest increase in the 1990's.

Mr. Maloney said that if the total levy goes up $14 million, he will hope for $5 million in new construction values to offset it which leaves about a 5½% increase in residential taxes.

Councillor James Braude asked what is the difference between the Governor's budget and the legislative budget with regard to state aid.

Mr. Healy stated that between the Governor's proposal and President Birmingham's proposal there is only about $100,000 difference.

Mr. Healy said that in this last fiscal year there was an agreement with the School Department that if additional state money came back to Cambridge, it would go to the City for the extended day expenses, but that didn't happen; the money stayed in the School Budget.

Mr. Maloney said that in the 1980's, after Proposition 2½, the state provided a great deal of unrestricted state aid. That has changed as the economy has improved. Now the cities and towns get mostly education reform money and Cambridge doesn't fare well under the education reform formula because it already spends a lot on its schools.

Councillor Henrietta Davis asked about free cash. Mr. Maloney said that the overall goal is about 8%; last year Cambridge had to get the money up for the one-time cost payment for collective bargaining agreements.

Mr. Healy noted that this year there are fifty-three pay-days in the fifty two fiscal year, which will cost an extra $1 million and is one of the reasons why the City won't be able to replenish free cash.

Councillor Born said that she is beginning to get phone calls about the water rates. Mr. Healy said that applying free cash to reduce the rate would mean artificially subsidizing Harvard and MIT.

Mr. Healy said that with a total tax levy increase of $13-14 million, the increases would be allocated as follows:

Schools	$4-5 million
3% salary increase	$3 million increase
Health Insurance	$1 million
Pay-As-You-Go capital	$2.5 million
Pension	$300,000
City Operating Expenses	$1.5 million
Council priority projects	Approximately $1 million

Councillor Jim Braude asked what $1 million adds to the tax rate. Mr. Maloney said that $1.6 million equals a 1% increase in the tax levy at this time. Councillor Born said that would mean a $500 tax increase on a home with an assessed value of $500,000.

Mr. Healy noted the disparity in timing: the budget is voted in May, and then the tax rate based on the budget is not finalized until September. So in the spring the City Council will be hearing about all of the unmet needs with many requests to increase budget allocations and in the fall, they will hear from unhappy tax payers.

Mr. Maloney noted that there are some different effects assessment district by assessment district, for example Neighborhood Four where property values are going up fast, assessments will rise dramatically, so application of the same tax rate will be experienced differently in that neighborhood.

Councillor Braude asked what would happen if a City Councillor made a request to see a plan for cutting the budget.

Councillor Sullivan explained what happened when this was proposed six years ago. The City staff had to identify department by department personnel cuts. There was tremendous anxiety by staff who believed their jobs and programs were on the line, morale suffered tremendously, and in the end, the City Council made no cuts at all.

Mr. Maloney explained that to cut $1-2 million, the City would have to cut about forty employees. No one wants to cut police and fire and education. That leaves a relatively small pool from which to make big employee cuts. Where you cut in the end is capital and debt service.

Councillor Braude asked what the effect would be on the tax rate if a decision on the library were to be made April 5, 2000 at the Special Meeting. Mr. Maloney said that the full impact of the decision would be two years out. If the City Council made a decision, he would prepare the loan order documents necessary for the Council to authorize the bonding, but he wouldn't take the bonds to market next year.

Councillor Sullivan noted that in years towns like Lexington, homeowners pay three times the taxes Cambridge residents pay because they don't have the commercial base.

Councillor Decker said she would like to see visually information about what the different versions of the library would mean for taxes and other capital expenditures.

Councillor Sullivan said that the Superintendent warned that some of the $424,000 in cuts that she will make as part of the agreement at the Monday meeting may include politically difficult decisions for the School Committee.

Councillor Sullivan said that the City has been very fortunate with negotiations with the health providers to keep the rate increases to about 7%.

Councillor Born asked about the possibility of doing some capital projects as turnkey projects. Mr. Maloney said that it is worth looking into; however, a lot of research is required - there are many complications.

Mr. Healy said that there may be helpful changes in the public construction law coming up.

Councillor Decker asked if there is any money in the budget for staff for City Councillors. Mr. Healy answered in the negative. He noted that there will be some time even after the budget is adopted for the City Council to study the issue. If the Council makes a reasonable proposal, he will try to work with them.

Councillor Sullivan thanked all those present for their attendance and participation.

The meeting was adjourned at 5:30 P.M.

For the Committee,

Councillor Michael A. Sullivan, Chair

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For the Committee,

Councillor Michael A. Sullivan, Chair

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A report from Councillor Sullivan,
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In City Council April 10, 2000

Report Accepted

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