

Mr. Healy stated that revenue for building permits would increase by \$4,200,000. The general fund estimates reflect an increase of \$4.4 million. The water and parking funds are running over the estimates. During difficult fiscal times these funds are used for their reserve balances, he said.

Mayor Sullivan asked what are the chances to use reserve funds to underwrite the tax bills. Mr. Healy responded more information is needed about the state budget. He informed the committee that he has sent out a memo dated January 13, 2003 issuing a temporary hiring moratorium **ATTACHMENT C**. This will remain in effect pending the information on the state budget. There is a requisition for twenty-three police officers, he said.

Councillor Murphy asked about the reemployment police list. There are two officers on the reemployment list stated Mr. Healy.

Mayor Sullivan asked for a break down of the lottery money. Mr. Healy stated that \$8 million is received from the lottery and \$22 million is received for additional assistance. The additional assistance money is targeted for the schools. Mayor Sullivan requested that these funds be broken down. He asked the City Manager if he has met with Mr. Maloney relative to the School Department budget. Mr. Healy responded in the affirmative. The School Department cuts do not include the additional assistance funds. Outages will be used to cover shortfalls stated Mayor Sullivan.

On example of state cut backs to education is in special education placement. Mr. Healy stated that the State notified the School Department that it would be delaying its part of the payment of the 50-50 residential placement program. The cost is \$543,000 for the period April 1, 2003 to June 30, 2003. The state is telling the vendors to bill the city directly and then the city may apply for the funds next fiscal year. The \$543,000 is taken out of the School Department projections for fiscal year 04 said Mr. DePasquale. This impacts the June 30, 2003 free cash as well.

Mr. Healy spoke of other aspects on the budget. On the temporary moratorium, he stated, that the fifty retirees may not be replaced for five to six months or maybe replaced at a lower salary. This allows salary expenditure savings. The heating bill is up. More water breaks have occurred throughout the city. Mr. Healy stated that he wants to review the capital projects to slow them down if they are not too far into the process.

Councillor Murphy stated that the city needed to address what type of local taxes the city wants for 2004. Mr. Healy stated that Harvard University and M.I.T. are the largest employers. The city cannot go back to the universities to make the living wage larger.

A discussion ensued about the local tax option. The local option payroll tax has not had legislative support, but this may be the time, said Mr. Healy. The state should be the collection agency and pass the money to the cities and towns. Cambridge residents could be exempted, said Mayor Sullivan.

Mr. Healy proceeded to give the committee good news about the bond sale, **ATTACHMENT D.** There were eleven bidders. The bonds were sold at 3.1%. Councillor Murphy wanted to know what are the savings. Mr. DePasquale stated that he would get these figures. The city received the best rate and had extra bidders. Councillor Toomey asked how many bidders are there usually. Five or six responded Mr. Healy. Councillor Murphy asked about the prospectus. Mr. DePasquale stated that this would appear on the City Manager's Agenda on January 27, 2003. In response to a question by Mr. Healy, Councillor Toomey stated that options there were discounted previously by the state will now occur. Councillor Murphy asked what could Cambridge do to help the tax situation for Cambridge. Councillor Toomey stated that the state would review local budgets and their free cash reserves. Mr. Healy stated that the huge state rainy day fund was expended quickly. The Governor is looking at the free cash and the levy capacity limit, stated Mayor Sullivan. Mr. Healy informed the committee that Cambridge lost \$14.5 million in state aid and no lay offs occurred in the city.

Mayor Sullivan commented that the School and the Human Services Departments have grant-oriented programs. The grants need to be reviewed. The city cannot bail out all the human service agencies, stated Mr. Healy. Mayor Sullivan stated that 2005 might not be an easy budget year either. Mr. Healy stated that he has had a reorganization proposal for the last ten years to reorganize all the commissions. Mr. Healy stated that structural discussions get interesting and unpopular. Councillor Murphy stated that Cambridge could look to do things more efficiently. Councillor Toomey stated that he would keep the City Council and the administration informed of the state's position.

In response to a question Mr. Rossi stated that Cambridge employs more than 300. Mr. Healy stated that automation would never save money. The budget and early retiree positions will be reviewed. Mr. Healy will work with Mayor Sullivan to acquire savings by the School Department. Mayor Sullivan stated that the failure to address the issue with the School Department today exacerbate the problem. Ten years ago the School Department budget was \$74 million; it is \$116 million today with fewer children. The Governor may help to deliver the message to the School Department. The budget and consolidation will be worked on until all parties are all talked out.

At eleven o'clock Councillor Murphy opened the meeting to public comment.

John Moot asked if the renovations to the city squares are being reviewed because of the budget. Mr. Rossi stated that the renovation to Porter Square was being done due to safety issues. The other square can be slowed down. Mayor Sullivan commented that the police station was discussed twenty years ago, ahead of the library, and it will be discussed in the future. Open space will be held up for one to two years because the open space is in good shape, said Mr. Rossi. Mr. Moot stated that the citizens needed to get these messages.

Councillor Murphy scheduled the next meeting of the Finance Committee for February 12, 2003 to discuss the state fiscal situation and the local option legislative

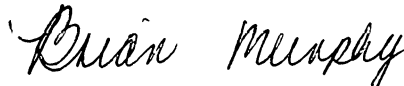
package. Mayor Sullivan listed meals tax, hotel/motel, sales and payroll taxes as options. Mr. Rossi stated that the hotel industry has had to drop their rates to get accommodations. Mr. Healy stated revenue from gambling is obtained rapidly. He is interested in the option of being paid for not building a casino.

Mr. DePasquale informed the committee that the budget submission would occur on April 28, 2003 or May 1, 2003. This will be later this year to better prepare a better budget.

Councillor Murphy thanked all those present for their attendance.

The meeting was adjourned at eleven o'clock and eighteen minutes A.M.

For the Committee,


Councillor Brian Murphy, Chair


State Aid Reductions

FY03-04

5%, 10%, and 20%

ATTACHMENT A

	FY03 Original	FY03 5% Cut	FY03 10% Cut	FY03 20% Cut
Education	12,744,797	12,107,557	11,470,318	10,195,837
Lottery and Additional Assistance	29,148,621	27,691,190	26,233,759	23,318,897
Other	1,328,846	1,262,404	1,195,961	1,063,077
Total	43,222,264	41,061,151	38,900,038	34,577,811
Actual Amounts Cut		2,161,113	4,322,226	8,644,453
FY04 State Aid Based on Cuts in Revised FY03 Amounts	FY03 Revised State Aid	FY04 5% Cut	FY04 10% Cut	FY04 20% Cut
FY03 Revised Base with 5% Reduction				
Education	12,107,557	11,502,179	10,896,801	9,686,046
Lottery and Additional Assistance	27,691,190	26,306,630	24,922,071	22,152,952
Other	1,262,404	1,199,284	1,136,164	1,009,923
Total	41,061,151	39,008,093	36,955,036	32,848,921
Actual Amounts Cut		2,053,058	4,106,115	8,212,230
FY03 Revised Base with 10% Reduction				
Education	11,470,318	10,896,802	10,323,286	9,176,254
Lottery and Additional Assistance	26,233,759	24,922,071	23,610,383	20,987,007
Other	1,195,961	1,136,163	1,076,365	956,769
Total	38,900,038	36,955,036	35,010,034	31,120,030
Actual Amounts Cut		1,945,002	3,890,004	7,780,008
FY03 Revised Base with 20% Reduction				
Education	10,195,837	9,686,045	9,176,253	8,156,670
Lottery and Additional Assistance	23,318,897	22,152,952	20,987,007	18,655,118
Other	1,063,077	1,009,923	956,770	850,462
Total	34,577,811	32,848,920	31,120,030	27,662,250
Actual Amounts Cut		1,728,891	3,457,781	6,915,561

MAJOR REVENUE

Type	1/16/02	6/30/02	03 Recap	1/16/03	6/30/03	Budget vs Projected
Motor Vehicle Excise	1 338 665	5 895 998	5 619 650	1 386 379	5 900 000	+ 280 350
Hotel/Motel	3 077 653	4 907 532	4 700 000	2 648 462	4 550 000	- 150 000
Sewer	12 895 633	23 617 533	25 058 915	14 868 067	25 200 000	+ 141 085
Building Permits	2 373 757	4 325 720	2 800 000	5 011 692	7 000 000	+ 4 200 000
General Fund	19 685 708	38 746 783	38 178 565	23 914 600	42 650 000	+ 4 471 435
Water	7 811 465	14 254 356	14 586 660	8 832 707	15 000 000	+ 413 340
Parking	7 356 686	14 308 145	13 701 470	7 377 004	14 400 000	+ 698 530



ATTACHMENT C

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

January 13, 2003

MEMORANDUM

TO: Department Heads

FROM: Robert W. Healy
City Manager

RE: Temporary Hiring Moratorium/Reduce Overtime

As a result of the extraordinary announcement by Governor Mitt Romney, indicating that he is seeking legislative authority to withhold from cities and towns monies already budgeted for FY 03, I have decided to declare a moratorium on all hiring for the immediate future.

There remain many questions about what the Governor's intentions are, and how they will affect Cambridge this fiscal year. Until we learn more about what reductions in this year's state aid we may expect, it is prudent to suspend regular hiring and filling of vacancies, effective immediately.

If an approved offer letter has already been issued and accepted, the hiring may go forward. Any outstanding offer letters that have not yet been accepted should be reviewed **immediately** with the Assistant City Manager for Fiscal Affairs and the Personnel Director. They will discuss the matter with me to determine whether the offer should be withdrawn or can stand. If an offer is rejected no new offer to another candidate should issue without my explicit approval.

Any vacancies already approved that have been advertised or posted may be processed through candidate screening—but no job offers can be made without my express approval. A detailed written justification for proceeding with hiring at this time will be required as part of the review. It is anticipated that such hiring will be approved in only the rarest of circumstances.

Any vacancies not yet approved should be held without action pending further clarification of our fiscal circumstances. If there are any vacancies that, in the view of the department head are so essential as to require immediate action, a detailed justification for proceeding should be submitted with the vacancy. It is anticipated that such vacancies will be approved in only the rarest of circumstances. These matters will be reviewed again at Departmental budget hearings.

It is also essential that overtime accounts be very aggressively managed to be sure that any overtime approved is absolutely essential.

If you have any questions concerning this process, please contact the Assistant City Manager for Fiscal Affairs or the Personnel Director. The City has experienced difficult fiscal circumstances before, and I am confident this time, as previously, we can maintain essential services and manage our way sensibly through the difficulties ahead.

ATTACHMENT D

11:03:55 a.m. EDST

Upcoming Calendar

Overview

Compare

Summary

Bid Results

Cambridge
\$28,675,000 General Obligation
Municipal Purpose Loan of 2003 Bonds

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest TIC.
 Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
	Morgan Stanley, Dean Witter	3.104529
	Fidelity Capital Markets	3.112071
	Corby Capital Markets, Inc.	3.117936
	UBS PaineWebber Inc.	3.131040
	William R. Hough & Co.	3.131995
	US Bancorp Piper Jaffray	3.133076
	Legg Mason Wood Walker, Inc.	3.147311
	ABN AMRO Financial Services, Inc.	3.157003
	Banc of America Securities, LLC	3.157015
	Merrill Lynch & Co.	3.171806
	Wachovia Bank, National Association	3.229162

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

Thomson Municipal Market Monitor.

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TM3 Client Services 1-800-367-8215, 7:30 a.m. to 5:00 p.m. EST.

Please send comments to webmaster@tm3.com.

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Tue Jan 21 11:03:56 2003

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 February 3, 2003

The Finance Committee, comprised of the entire membership of the City Council, held a public meeting on Wednesday, January 22, 2003 at ten o'clock and five minutes A.M. in the Ackermann Room.

The purpose of the meeting was to receive an update on the hotel/motel, water/sewer revenues and other major revenues for the city. The committee will also receive an update on the state budget.

Present at the hearing were Councillor Brian Murphy, Chair of the Committee, Mayor Michael A. Sullivan, Councillor Toomey, Robert W. Healy, City Manager, Richard Rossi, Deputy City Manager, Louis DePasquale, Assistant City Manager for Fiscal Affairs and Donna P. Lopez, Deputy City Clerk. Also in attendance was John Moot. Councillor Murphy stated that Vice Mayor Davis was unable to attend this meeting due to a prior commitment.

Councillor Murphy convened the hearing and explained the purpose. He asked City Manager Healy to give an update on the bond sale that took place on January 21, 2003.

City Manager Healy first gave an overview on the state budget. A meeting was held with the Lieutenant Governor. Representatives for the cities and towns were told that the plan is to review the revenue for January. The cities and towns will be notified of the state reductions by February 15, 2003. He distributed a State Aid Reduction Table for FY 03-04 **ATTACHMENT A**. There is \$26 to \$27 million in local aid and special school related aid allocated to the education budget. The Additional Assistance is the biggest item for Cambridge. A five percent cut will feel like a ten percent cut because the cut is coming mid-year. The \$4.3 million cut is anticipated and is the worse case scenario based on a ten percent cut. He now focused on the major revenue, **ATTACHMENT B**.

Motor vehicle excise and sewer revenues are fine. The excise tax bills will be mailed out in February. The hotel/motel tax estimates are down.

Mayor Sullivan questioned the projected verses the budgeted hotel/motel figure. Mr. DePasquale responded that the budget project figure was reduced by \$300,000.

Committee Report #1

Committee Report from Councillor Brian Murphy, Chair of the Finance Committee, for a meeting held on January 22, 2003 to receive an update on the hotel/motel, water/sewer revenues and other major revenues for the city. The committee also received an update on the state budget.

In City Council February 3, 2003

**REPORT ACCEPTED.
PLACED ON FILE.**