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City of Cambridge

FINANCE COMMITTEE MEMBERS
Councillor Brian Murphy, Chair
Vice Mayor Henrietta Davis
Councillor Marjorie C. Decker
Councillor Anthony D. Galluccio
Councillor David P. Maher
Councillor E. Denise Simmons
Councillor Timothy J. Toomey
Mayor Michael A. Sullivan

In City Council October 28, 2002

The Finance Committee held a public meeting on Wednesday, October 9, 2002, beginning at five o'clock and forty minutes p.m. in the Ackermann.

The purpose of the meeting was to receive an update on the state budget and its expected effects on city finances next year and to receive a report on the hotel/motel revenues.

Present at the meeting were Councillor Brian Murphy, Chair of the Committee, Councillor David Maher, Councillor Denise Simmons, Vice Mayor Henrietta Davis, Mayor Michael Sullivan. Also present were City Manager Robert W. Healy, Deputy City Manager Richard Rossi, Acting Assistant City Manager for Fiscal Affairs Louis A. DePasquale, City Auditor James Monagle, City Clerk D. Margaret Drury, Assistant to the City Council Sandra Albano and Deputy City Clerk Donna L. Lopez.

Councillor Murphy convened the meeting and stated the purpose of the meeting.

City Manager Healy stated that next year's budget is uncertain. Governor Swift is thinking of exercising her authority to further reduce the state budget. There was no additional reduction in aid to cities and towns for fiscal year 2003. It does not appear that state aid will be positive next year. A packet of information was distributed. One target, he said, is Additional Assistance. Additional Assistance effects one hundred cities and towns out of three hundred fifty and Cambridge is one city affected. There was $1.5 million cut for Cambridge for this year. A chart outlining Total State Aid and Additional Assistance for fiscal years 1998 – 2003 was distributed (**Attachment A**). The left side of the chart shows a net loss of $731,500 from budget to budget. The right side of the chart shows a $2.8 million loss due to the reduction in additional assistance and school construction.

Mr. Healy stated that the hotel/motel tax is difficult to analyze. The first quarter of June, July and August, is significantly behind (**Attachment B**). The tourism industry was impacted by September 11th. Cambridge has made it through this year with some increase in taxes. He is concerned with next year's budget in relation to picking up the operating expenses of noble organizations that have been impacted by state aid.

Vice Mayor David asked what does the decrease pertains to in the school construction. Mr. Healy responded that $1.9 million was not received in school construction in fiscal year 2002. If school construction is funded next year, funds will be received for the Agassiz (Baldwin) and Haggerty schools and these funds will go to the debt service.

Vice Mayor Davis asked what is the difference in the charts in Attachment A. Mr. Healy stated that the difference in the two charts is the revenue estimate and the revenue submitted to the Department of Revenue and the tax rate. Mr. DePasquale stated that the only change is the school construction account.

Councillor Maher stated that the school construction funds have to be paid. Mr. Healy stated that the funds will be paid over time; it is not a loss, only a delay because of the difference in the House and Senate budgets.

Councillor Maher asked if Haggerty was in litigation. Mr. Rossi stated that the Haggarty suit is being settled. Councillor Maher asked if the settlement is favorable for the City. Mr. Rossi responded in the negative because of legal fees and fees left on the job. The settlement is a little more than what was due the contractor.

Vice Mayor Davis asked if Cambridge was handled differently with regard to the Cherry Street distribution. Mr. Healy stated that under Chapter 70, Cambridge fares badly. Cambridge, he said, is penalized because it is well managed by the City Manager and the City Council. Mr. DePasquale stated that 7% of the budget is received from Chapter 70 funds.

Councillor Murphy questioned the cuts to Human Services (**Attachment C**).

Mr. Healy informed the committee that there is a working group working on the impact of the closing of 240 Albany Street. Recommendations were presented to the City Manager. He will be making a recommendation to the City Council to reopen 240 Albany Street during the daytime for a limited number of beds for medically needed individuals. This represents between thirty to forty beds, seven days a week during daytime hours. There will be seven dedicated beds funded for evening hours. The total cost for eight months is $100,000 with payment being shared fifty/fifty with the City and the Cambridge Public Health Alliance. The Center for Families will have a rent avoidance ($20,000). Councillor Maher asked how much money was lost for CASPAR. Mr. Healy responded $181,500 in state funding for 240 Albany Street.

Councillor Maher asked if CASPAR tried to raise funds from private foundations. Mr. Healy stated that the City could provide short-term assistance. Mayor Sullivan stated that some charities are easier to raise funds. Raising funds for CASPAR is more difficult. CASPAR closing will have a large impact to the City.

Councillor Maher suggested that City should pick up the Elder Meals Program. Mr. Healy stated that he would review this matter.

Mr. Healy informed the committee that childcare has been impacted, but not on the city side. The Governor will make $200 thousand in cuts.

Councillor Murphy suggested that a additional meeting be held with other additional assistance communities to develop a legislative strategy to prevent additional assistance cuts. Mr. Healy stated that he would try to organize this effort. Mayor Sullivan stated that he would invite the Massachusetts delegation to Cambridge to discuss filing legislation.

Councillor Murphy asked if the City was worried about the hotel industry wanting abatements. Mr. Healy stated that the hotel/motel tax was established at a reasonable number before September 11th. This will not be a growth number. Mr. DePasquale stated that the hotel rates are down fourteen percent according to the Office of Tourism. Vice Mayor Davis asked if the Office of Tourism is promoting tourism. Mr. Rossi stated that the funding has been cut from the Office of Tourism.

Vice Mayor Davis expressed her concern with the seventy-five slots in the Community Partnership for Children. What does this mean for seventy-five children? Cambridge has a waiting list and cannot accommodate all, responded Mr. Healy.

At 6:35 p.m. Councillor Murphy opened the meeting to public comment.

A resident of 700 Huron Avenue expressed his concern about the seventeen percent cut to the housing program. Mr. Healy stated that these funds are not direct payments that come to the City. The Cambridge Housing Authority receives this funding. Councillor Maher informed the resident of 700 Huron Avenue that a Round Table meeting would be held on October 28, 2002 that will discuss Section 8 housing.

Councillor Murphy thanked all attendees and suggested a meeting be held in January after the next quarter hotel/motel money data is received.

The meeting was adjourned at 6:50 p.m.

For the Committee,

Brian Murphy

Councillor Brian Murphy, Chair

ATTACHMENT A

Total State Aid / Additional Assistance FY98-03

	FY98	FY99	Variance FY98-99	FY00	Variance FY99-00	FY01	Variance FY00-01	FY02	Variance FY01-02	FY03	Variance FY02-03
Total State Aid	38,276,909	42,311,251	4,034,342	44,061,003	1,749,752	45,621,849	1,560,846	43,956,481	(1,665,368)	43,224,981	(731,500)*
Addditional Assistance	22,595,349	22,595,349	-	22,595,349	-	22,595,349	-	22,595,349	-	21,124,777	(1,470,572)

Detail State Aid Change FY02-03*

FY02 Recap	43,956,481
School Transportation	(54,353)
School Construction	766,448
School Lunch	147
Aid to Reduce Class Size	(65,562)
Additional Assistance	(1,470,572)
Highway Fund	(17,310)
Police Career Incentive	46,290
Veterans' Benefits	56,199
Veterans, Blind, and Surviving Spouse Exemptions	9,215
Elderly Exemptions	7,127
Public Libraries	(11,846)
Increase in Overestimates to be used as Estimated Receipts	2,717
FY03 Recap	43,224,981
Total Variance	(731,500)

Detail State Aid Change Budget - FY03

FY03 Budget	46,108,245
School Transportation	(54,353)
School Construction	(1,385,324)
School Lunch	147
Aid to Reduce Class Size	(65,562)
Additional Assistance	(1,470,572)
Highway Fund	(17,310)
Police Career Incentive	46,290
Veterans' Benefits	56,199
Veterans, Blind, and Surviving Spouse Exemptions	9,215
Elderly Exemptions	7,127
Public Libraries	(11,846)
Increase in Overestimates to be used as Estimated Receipts	2,717
Budget Rounding Nearest $5	8
FY03 Recap	43,224,981
Total Variance	(2,883,264)

The following chart shows the additional amounts Additional Assistance if either a 5% or 10% cut were made in FY04:

5% Additional Cut	1,056,239
10% Additional Cut	2,112,478

ATTACHMENT B

Hotel / Motel Tax
FY98-03

	FY98	FY99	Variance FY98-99	FY00	Variance FY99-00	FY01	Variance FY00-01	FY02	Variance FY01-02	FY03
Hotel / Motel Tax	4,449,984	4,955,494	505,510	5,696,567	741,073	5,651,401	(45,166)	4,907,532(1)	(743,869)	1,277,263(2)

1) Revenue from the Hotel / Motel Tax for the first quarter of FY02 was $1,878,871 for the time period (June, July & August).

2) This figure represents first quarter receipts of FY03.

ATTACHMENT C

QUANTIFIABLE STATE CUTS TO CAMBRIDGE HUMAN SERVICE PROGRAMS

The bold narrative are the cuts quantified in the chart: it does not include any of the homeless programs or Department of Transitional Assistance programs included in chart.

Program	CUTS
Center for Families	$20,000
Community Partnership	$300,000 - $650,000
Childcare vouchers	$200,000
Community Learning Center	$52,000
Council on Aging	$6,000
Mass Legal Assistance Corp	$8,500
Somerville Cambridge Elder Services	$200,000 - $400,000
Total cuts	$786,500 to $1,336,500

Program	Funding Source	Projected FY2003 State Budget Cuts in Human Service Programs
Center for Families of North Cambridge	MA Dept. of Education	**MA Family Network received a 9.6% cut. Our FY03 grant is for $153,583, down from $170,000. If the Governor makes additional cuts to DOE, she may take money from the line item that funds both MFN and CPC programs.**
Center for Families of North Cambridge	MA Children's Trust Fund	**Cuts to the Healthy Families program administered by CTF required a reallocation of their administrative costs and led to a cut of 5% in funding for Mass Family Centers. Our FY03 grant is for $57,000, down from $60,000. Federal appropriation is secure for FY03, but changes in the federal situation may affect this program.**
Community Partnership for Children (DHSP is one Cambridge member)	MA Dept. of Education	**40% reduction in services – staff training and support + loss of up to 75 subsidized slots among the Cambridge service providers. The total cut estimates range from $300,000 to $650,000 for Cambridge.** **Substantial cut from original budget request. If the Governor makes additional cuts to DOE, she may take money from the line item that funds CPC.**
DHSP Child Care (also community child care providers)	Office of Child Care Services	**10% reduction across the board statewide, expected to affect most local child care providers proportionally. In Cambridge, the loss of 10% of ~480 vouchers will result in ~$200,000 reduction in child care subsidies.**
Community Learning Center Adult Basic Ed.	MA Dept. of Education	**Loss of at least two 6-hour classes (26-42 students would have no class for the year).** **Wait list now 424 Cambridge residents; 8-12 month wait for English for Speakers of Other Languages classes.** **Loss of one FTE teacher/counselor.** **Federal cuts may ensue because federal allocations depend on State matching.**
Cambridge Council On Aging	Executive Office of Elder Affairs	**A loss of $6,000 in its FY 2003 State Formula Grant will mean the Cambridge COA cannot consider a needed increase in SCM contract for medical and nutritional transportation.**

Housing Programs	MA Dept. of Housing and Community Development	Massachusetts Rental Voucher Program will reduce the assistance to families by $75 a month to an average amount of less than $400 a month and no new vouchers would be issued. Statewide there are 14,500 applicants on waiting lists for this program. Mental Health Rental Subsidies would be cut by 70%, making it likely that more than 600 Massachusetts residents with serious mental illness will lose their housing and become homeless. Cuts of up to 17% of State operating subsidies for public housing will force Housing Authorities to stretch even further the inadequate federal funding which is available. The Individual Self-Sufficiency Initiative would be reduced by 60%. Currently 450 low-income people receive monthly stipends for a portion of their rent. Local housing agencies in the State that administer this program have an additional 104 eligible clients currently searching for housing, and are processing an additional 103 applications for eligibility now.
Homeless Shelters for Individuals	MA Dept. of Transitional Assistance	Across the board 15.5% cut for individual shelters statewide and locally. This affects the two Ys, four shelters in Cambridge and St. Patrick's Shelter in Union Square which serves Cambridge women. The Legislature has restored $300,000 for winter overflow shelter beds, but this is to be spread statewide. 15.5% cut for MSC Emergency/Transitional programs at the YMCA and YWCA (This program is already subsidized by the City because grant funds cover a decreasing share of even personnel costs.)

Homeless Shelters for Families	MA Dept. of Transitional Assistance	No dollar cuts, but families will be eligible only if their income is at or below the federal poverty level (130% of poverty is now the eligibility cutoff). This will result in more homeless families unable to access DTA-funded shelters, and therefore seeking community non-DTA beds. Cambridge has non-DTA shelter accommodations for only two families.
Camb. Legal Services and Counseling Center	MA Legal Assistance Corp.	**This agency would lose $8,500.**
Benefits Programs	MA Dept. of Transitional Assistance	Supplemental food stamps for legal immigrants who cannot receive federal food stamps have been eliminated. Employment and Training services for welfare recipients have been reduced Emergency rental arrearage assistance for any resident of the Commonwealth facing eviction has been eliminated.

Somerville/ Cambridge Elder Services	Executive Office of Elder Affairs	**On the State level, the Homecare Agencies are facing a cut of $4.8 million statewide, which is the equivalent of a year's worth of service for 1,753 elders. An additional $1.8M cut in enhanced programming to help the most disabled people to remain in their homes will result in dropping 185 people from intensive services. In response to continuing State revenue shortfalls, a possible $6.5 million dollar cut in Elder Affairs will result in cutting 5,425 seniors from Homecare services statewide. SCES indicates that presently of 35-40 new applicants for services, they are only able to take in 10 new clients. The second round of cuts may result in the loss of an additional $300,000 for FY03, and possibly $700,000 for FY04/ Protective Services, an abuse investigation program which has seen a 13% rise in cases this year, is slated for $723,000 statewide. All 26 Money Management volunteer programs around the Commonwealth have been deleted from the budget. The SCES program assists 50 elders in Cambridge and Somerville.**

Planning & Development Division
Department of Human Service Programs
October 9, 2002

5-313

Committee Report #5

Committee Report from Councillor Brian Murphy, Chair of the Finance Committee, for a meeting held on October 9, 2002 to receive an update on the state budget and its expected effects on city finances next year and to receive a report on the hotel/motel revenues.

In City Council October 28, 2002

REPORT ACCEPTED.
PLACED OF FILE.