

DATE: May 10, 1991
TO: Robert Healy, City Manager
FROM: Jim Maloney, Finance Director
SUBJECT: Council Order #14, May 6, 1991

In response to Council Order #14 of May 6, 1991, please be advised that as of June 30, 1990 the City of Cambridge had a certified free cash balance of \$17.9 million. For the year ending June 30, 1991, I project that the certified free cash number will be approximately \$14.65 million. This number is calculated as follows:

June 30, 1990 certified free cash	\$17.900 million
minus free cash used FY 1991	(4.725)
minus teachers early out program	(0.750)
plus FY 1991 year end balance	<u>2.000</u>
6/30/91 free cash	14.425**

Further, the FY 1992 capital and operating budgets contain \$3.5 million in free cash and I will be forwarding a recommendation that an additional \$1 million in free cash be appropriated to recapitalize the Affordable Housing Trust Fund. Thus, the estimated amount of remaining free cash would be \$9.925 million.

Again since once you utilize free cash, it becomes a recurring need, the FY93 budget will need between \$3.5 and \$4.5 million. Any further use of free cash also will reduce the estimated interest earnings by the City in FY 1992 by approximately \$70,000 per \$1 million used.

As I have pointed out in the past, the City has a sound plan for the annual use of our free cash reserves. This plan balances the use of those funds (\$4.5 million annually) with interest earning needs (over \$1 million earned from free cash annually). In addition to those benefits of free cash, our reserve allows us to fund certain one time items such as the proposed recapitalization of the Affordable Housing Trust Fund (\$1 million) and the teachers early out program which will save over 20 young teachers their jobs in FY 1992.

** numbers as of 6/30/91 are estimates and could rise or fall depending upon final FY91 expenditures and receipts.

14.



CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

RICHARD C. ROSSI

Deputy City Manager

May 13, 1991

To the Honorable, the City Council:

In response to Awaiting Report #43 regarding the City's free cash situation, please find attached a report from James Maloney, Assistant City Manager for Finance.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert W. Healy", is written over a horizontal line.

Robert W. Healy
City Manager

CONSENT AGENDA #14

S-668

Comm. relative to Awaiting Report # 43
regarding a report on the City's free
cash situation.

In City Council,

May 13, 1991

Placed on file