

Moody's Municipal Credit Report

Cambridge, Massachusetts

June 11, 1990

	New Issue	General Obligation/Special Tax
sale:	\$20,000,000	Municipal Purpose Loan of 1990
date:	For bids June 13	

Moody's rating: Aa

opinion:	Economic diversity and stability, as well as substantial financial resources, are derived from the city's prominence as an education and research center. This has combined with successful management initiatives, which support a trend of strong financial operations, to provide high quality security for low levels of rapidly amortized debt. An extensive but well-defined capital plan, consistent with the city's sound debt management program, is also noted.
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key facts:	Debt Burden:	1.4%/ $\square$ 0.8%	Property Taxes as % of General Fund Revenue, FY 1989:	52.3%
	Payout, Ten Years:	100%	Commonwealth Aid as % of Revenues, FY 1989:	23.8%
	F.V. per Capita, 1990:	\$94,459	Additional Taxing Capacity, FY 1990:	\$7.7 million
	Five-Year Capital Plan:	\$94.2 million	As % of Budget:	3.1%
	Population Decline, 1960-88:	16.2%	% MWRA Debt:	3.68%
	Unemployment Rate, 3/89:	3.5%	Total MWRA Debt:	\$44,160,000
	State:	5.9%	Moody's Rating, Bonds dated 7/1/85, MBIA:	Aaa
	U.S.:	5.4%	$\square$ Net of Massachusetts Water Resources Authority debt.	
	Per Capita Income as % of State, 1979:	107.4%		
	1987:	108.5%		
	Unreserved General Fund Balance as % of Revenue, FY 1988:	10.4%		
	1989:	13.3%		

update:	Since our last report dated January 10, 1990, audited financial results for fiscal year 1989 reveal additional growth in the General Fund balance. The city has responded to a \$3.5 million cut in state aid for fiscal 1990 by instituting a hiring freeze, re-estimating hospital receipts upward, and reducing expenditures. Officials report that enough funds will be on hand at the end of the fiscal year to withstand a possible delay of the June 30 state aid distribution of approximately \$1 million.
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Cambridge, Massachusetts

analysis:

The City of Cambridge derives economic stability, diversity, and strength from its concentration of major educational and research institutions, proximity to Boston, and an extensive transportation network. Sustained residential and commercial building activity throughout the decade has facilitated vigorous tax base growth. New growth is anticipated to slow, however, as the last parcels of available property are being developed. In addition, the softening of the regional economy will slow the rate of growth. Despite consistently low unemployment rates, the city still has a relatively large poverty level with these citizens having additional service needs.

This economic growth, in conjunction with successful management initiatives, has supported strong financial operations. Property taxes remain the dominant revenue source, with significant tax base growth permitting the city to increase its levy while accumulating a large tax margin. However, as new construction slows and city expenditures continue to increase, it is anticipated that this tax margin will narrow over time. Since the enactment of Proposition 2½, sustained increases in fiscal aid and development of non-property tax revenue sources have reduced reliance on property taxes. However, this continued increase in funding can no longer be counted upon, given the Commonwealth's own fiscal constraints and statutory limits on additional sources of revenue. Compounding this problem are delays in Commonwealth health reimbursements. The City Hospital, which provides indigent care, continues to strain general operations. The Massachusetts Water Resources

Authority (MWRA) will become an increasing financial burden on city residents, as the clean-up of the Boston Harbor proceeds. In order to finance these increasing costs, the city has instituted an increasing block rate structure so that the city's largest institutional users will bear an increasing proportion of the costs. The city, however, has been funding various reserve funds in order to provide additional margins for capital and health related costs.

Audited results for 1988 and fiscal 1989 reveal operating surpluses, primarily attributed to conservative budgeting practices. Due to an improving cash position, the city has not been required to issue TANs since 1987. In response to a \$3.5 million cut in Commonwealth aid for fiscal 1990, the city has implemented a hiring freeze, revised hospital receipts upward, thereby reducing the size of the city's subsidy to the hospital, and reduced expenditures. The fiscal 1991 budget conservatively assumes a further \$1 million cut in fiscal aid, which will be offset by increases in other revenue sources. Officials anticipate ending the current fiscal year with a \$2.5 million operating surplus.

The city is in the midst of addressing its capital needs through a multi-year capital plan, with a stated emphasis on infrastructure improvements. This well designed program should not affect the city's strong debt position, given the aggressive rate of bond retirement, substantial taxable resources, and significant amount of non-debt revenue sources.

Cambridge, Massachusetts

**details of bond
sale:****Legal Name of Issuer:** City of Cambridge,
Massachusetts.**Security:** G.O., LT.**Date of Bonds:** June 15, 1990.**Denomination:** \$5,000.**Annual Maturities 6/15 (\$ 000)****Years:** 1991-2000.**Amount:** \$2,000.**Interest Rate:** To be determined.**Average Life of Issue:** 5.60 years.**Interest Payable:** Semiannually, beginning Decem-
ber 15, 1990.**Call Features:** None.**Registrar:** The Depository Trust Company, New
York.**Paying Agent:** The Depository Trust Company,
New York.**Delivery:** On or about June 28.**Bond Counsel:** Palmer & Dodge, Boston.**Financial Officer:** Robert W. Healy, City Manager.**Advisors:** Government Finance Officers Association,
Washington, D.C.**Auditor:** KPMG Peat Marwick, Boston (FY 1989).**rating history:**

June 1987:

Aa

July 1981:

Baa

June 1986:

A

March 1981:

Suspended

June 1985:

Baa1

Prior to 1981:

Aa**analyst: Karl R. Jacob**
(212) 553-4833

The information herein has been obtained from sources believed to be accurate and reliable, but because of the possibility of human and mechanical error, its accuracy or completeness is not guaranteed. Moody's ratings are opinions, not recommendations to buy or sell, and their accuracy is not guaranteed. A rating should be weighed solely as one factor in an investment decision, and you should make your own study and evaluation of any issuer whose securities or debt obligations you consider buying or selling. Most issuers of corporate bonds, municipal bonds and notes, preferred stock, and commercial paper which are rated by Moody's Investors Service, Inc. have, prior to receiving the rating, agreed to pay a fee to Moody's for the appraisal and rating services. The fee ranges from \$1,000 to \$125,000.

Cambridge, Massachusetts

debt factors:

Debt Statement as of 6/1/90 (\$ 000)

	Amount
Bonded debt outstanding	\$47,705
Current offering (6/13/90)	20,000
Gross bonded debt	\$67,705
MWRA obligation	44,160
Gross bonded and direct net debt	\$111,865
Overlapping debt	10,967
Overall net debt	\$122,832
After state aid ¹	109,662
Net of MWRA debt	67,705

¹ State school construction grants receivables as of June 30, 1990, subject to annual legislative appropriation, are estimated to be \$13,169,690. Relative amounts allocable to principal and interest are not available.

For additional information please refer to Moody's 1989 Municipal and Government Manual, page 2687.

Security: G.O., LT.

Defaults: No record.

Debt Ratios

Net Debt	Per Capita	Median ¹	% F.V.	Median (%) ²
Direct	\$749	\$432	0.8	1.3
Overall	121	772	1.4	2.5
²	749	-	0.8	-

¹ Cities with 50,000-99,999 population.

² Net of MWRA debt.

Rate of Retirement

Principal Amount Due	Amount (\$ 000)	% of Total
In 5 years	\$45,480	67.2
In 10 years	67,705	100

Structure: Declining debt service, rapid retirement.

CIF/Future Borrowing: Authorized but unissued: \$26.1 million. Five-year capital plan through fiscal 1995 totals \$94.2 million, primarily to finance water and sewer improvements, streets and sidewalks, economic development, and human resources projects.

Major funding sources include \$56.8 million bonds (60% of sources), \$7 million block grants (7.5%), \$8.8 million utility fees (9.4%), and \$15 million of General Fund appropriations (16%). Next offering, \$11.7 million, expected in 1991 for a variety of capital projects.

administrative factors:

Form of Government: Council/manager; nine-member city council elected at-large for two-year terms. Council selects one of its members as mayor; also appoints a city manager. Mayor also serves as chairman of separately elected school committee. City provides full services, which include municipally run hospital subsidized by city. Cambridge Hospital is a modern 182-bed secondary care facility, which serves as teaching hospital for Harvard and Tufts Universities. The hospital has a 25% market share of the city. City has invested in building and equipment improvements over the last several years to provide modern facilities. Following expiration of

the statewide Medicare waiver at December 31, 1986, reimbursements were insufficient to cover all teaching costs. The city has been forced to subsidize hospital operations in varying degrees of \$6-\$9 million depending upon, among other factors, occupancy rate. The city anticipates the potential of increasing the subsidy still further if the Commonwealth delays various reimbursements.

Public Employees: Approximately 4,100 full- and part-time, including school department; about 77% covered under 19 collective bargaining groups. Five

Cambridge, Massachusetts

contracts covering 635 employees expired June 30, 1990, and are currently being negotiated.

City has two retirement systems, recording pension costs for the contributory system on a pay-as-you-go basis (amounts determined annually by the state division of insurance) and for the contributory plan on the basis of actual cash payments to pensioners. Recent actuarial study indicates an unfunded pension liability of \$125.9 million as of January 1, 1989.

The city anticipates entering into the State Pension Reserves Investment Trust and benefitting from state

grants offered in this program, in order to systematically reduce the unfunded pension liability over a 40-year period.

The city has been able to maintain comfortable taxing margins in recent years, due to continued construction within Cambridge. The taxing margin for fiscal year 1990 decreased to \$7.7 million, among the highest in the entire state. Officials anticipate the margin to narrow over the next five years, as new construction and redevelopment in this fully developed city continue to slow.

School District Data: Grades K-12 provided.

Trend of Enrollment: 7,653 reported for 1989-90 school year. After year of steady decline, enrollment is projected to slightly increase over next four years.

Capacity: Excess at all levels; however, renovations needed at various school buildings, 13 elementary schools, one high school, one administrative building, three miscellaneous buildings.

property
valuation and
tax data:

Cambridge

Fiscal Year	Assessed Valuation (000) ¹	% Change	Tax Rate/ \$1,000 A.V. ¹	Net Levy (000)	% Current Collected	% Total Collected ²
1987	\$5,975,032	¹ 65.2	\$ 9.81 20.76	\$80,678	³ 49.9	100.3
1988	6,147,944	2.9	9.79 21.15	84,893	97.3	101.2
1989	7,327,847	19.2	9.23 20.06	92,586	96.4	99.1
1990	8,528,769	16.4	9.51 18.16	106,610	In process	In process

¹ Reflects tax rates for residential; figures in italics represent commercial-industrial property, respectively.

² As of April 30, 1990.

³ Due to delay in 1987 revaluation, secured-half bills were mailed after June 15, 1987 and were not payable until after the close of the fiscal year.

1990 Full Valuation:	\$8,528,769,000	Average Annual Growth F.V., 1985-90:	22.6%
1990 Equalization Rate:	100.0%	1990 F.V. per Capita:	\$94,459

Largest Taxpayers ¹	Business	1990 A.V. (\$ 000)
Commonwealth Energy	Utility	\$278,155
Boston Properties	Real estate	215,697
Massachusetts Institute of Technology	Taxable real estate	206,269
Asahi Seimei Prudential Associates	Commercial	172,936
Harvard University	Taxable real estate	163,587
Robert Jones & K. George Najarian	Commercial	152,561

¹ Ten largest taxpayers account for 18.3% of total levy.

Cambridge, Massachusetts

economic
factors:

Population:

Year	Population	% Change
1960	107,716	-10.8
1970	100,361	-6.8
1980	95,322	-5.0
1988	90,290	-5.3

Source: U.S. Census Bureau.

Location: Middlesex County, across the Charles River from Boston.

Area: 6.30 square miles

Population Density: 14,331 per square mile

Population and Housing Characteristics: Cambridge

	1980	Norms 1980 ^②	U.S. 1980
Population:			
Median age	28.6	31.3	30.0
% school age	11.5	18.7	20.9
% working age	72.8	61.3	60.7
% 65 and over	11.4	13.7	11.3
No. persons/household	2.1	2.6	2.75
Income:			
Median family income	\$17,845	\$19,331	\$19,908
% below poverty level	15.1	11.7	12.5
Per capita income ^③	\$8,010	\$6,932	\$7,313
Housing:			
% owner occupied	22.8	49.9	64.4
% built before 1939	67.7	51.8	26.1
% built since last census	10.6	12.7	25.9
Owner occupied median value	\$61,400	\$47,787	\$47,300
Median gross rent	\$257	\$248	\$243
Occupied housing units	^① 38,836	-	-

Source: U.S. Census Bureau.

^① 1973-80 % change: 6.6%.^② Norms are for all cities with population greater than 20,000 in the New England Region.^③ 1987 per capita income: \$15,613.

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Labor Market Characteristics: Cambridge City

Year	Labor Force	Total Employment	% Unemployed		U.S.
			City	State	
1978 [1]	50,939	47,981	5.8	6.1	6.1
1979 [1]	51,926	49,206	5.2	5.5	5.8
1980 [1]	51,868	49,234	5.1	5.6	7.1
1981 [1]	53,042	49,956	5.8	6.4	7.6
1982 [1]	53,827	50,243	6.7	7.9	9.7
1983 [1]	53,375	50,311	5.7	6.9	9.6
1984 [1]	55,591	53,362	4.0	4.8	7.5
1985 [1]	55,790	53,945	3.3	3.9	7.2
1986	56,304	54,506	3.2	3.8	7.0
1987	53,538	52,221	2.5	3.2	6.2
1988	54,266	52,976	2.4	3.3	5.5
1989	53,763	52,282	2.8	4.0	5.3
3/89 [2]	53,831	52,465	2.5	4.0	5.2
3/90 [2]	53,269	51,411	3.5	5.9	5.4

Source: Department of Labor, Bureau of Labor Statistics.

[1] Data not consistent with preceding years due to changes in the benchmarking process.

[2] Monthly data not seasonally adjusted.

Largest Employers

	Employees 1990		Employees 1990
Harvard University	9,856	Lotus Development Corp.	1,785
Massachusetts Institute of Technology	8,159	Bolt, Beranek and Newman, Inc. [1]	1,668
Polaroid [1]	2,171	Arthur D. Little, Inc. [1]	1,200
Draper Laboratory [1]	1,900	U.S. Department of Transportation [1]	1,112
Mount Auburn Hospital	1,870	Youville Hospital	800

Source: Official statement.

[1] Companies engaged in research and development.

financial factors: Operating Funds Financial Performance (fiscal years ended 6/30 \$ 000) [1]

	1988	1989	% Change 1988-89
Revenues	\$173,052	\$181,156	4.7
Expenditures	158,814	179,093	6.1
Operating surplus	4,238	2,062	-

[1] General Fund (modified accrual method of accounting).

Cambridge, Massachusetts

1989 Sources of Revenue	%	1989 Items of Expenditure	%
Property taxes ☐	52.3	Education	31.3
Intergovernmental	23.8	Public safety	22.8
Sewer charges	4.5	General government	12.9
Health department	3.4	Public works	12.6
Motor vehicle excise	1.6	Community maintenance and development	11.1
Hotel/motel excise tax	1.4	Debt service	7.0
☐ Includes \$1.7 million payments in lieu of tax receipts.		MBTA and MWRA	5.8

General Fund Financial Position (fiscal years ended 6/30 \$ 000)

	1988	1989
Cash and investments	\$39,365	\$40,236
Other current liabilities	24,412	20,238
Year-end cash surplus	\$14,953	\$19,998
Receivables (net)	\$ 4,602	\$ 5,267
Fund balance	\$25,156	\$27,218
Unreserved fund balance	17,973	24,145

Statutory Basis (\$000)

	1986	1987	1988	1989	1990 ☐
Surplus revenue ☐	\$15,727	\$14,290	\$20,618	\$22,066	\$19,500
Free cash ☐	10,694	12,255	17,390	15,082	14,500

☐ Free cash is surplus revenues less overdue property taxes. Surplus revenue is the amount by which unrestricted cash, accounts receivable, and other assets exceed liabilities and reserves. It is not reduced by overlay deficits (tax abatements in excess of the overlay reserve) or revenue deficits (non-property tax receipts being less than estimates), both of which are added to the next tax levy.

☐ Estimate.

CITY OF CAMBRIDGE, MASSACHUSETTS

\$20,000,000

**GENERAL OBLIGATION BONDS
MUNICIPAL PURPOSE LOAN OF 1990**

Selling June 13, 1990

SUMMARY OF DEBT, FINANCIAL, AND ECONOMIC INFORMATION

Prepared for

MOODY'S INVESTORS SERVICE

May 30, 1990

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CITY OF CAMBRIDGE, MASSACHUSETTS

City Officials

Alice K. Wolf	Mayor	(617) 498-9090
Robert W. Healy	City Manager	(617) 498-9011
Richard C. Rossi	Deputy City Manager	(617) 498-9011
James P. Maloney	Assistant City Manager/Fiscal Affairs	(617) 498-9030
Russell B. Higley	City Solicitor	(617) 498-9020
Joseph E. Connarton	City Clerk	(617) 498-9017
Louis A. DePasquale	Budget Director	(617) 498-9009
David R. Holland	Principal Budget Analyst	(617) 498-9009

Bond Counsel

John G. Faria	Palmer & Dodge	(617) 227-4400
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Financial Advisor

James C. Joseph	Government Finance Research Center	(202) 429-2762
Thomas McLoughlin	Government Finance Research Center	(202) 429-2768

SECTION I. INTRODUCTION AND OVERVIEW

A. INTRODUCTION

On June 13, 1990, the City of Cambridge, Massachusetts (the "City") will accept competitive bids for the sale of \$20,000,000 General Obligation Bonds - Municipal Purpose Loan of 1990 (the "Bonds"). The Bonds are to be dated June 15, 1990 and mature on June 15 in each year, as shown below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1991	\$2,000,000	1996	\$2,000,000
1992	2,000,000	1997	2,000,000
1993	2,000,000	1998	2,000,000
1994	2,000,000	1999	2,000,000
1995	2,000,000	2000	2,000,000

The bond issue is comprised of the following authorizations:

Park Improvements	\$2,600,000
Payson Park Reservoir Cover	8,000,000
Building Renovations	545,000
Lease Redemption	6,350,000
Hospital Boiler Renovation	2,000,000
Garage/Miscellaneous	505,000

This presentation is being made to Standard & Poor's Corporation ("S&P") in connection with the City's application for a rating on the Bonds. The purpose of this document is to provide a summary of certain debt, financial, and economic information and to update S&P on changes in the City since its last bond sale (\$12,015,000 General Obligation Bonds sold on June 14, 1989).

In spite of recent reductions in assistance from the Commonwealth, the financial and economic condition of the City of Cambridge continues to be very strong. As of January 1, 1990, new construction is expected to add \$325 million to the tax base, which when combined with increased assessments on existing properties, will bring the projected FY 1991 assessed value to approximately \$8.85

billion, an increase of 3.8% percent over 1990. The continued growth of the tax base and the City's conservative fiscal practices have permitted maintenance of a comfortable margin between the City's tax levy and the legal levy limit. For FY 1991 the tax levy is projected to be \$117,000,000 (including a \$2,200,000 overlay reserve for abatements. The primary levy limit (2.5% of the projected assessment) is expected to be \$221,344,229. The secondary levy limit (the previous year's maximum allowable limit times 102.5% plus qualified new construction) is projected to be \$125,146,000.

B. DESCRIPTION AND PURPOSE OF THE BONDS

The \$20,000,000, General Obligation Bonds (Municipal Purpose Loan of 1990) will be sold competitively at 11:00 a.m. (local time) on Wednesday, June 13, 1990. Proceeds from the Bonds will be used for:

- The renovation of the HVAC system at the Cambridge Hospital;
- Continuing work on the cover of the water reservoir in Payson Park;
- Continuing work on development of a recreational facility on the site of the former City landfill;
- Renovations to a number of City buildings; and
- Purchase of the balance of an existing long-term lease obligation.

The City will have \$26,110,000 of authorized, but unissued general obligation debt remaining after this sale. At the present time, the Normal General Debt Limit is \$178,851,925 and the Double General Debt Limit is \$357,703,850. Following the sale of the Bonds, the City's outstanding bonded indebtedness will be \$67,705,000.

C. SECURITY FOR THE BONDS

Under Massachusetts law, the Bonds constitute a pledge of the full faith and credit of the City of Cambridge. Payment is not limited to a particular fund or revenue source. Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for (and) all amounts necessary to satisfy final judgements." However, the total amount of a tax levy is limited by statute.

The voters in each entity may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bonds from the limitations. Obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit. The City has not voted to exempt the debt service on the Bonds from the limitations.

D. CONCLUSION

The City's issuance of \$20,000,000 of General Obligation bonds is part of an overall capital financing strategy to meet the current and projected capital needs of the City. The City's financial condition, debt burden, economy, and management structure have continued to show improvement. The City is enjoying continued economic and financial health. The City's projected capital improvement program is reasonable in light of identified infrastructure needs and the City's healthy financial position. The five-year Public Investment Program will not have a significant impact on the City's key debt statistics. The City continues to undertake a variety of management improvement actions and hence is better prepared to serve its constituency. The City has shown a recent history of strong and conservative financial management, and it expects to maintain this approach in the future.

SECTION II: RECENT DEVELOPMENTS

Impact of Commonwealth's Financial/Economic Difficulties

In July, 1989, due to the increasing fiscal problems of the Commonwealth, the Governor vetoed \$210 million in aid to the cities and towns. The City's share of this reduction was approximately \$3.5 million. The City's response was to initiate a hiring freeze for all non-essential positions for a savings of \$1.1 million, a reduction in operating accounts yielding \$0.5 million, and an increase in hospital revenues of \$1.6 million due to settlement of prior-year Medicaid debts. The City was able to achieve these goals without affecting services. Also, the Secretary of Administration and Finance recently stated that a portion of the June 1990 state aid distribution may be withheld. For the City, this amount is not expected to exceed \$1 million. The Supreme Judicial Court recently determined that the Governor has no authority to withhold local school aid that has been appropriated by the legislature, but no final determination has been made as to how and when the Commonwealth will raise the funds needed to make the local aid payments. If any additional state aid funds are withheld until after June 30, 1990, it is expected that payment of the withheld amounts would be made in early July. The City's audit firm has stated that approved FY 1990 funds withheld by the state until early FY 1991 would be treated as accrued FY 1990 revenues.

The fiscal year 1991 budget, which was adopted by the City Council, is based on a further loss of \$1 million from the fiscal year 1990 estimate (the original state aid amount minus the \$3.5 million mentioned above) of state aid. Increases in other revenue sources will offset this loss so that service reductions will not be needed. However, since the FY 1991 City budget was adopted by the City Council, the State Legislature has approved a FY 1991 State Budget that would restore the additional \$1 million state aid cut to Cambridge. However, it is unknown what the final state budget will be at this time.

Hospital Developments

A detailed discussion of the Hospital's fiscal situation is provided on pages 13 and 14. It is important to note that the Medicaid debt has been substantially reduced since the end of fiscal year 1990 due to the bonding of that debt by the Commonwealth with the debt service to be paid from increased tax revenues. It is anticipated that payments on the other large receivable, the Uncompensated Care Pool, will be made during fiscal year 1991. The Hospital budget for fiscal year 1991 is not based on the receipt of overdue Uncompensated Care Pool revenues. Therefore, any revenues from this source could further reduce the Hospital deficit.

Pending Initiative Petitions

Under the Massachusetts Constitution, legislation may be enacted in the Commonwealth pursuant to a voter initiative process. Initiative petitions which have been certified by the Attorney General as to proper form and as to which the requisite number of voter signatures have been collected are submitted to the legislature for consideration. If the legislature fails to enact the measure into law as submitted, the petitioners may place the initiative on the ballot for the next statewide general election by collecting additional voter signatures.

At this time the most significant initiative petition that is likely to be on the November, 1990 ballot is the CLT petition, which was proposed by the Citizens for Limited Taxation, the group that was the principal sponsor of Proposition 2 1/2. The CLT petition would reduce the personal income tax rate for tax years 1991 and 1992 to 4.25% and 4.625%, respectively, effectively recapturing the additional tax collected during fiscal 1990 and 1991. The Petition also provides that on and after January 1, 1991, virtually all other state taxes may be imposed at a rate no higher than the rate in effect on August 2, 1989, or in effect on the effective date of the Petition, whichever yields less tax revenue.

The CLT Petition additionally requires that on its effective date all fees and charges imposed by any state agency, board, bureau, department, division, commission or authority shall be reduced to the levels in effect on June 30, 1988. Subsequently, no fee or charge could be imposed for any license or permit which would exceed the administrative cost incurred to produce or process the license or permit. Persons 65 years of age or older would be exempt from any increase in any fee or charge.

The Department of Revenue of the Commonwealth estimates that the personal income tax rate reduction required by the Petition would lower tax revenues by approximately \$225 million in fiscal 1991, approximately \$434 million in fiscal 1992 and approximately \$168 million in fiscal 1993. In addition, any tax increases presently under consideration by the Governor and the legislature to address the fiscal 1990 deficit and fiscal 1991 budget and enacted prior to the vote on the Petition would be repealed by the Petition.

The principal concern to municipalities in the Commonwealth is that passage of this Petition could force the Commonwealth to make additional cuts in local assistance programs. At this time it is impossible to predict the nature and scope of any cuts that may occur.

SECTION III: FINANCIAL OPERATIONS

Introduction

As the data provided herein demonstrates, the City has maintained its very favorable financial operations despite the significant difficulties being experienced by the Commonwealth. However, City management recognizes that additional cuts in state assistance may occur and that the City must be prepared to respond. This section compares the City's financial results for fiscal year 1989 with the prior two fiscal years and projects year-end results for fiscal year 1990. Also included in this section is an overview of the fiscal 1991 Budget and a description of the adopted Public Investment Program.

A. Recent Financial Results - FY 1989

The City ended FY 1989 with a total General Fund fund balance of \$27.2 million, which represents 15.9% of General Fund revenues. Allocations to reserve accounts from the balance total \$3.1 million, thus leaving an unreserved fund balance of \$24.1 million for the fiscal year. This compares with an unreserved fund balance of \$18.0 million in FY 1988 and \$14.3 million in FY 1987.

Year-end General Fund cash was \$40.2 million at the close of FY 1989. Due to difficulties in the issuance of FY 1987 tax bills, the City's year-end General Fund cash balance had fallen significantly, from \$33,240,193 in FY 1986 to \$7,136,088 in FY 1987. Revenue anticipation borrowing, which reached \$23.9 million in FY 1987, has not been necessary for the past three fiscal years and is not expected in future years.

Cambridge has been able to reduce property tax rates from \$17.00/\$1,000 for residential property in FY 1984 to \$9.51/\$1,000 in FY 1990. Over the same period, commercial tax rates declined from \$33.12/\$1,000 to \$18.16/\$1,000. Reliance on the property tax has increased slightly as a source of General Fund revenue. In FY 1989, real and personal property taxes provided 42.6% of General Fund revenues (or \$92.6 million out of total General Fund revenues of \$217.4 million). This compares to 41.1% of General Fund revenues in FY 1988.

In addition to the strength of the property tax, FY 1989 was the fourth year in which the 4% hotel/motel tax was collected. Receipts from this source were \$770,653 in FY 1986 (a partial year), \$1,779,028 in FY 1987, \$2,428,449 in FY 1988 and \$2,550,728 in FY 1989. Intergovernmental revenues accounted for \$42.7 million or 19.6% of General Fund revenues in FY 1989. In FY 1988 this source contributed \$40.7 million or 19.9% of all General Fund Revenues.

In FY 1989, General Fund expenditures for the City were \$216.4 million, or an 11.4% increase from FY 1988. Largest increases were recorded in Public Safety (26.3%), Health and Hospital Services (16.5%) and Education (8.9%). Community maintenance and development expenditures fell 13.8% due to the reclassification of intergovernmental assessments, while most other categories were fairly stable.

B. Adopted Fiscal Year 1991 Operating Budget

The City Council has recently adopted an operating budget of \$247,278,435 and a capital budget of \$19,321,095 for fiscal year 1991. The adopted operating budget represents a 4.9% increase over the adopted FY 1990 budget. Support for this level of increased spending is provided by continued strong receipts from property tax sources and from stronger than expected revenue collection from a variety of sources.

C. Adopted Public Investment Program

Included in the fiscal year 1991 budget is the City's Public Investment (capital) Program. This is the seventh year in which the City has included a formal five-year capital improvement plan with its operating budget submission. The budget includes a detailed analysis, by year, of planned capital expenditures for fiscal years 1991-1995. In addition, the funding sources for these expenditures are detailed.

For FY 1991, capital expenditures are budgeted at \$19,321,095. This proposed level of spending is well below the \$30.8 million approved in the FY 1990 budget. The decrease is mainly attributable to authorizing only the first contract of the multi-year Phases VI and VII sewer separation project, while the FY 1990 budget contained the full \$18 million Payson Park Reservoir Cover authorization. Compared to last year's PIP, the FY 1991-1995 program represents a decrease of 7.5%, or \$7,109,520 over the five year period. Total capital spending for the five-year period is expected to be \$94,203,475.

The principal categories of capital spending in the Public Investment Program for the current year are expected to be education (22.8%), community development and maintenance (67.4%), and human resource development (5.3%). The major source of funds for the five-year program is approximately \$56.8 million from bond proceeds (over the same period, the City will retire \$59.81 million of outstanding debt). Because the City continues to enjoy strong financial results, over \$15.1 million will be allocated from general fund revenues or free cash. Additional sources include block grants of \$7.1 million, utility fees of \$8.9 million, patient receipts of \$2.4 million, and Parking Fund contributions of approximately \$1.9 million.

D. Fiscal Year 1990 Year-To-Date Results and Projections

The table on the following page shows actual revenues and expenditures for fiscal years 1987, 1988, and 1989, and compares them with projected FY 1990 results and the FY 1991 budget. The City's FY 1990 budget was balanced at the time of adoption. However, the City now projects that actual revenues for the year will exceed budgeted levels by \$1.5 million. In addition, expenditures are expected to total just over \$1.0 million less than was expected.

General Fund Revenues and Expenditures: Fiscal Years 1987-1990
(Includes 1990 Projections and 1991 Budget) †

	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Actual</u>	<u>1990</u> <u>Projected</u>	<u>1991</u> <u>Budgeted</u>
Revenues:					
Taxes	\$83,293,353	\$86,233,221	\$94,576,678	\$109,510,683	\$115,998,400
Provisions for Tax Abatements & Adj.	(2,982,768)	(2,000,000)	(1,990,784)	(2,882,761)	(2,200,000)
Payments in Lieu of Taxes	1,157,414	3,019,092	2,111,303	1,500,000	1,500,000
Hotel/Motel Excise Tax	1,779,028	2,428,449	2,550,728	2,600,000	2,100,000
Intergovernmental Revenues	40,881,743	40,679,645	42,722,387	41,283,704	40,283,700
Hospital, Infirmary & Health Department	30,878,877	38,531,392	43,606,642	47,283,360	48,091,900
Sewer Use	6,323,318	6,890,062	8,202,848	9,633,920	9,685,000
Water Use	4,929,041	5,550,943	5,615,945	5,727,525	5,856,700
Motor Vehicle Excise Tax	2,259,804	3,055,152	2,876,981	2,800,000	2,600,000
Investment Income	1,006,231	2,056,898	1,858,397	2,000,000	2,010,000
Other Income	10,788,920	16,508,663	14,949,666	17,043,334	21,352,735
Tax Title Revenue	<u>790,395</u>	<u>803,373</u>	<u>281,636</u>	<u>300,000</u>	<u>0</u>
Total Revenues	<u>\$181,105,356</u>	<u>\$204,756,890</u>	<u>\$217,362,427</u>	<u>\$236,799,765</u>	<u>\$247,278,435</u>
Expenditures:					
Current:					
General Government ††	\$21,430,494	\$12,220,664	\$13,645,027	\$15,250,665	\$16,740,985
Public Safety	30,522,398	33,028,045	41,710,216	43,699,170	46,408,430
Community Maint. & Development	22,967,274	22,556,414	19,822,690	20,273,610	21,057,905
Health & Hospital Services	39,684,614	45,031,381	52,480,973	56,989,100	60,678,865
Human Resource Development	5,447,406	6,187,260	6,968,342	7,330,555	7,965,820
Education	52,271,919	56,488,499	61,516,982	64,939,425	68,773,465
Water	3,560,652	3,932,794	3,787,693	3,990,900	4,121,970
Intergovernmental		9,990,355	10,977,906	12,544,590	13,765,230
Debt Service:					
Principal Retirement	2,185,000	3,240,000	3,964,874	4,132,430	5,496,600
Interest	<u>1,395,658</u>	<u>1,574,157</u>	<u>1,527,789</u>	<u>1,753,260</u>	<u>2,269,165</u>
Total Expenditures	<u>\$179,465,415</u>	<u>\$194,249,569</u>	<u>\$216,402,492</u>	<u>\$230,913,705</u>	<u>\$247,278,435</u>
Excess (deficiency) of Revenue over Expenditures	\$1,639,941	\$10,507,321	\$959,935	\$2,500,000	\$0

† Budget Basis

†† Intergovernmental Expenditures included.

E. Management Improvements and Recent Operating Developments

Comprehensive Annual Financial Report Award

The City's efforts to make its Comprehensive Annual Financial Report more informative and easier to read for FY 1986 were rewarded in 1987 when its CAFR was awarded a Certificate of Achievement from the Government Finance Officers Association. The award gave Cambridge the distinction of being the first Massachusetts municipality in the 42-year history of the certificate program to receive the award. The City has received the Certificate of Achievement award for the FY 1987 and FY 1988 reports and is currently awaiting word on its FY 1989 CAFR. The City has also received the GFOA award for Distinguished Budget Presentation for fiscal years 1987, 1988, 1989, and 1990. The fiscal year 1991 budget has been submitted to the GFOA and is being reviewed at this time.

Cambridge Hospital

In FY 1989, the City's general fund cash subsidy to the Cambridge Hospital was \$7.7 million, compared to the FY 1989 budget of \$7.6 million and the FY 1988 general fund cash subsidy of \$6.3 million. The FY 1989 actual net operating loss before operating transfers was \$6.4 million, compared to the FY 1988 net operating loss of \$3.0 million. While both the cash subsidy and net operating loss for FY 1989 were higher than FY 1988, the FY 1989 results were on budget and reflect a longer term strategic investment in services. For 1989, inpatient volumes increased by 6.3% and outpatient volumes increased by 13.5% which are very strong indications that the strategic plan is favorably impacting service volumes.

The outlook for financial operations at the hospital in FY 1990 appears favorable compared to budget with a projected general fund cash subsidy of \$9.2 million, compared to an original budget of \$10.8 million. The \$1.5 million increase in the cash subsidy from FY 1989 represents the final investment in the new inpatient Child Psychiatry services which came on line in mid-year and where volumes have increased over the past several months to capacity. The increase also reflects the continued strategic investment in upgrading the facility and expanding services, particularly outpatient services which are experiencing substantial growth. For the first ten months of FY 1990, inpatient and outpatient volumes are up by 6.7% and 13.3%, respectively, from FY 1989 levels. At the same time, it is well known that the Commonwealth of Massachusetts is experiencing a severe budgetary problem, and this problem has had an impact on the hospital's cash receipts in FY 1990, although the impact could have worse. Regarding Medicaid payments, the state has paid many prior claims this year and has reduced its prior year liability to the hospital to about \$1.3 million. The largest outstanding receivable though is the Uncompensated Care Pool where the state administered pool amount currently due the hospital is about \$9.0 million. The Hospital is cautiously optimistic that a substantial portion of this amount will be paid in FY 1991 since invoices to hospitals which owe money to the pool were mailed recently. Cambridge Hospital will begin to see payments from the pool as these hospitals pay their invoices.

Based on the original budget of \$10.8 million in tax support, the hospital for the current fiscal year projected net revenues of \$38.5 million. In September, due to a strong first quarter performance, tax support was lowered to \$9.2 million and net revenue projections increased to \$40.1 million. As of May 11, 1990, revenues have already exceeded that target by nearly \$500,000 and expect conservatively that by year end \$41.8 million in net revenues will be achieved. The City Council has authorized the use of this \$1.7 million surplus for capital reinvestment for the procurement of medical equipment and completion of an \$8 million plant upgrade. If any portion of the \$9 million in uncompensated care is received, it will lead to revenues in an equivalent amount above the \$41.8 million level.

For FY 1991, the Hospital's financial needs call for a level funded cash subsidy from the City of \$9.2 million. This is a conservative projection since it does not include the monies owed in prior years from the Uncompensated Care Pool, which could act as a reserve if state payments are received after June 30, 1990. In FY 1991, the hospital expects to begin to see increased dividends from the strategic service plan as the Child Psychiatry unit will be fully operational during the twelve month period, the number of births will increase substantially due to hospital investment in expanded community services, surgical services volumes grow with the surgical chief's second year at the hospital, and the major plant upgrade is completed, thus freeing up more service facility space for inpatient and outpatient services. Thus, the conservative financial projections for FY 1991 are based on a worst case scenario in terms of state payments. If the state is able to solve some of these problems in the upcoming months, clearly this financial picture of a level funded cash subsidy from the City in FY 1991 could easily improve.

Stabilization Fund

The City's Stabilization Fund currently has a balance of \$3,737,481 (including principal and interest of certificates of deposits due to mature in June 1990). Under State law, Stabilization Fund monies may only be used for purposes for which debt would ordinarily be used. It is the City's intention to transfer additional monies to this fund by June 30, 1989. It is anticipated that the Stabilization Fund monies will be used to finance capital projects in the future.

Health Claims Trust Fund

The Health Claims Trust Fund was established pursuant to State law and serves as an additional insurance policy against rising employee health costs. The current balance of the City's Claims Trust Fund is \$4,800,090 (including principal and interest of certificates of deposits due to mature in June 1990). Monies from this fund can only be used to cover employee health care costs and, as with the

Stabilization Fund, interest earned by the fund accrues to it. In addition, employee health care deductions are now being credited directly to the fund. It is expected that the City will transfer balances of approximately \$1 million in health care appropriations to this fund at the end of this fiscal year, bringing the total to \$5.8 million. The City expects that revenues from this fund will be used to offset health care costs in the future.

Retirement Fund

An actuarial study conducted by an independent audit firm determined that the unfunded pension liability of the Cambridge Retirement System was \$125.9 million as of January 1, 1989. In December 1989, the City adopted a state approved 40-year funding schedule to eliminate the unfunded pension actuarial liabilities by June 30, 2030. The City is now eligible to receive state funding grants during the next 15 years that would offset some of the resulting increases in annual costs of the pension system.

The laws of Massachusetts permit local governments to make annual appropriations for the purpose of offsetting pension costs. During fiscal Years 1984 and 1985, the City Council appropriated and funded \$1,000,000 annually to the City's Pension Reserve Fund. Prior to FY 1986, excess earnings generated by the retirement system in a calendar year were used to reduce the pension funding needed for the next fiscal year. However, the City decided not to exercise its option to use excess investment earnings to fund a portion of the pension costs, choosing to appropriate the full amount needed to cover "pay-as-you-go" expenses and transfer the excess earnings to the Pension Reserve Fund. The total of this fund, including all appropriations from the City funds and transfers of excess earnings, is \$26,944,843 as of December 31, 1989.

Salary Settlements

The City is currently in negotiation with three employee unions: the Massachusetts Nurses Association (MNA), whose contract expired on April 30, 1990; the International Association of Fire Fighters (IAFF), whose contract will expire on June 30, 1990; and the International Union of Operating Engineers, whose contract expires on June 30, 1990. The City's largest employee union, Local 195, is in the first year of a three year contract which expires on June 30, 1992 and provides for a 9% increase over the next two fiscal years. The Police Patrol Officers and Superior Officers unions have contracts which extend through June 30, 1991 and include a 9% increase over the next two fiscal years. The School Teachers and Administrators union is in the second year of a three year contract which expires on August 31, 1991.

Data Processing System

During the past three fiscal years, the City of Cambridge has undertaken a major upgrade of its data processing system. Previously, the City relied heavily on outside service bureaus for much of its automatic data processing, with only a few financial applications on an in-house computer. In July 1987, the City initiated its conversion to a state-of-the-art centralized computer environment with the purchase and installation of a Digital Corporation VAX 8530. The new system now includes a fully integrated financial system (General Ledger, Budget, Purchasing, Accounts Receivable, Accounts Payable, and Payroll) with nightly posting of all activity, an integrated management information system for the Inspectional Services Department and the Licence Commission, voter registration and census processing systems for the Electoral Commission, as well as many other Department-specific applications. This new system not only meets the current needs of the City, but also has growth potential to meet future needs. In addition, the elimination of service bureaus and the lease and maintenance costs of the previous computer has resulted in annual cost savings of approximately \$800,000.

Assessing Department

During the past fiscal year, the Assessing Department completed a state certified revaluation of all real and personal property. Massachusetts state law requires that all real and personal property assessments be maintained at 100% of full market value. Every three years values must be certified by the Massachusetts Department of Revenue as meeting this standard. The City's Assessing Department, through data trend analysis, annually adjusts values, thereby avoiding the disrupting shifts in value and taxes which might otherwise occur every third year during the State certification process.

The City's valuation program is almost exclusively an in-house operation. Assessing Department personnel include appraisal and analysis professionals as well as staff members dedicated to data collection and maintenance. The department uses computerized data management, analysis and valuation systems.

F. FIVE YEAR OUTLOOK

The tables that follow contain five year revenue and expenditure projections for fiscal year 1991 through fiscal year 1995 and the assumptions used in making those projections. Below is a comparison of the projected tax levies versus the projected tax levy limits. Despite anticipated reductions in state aid, the City expects to remain below the legal levy limit throughout the next five years.

	Projected Tax Levies (fiscal years; \$ in 000)				
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Levy Limit	\$ 125,146	\$ 132,165	\$ 137,941	\$ 143,488	\$ 149,173
Actual Projected Levy	<u>117,000</u>	<u>122,714</u>	<u>130,114</u>	<u>137,322</u>	<u>147,387</u>
Excess Levy Capacity	\$ 8,146	\$ 9,451	\$ 7,827	\$ 6,166	\$ 1,786
Residential Value - Existing	\$ 4,622,780	\$ 4,722,780	\$ 4,885,064	\$ 5,041,916	\$ 5,166,393
Residential Value - New	<u>100,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Residential Value - Total	\$ 4,722,780	\$ 4,742,780	\$ 4,895,064	\$ 5,051,916	\$ 5,176,393
Commercial Value - Existing	\$ 3,905,989	\$ 4,130,989	\$ 4,460,918	\$ 4,723,496	\$ 4,968,201
Commercial Value - New	<u>225,000</u>	<u>200,000</u>	<u>125,000</u>	<u>100,000</u>	<u>100,000</u>
Commercial Value - Total	\$ 4,130,989	\$ 4,330,989	\$ 4,585,918	\$ 4,823,496	\$ 5,068,201
Total Value	\$ 8,853,769	\$ 9,073,769	\$ 9,480,982	\$ 9,875,412	\$ 10,244,594

Revenue Projections: 1991-1995 (fiscal years; \$ in 000)

	1991 <u>Proposed</u>	1992 <u>Projected</u>	1993 <u>Projected</u>	1994 <u>Projected</u>	1995 <u>Projected</u>
General Fund					
Real & Personal	\$ 106,057	\$ 112,144	\$ 120,144	\$ 127,352	\$ 137,417
Motor Vehicle Excise	2,600	2,700	2,800	2,900	3,000
Hotel/ Motel Excise	2,100	2,200	2,300	2,400	2,500
Interest on Taxes	265	300	350	400	450
Charges for Sewer	9,660	11,728	13,491	14,854	15,889
Charges for Disposal	150	160	160	170	170
Fees	408	410	415	420	425
Rentals	141	150	150	160	160
School Revenue	100	100	110	110	120
Library Revenue	55	55	55	55	55
Cemetery Revenue	329	330	335	340	345
Recreation Revenue	444	455	470	485	500
Other Departmental Revenue	3,415	3,520	3,625	3,730	3,845
Licenses and Permits	3,668	3,780	3,890	4,010	4,130
Fines/Forfeits	471	475	475	480	480
Investment Income	1,660	1,800	1,900	2,000	2,100
Parking Fund	10,205	10,500	11,000	11,500	12,000
State Aid	40,284	41,490	42,737	44,020	45,340
Free Cash	1,500	1,500	1,500	1,500	1,500
In-Lieu-Of-Taxes	<u>1,500</u>	<u>1,600</u>	<u>1,700</u>	<u>1,800</u>	<u>1,900</u>
Subtotal	<u>\$ 185,012</u>	<u>\$ 195,397</u>	<u>\$ 207,607</u>	<u>\$ 218,686</u>	<u>\$ 232,326</u>
Hospital					
Hospital Receipts	42,371	45,173	47,854	51,709	55,094
Taxes	<u>9,567</u>	<u>9,570</u>	<u>9,570</u>	<u>9,570</u>	<u>9,570</u>
Subtotal	<u>\$ 51,938</u>	<u>\$ 54,743</u>	<u>\$ 57,424</u>	<u>\$ 61,279</u>	<u>\$ 64,664</u>
Neville Manor					
Patient Receipts	6,481	7,328	8,428	8,958	9,519
Taxes	<u>1,376</u>	<u>1,000</u>	<u>400</u>	<u>400</u>	<u>400</u>
Subtotal	<u>\$ 7,857</u>	<u>\$ 8,328</u>	<u>\$ 8,828</u>	<u>\$ 9,358</u>	<u>\$ 9,919</u>
Water Receipts	<u>\$ 5,682</u>	<u>\$ 6,835</u>	<u>\$ 6,973</u>	<u>\$ 7,150</u>	<u>\$ 7,344</u>
GRAND TOTAL	<u>\$ 250,489</u>	<u>\$ 265,303</u>	<u>\$ 280,832</u>	<u>\$ 296,473</u>	<u>\$ 314,253</u>
Projected Levy Limit	125,146	132,165	137,941	143,488	149,173
Projected Levy	<u>117,000</u>	<u>122,714</u>	<u>130,114</u>	<u>137,322</u>	<u>147,387</u>
Excess Levy Capacity	\$ 8,146	\$ 9,451	\$ 7,827	\$ 6,166	\$ 1,786

Assumptions

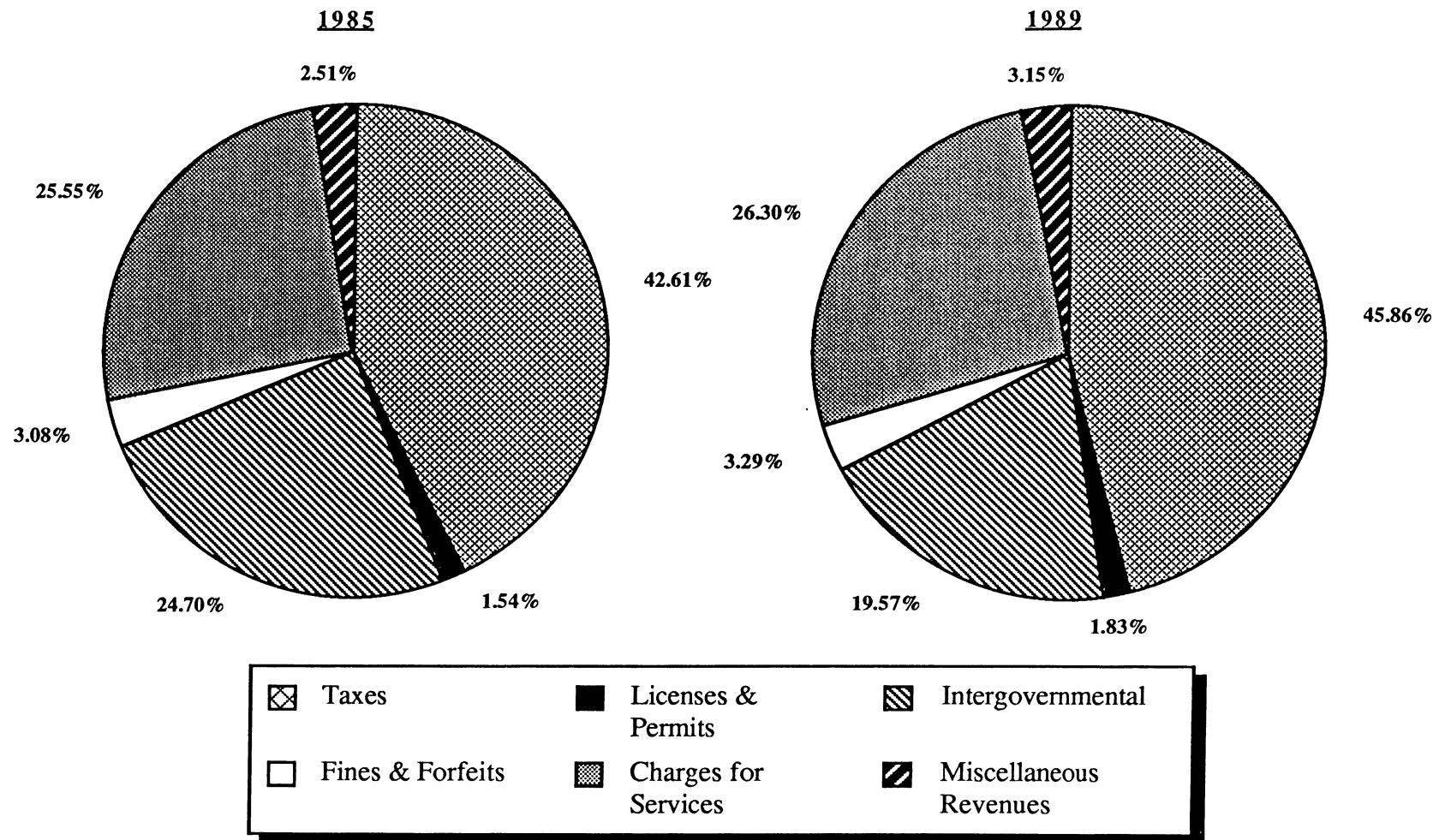
1. Departmental Revenues increase at 3.0% annually.
2. State Aid increases at 3.0% annually 1992 - 1995.
3. Hospital receipts maintain constant subsidy of \$9.5 million.
4. Neville Manor deficit climbs to \$1.4 million in 1991, falls to \$0.4 million by 1995 as City adjusts to changes in Medicaid reimbursements.
5. Water/Sewer rates increase annually to offset increases in operating, debt and capital costs.
6. Assessments increase as follows: existing residential and commercial is flat through 1992 and increases 3.0% annually thereafter, new residential growth of \$100 million in 1991, \$20 million in 1992 and \$10 million per year 1993-1995, new commercial growth of \$225 million in 1991, \$200 million in 1992, \$125 million in 1993 and \$100 million per year in 1994 & 1995.

Expenditure Projections: 1991-1995
(fiscal years; \$ in 000)

	1991 <u>Proposed</u>	1992 <u>Projected</u>	1993 <u>Projected</u>	1994 <u>Projected</u>	1995 <u>Projected</u>
General Fund					
City Operating Programs	\$ 91,063	\$ 96,526	\$ 102,318	\$ 108,457	\$ 114,965
Non-Contributory Pensions	2,045	2,000	2,000	2,000	2,000
City Debt Service	6,206	7,295	8,186	8,201	9,102
School Operating	63,936	67,772	71,838	76,149	80,718
School Debt Service	4,837	3,978	3,960	4,009	2,712
Overlay	2,000	2,000	2,500	2,000	2,000
Prior Year Overlay	200	200	200	200	2,000
Water/Sewer Authority	7,426	8,169	8,985	9,884	10,872
State Charges	6,339	6,497	6,660	6,826	6,997
Offset Items	<u>960</u>	<u>960</u>	<u>960</u>	<u>960</u>	<u>960</u>
Subtotal	<u>\$ 185,012</u>	<u>\$ 195,397</u>	<u>\$ 207,607</u>	<u>\$ 218,686</u>	<u>\$ 232,326</u>
Hospital					
Hospital Operating	\$ 48,918	\$ 51,853	\$ 54,964	\$ 58,262	\$ 61,758
Hospital Debt Service	<u>3,020</u>	<u>2,890</u>	<u>2,460</u>	<u>3,017</u>	<u>2,906</u>
Subtotal	<u>\$ 51,938</u>	<u>\$ 54,743</u>	<u>\$ 57,424</u>	<u>\$ 61,279</u>	<u>\$ 64,664</u>
Neville Manor	<u>\$ 7,857</u>	<u>\$ 8,328</u>	<u>\$ 8,828</u>	<u>\$ 9,358</u>	<u>\$ 9,919</u>
Water					
Water Operating	\$ 4,122	\$ 4,369	\$ 4,631	\$ 4,909	\$ 5,204
Water Debt Service	<u>1,560</u>	<u>2,466</u>	<u>2,342</u>	<u>2,241</u>	<u>2,140</u>
Subtotal	<u>\$ 5,682</u>	<u>\$ 6,835</u>	<u>\$ 6,973</u>	<u>\$ 7,150</u>	<u>\$ 7,344</u>
GRAND TOTAL	<u>\$ 250,489</u>	<u>\$ 265,303</u>	<u>\$ 280,832</u>	<u>\$ 296,473</u>	<u>\$ 314,253</u>

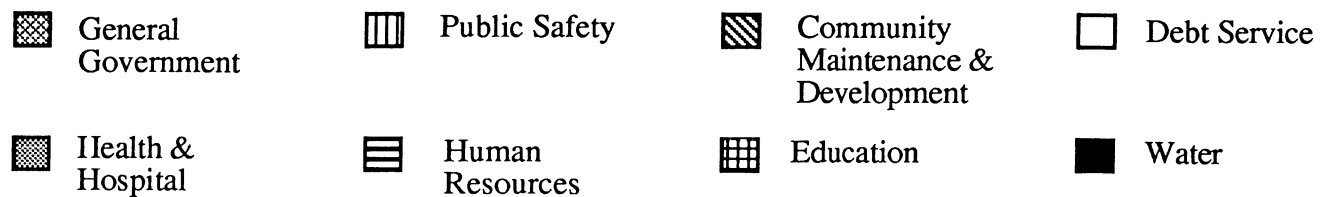
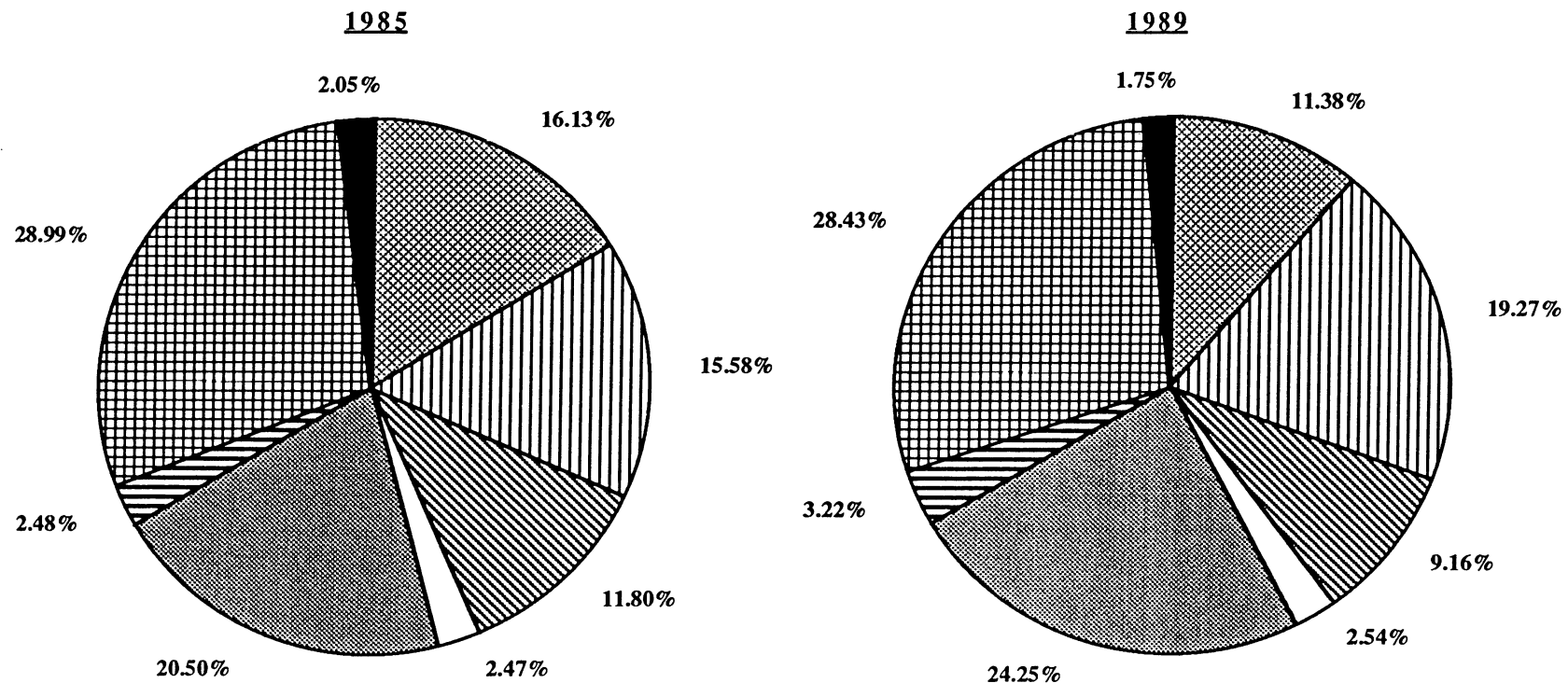
Assumptions

1. City, School, Hospital Neville Manor and Water operating programs increase at 6.0% annually.
2. City, School, Hospital and Water Debt Service reflects 5-Year capital plan.
3. Massachusetts Water Resource Authority increases at 10.0% annually.
4. State charges increase at 2.0% annually.

Comparison of General Revenues
Fiscal Years 1985 & 1989

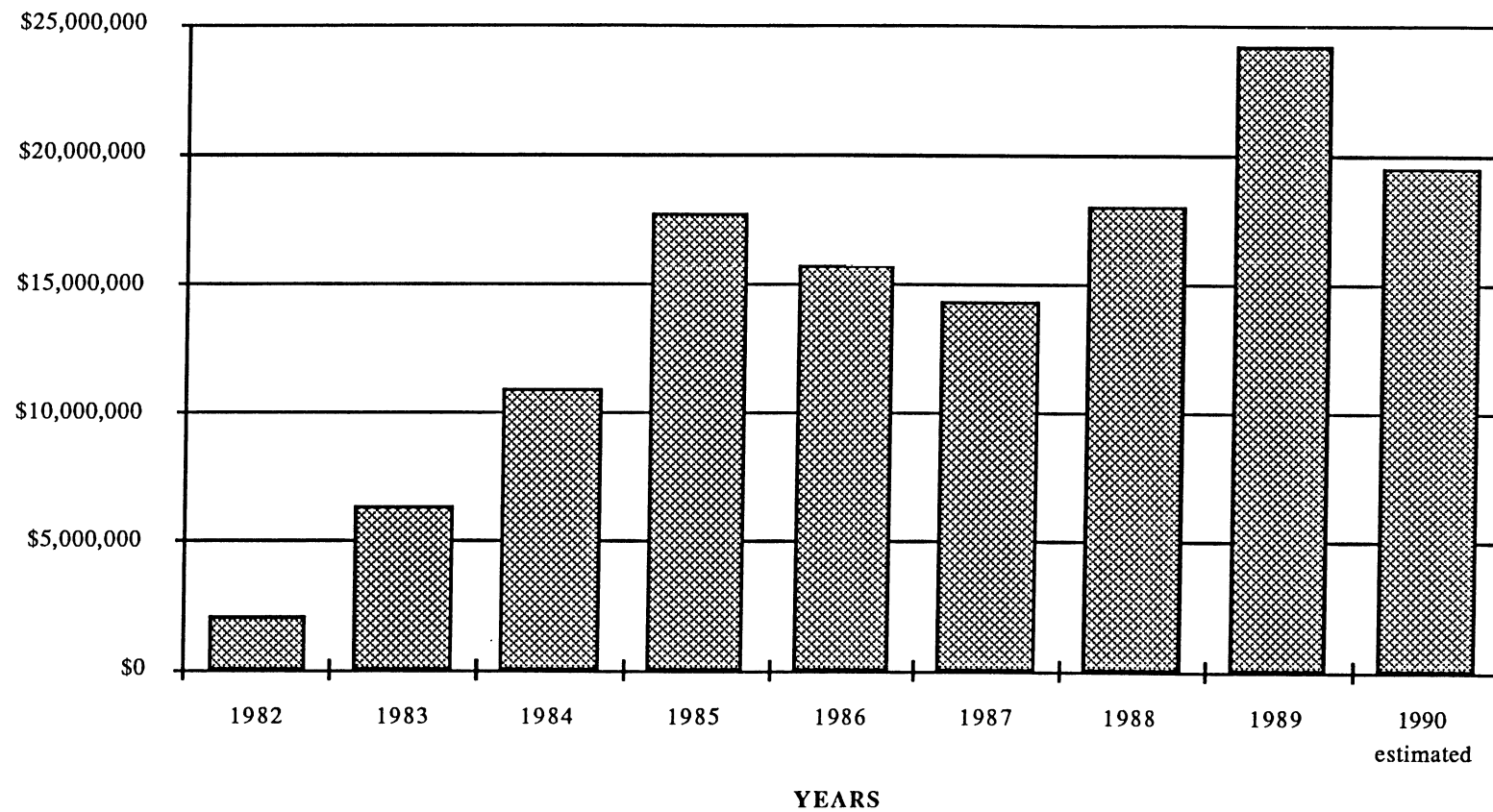
Source: City Department of Finance, audited financial statements

Comparison of General Expenditures Fiscal Years 1985 & 1989



Source: City Department of Finance, audited financial statements

General Fund Unreserved Fund Balance
Fiscal Years 1982 - 1990

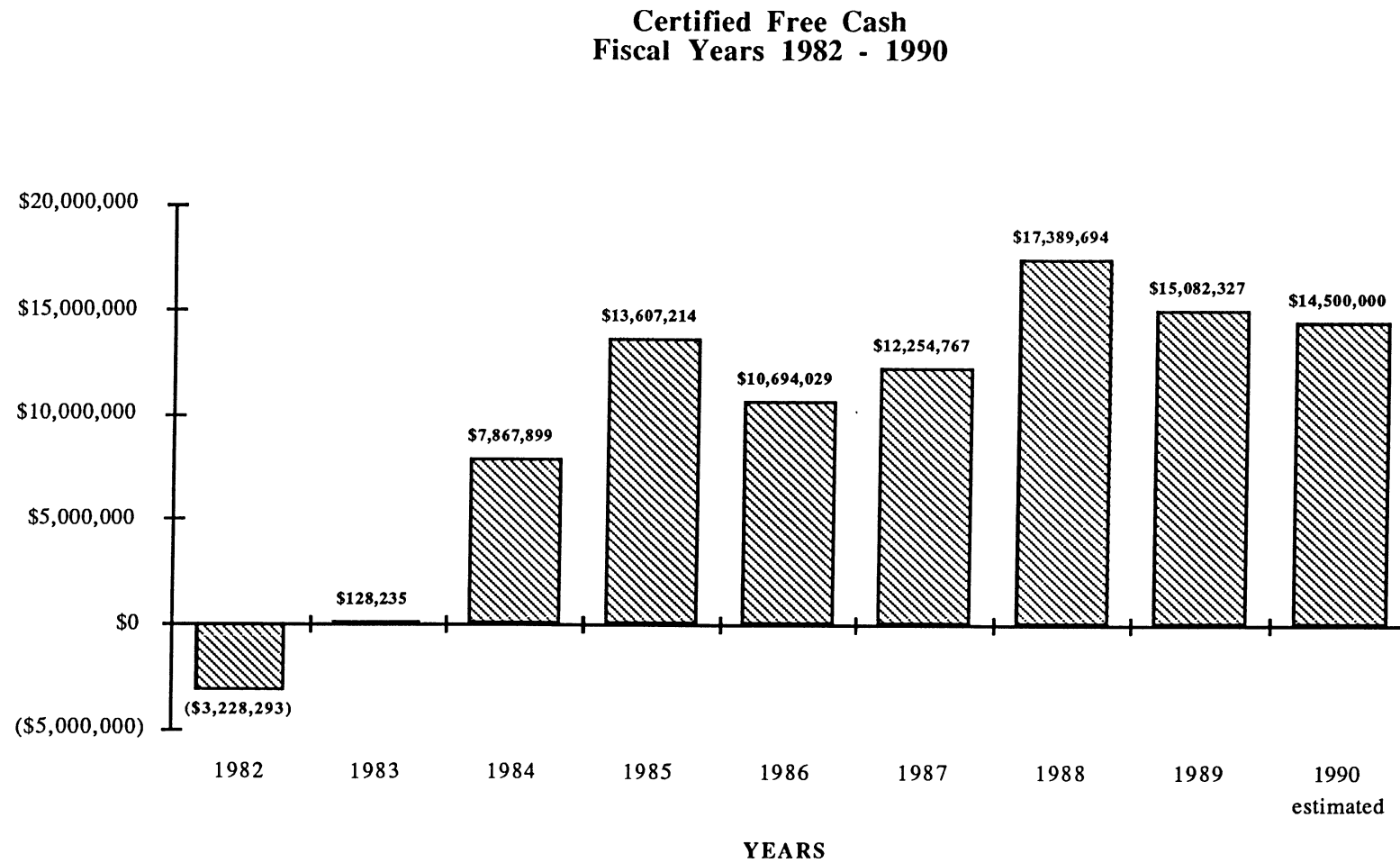


Source: City Department of Finance

**Free Cash as a Percentage of General Fund Expenditures
Fiscal Years 1982 to 1989**

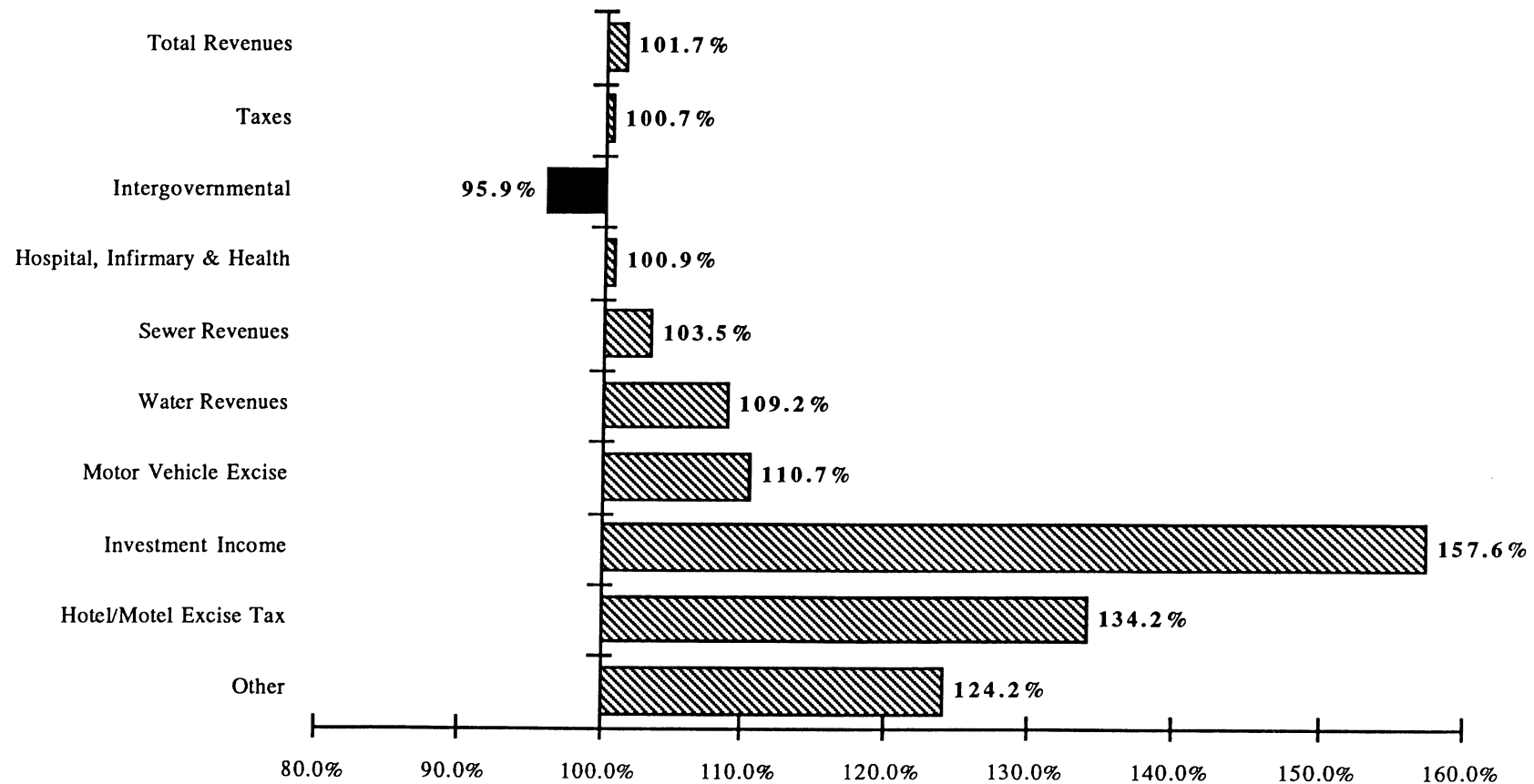
<u>Fiscal Year</u>	<u>Free Cash</u>	<u>Total General Fund Expenditures</u>	<u>Free Cash as a % of General Fund Expenditures</u>
1989	\$15,082,137	\$166,222,146	9.07%
1988	17,389,694	156,431,518	11.11
1987	12,254,767	141,110,037	8.68
1986	10,694,029	131,345,891	8.14
1985	13,607,214	121,041,945	11.24
1984	7,867,899	118,006,162	6.67
1983	128,235	105,140,436	0.12
1982	(3,228,293)	104,554,324	(3.09)

Source: City Department of Finance



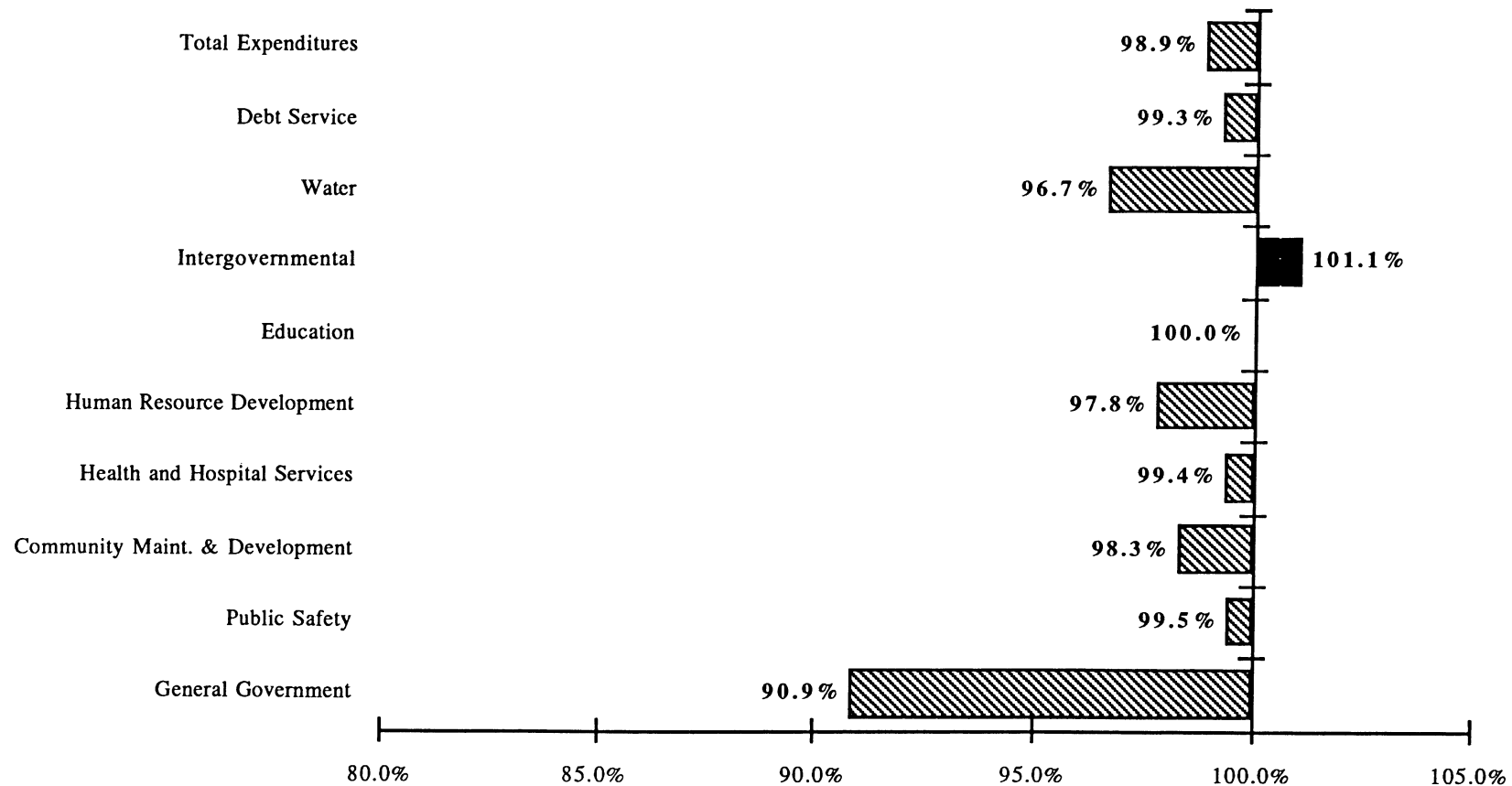
Source: City Department of Finance, audited financial statements

**General Fund Revenues
Actuals as a Percentage of Budgeted
Fiscal Year 1989**



Source: City Department of Finance, audited financial statements

**General Fund Expenditures
Actuals as a Percentage of Budgeted
Fiscal Year 1989**



Source: City Department of Finance, audited financial statements

SECTION III. ECONOMIC PERFORMANCE

Throughout the 1980's, Cambridge benefitted from the strong economic performance of the Commonwealth. During those years of rapid expansion, the City recorded tremendous increases in Assessed and Equalized Valuation, significant growth in small business establishments, growth in employment, and a large increase in Per Capita Personal Income. This economic and demographic expansion has allowed the City to continue to meet its fiscal responsibilities within the limitations imposed by Proposition 2 1/2.

In the past two years, the Massachusetts economy has slowed considerably and large deficits have been identified in the Commonwealth's operating funds. In response to these shortfalls, the Commonwealth has cut spending and increased certain taxes. Among the items cut were transfer payments to local governments. As described in Section II of this document, Cambridge has responded to the first round of these state aid cuts (\$3.5 million) without significant impact on operations. However, the magnitude of the Commonwealth's financial problems may result in additional local aid cuts. In its fiscal year 1991 budget, Cambridge has anticipated additional cuts of \$1.0 million in its receipts from the Commonwealth and, again, can accommodate these without cutting services. The City is closely monitoring developments at the state level and is prepared to respond to cuts beyond those that are now anticipated if necessary. The City has established itself on a firm financial foundation, with strong fund balances, and still retains a margin between the actual levy and the Proposition 2 1/2 mandated levy limit. All of this, combined with the still strong performance of the Cambridge economy, should allow the City the financial flexibility needed to weather the State funding crisis.

A. Employment and Unemployment Trends

As the older industrial-based economy of New England has been superseded by the information technology and service-based economy of the 1980's, the City has seen an expansion in the number of small businesses and employment. From 1983 through 1988, the number of business establishments in Cambridge has risen from 2,717 to 3,428, an increase of over 26%. Concurrent with this has been a rise in total employment from 90,634 to 100,620, a 11.0% increase. During this period, manufacturing employment dropped 15%, while Finance, Insurance and Real Estate employment rose 15% and Services Employment rose 22%, representing an increase of over 10,000 new jobs.

The number of citizens employed in the City of Cambridge increased significantly during the 1980's. Despite a slowing area economy, unemployment, while higher now than at any time since 1986, is still significantly lower than the state or national averages.

B. Per Capita Income

The most recent estimates of Per Capita Personal Income have shown a 70% increase from 1980 to 1986. This represents an increase from \$7,957 to \$15,613 per capita. During this period the Commonwealth of Massachusetts saw a 61% increase in Per Capita Personal Income while the U.S. as a whole saw only a 46% increase.

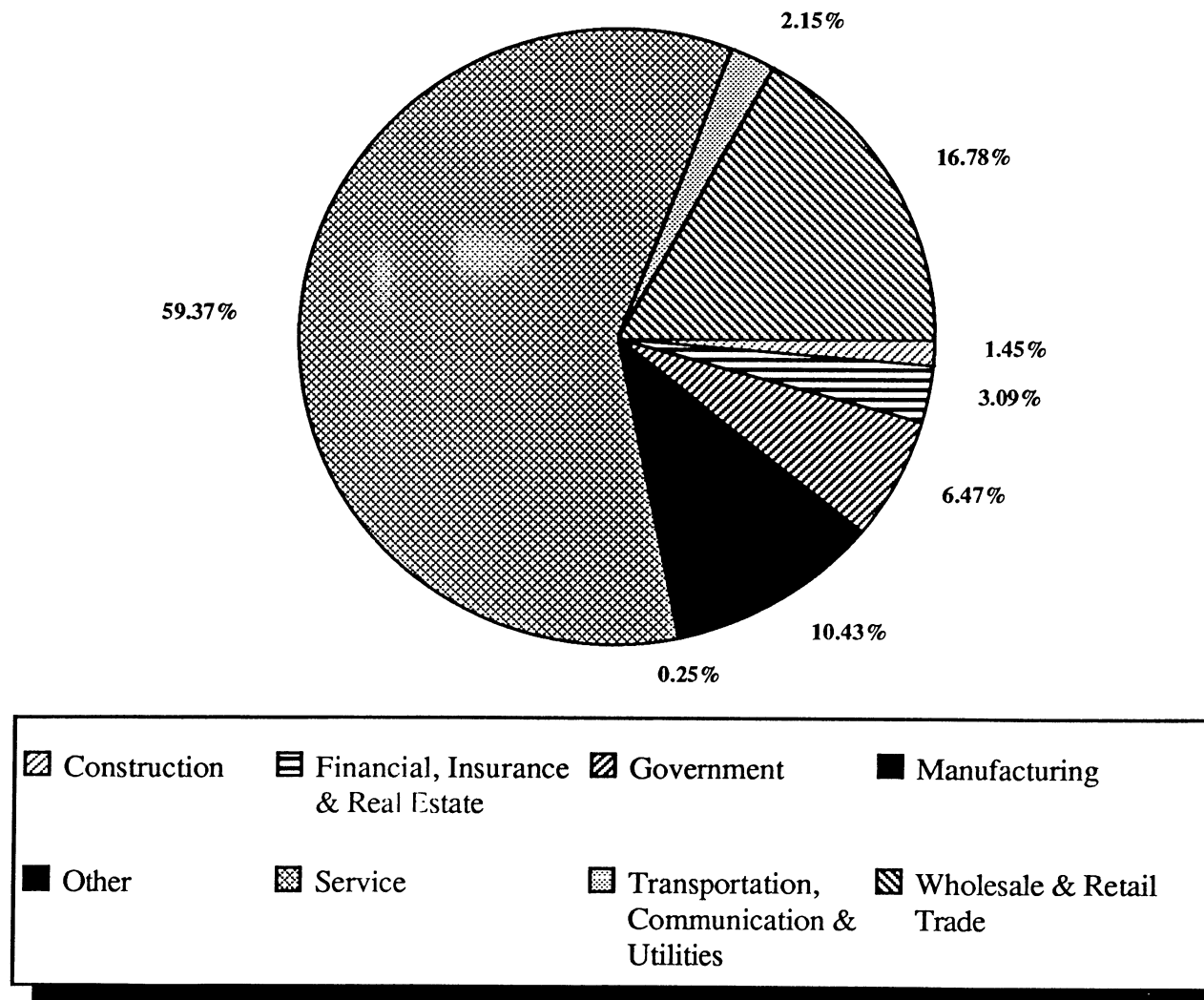
C. Assessed and Equalized Valuation

The last few years have seen a tremendous growth in property value throughout New England. Cambridge has benefitted from significantly from this trend. Assessments have risen over 176% from 1985 through 1990. FY 1990 assessed valuation of property stands at \$8,528,769,144 up from \$7,327,846,922 in FY 1989 and \$3,083,419,166 in FY 1985. This increase in assessed valuation has allowed the City to reduce its residential property tax rate from \$15.26 per \$1,000 of assessed value in 1985 to \$9.51 per \$1,000 in FY 1990. Commercial /Industrial property tax rates have fallen from \$34.69/\$1000 to \$18.16/1,000 over the same period.

The State-determined Equalized Valuation Rate has risen from \$2.92 billion in FY 1986 to \$7.15 billion in FY 1990, an increase of 146%.

D. Construction Activity

The City has been the beneficiary of significant new construction activity. FY 1988 saw the highest level of new construction in the City's history, with the estimated value of projects under construction reaching \$289 million, an increase of 45% over the very high level of construction in FY 1987. Approximately 67% of this construction was commercial, up from 54% of FY 1987 construction. As of March 31, estimates for FY 1990 year-to-date are at \$159.8 million as compared to \$168.6 million at this point in FY 1989.

**Employment by Sector
Calendar Year 1988**

Source: Massachusetts Department of Employment and Training

Employment and Unemployment Trends
Fiscal Years 1980 to 1990

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Total Employment</u>	<u>Total Unemployed</u>	<u>Unemployment Rates</u>		
				<u>Cambridge</u>	<u>Mass.</u>	<u>U.S.</u>
1980	51,900	49,265	2,635	5.1%	5.6%	7.1%
1981	53,196	50,102	3,094	5.8%	6.4%	7.6%
1982	54,180	50,546	3,634	6.7%	7.9%	9.7%
1983	54,140	51,051	3,089	5.7%	6.9%	9.6%
1984	55,799	53,571	2,228	4.0%	4.8%	7.5%
1985	55,728	53,877	1,851	3.3%	3.9%	7.2%
1986	55,732	53,941	1,791	3.2%	3.8%	7.0%
1987	53,641	52,327	1,314	2.4%	3.2%	6.2%
1988	54,266	52,976	1,290	2.4%	3.3%	5.5%
1989	53,764	52,282	1,482	2.8%	4.0%	5.3%
1990*	N.A.	N.A.	N.A.	3.0%	5.8%	5.8%

* Unadjusted Monthly Averages (January)

Source: U.S. Department of Labor, Bureau of Labor Statistics, Massachusetts Department of Employment and Training

**Unemployment Rate
Average Annual Rates
1982-1990**

<u>Jurisdiction</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	February <u>1990</u>
Cambridge	6.7%	5.8%	4.0%	3.3%	3.2%	2.4%	2.4%	2.8%	3.3%
Boston MSA	7.0	5.8	4.1	3.4	3.5	2.7	2.8	3.4	4.4
Massachusetts	7.9	6.9	4.8	3.9	3.8	3.2	3.3	4.0	5.8
United States	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.5	5.8

Source: U.S. Department of Commerce; Bureau of Labor Statistics

Principal Employers April, 1990

<u>Employer</u>	<u>Nature of Business</u>	<u>Total Number Of Employees</u>
Harvard University	Education	9,856
Massachusetts Institute of Technology	Education	8,159
City of Cambridge	Government	3,624
Polaroid Corporation	Photographic & Optic	2,171
Draper Labs, Inc.	Research & Development	1,900
Arthur D. Little, Inc.	Research & Development	1,889
Mount Auburn Hospital	Medical	1,870
Lotus Development Corporation	Research & Development	1,785
Bolt, Beranek & Newman, Inc.	Research & Development	1,668
U.S. Department of Transportation	Government Research	1,112
Youville Hospital	Medical	800
Badger Engineering	Construction	770
Camp, Dresser, McKee	Engineering	700
Harvard Cooperative Society	Retail	650
TRW Fasteners	Manufacturing & Distribution	602
ABT Associates, Inc.	Research & Development	448
Hyatt Regency Hotel	Hotel	388
Cambridge Marriott Hotel	Hotel	383
County of Middlesex	Government	373
BayBanks Harvard Trust	Financial	350
Lechmere Sales	Retail	350
Lesley College	Education	348
Charles Hotel	Hotel	345
Sonesta Hotel	Hotel	320
Warner Lambert	Confectionery Products	320

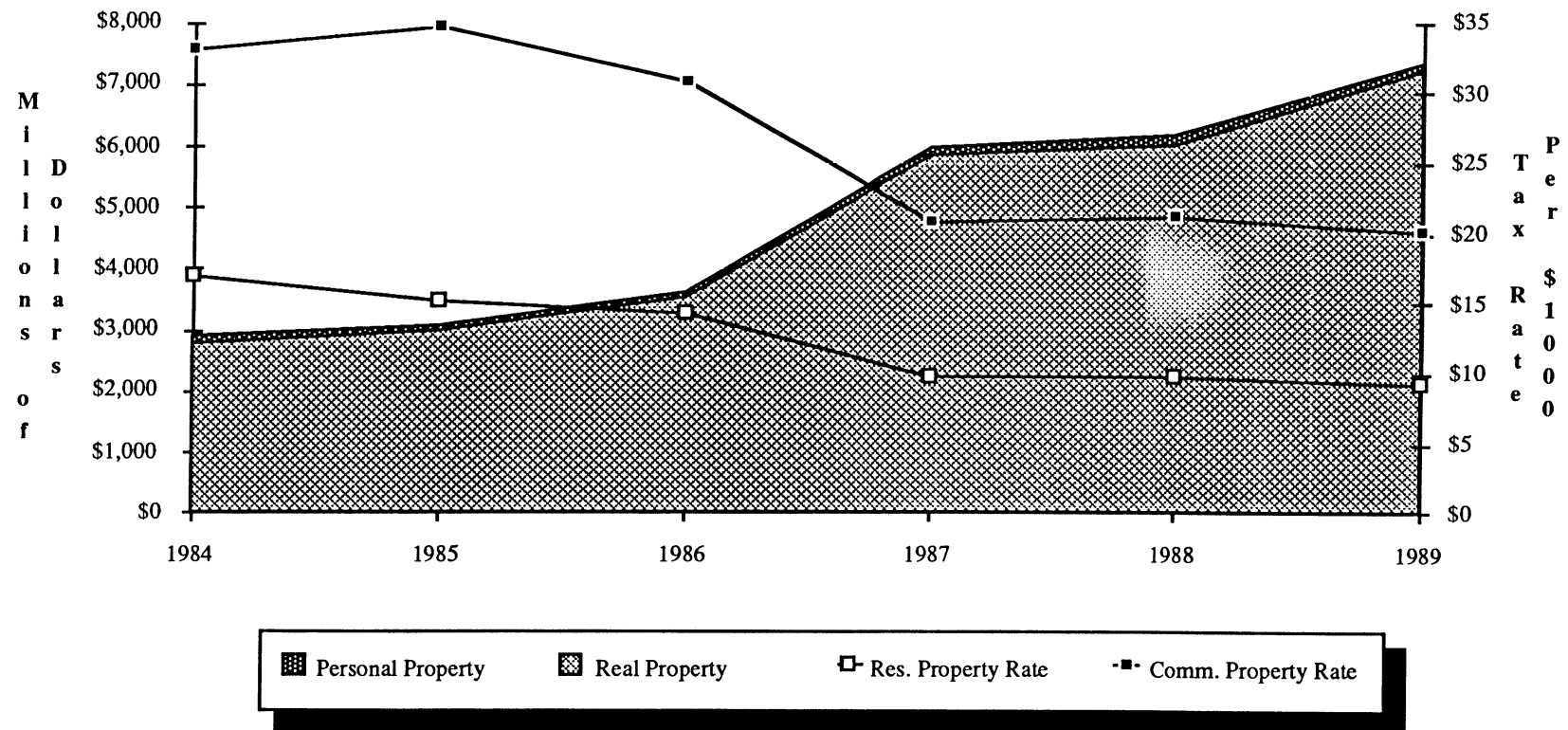
Source: City Community Development Department

**Per Capita Personal Income
Cambridge and Selected Jurisdictions
1969-1987**

<u>Jurisdiction</u>	<u>1969</u>	<u>1979</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987 as a % of U.S.</u>	<u>1987 as a % of MA.</u>
Cambridge	\$3,899	\$7,957	\$11,403	na	\$13,494	na	15,613	112.16%	85.33%
Boston MSA	4,471	9,880	14,612	na	17,391	na	20,355	131.56	111.25
Massachusetts	4,349	10,096	13,306	14,755	16,324	17,657	18,296	118.25	100.00
United States	3,945	9,494	11,687	12,772	13,908	14,636	15,472	100.00	84.56

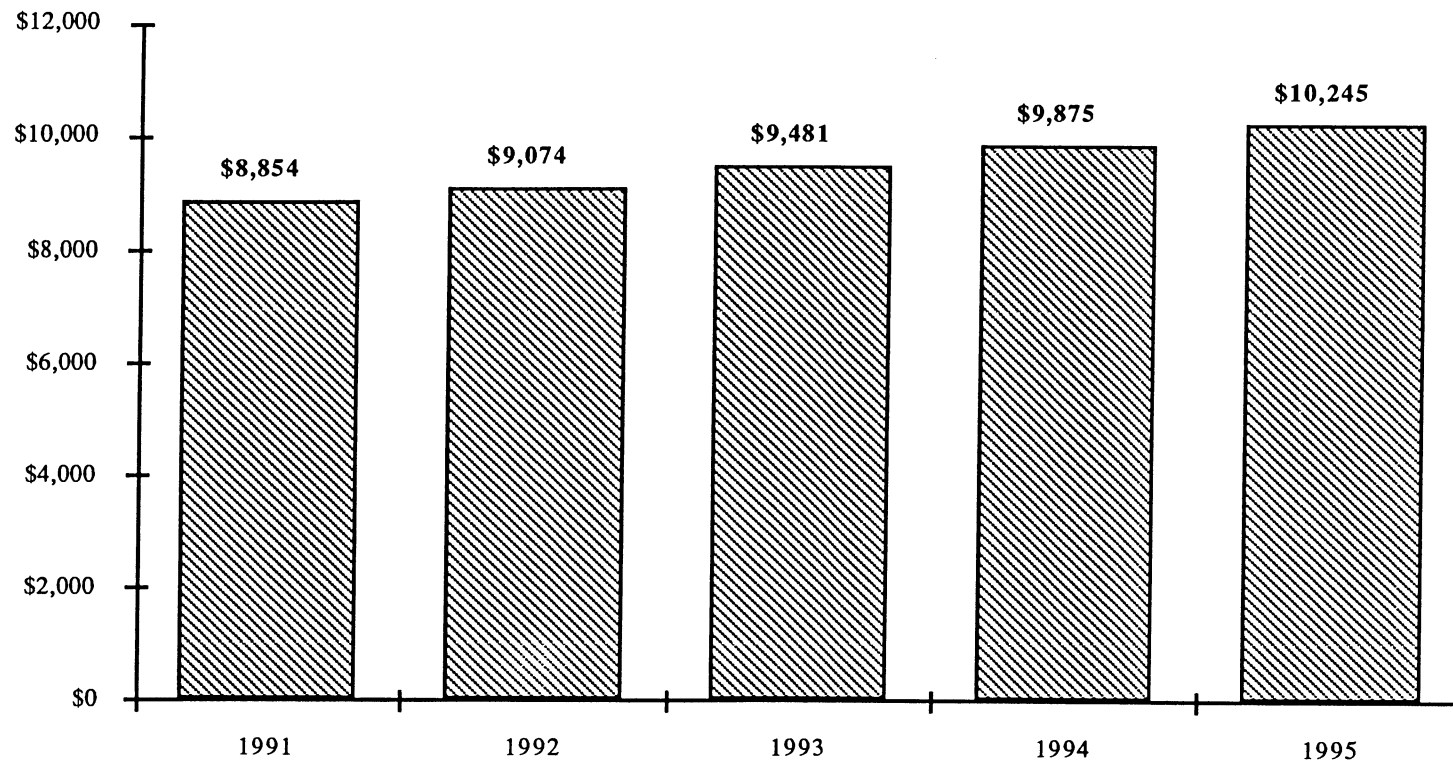
Source: U.S. Department of Commerce; Bureau of Economic Analysis, Bureau of Census, and the Massachusetts State Data Center.

Assessed Valuation by Category
and Property Tax Rates
Fiscal Years 1984 - 1989
(\$ in millions)



Source: City Department of Finance

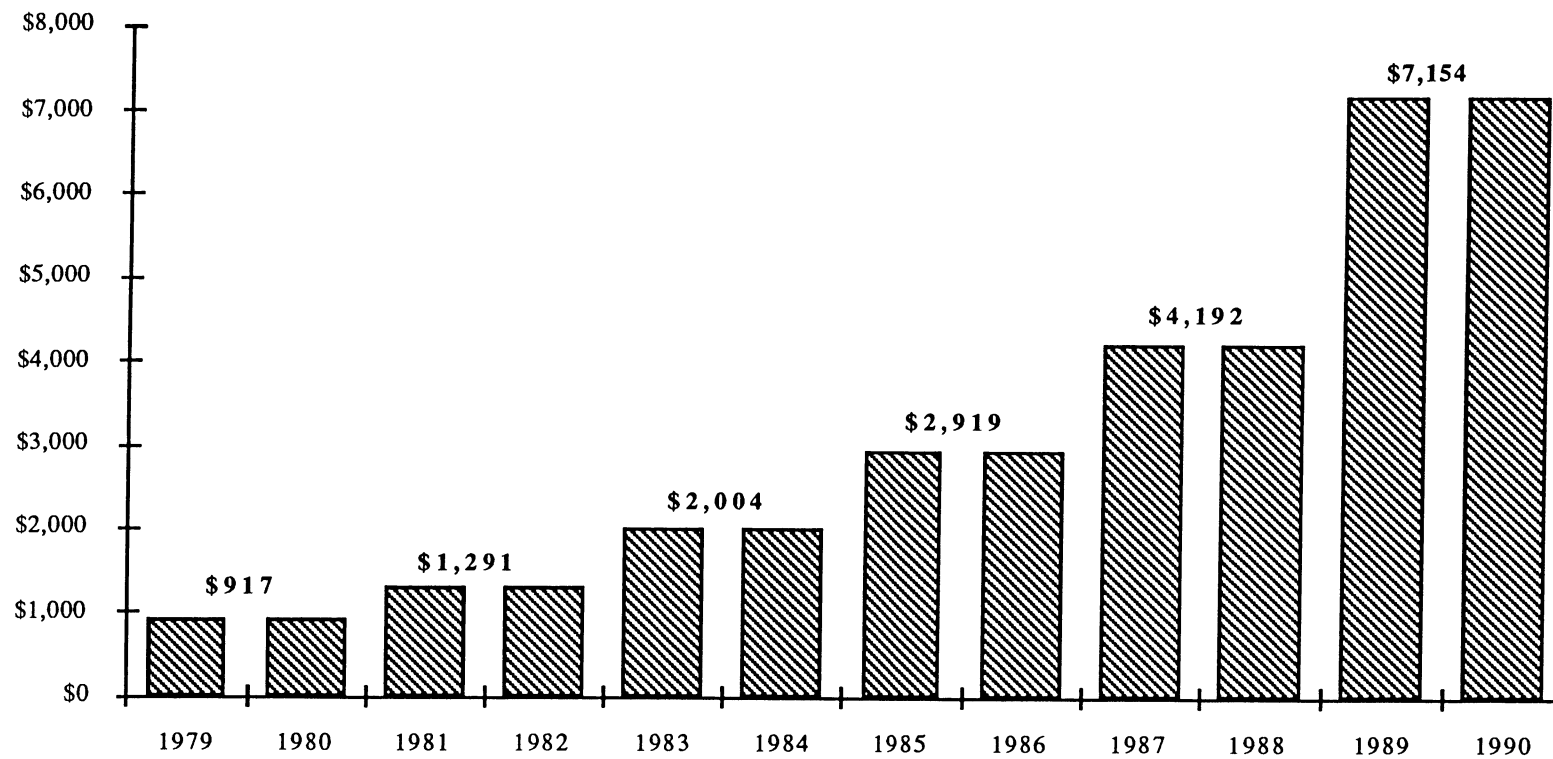
**Projected Growth in Assessed Valuation
Fiscal Years 1991 - 1995
(in millions)**



New Construction Valuation Increase as listed in table on page 16

Source: City Department of Finance

**Equalized Valuation
Fiscal Years 1979 - 1990
(in millions of dollars)**



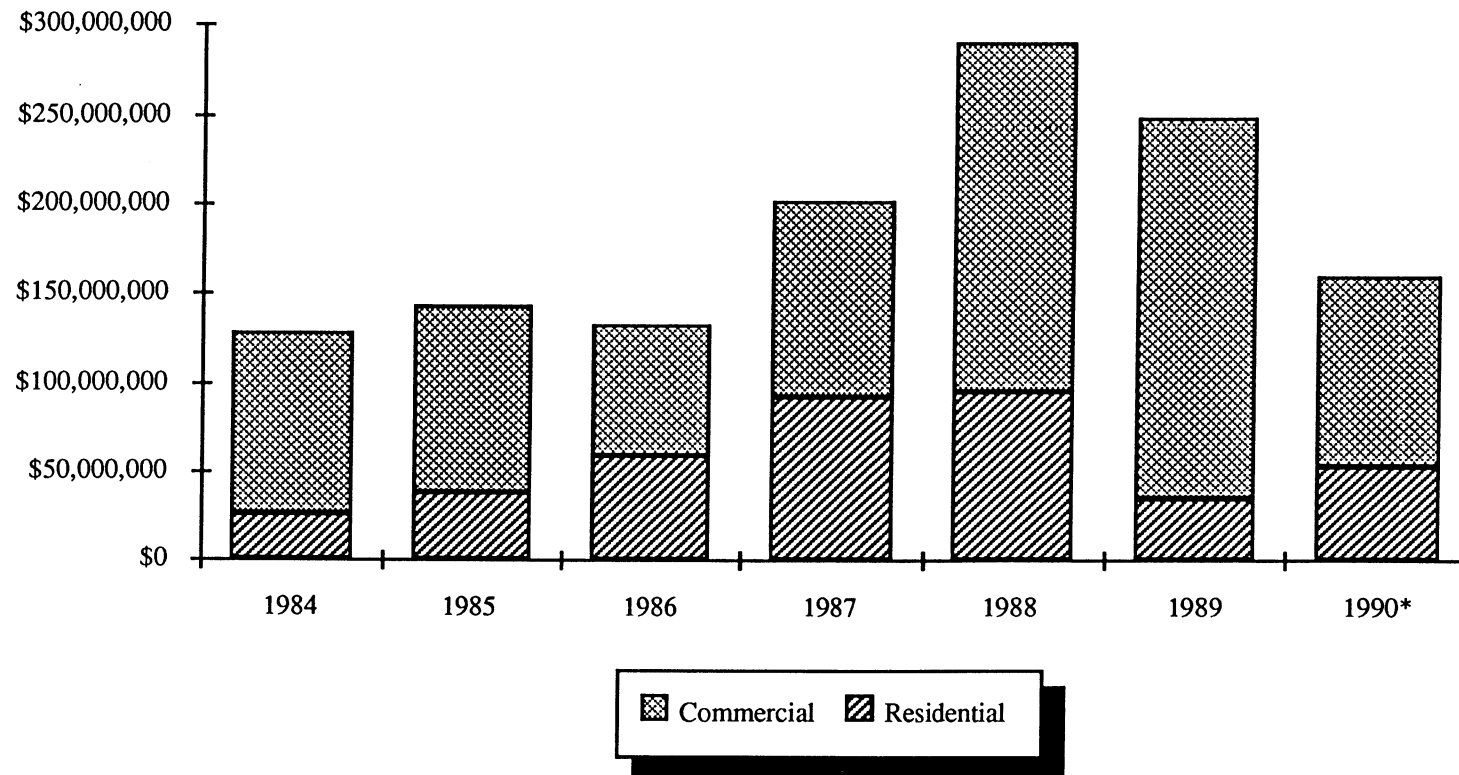
Source: City Department of Finance

**Ten Largest Taxpayers
Fiscal Year 1990
(as of January 1, 1989)**

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Tax Levy</u>
Commonwealth Energy	Utility	\$ 278,154,900	\$ 5,049,362	4.6%
Boston Properties	Commercial	215,696,800	3,917,053	3.6
Massachusetts Institute of Technology	Education	206,268,700	3,537,040	3.2
Asahi Seimei Prudential Associates	Commercial	172,935,700	3,140,512	2.9
Presidents & Fellows/Harvard College	Education	163,587,006	2,339,678	2.1
Robert A. Jones & K. George Najarian	Commercial	152,560,900	2,770,505	2.5
Spaulding & Slye Corporation	Commercial	151,590,400	2,752,881	2.5
The Congress Group	Commercial	81,057,300	1,472,000	1.3
E.M.I. Cambridge Limited Partnership	Commercial	76,282,100	1,385,282	1.3
Cabot, Cabot & Forbes	Commercial	63,200,000	1,147,712	1.0
Totals		<u>\$1,561,333,806</u>	<u>\$ 27,512,025</u>	<u>25.0%</u>

Source: City Department of Finance

**Value of Building Permits
Fiscal Years 1984 - 1990**



* Through March 31

Source: Cambridge Inspectional Services Department

SECTION IV. DEBT MANAGEMENT AND PUBLIC INVESTMENT PROGRAM

For the past five years, enhancement of the Public Investment Program (PIP) and more efficient debt management practices have been a goal of the City's Administration. Evidence of this commitment to improved practices can be seen in the formal capital projects request procedures now utilized to develop the PIP. In addition, the City has eliminated its dependence on short-term borrowings in anticipation of tax receipts, developed and implemented conservative debt management policies, and dedicated itself to the attainment of improved credit ratings. Since the implementation of this program, the City has demonstrated its ability to meet infrastructure needs in a timely manner by combining current revenues, grants, and the proceeds of tax-exempt bonds.

As the information in this section demonstrates, Cambridge has developed a capital spending plan that recognizes the practical limits of borrowing. All debt obligations are structured for very rapid redemption, giving the City considerable flexibility to extend redemption schedules for long-life projects if that should ever become necessary. For the next five-year period, more debt is expected to be redeemed than will be issued. This will have the effect of strengthening the City's ability to meet future capital obligations.

**Key Debt Ratios
June 30, 1990**

	<u>Amount</u>	<u>Per Capita</u>	<u>% of Assessed Value</u>	<u>Debt Per Capita as a % of Per Capita Income</u>
Gross Direct Debt †	\$67,705,000	\$750	0.8%	4.8%
Net Direct Debt ††	54,535,310	604	0.6	3.7
Net Direct and Gross Overlapping Debt †††	139,894,109	1,549	1.6	9.9
Net Direct and Net Overlapping Debt †††	83,395,612	924	1.0	5.9

† Excludes long-term leases and contract obligations. Excludes funds committed to debt redemption. Includes 1990 issue.

†† Excludes G.O. Bonds for schools funded from state appropriations.

††† Excludes most recent MWRA issue (the portion of that debt that is the responsibility of the tax and ratepayers of the City of Cambridge has not been determined). See footnote to overlapping debt statement in preliminary official statement.

Source: City Department of Finance

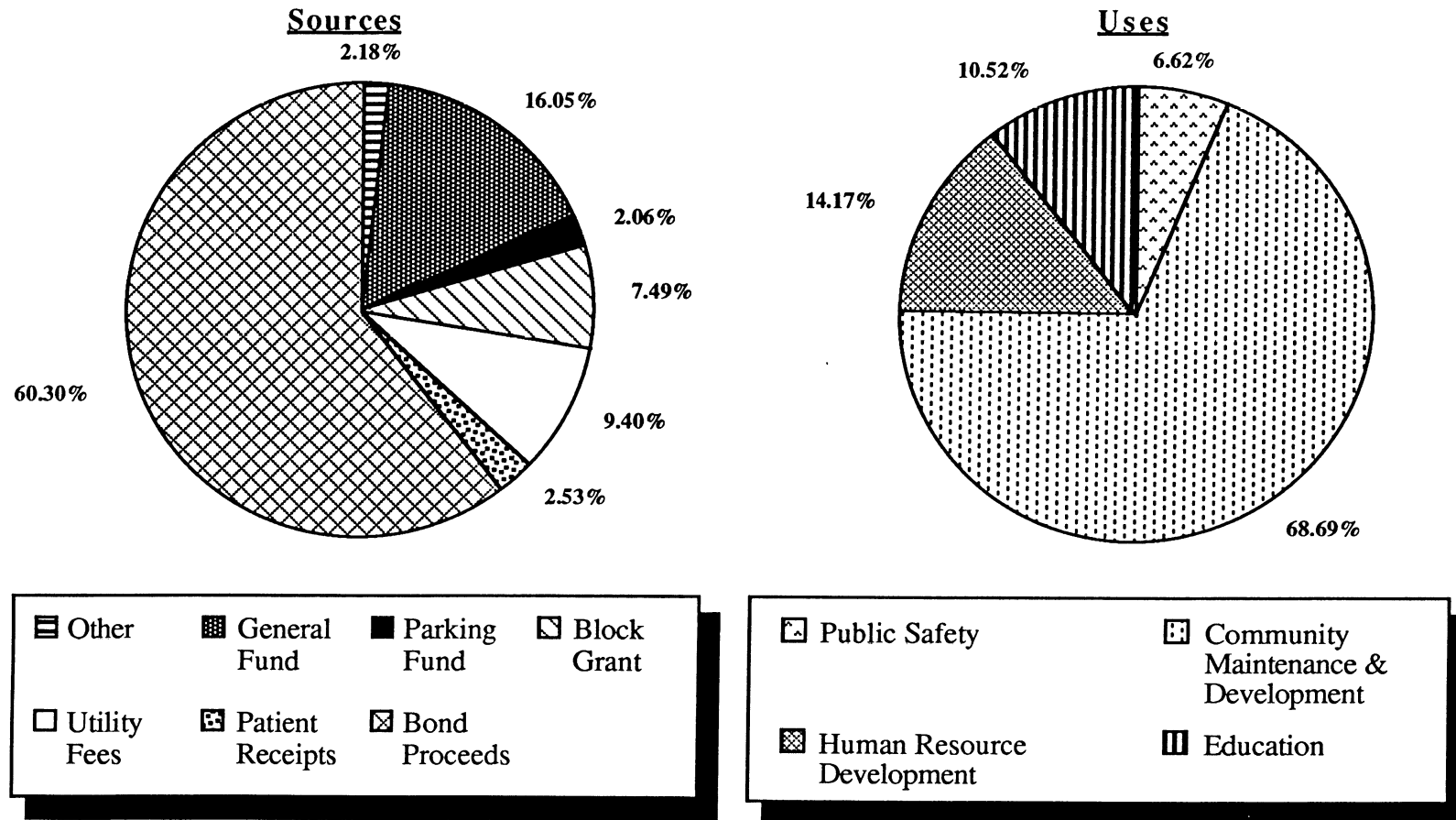
Rapidity of Principal Repayment*
(As of June 30, 1990)

<u>Maturing Within</u>	<u>Amount Maturing</u>	<u>Percent of Debt Outstanding</u>
5 Years	\$45,480,000	67.2%
10 Years	67,705,000	100.0

* Includes 1990 issue.

Source: City Department of Finance

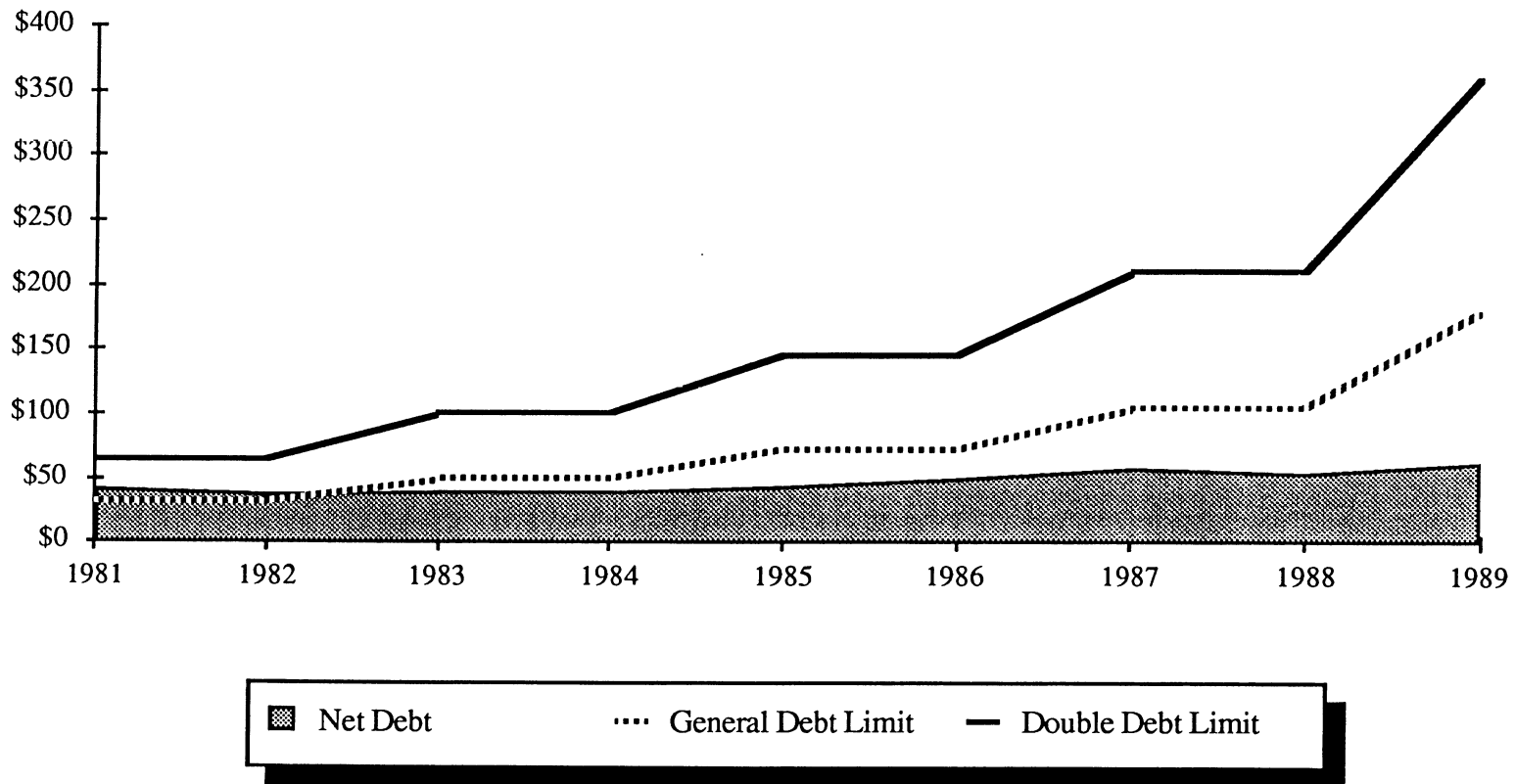
**Public Investment Program
Fiscal Years 1991 to 1995**



**Debt Ratios and PIP Impacts
Fiscal Years 1991 to 1995**

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>Total 1991-1995</u>
Beginning Balance	\$ 67,705,000	\$ 68,375,000	\$ 65,695,000	\$ 66,650,000	\$ 65,900,000	-----
Issued Tax-Supported G.O.	11,700,000	8,600,000	12,000,000	11,000,000	13,500,000	\$ 56,800,000
Retired-Old Tax-Supported G.O.	11,030,000	10,110,000	9,115,000	8,420,000	6,805,000	\$ 45,480,000
Retired-New Tax-Supported G.O.	<u>0</u>	<u>1,170,000</u>	<u>2,030,000</u>	<u>3,230,000</u>	<u>4,330,000</u>	\$ 10,760,000
Ending Balance	\$ 68,375,000	\$ 65,695,000	\$ 66,650,000	\$ 65,900,000	\$ 68,265,000	-----
Population	90,290	90,290	90,290	90,290	90,290	Assumptions: New Debt Retirement Rate: 10 Years (Level Principal) Population: 0%/Year Personal Income: 5%/Year Assessed Value: 6%/Year
Assessed Value (in millions)	\$ 8,854	\$ 9,074	\$ 9,481	\$ 9,875	\$ 10,245	
Per Capital Income	\$ 18,978	\$ 19,927	\$ 20,923	\$ 21,969	\$ 23,068	
Debt Per Capita	\$ 757	\$ 728	\$ 737	\$ 730	\$ 756	
Debt to Assessed Value	0.77%	0.72%	0.70%	0.67%	0.67%	
Debt to Per Capita Income	3.99%	3.65%	3.52%	3.32%	3.28%	

General Obligation Debt as Compared to
General and Double Debt Limitations
(in millions of dollars)



Source: City Department of Finance

SECTION V. SUMMARY OF CREDIT STRENGTHS

The City of Cambridge has demonstrated its financial strength during an extremely difficult period for New England credits. Its responsive management has enabled the City to respond to these financial challenges without having to make disruptive cuts in on-going programs. Additionally, no significant reductions in City fund balances have resulted, despite cuts in the level of state assistance. Cambridge remains well-positioned to preserve its strong credit position. Among the factors contributing to the City's strong credit and financial position are summarized below. These are:

- Stability of Local Economy
- Strong Financial Position
- Stable Financial Management Team and Flexible Management Practices
- Continued Conservative Management of Capital Requirements
- Moderate Debt Burden with Rapid Principal Repayment

1. Stability of Local Economy

Despite the recent weaknesses in the Massachusetts economy, Cambridge continues to enjoy a stable, diverse base. The strength of this economic base is evidenced by continuing low unemployment figures and expansion of commercial and industrial activity despite a weak economic environment in the region.

The growth that has been taking place in Cambridge has contributed significantly to the strength of the City's financial operations. The City benefits directly from the dramatic increases in property values that have been recorded in recent years. As noted in the discussion of recent financial results, the City is operating within its Proposition 2 1/2 levy limitation.

Finally, the strong economy, growth in the number of hotel rooms, and the large number of visitors to the City contributes significantly to receipts from hotel/motel excise taxes. In FY 1990, revenues from this source are anticipated to be \$2.55 million, up from \$1.8 million in FY 1988. Additional evidence of the exceptional strength of the City's economy can be seen in the tabular and graphic information provided in this document.

2. Strong Financial Position

Over the past several years, Cambridge has recorded excellent financial results. Total General Fund revenues for FY 1989 were \$170.7 million compared to expenditures and encumbrances of \$166.2 million (both excluding enterprise funds). The City ended FY 1989 with a total General Fund fund balance of \$27.2 million, which represents 15.9% of General Fund revenues. Allocations to reserve accounts from the balance total \$3.1 million, thus leaving an unreserved fund balance of \$24.1 million for the fiscal year. This compares with an unreserved fund balance of \$17.9 million in FY 1988 and \$14.3 million in FY 1987.

A comparison of the City's projected levy against the projected legal levy limit shows that the City anticipates a substantial amount of additional tax capacity in each of the next five fiscal years. The levy is projected to remain approximately \$10 million below the legal levy limit for the next two fiscal years, and remain below the legal levy limit for the foreseeable future. The City of Cambridge is one of the few cities and towns in Massachusetts that has built up sizeable additional levy capacity and expects to retain this capacity in the next several fiscal years.

As a result of this tax base expansion, Cambridge has not been impacted negatively by Proposition 2 1/2. For FY 1990, the City's property tax levy, real and personal, was approximately \$109.5 million. This compares to a Proposition 2 1/2 levy limit of approximately \$114 million.

3. Stable Financial Management Team and Flexible Financial Management Practices

The financial management professionals of the City of Cambridge have worked together for the last five years. Since assuming the City Manager's position in the early 1980's, Robert W. Healy has formed a cadre of managers, directed by Deputy City Manager Richard C. Rossi and Assistant City Manager James P. Maloney, Jr. which has produced stability and continuity that is rare in municipal governments of Cambridge's size.

The benefits of this management continuity are reflected in the following:

- property taxes are \$7.6 million below the Proposition 2 1/2 limits in the current fiscal year;
- no tax anticipation borrowing has been needed since FY 1987, nor is any projected for FY 1991;
- 182 fewer full time public employees than in fiscal year 1981; and
- over \$40,000,000 has been allocated to long term capital improvements in the last three fiscal years while current service delivery has also increased.

4. Availability of Current Revenues for Capital Projects

Partly as a result of its excellent financial position, the City has been able to contribute general revenues to the public investment program. In the current PIP, it is estimated that Cambridge will appropriate approximately \$3 million in each of the next five fiscal year (1991-1995). These current contributions enable the City to reduce its dependence on other sources for capital funds. This General Fund contribution will increase the percentage of "pay-as-you-go" financing from 10.6% in fiscal year 1990 to 14.0% in FY 1995.

5. Moderate, Stable Debt Burden

As a part of its overall commitment to sound financial management, Cambridge closely monitors the borrowing levels called for in its PIP and assesses the impact of this borrowing on the City's debt burden as expressed by key debt ratios. The borrowing requirements of recent years, coupled with a slight population decline have resulted in modest increases in per capita debt. However, when expressed as a percentage of the City's true cash value of taxable property, debt has declined steadily. Total City bonded debt has decreased from 1.39% of total assessed value in 1986 to .79% in 1990. This level should be maintained as the rapid increase in Cambridge's property values keep pace with the City's capital funding needs.

Debt redemption remains very rapid with all bonded debt paid off within ten years. The proposed PIP for 1991-1995 anticipates debt financing of \$56.8 million. Over that same five-year period, the City will redeem over \$56.2 million in bond principal. As economic growth continues, and the City's financial position is maintained, the City expects to maintain debt ratios that demonstrate outstanding ability to pay.

NEW ISSUE

Moody's Investors Service, Inc.
Standard & Poor's Corporation
 (see "Ratings")

In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be exempt from Massachusetts personal income taxes, although the Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes, and interest on the Bonds will be excluded from gross income for federal income tax purposes, assuming continued compliance by the city with the Internal Revenue Code of 1986, and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals, although interest on the Bonds will be taken into account in computing certain federal taxes imposed on corporations. (See "Tax Exemption" and Appendix B.)

\$20,000,000

CITY OF CAMBRIDGE
MASSACHUSETTS
GENERAL OBLIGATION BONDS
MUNICIPAL PURPOSE LOAN OF 1990

Dated: June 15, 1990**Due: June 15, 1991-2000****AMOUNTS AND MATURITIES**

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1991	\$2,000,000	1996	\$2,000,000
1992	2,000,000	1997	2,000,000
1993	2,000,000	1998	2,000,000
1994	2,000,000	1999	2,000,000
1995	2,000,000	2000	2,000,000

The Bonds will be dated June 15, 1990. Principal on the Bonds will be payable on June 15 of the years in which the Bonds mature. Interest will be payable semiannually on June 15 and December 15, commencing on December 15, 1990. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each and integral multiples thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Only System" herein.)

So long as DTC or its nominee, Cede & Co., is the Bondowner, payments of principal and semiannual interest on the Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

The Bonds are being offered for sale in accordance with the official Notice of Sale dated June 1, 1990 to which reference is made for the conditions of such sale. The Bonds are offered subject to the final approving opinion of Palmer & Dodge, Boston, Massachusetts, Bond Counsel. It is expected that the Bonds in definitive form will be delivered to The Depository Trust Company in New York, New York on or about June 28, 1990.

The City of Cambridge does not anticipate further changes to this Preliminary Official Statement, except for the completion of pricing and related information; and therefore it is "deemed final" as of its date, in accordance with Securities and Exchange Commission Rule 15c2-12.

Sealed Bids Received 11:00 a.m. (Local Time)
Wednesday, June 13, 1990 at
Cambridge City Hall, First Floor
Office of the City Treasurer
Cambridge, Massachusetts 02139

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities to any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

CITY OF CAMBRIDGE, MASSACHUSETTS

THE CITY COUNCIL

Alice K. Wolf, Mayor
Kenneth E. Reeves, Vice-Mayor
Edward N. Cyr
Francis H. Duehay
Jonathan S. Myers
Sheila T. Russell
Walter J. Sullivan
Timothy J. Toomey, Jr.
William H. Walsh

CERTAIN APPOINTED OFFICIALS

Robert W. Healy, City Manager
Richard C. Rossi, Deputy City Manager
James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs and
Treasurer/Collector
Russell B. Higley, City Solicitor
Joseph E. Connarton, City Clerk
Arthur F. Libitz, City Auditor

BOND COUNSEL

Palmer & Dodge
One Beacon Street
Boston, MA 02108

FINANCIAL ADVISORS

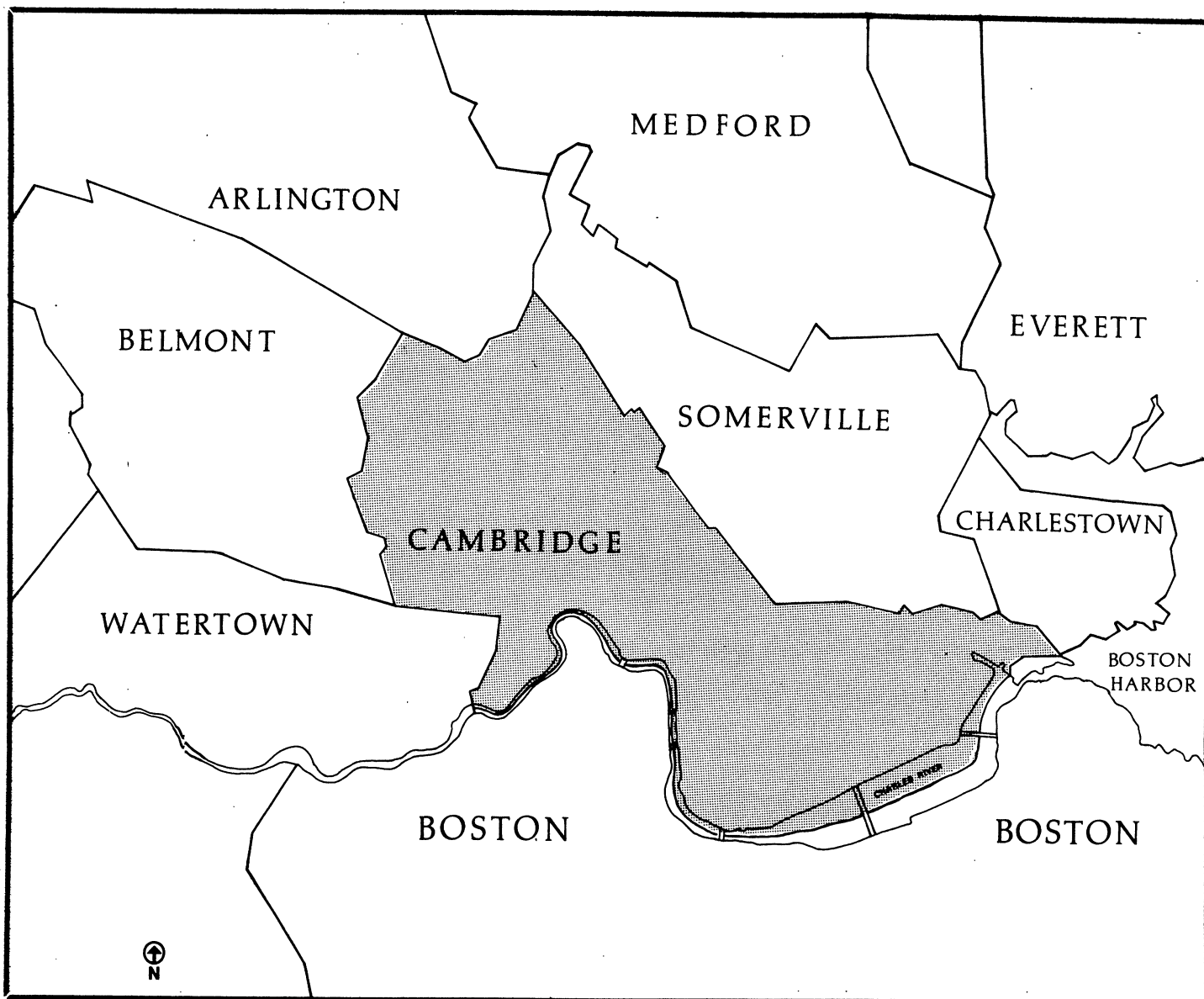
Government Finance Research Center
1750 K Street N.W., Suite 200
Washington, DC 20006

CERTIFIED PUBLIC ACCOUNTANTS

Peat, Marwick, Main & Co.
One Boston Place
Boston, MA 02108

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CAMBRIDGE AND SURROUNDING COMMUNITIES.

SUMMARY OF INFORMATION

THE OFFERING

- The Issue:** Offering of the City of Cambridge, Massachusetts at competitive bid.
- Securities:** City of Cambridge General Obligation Municipal Purpose Loan of 1989 Bonds, in book-entry form, dated June 15, 1990, due June 15 in each of the years 1991 through 2000 in the aggregate principal amount of \$20,000,000.
- Interest**
- Payment Dates:** Interest will be payable semiannually on June 15 and December 15, commencing December 15, 1990.
- Principal Due:** June 15 as follows:
- | | | | |
|------|-------------|------|-------------|
| 1991 | \$2,000,000 | 1996 | \$2,000,000 |
| 1992 | 2,000,000 | 1997 | 2,000,000 |
| 1993 | 2,000,000 | 1998 | 2,000,000 |
| 1994 | 2,000,000 | 1999 | 2,000,000 |
| 1995 | 2,000,000 | 2000 | 2,000,000 |
- Redemption:** The Bonds are not subject to redemption prior to their stated maturities.
- Tax Exemption:** In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be exempt from Massachusetts personal income taxes, although the Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes, and interest on the Bonds will be excluded from gross income for federal income tax purposes, assuming continued compliance by the City with the Internal Revenue Code of 1986, and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals, although interest on the Bonds will be taken into account in computing certain federal taxes imposed on corporations. (See "Tax Exemption" and Appendix B.)
- Use of Proceeds:** For construction of a cover over the City's finished water reservoir, acquisition of the lease to the Macht Center (Cambridge Hospital facility), renovations to the boiler plant at the Cambridge Hospital, construction of a 55-acre athletic/recreational facility, open space improvements, and renovations to public buildings.
- Security:** The Bonds are general obligations of the City of Cambridge, to the payment of which the full faith and credit of the City are irrevocably pledged. Payment is not limited to a particular fund or revenue source, but is payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws. (See "Security and Remedies" below.)

THE CITY

The City of Cambridge is located in southeast Middlesex County across the Charles River from the City of Boston. Cambridge, first settled in 1630, was originally incorporated as a town in 1636 and became a city in 1846. Since 1940, Cambridge has operated under a council/manager form of government with nine city councillors elected at large every two years. Occupying a land area of 6.26 square miles, the City has an estimated population of 90,290, as of 1990.

Cambridge provides general governmental services for its citizens, including police and fire protection, collection and disposal of garbage and rubbish, public education in grades kindergarten through twelve, a hospital, water and sewer services, parks and recreation, health and social services, libraries/culture and maintenance of streets and highways. The City is authorized to issue bonds, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

KEY STATISTICAL INFORMATION

POPULATION	1950	1960	1970	1980	1982	1984	1986	1988	1990
	120,740	107,716	100,361	95,322	93,841	92,535	92,535	91,260	90,290

PER CAPITA INCOME	1969	1979	1983	1985	1987
Cambridge	\$3,899	\$7,957	\$11,403	\$13,494	\$15,613
Boston SMSA	4,471	9,880	14,612	17,391	20,355
Commonwealth of Massachusetts	4,349	10,096	13,306	16,324	18,296
United States	3,945	9,494	11,687	13,908	15,472

EQUALIZED VALUATION OF REAL PROPERTY (selected fiscal years)

1983	1985	1987	1988	1989	1990
\$2,004,000,000	\$2,918,829,043	\$4,192,316,000	\$4,192,316,000	\$7,154,077,000	\$7,154,077,000

VALUE OF NEW CONSTRUCTION (fiscal years)

1985	1986	1987	1988	1989	1990
\$142,381,619	\$124,153,037	\$201,222,034	\$289,218,235	\$247,169,263	\$159,756,186(1)

(1) As of March 31, 1990

SURPLUS REVENUE AND CERTIFIED FREE CASH

July 1	Surplus (Deficit) Revenue	Free Cash
1990 (1)	\$19,500,000	\$14,500,000
1989	22,065,715	15,082,327
1988	20,612,701	17,389,694
1987	14,290,415	12,254,767
1986 (2)	15,726,662	10,694,029

(1) Estimated

(2) Reserves of \$4,500,000 to cover appropriations from Free Cash are not included in either the Surplus Revenue or Free Cash figures.

DEBT (1)

	June 30, 1990
Total Principal Outstanding	\$67,705,000
Debt as a Percent of Assessed Value (2)	.8%
Debt Per Capita	\$750
Per Capita Debt as a Percent of 1987 Per Capita Income	4.8%

(1) Includes this Bond issue and excludes long-term lease and contract obligations.

(2) Based on January 1, 1989 assessed values of \$8,528,769,144.

NOTICE OF SALE

CITY OF CAMBRIDGE MASSACHUSETTS

\$20,000,000 GENERAL OBLIGATION BONDS

Time and Place of Sale

The City of Cambridge, Massachusetts, will receive sealed proposals until 11:00 a.m. (local time) on Wednesday, June 13, 1990 at Cambridge City Hall, First Floor, Office of the Treasurer, Cambridge, Massachusetts 02139 for the purchase of the following described general obligation Bonds of the City dated June 15, 1990:

\$20,000,000 MUNICIPAL PURPOSE LOAN OF 1990, payable June 15, \$2,000,000 in 1991 through 2000.

Form and Payment of Bonds

Principal of the Bonds will be payable on June 15 of the years in which the Bonds mature. Interest will be payable semiannually on June 15 and December 15, commencing December 15, 1990. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each and integral multiples thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Only System" herein.)

So long as DTC or its nominee, Cede & Co., is the Bondowner, payments of principal and semiannual interest on the Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Legal Opinion

The approving opinion of Messrs. Palmer & Dodge, Boston, Massachusetts, Bond Counsel, with respect to this issue shall be furnished to the successful bidder at the expense of the City. The legal opinion will state that the Bonds constitute valid general obligations of the City. The original opinion of Bond Counsel and copies of the supporting documents incident to the Bonds will be available for inspection at the offices of the City Treasurer.

Bidding Rules

Each bid must be unconditional and must be for all of the Bonds herein described. All bids, including bids delivered by telegram, should be sealed and marked "Proposal for Bonds" and addressed to Mr. James P. Maloney, Jr., Treasurer, City of Cambridge, 795 Massachusetts Avenue, First Floor, Cambridge, Massachusetts 02139. No telephone bids will be accepted. A good faith deposit is not required.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in multiples of $\frac{1}{8}$ or $\frac{1}{20}$ of 1 percent, but shall not state (a) more than one interest rate for any Bonds having like maturity, (b) any interest rate which is less than the interest rate stated for any other Bonds having an earlier maturity, or (c) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par or more than 103 percent of par and accrued interest to date of delivery will be considered.

Basis of Awarding Bonds

The City reserves the right to reject any and all bids and to reject any bid not complying with this Notice of Sale, and so far as permitted by law, to waive any irregularity with respect to any proposal. Unless all bids are rejected, the Bonds will be awarded to the bidder complying with this Notice of Sale and submitting a bid, which provides the lowest "true" or "Canadian" interest cost. True (Canadian) interest cost shall be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to June 15, 1990 and to the price bid, excluding interest accrued to the delivery date. If more than one bid offers the same lowest true (Canadian) interest cost, the successful bid will be selected by lot. The award is subject to approval by the City Manager.

Interest Calculation

Each bid shall be accompanied by a statement of the true (Canadian) interest cost offered in its bid statement in accordance with the above method of calculation (computed at six decimal places), but such statement shall not be considered to be part of the bid.

Delivery of the Bonds: Closing Certificates

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he shall be furnished, without cost, with: (a) the approving opinion of the firm of Palmer & Dodge, substantially in the form presented in Appendix B to the Preliminary Official Statement dated June 1, 1990, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment thereof, to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them; and (c) a certificate of the City Treasurer and City Auditor to the effect that, to the best of their knowledge and belief, both as of the date of sale and of the date of delivery of the Bonds, the Official Statement referred to below does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

The Bonds, in definitive form, will be delivered to The Depository Trust Company in New York, New York on or about June 28, 1990.

Official Statement

The City will furnish the successful bidder, without cost, with up to 300 copies of the Final Official Statement within seven business days from the date of the award of sale, as specified in Rule 15c2-12 of the Securities and Exchange Commission. Additional copies will be made available at the successful bidder's request and expense. The City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement to anyone other than the successful bidder.

Additional Information

Additional information concerning the City of Cambridge and the Bonds is contained in the Preliminary Official Statement dated June 1, 1990 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the City except for the omission of the reoffering prices, interest rates, and other terms of the Bonds depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested bid form for the Bonds may be obtained from James P. Maloney, Jr., City Treasurer, City Hall, First Floor, Cambridge, Massachusetts 02139 (Telephone 617-498-9030) or from James C. Joseph, Assistant Director, Government Finance Research Center, 1750 K Street N.W., Suite 200, Washington, D.C. 20006 (Telephone 202-429-2750). Within seven business days following the award of the Bonds and receipt of necessary information from the successful bidder, copies of the Final Official Statement will be made available to the successful bidder as noted above.

/s/ James P. Maloney, Jr.
City Treasurer

June 1, 1990

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OFFICIAL STATEMENT

CITY OF CAMBRIDGE MASSACHUSETTS

\$20,000,000 GENERAL OBLIGATION BONDS

PART I: THE BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of Cambridge, Massachusetts (the "City") in connection with the sale of the following described general obligation bonds (the "Bonds") of the City:

\$20,000,000 MUNICIPAL PURPOSE LOAN OF 1990, payable June 15, \$2,000,000 in 1991 through 2000.

The Bonds are being offered for sale at a public bidding and a Notice of Sale dated June 1, 1990 has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

The Bonds will be general obligations of the City for which its full faith and credit are pledged. They are not guaranteed by the Commonwealth of Massachusetts (the "Commonwealth") or any other entity. Payment of the principal of and interest on the Bonds is not limited to a particular fund or revenue source. The security for the Bonds is more fully described under the caption "Security and Remedies" below. See also Appendix B.

Questions regarding information contained in this Official Statement or requests for copies should be directed to James P. Maloney, Jr., Treasurer, City of Cambridge (617) 498-9030.

The information herein has been obtained from the source indicated or from the City.

DESCRIPTION OF THE BONDS

General

The Bonds are dated June 15, 1990, and will bear interest payable December 15, 1990 and semi-annually thereafter on June 15 and December 15 until maturity. The Bonds will mature on June 15 each year as specified below:

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Due June 15</u>	<u>Principal Amount</u>
1991	\$2,000,000	1996	\$2,000,000
1992	2,000,000	1997	2,000,000
1993	2,000,000	1998	2,000,000
1994	2,000,000	1999	2,000,000
1995	2,000,000	2000	2,000,000

The Bonds are not subject to redemption prior to their stated maturities.

Book-Entry Only System

The Depository Trust Company, New York, New York will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants

include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear "indirect Participants").

The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owners") will be recorded through the records of the DTC Participant or indirect Participant. Beneficial Owners will receive a written confirmation of their purchase providing details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the indirect Participants and Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Interest and principal will be paid by the Paying Agent to DTC, or its nominee, and then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants and indirect Participants to the Beneficial Owners when due. NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. (So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.) Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or indirect Participant and not of DTC, the Paying Agent or the State, subject to any statutory and regulatory requirements as may be in effect from time to time. When notices are given, they shall be sent by the Paying Agent to DTC only. DTC shall forward (or cause to be forwarded) the notices to the DTC Participants, so that such DTC Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law or the City may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In either of such events, the Paying Agent will authenticate and deliver replacement Bonds in the form of fully registered certificates. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds. In the event that the Book-Entry Only System is discontinued, the following provisions would apply: Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Paying Agent. The transfer of any Bond may be registered on the books maintained by the Paying Agent for such purpose only upon the surrender thereof to the Paying Agent with a duly executed assignment in form satisfactory to the Paying Agent. For every exchange or registration of transfer of Bonds the City and the Paying Agent may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Bonds.

AUTHORIZATION AND USE OF PROCEEDS

The \$20,000,000 General Obligation Bonds consist of the following authorizations:

Building Renovations

\$1,050,000

\$1,050,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7(3A) by loan orders of the City Council adopted June 8, 1987 and May 23, 1988 for the purpose of remodeling, reconstructing, and making extraordinary repairs to various public buildings.

Open Space Improvements

\$2,600,000

\$100,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted May 23, 1988 and \$2,500,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted on May 23, 1989 to provide funds for the construction of a recreational facility on the site of the former city dump and for other open space improvements.

Hospital Renovations

\$2,000,000

\$2,000,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted on January 23, 1989 to provide funds for improvements to the heating, ventilation, and air conditioning system at the Cambridge Hospital.

Purchase of Macht Center Lease

\$6,350,000

\$6,350,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7(3) by a loan order of the City Council adopted on November 20, 1989 to provide funds for the purchase of the lease to the Macht Center, a facility of the Cambridge Hospital.

Reservoir Cover

\$8,000,000

\$8,000,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.8(4A) by a loan order of the City Council adopted on May 22, 1989 to provide funds for the construction of a cover over the city's finished water reservoir.

SECURITY AND REMEDIES

Full Faith and Credit

Under Massachusetts law, the Bonds constitute a pledge of the full faith and credit of the City of Cambridge. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see *Serial Bonds and Notes* below) and setoffs of state distributions as described below (see *State Distribution* below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy

Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for (and) all amounts necessary to satisfy final judgements." Specific provision is also made for including payments of rebate amounts not otherwise provided for and payments of notes in anticipation of federal aid or certain state aid in the next tax levy if the aid or reimbursement is no longer forthcoming. However, the total amount of a tax levy is limited by statute. The voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitations. (See *Tax Limitations* below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit. The City of Cambridge has not voted to exempt the debt service on the Bonds from the limitations.

No provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgements on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgements rendered after the tax levy has been fixed, subject to the General Debt Limit (see "Authorization of General Obligation Bonds and Notes" and "Debt Limits"). With the approval of the State Director of Accounts, judgements may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings

In the opinion of Bond Counsel, the City of Cambridge is, under Massachusetts statutes, subject to suit on its general obligation bonds and notes. Courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgement on the bonds or notes from lawfully available funds or, if necessary, to order the City to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law (see *Tax Limitations* below). In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the City and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgement against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Utility and Enterprise Receipts

Massachusetts statutes also provide that certain water, gas and electric, sewer, and parking meter receipts may be used only for water, gas and electric, sewer, and parking and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. Also, a city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, recreational or transportation facility; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, the annual allowance for depreciation of a gas and electric plant is restricted to use for renewals and improvements or, with the approval of the State Department of Public Utilities, to pay debt incurred for plant reconstruction or renewals. Also, electric revenue bonds, and notes issued in anticipation of them, may be secured by a prior lien on electric department receipts. Receipts from industrial users in connection with industrial revenue financing are also not available for general municipal purposes.

State Distributions

State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and disbursements the amount of any debt service paid on "qualified bonds" (see *Serial Bonds and Notes* below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of the Massachusetts Bay Transportation Authority ("MBTA"), the Metropolitan District Commission ("MDC") and/or the Massachusetts Water Resources Authority ("MWRA").

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing provisions do not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. It should also be noted that adoption of the Commonwealth's annual appropriation act is often delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy

Enforcement for a claim for payment of principal of or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy law and to the provisions of other statutes, if any, hereinafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

OPINION OF BOND COUNSEL

A copy of the legal opinion of the firm of Palmer & Dodge, Boston, Massachusetts, Bond Counsel, will be printed on the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. A proposed form of the legal opinion is included herein as Appendix B.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.

TAX EXEMPTION

In the opinion of Palmer & Dodge, Bond Counsel, under existing law the interest on the Bonds will be exempt from Massachusetts personal income taxes, although the Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes, and the interest on the Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds will be taken into account, however, in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989) for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

It should be noted that on April 11, 1989 the chairman of the United State House of Representatives' Ways and Means Committee introduced legislation that would effectively cause 100% of the interest on tax-exempt bonds such as the Bonds to be included in the calculation of corporate alternative minimum taxable income for taxable years beginning after 1989. Under existing law, only 75% of tax-exempt bond interest would be so included for taxable years beginning after 1989. It cannot be predicted whether this bill will be enacted, or, if enacted, whether it will remain in its current form.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements regarding the use, expenditure and investment of bond proceeds and the payment of rebates to the United States which must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. Failure to comply with these requirements may cause inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to take all lawful action necessary to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be or continue to be excluded from gross income for federal income tax purposes.

In addition to other requirements imposed by the Code, Section 148(f) of the Code requires an issuer of tax-exempt bonds to rebate to the United States certain excess earnings from investment of bond proceeds and other amounts, subject to certain exceptions. One of the exceptions applies when the gross proceeds of a bond issue are expended for the governmental purpose no later than six months (or under certain limited circumstances, one year) after the date of issuance of the bonds. The City expects to expend all of the gross proceeds of the Bonds within the appropriate periods and, accordingly, expects the Bonds to qualify for this exception from the rebate requirement of the Code.

It should also be noted that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, for that portion of the holder's interest expense allocated to interest on the Bonds and, for insurance companies subject to the tax imposed by Section 831 of the Code, the deduction for loss reserves is reduced by 15 percent of the sum of certain items including interest on the Bonds. In addition, interest on the Bonds earned by certain corporations could be subject to the environmental tax or the foreign branch profits tax imposed by the Code, and may be included in passive investment income subject to federal income taxation under provisions of the Code applicable to certain Subchapter S corporations. The Code also requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income.

RATINGS

Application has been made to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, for ratings

on the Bonds. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgement of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

AUDITORS

A yearly independent audit of all accounts, books, records, and financial transactions of the City has been performed by Peat, Marwick, Main & Company, Certified Public Accountants, of Boston, Massachusetts since fiscal year 1979. The opinion of the independent auditors for the period set forth in their report and the fiscal year 1989 Financial Statements are presented as a part of this Official Statement.

FINANCIAL ADVISORS

The Government Finance Research Center ("GFRC"), 1750 K Street, N.W., Suite 200, Washington, D.C. 20006 serves as financial advisor to the City on debt management and capital financing matters.

ABSENCE OF MATERIAL LITIGATION

According to the City Solicitor, there is no litigation of any kind now pending or, to the best of his information, knowledge, and belief, threatened to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued.

In addition, according to the City Manager, none of the pending litigation is considered likely to result either individually or in the aggregate in final judgements which would materially affect the City's financial position.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the City will furnish a certificate of the City Treasurer and City Auditor to the effect that, to the best of their knowledge and belief, both as of the date of sale and of the date of delivery of the Bonds, this Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading.

NO LITIGATION CERTIFICATE

At the time of original delivery of the Bonds, there will also be furnished to the successful bidder a certificate of certain officers of the City stating that there is no litigation then pending, or to their knowledge threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

Any questions concerning the contents of this Official Statement should be directed to the following: James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs, (617) 498-9030; James C. Joseph, Assistant Director, Government Finance Research Center, (202) 429-2750; or John G. Faria, Palmer & Dodge, (617) 573-0100.

MISCELLANEOUS

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchaser of the Bonds. Any statements made in this Official Statement involving matters of opinions or of estimates, whether or not so expressly identified, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized.

Information relating to the location, economy, and finances of the City of Cambridge and the surrounding areas found herein was prepared by the City under the direction of the Government Finance Research Center, Financial Advisor to the City.

PART II: CITY INDEBTEDNESS AND CAPITAL PLAN

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by vote of two-thirds of all the members of the City Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the City Council. Borrowings for some purposes require State administrative approval.

When serial bonds (or notes) have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds (or notes). Revenue anticipation notes are authorized by majority vote of the City Council. Temporary loans in anticipation of authorized federal and state aid generally may be made by the Treasurer with the approval of the City Manager.

DEBT LIMITS

General Debt Limit

Under Massachusetts statutes, the General Debt Limit of the City of Cambridge consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the City is 2½ percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City of Cambridge can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Emergency Finance Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, and solid waste disposal facility bonds, and, subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric and gas (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). Industrial revenue bonds, electric revenue bonds and water pollution abatement revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes

The amount borrowed in each fiscal year through the issuance of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The City's fiscal year ends on June 30. Notes issued at the end of the fiscal year may mature in the following fiscal year, and notes may be refunded into the following fiscal year (when lawfully authorized), to the extent of the uncollected unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgements and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding revenue deficits arising from a failure to collect taxes of earlier years (see *Taxation to Meet Deficits* below). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations

Under Massachusetts statutes, the City of Cambridge is authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes

These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. They may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes. Serial bonds may be issued as "qualified bonds" with the approval of the State Emergency Finance Board, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. The State Treasurer is required to pay the debt service on "qualified" bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the Commonwealth are to be assessed upon the City.

Bond Anticipation Notes

Bond Anticipation Notes must mature either within two years of their original dates of issuance unless issued in anticipation of bonds payable in less than ten years, in which case they must mature within one year, but may be refunded from time to time up to two years from their original dates. The maximum term of a like amount of the anticipated bonds is measured from the date of the original issue of notes. If notes that are subject initially to a one year limit are refunded beyond one year, an amount of the debt equal to one required annual installment must be retired when the bonds are issued.

Revenue Anticipation Notes

Revenue Anticipation Notes are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes

Grant Anticipation Notes are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds

Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's water pollution abatement revolving loan program. In addition, cities and towns having electric departments may issue revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Public Utilities. The City of Cambridge does not have an electric department.

**CITY OF CAMBRIDGE
STATEMENT OF INDEBTEDNESS
LONG-TERM BONDS AND TEMPORARY LOANS (1)**

Bonds:

	<u>Outstanding Bonds June 30, 1990(2)</u>	<u>Authorized Unissued June 30, 1990(2)</u>	<u>Outstanding After This Issue</u>	<u>Authorized Unissued After This Issue</u>
Within General				
Debt Limit: (3)	\$26,800,000	\$46,110,000	\$46,800,000	\$26,110,000
Outside General				
Debt Limit:				
School (4)	16,405,000	0	16,405,000	0
Sewer	1,805,000	0	1,805,000	0
Garage	2,695,000	0	2,695,000	0
Sub Total	<u>20,905,000</u>	<u>0</u>	<u>20,905,000</u>	<u>0</u>
Total Bonds.	<u>\$47,705,000</u>	<u>\$46,110,000</u>	<u>\$67,705,000</u>	<u>\$26,110,000</u>

Temporary Loans:

	<u>June 30, 1990</u>
Bond Anticipation.	\$0
Grant Anticipation	0
Revenue Anticipation: (5)	
For Current Year	0
For Prior Year.	<u>0</u>
	\$0

- (1) Excludes lease and installment purchase obligations, overlapping debt, and unfunded pension liability.
- (2) Excludes current issue.
- (3) At the present time, the Normal General Debt Limit is \$178,851,925 and the Double General Debt Limit (see "Debt Limit" above) is \$357,703,850.
- (4) Source: School Building Assistance Bureau. The unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest (interest is partially or wholly included in eligible costs of projects approved after January 1, 1971) was estimated at approximately \$13,169,690 on June 30, 1990. This amount is subject to annual appropriation by the State Legislature.
- (5) The City has not borrowed in anticipation of revenues since fiscal year 1987.

Source: City Department of Finance.

The following chart shows the trend in temporary borrowing in anticipation of revenue for the current and most recent fiscal years:

REVENUE ANTICIPATION BORROWING

<u>Fiscal Year</u>	<u>Borrowed (1)</u>
1990	\$ 0
1989	0
1988	0
1987	23,900,000(2)
1986	10,000,000
1985	12,500,000

(1) Excludes renewals during that fiscal year.

(2) The increase in temporary borrowing for fiscal year 1987 reflects the delay in issuing second half tax bills due to a delay in the certification of property values.

Source: City Department of Finance.

CONTRACTS AND MUNICIPAL LEASES

Municipal contracts are generally limited to currently available appropriations. Statutory authority is granted, however, to make contracts extending into future years for certain specified purposes and subject to specific maximum term limits. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Specific authority remains in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal (20 year maximum term). Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies. The City is currently not a party to any such long-term service contracts.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facility.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution (see "Constitutional Status and Form of Government" below), cities and towns may also be empowered to make other contracts and leases.

The City has not entered into any substantial financing lease or installment purchase contracts, but does lease certain real estate for hospital, school and public works purposes at an annual aggregate rental cost of approximately \$472,000.

CITY OF CAMBRIDGE
GROSS AND NET DIRECT DEBT
(as of June 30, 1990) (1)

<u>Type of Debt</u>	<u>Gross Debt</u>	<u>Funds Committed to Debt Redemption</u>	<u>Net Debt</u>
Within General Limit . . .	\$46,800,000	\$ 0	\$46,800,000
Outside General Limit:			
Schools.	16,405,000	13,169,690 (2)	3,235,310
Sewer	1,805,000	0	1,805,000
Garage	2,695,000	0	2,695,000
Totals	\$67,705,000	\$13,169,690	\$54,535,310

(1) Includes current issue

(2) This figure represents the amount outstanding in reimbursements from the state for school construction projects. For projects approved after 1971, interest costs, as well as principal costs, are included in the reimbursements. These reimbursements are subject to annual appropriation by the State Legislature.

Source: City Department of Finance.

OVERLAPPING DEBT

Massachusetts Water Resources Authority

The Massachusetts Water Resources Authority (the "MWRA") was established in 1985 by the Massachusetts Water Resources Authority Act, Chapter 372 of the Acts of 1984 of the Commonwealth (the "Act"), to succeed to substantially all the powers and duties of the Metropolitan Water District and the Metropolitan Sewerage District, divisions of the Metropolitan District Commission (the "MDC"), a department of the Commonwealth. Effective July 1, 1985, following a six-month transition period, the MWRA assumed ownership, possession and control of the Metropolitan Water District's water distribution system (the "Waterworks System") and the Metropolitan Sewerage District's sewer system (the "Sewer System"), including the responsibility to provide water supply services to the 45 cities and towns in the Commonwealth which were formerly served by the Metropolitan Water District and sewage services to the 43 cities and towns which were formerly members of the Metropolitan Sewerage District. The Waterworks System and the Sewer System are herein collectively referred to as the "Systems."

The MWRA is empowered by the Act to operate, maintain and improve the Systems, to utilize on an exclusive basis all such quantities of water as may be safely yielded from the MDC's watershed system, to establish and collect rates and charges for the services and commodities furnished or supplied by the Systems without supervision or regulation by any office, department, board or other agency of the Commonwealth or any of its political subdivisions and to issue its bonds and notes and pledge its revenues therefor to carry out its corporate purposes.

The aggregate principal amount of bonds and notes of the MWRA that may be issued and outstanding at any time is currently limited by the Act to \$1.2 billion. The cost of the MWRA's capital program has been estimated by the MWRA to exceed \$5.2 billion in constant dollars, and the MWRA expects to obtain increases in its debt limit in order to finance its capital program.

Massachusetts Bay Transportation Authority

The Massachusetts Bay Transportation Authority (the "MBTA") is presently authorized by law to issue bonds, for capital purposes other than refunding, to an amount not exceeding \$2,090,400,000 outstanding at any time, provided, however, that any Bonds which mature or are redeemed on or after January 1, 1990 may not be reissued. (\$34,245,000 of such Bonds have matured since January 1, 1990.) Such Bonds are outstanding as of June 1, 1990 in the amount of \$1,245,875,000. Such Bonds are considered outstanding for debt limit purposes until actually paid at maturity or earlier redemption, regardless of whether or not they are considered Outstanding under the General Bond Resolution. The MBTA is also authorized to issue refunding Bonds. Such refunding Bonds are outstanding as of June 1, 1990 in the amount of \$267,470,000.

In addition to the foregoing obligations of the MBTA, the MBTA is also responsible for the payment of obligations issued by the Boston Metropolitan District (hereinafter called the "BMD"). The BMD was created in 1929 to serve as a vehicle for the public financing required for transportation facilities in Boston and the thirteen other cities and towns comprising the inner core of the Metropolitan Area. The \$66,146,000 BMD obligations outstanding on June 1, 1990, while general obligations of the entire area comprising the District, are primarily secured by bonds of the Metropolitan Transit Authority ("MTA"), predecessor agency to the MBTA, issued to BMD, or by contractual obligations of the MBTA to BMD. When the MBTA was created in 1964 to succeed the MTA, all of the debts of MTA were assumed by the MBTA. Accordingly, the MBTA is now obligated to pay the BMD annual amounts sufficient to pay debt service on its debt obligations held by the BMD. The debt service on these obligations is taken into account in computing the MBTA's Net Cost of Service. All financing for new construction or improvements to the transportation facilities is done by the MBTA. The BMD will not issue debt other than periodic refunding issues which will be necessary from time to time in order to level out the maturities of its debt and to correlate its debt maturities with the MBTA's principal obligations to it. The Commonwealth pays approximately 90 percent of the debt service on MBTA bonds.

The following table sets forth the portion of overlapping debt assessed to the City (1):

**CITY OF CAMBRIDGE
OVERLAPPING DEBT**

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Percent of Overlap</u>	<u>Overlapping Debt</u>
Middlesex County (2)	\$ 4,560,000	\$ 0	7.14%	\$ 325,584
Massachusetts Water Resources Authority (3)				
Sewer	448,413,108	0	4.95	22,219,488
Water	114,121,042	0	.03	37,619
Massachusetts Bay Transportation Authority (4) . .	1,283,765,000	772,390,000	4.89	<u>62,776,108</u>
Total				<u>\$85,358,799</u>

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Treasurer, Middlesex County. Debt is as of May 1, 1990. Authorized debt includes debt authorized by the County Commissioner under general laws and debt permitted by special enabling acts whether or not yet voted by County Commissioners. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amount shown here is based on most recent equalized valuations.

(3) The amount shown is as of July 1, 1989. On February 15, 1990, the MWRA issued \$836,311,683 revenue bonds, which in part refunded approximately \$450,000,000 bond anticipation notes. MWRA rates and charges are based, in the case of water rates, on the amount of water used by the municipality in the preceding year and, in the case of sewer rates, on population and population equivalents of the municipality. Debt service on its bonds is one component of the overall cost of MWRA water and sewer service assessed to its municipalities, and allocable shares assessed to individual municipalities will vary from year to year to reflect changes in use and population.

(4) The amount shown as the City's share of the outstanding bonds includes that portion that is paid by the Commonwealth. Debt is as of June 1, 1990 and excludes bonds that have been refunded.

Source: City Department of Finance.

CITY OF CAMBRIDGE
KEY DEBT RATIOS
(as of June 30, 1990)

	<u>Amount</u>	<u>Per Capita (1)</u>	<u>Ratio to A.V. (2)</u>	<u>Debt Per Capita as % of Personal Income Per Capita (3)</u>
Gross Direct Debt (4) . . .	\$ 67,705,000	\$ 750	.8%	4.8%
Net Direct Debt	54,535,310	604	.6	3.9
Net Direct and Gross Overlapping Debt	139,894,109	1,549	1.6	9.9
Net Direct and Net Overlapping Debt (5)	83,395,612	924	1.0	5.9

(1) Based on 1990 estimated population of 90,290.

(2) Based on an estimated January 1, 1989 assessed value of \$8,528,769,144.

(3) Based on 1987 estimated per capita personal income of \$15,613 (Source: Massachusetts State Data Center).

(4) Includes current Bond issue.

(5) Reflects State payment on MBTA outstanding debt.

Source: City Department of Finance.

CITY OF CAMBRIDGE
FIVE-YEAR DEBT SUMMARY
OUTSTANDING GENERAL OBLIGATION DEBT
FISCAL YEARS 1986 TO 1990 (1)
(000 Omitted)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990(2)</u>
Inside	\$15,195	\$22,250	\$24,145	\$31,645	\$46,800
Outside:					
School	29,090	27,045	23,470	\$19,885	16,405
Hospital	830	380	115	0	0
Urban Renewal:					
Housing	75	30	0	0	0
Sewer	3,085	2,765	2,445	2,125	1,805
Garage	2,100	5,195	3,895	3,295	2,695
Other	30	0	0	0	0
Sub Total	<u>35,210</u>	<u>35,415</u>	<u>29,925</u>	<u>25,305</u>	<u>20,905</u>
Total	<u>\$50,405</u>	<u>\$57,665</u>	<u>\$54,070</u>	<u>\$56,950</u>	<u>\$67,705</u>

(1) Outstanding principal on general obligation bonds. Excludes temporary notes, lease and installment purchase obligations, overlapping debt, and unfunded pension liability.

(2) Includes current issue.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
GENERAL OBLIGATION BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST
PAYMENTS BY FISCAL YEAR
(As of June 30, 1990) (1)**

Fiscal Year	Principal	Interest	Principal This Issue	Interest This Issue (2)	Total
1991	\$ 9,030,000	\$ 2,948,750	\$ 2,000,000	\$1,350,000	\$15,328,750
1992	8,110,000	2,357,335	2,000,000	1,215,000	13,682,335
1993	7,115,000	1,808,840	2,000,000	1,080,000	12,003,840
1994	6,420,000	1,357,535	2,000,000	945,000	10,722,535
1995	4,805,000	994,605	2,000,000	810,000	8,609,605
1996	4,335,000	718,240	2,000,000	675,000	7,728,240
1997	3,935,000	470,640	2,000,000	540,000	6,945,640
1998	2,755,000	244,835	2,000,000	405,000	5,404,835
1999	1,200,000	78,000	2,000,000	270,000	3,548,000
2000	0	0	2,000,000	135,000	2,135,000
	<u>\$47,705,000</u>	<u>\$10,978,780</u>	<u>\$20,000,000</u>	<u>\$7,425,000</u>	<u>\$86,108,780</u>

- (1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, and unfunded pension liability.
(2) Estimated interest rate of 6.75 percent.

Source: City Department of Finance.

**RAPIDITY OF PRINCIPAL RETIREMENT
ALL GENERAL OBLIGATION BONDS**

The following table shows the rate at which the City's principal amount of debt will be retired based on the amount outstanding on June 30, 1990 including these Bonds.

Maturing Within	Amount to be Retired	Cumulative % Principal Retired
5 years	\$45,480,000	67.17%
10 years	67,705,000	100.00

Source: City Department of Finance.

**CAMBRIDGE, MASSACHUSETTS
RATIO OF GROSS DIRECT DEBT TO
ASSESSED VALUE AND GROSS DIRECT DEBT
PER CAPITA
FISCAL YEARS 1986 TO 1990**

Fiscal Year	Population(1)	Assessed Value(2)	Gross Direct Debt(3)	Ratio of Gross Direct Debt to Assessed Value	Gross Direct Debt Per Capita
1986	92,535	\$3,616,211,487	\$50,405,000	1.4%	\$544
1987	86,868	5,975,031,742	57,665,000	1.0	664
1988	91,260	6,147,944,260	54,070,000	.9	592
1989	91,260	7,327,846,922	56,950,000	.8	624
1990	90,290	8,528,769,144	67,705,000(4)	.8	749

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports, "Local Population Estimates."

(2) All of the assessed values shown reflect full market value.

(3) As of June 30 of that fiscal year.

(4) Includes current issue.

Source: City Department of Finance.

**CAMBRIDGE, MASSACHUSETTS
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL EXPENDITURES
FISCAL YEARS 1987 TO 1991**

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total Expenditures (2)	Ratio of Debt Service to Total Expenditures
1987	\$ 7,500,000	\$3,310,240	\$10,810,240	\$184,601,793	5.9%
1988	8,595,000	3,648,451	12,245,451	200,125,651	6.1
1989	9,135,000	3,361,070	12,496,070	216,233,906	5.8
1990	9,245,000	3,565,335	12,810,335	235,799,765	5.4
1991(3)	11,030,000	4,298,750	15,328,750	247,278,435	6.2

(1) These figures do not include debt service on short-term borrowing such as revenue anticipation notes, which are retired during the fiscal year.

(2) Includes all categories of the City's general governmental expenditures.

(3) Includes current issue.

Source: City Department of Finance.

PUBLIC INVESTMENT PROGRAM

The City's Public Investment Program provides for improvements to the City's public facilities for the ensuing fiscal year and four years thereafter, along with a means of financing these improvements. The first year of the program constitutes the capital budget for the current fiscal year; the remaining four years serve as a planning guide. The plan is reviewed periodically and is completely revised each year during the City's annual budget process. The approved Public Investment Program is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for these needs.

Since fiscal year 1985 the City has formally funded a portion of its Public Investment Program on a "pay-as-we-go" basis, out of current general fund revenues. As a result of the City's continuing improvement in its finances, \$3,120,000 in current year general funds have been allocated for capital improvements for fiscal year 1991. This figure represents the sixth straight year in which current revenues for capital projects were \$3,000,000 or greater. The five-year plan calls for a total of \$15,120,000 in general funds or free cash to be allocated to the Public Investment Fund.

The present plan, which was approved by the City Council on May 7, 1990, is a program of capital spending for the five-year period beginning July 1, 1990 and ending June 30, 1995. The projects in the plan, however, are considered for planning purposes and may be deleted, altered, or rescheduled in any manner, at any time, by the City Council. The estimated cost of the five-year program is \$94,203,475. The uses by project categories and major funding sources for the total program as noted in the Public Investment Program are projected as follows:

PUBLIC INVESTMENT PROGRAM SUMMARY OF EXPENDITURES BY CATEGORY FISCAL YEARS 1991 TO 1995

<u>Expenditure Category</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>Total</u>
Public Safety \$	855,000	\$ 350,000	\$ 90,000	\$ 3,890,000	\$ 1,050,000	\$ 6,235,000
Community Maintenance & Development . . .	13,025,500	13,590,000	12,000,000	10,895,000	15,195,000	64,705,500
Human Resource Development . . .	1,030,595	1,205,595	5,255,595	2,760,595	3,100,595	13,352,975
Education	4,410,000	500,000	2,500,000	500,000	2,000,000	9,910,000
Total	<u>\$19,321,095</u>	<u>\$15,645,595</u>	<u>\$19,845,595</u>	<u>\$18,045,595</u>	<u>\$21,345,595</u>	<u>\$94,203,475</u>

Source: "Public Investment Plan, Fiscal Year 1991 to Fiscal Year 1995."
Annual Budget Fiscal Year 1991, as adopted.

**PUBLIC INVESTMENT PROGRAM
USES AND SOURCES OF FUNDS
FISCAL YEARS 1991 TO 1995**

<u>Uses</u>	<u>Total Amount</u>	<u>Percent of Total</u>
Public Safety.....	\$ 6,235,000	6.61%
Community Maintenance and Development		
Economic Development.....	7,725,000	8.20
Streets & Highways & Transportation...	8,670,500	9.20
Water & Sewer.....	37,230,000	39.52
Other	11,080,000	11.76
	<u>\$64,705,000</u>	<u>68.68%</u>
Human Resource Development	13,352,975	14.18
Education	9,910,000	10.53
Total	<u>\$94,203,475</u>	<u>100.00%</u>

<u>Sources</u>	<u>Total Amount</u>	<u>Percent of Total</u>
General Fund (Current Revenues).....	\$15,120,000	16.05%
Block Grant.....	7,052,975	7.49
Parking Fund.....	1,942,625	2.06
Utility Fees	8,855,000	9.40
State Grant.....	1,777,875	1.89
Golf Course Fees.....	200,000	.21
Trust Fund.....	75,000	.08
Patient Receipts/Hospital.....	2,380,000	2.53
Bond Proceeds	56,800,000	60.29
Total	<u>\$94,203,475</u>	<u>100.00%</u>

Source: "Public Investment Plan, Fiscal Year 1991 to Fiscal Year 1995."
Annual Budget Fiscal Year 1991, as adopted.

**PUBLIC INVESTMENT PROGRAM
SOURCES OF FINANCING
FISCAL YEAR 1991 TO FISCAL YEAR 1995**

Financing Category	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995	Total
Public Safety:						
General Fund						
Revenues	\$ 755,000	\$ 350,000	\$ 90,000	\$ 890,000	\$ 1,050,000	\$ 3,135,000
Bond Proceeds	0	0	0	3,000,000	0	3,000,000
Parking Fund	100,000	0	0	0	0	100,000
	<u>\$ 855,000</u>	<u>\$ 350,000</u>	<u>\$ 90,000</u>	<u>\$ 3,890,000</u>	<u>\$ 1,050,000</u>	<u>\$ 6,235,000</u>
Community						
Maintenance & Development:						
General Fund						
Revenues	\$ 1,410,000	\$ 1,550,000	\$ 1,760,000	\$ 955,000	\$ 955,000	\$ 6,630,000
Block Grant	1,345,000	1,345,000	1,345,000	1,345,000	1,345,000	6,725,000
Parking Fund	442,625	250,000	450,000	250,000	450,000	1,842,625
Utility Fees	1,475,000	1,845,000	1,845,000	1,845,000	1,845,000	8,855,000
Bond Proceeds	7,700,000	8,600,000	6,000,000	6,500,000	10,000,000	38,800,000
State Grant	577,875	0	600,000	0	600,000	1,777,875
Trust Fund						
Transfers	75,000	0	0	0	0	75,000
	<u>\$13,025,500</u>	<u>\$13,590,000</u>	<u>\$12,000,000</u>	<u>\$10,895,000</u>	<u>\$15,195,000</u>	<u>\$64,705,500</u>
Human Resource						
Development:						
General Fund						
Revenues	\$ 545,000	\$ 600,000	\$ 650,000	\$ 655,000	\$ 495,000	\$ 2,945,000
Block Grant	65,595	65,595	65,595	65,595	65,595	327,975
Bond Proceeds	0	0	4,000,000	1,500,000	2,000,000	7,500,000
Patient Receipts/ Hospital	380,000	500,000	500,000	500,000	500,000	2,380,000
Golf Course Fees	40,000	40,000	40,000	40,000	40,000	200,000
	<u>\$ 1,030,595</u>	<u>\$ 1,205,595</u>	<u>\$ 5,255,595</u>	<u>\$ 2,760,595</u>	<u>\$ 3,100,595</u>	<u>\$13,352,975</u>
Education:						
General Fund						
Revenues	\$ 410,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,410,000
Bond Proceeds	4,000,000	0	2,000,000	0	1,500,000	7,500,000
	<u>\$ 4,410,000</u>	<u>\$ 500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 9,910,000</u>
Grand Total	<u>\$19,321,095</u>	<u>\$15,645,595</u>	<u>\$19,845,595</u>	<u>\$18,045,595</u>	<u>\$21,345,595</u>	<u>\$94,203,475</u>

Source: "Public Investment Plan, Fiscal Year 1991 to Fiscal Year 1995."
Annual Budget Fiscal Year 1991, as adopted.

BASIS OF ACCOUNTING AND REPORTING STRUCTURE

All of the City's Governmental Funds and Expendable Trust Funds are reported under the modified accrual basis of accounting. Accordingly, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City recognizes funds received 60 days after the close of its fiscal year as revenue of that reporting period. All other amounts not received during that period are deferred and recognized in future accounting periods. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

The accrual basis of accounting is followed by proprietary and fiduciary fund types.

Patient service revenue of the Cambridge Hospital is recorded at established rates charged less provisions for charity allowances and uncollectible accounts. Patient service revenue received under certain cost reimbursement agreements is subject to audit and adjustment by third party payors. Provisions for estimated adjustments under these agreements are accrued in the period in which the related services are rendered.

Reporting Entity

The combined financial statements present information on organizations and activities of the City of Cambridge for which the City Council has oversight responsibility. These entities include the enterprise activity of the Cambridge Hospital, its affiliated Neighborhood Health Centers, the City's Water Department, and the Cambridge Retirement System. The financial statements for the Retirement System are presented for the year ending December 31, 1988, which is the system's fiscal period for reporting to the Commissioner of the Retirement of the Commonwealth of Massachusetts. The operations of the Cambridge Housing Authority and the Cambridge Redevelopment Authority are not defined as part of the reporting entities as they are not subject to the financial controls of the City Manager or the City Council.

Fund Accounting

The activities of the City are accounted for through the use of several funds and a long-term debt group of accounts, each of which is a separate accounting entity. The operations of each fund are accounted for through a separate set of self-balancing accounts which are summarized by type in the financial statements. The following fund types and account groups are used by the City:

Governmental Funds

General Fund—This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Public Investments Fund—This fund is used to account for the financial resources and expenditures for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds—These funds are used to account for the City's operations: (1) that are financed and operated in a manner similar to private business enterprises—where the intent is that the costs (expenses, including depreciation) of providing services to the public be financed or recovered primarily through user charges; or (2) where a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds—These funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds—These funds are used to account for assets being held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust and agency funds are accounted for and reported as governmental funds.

Account Group

General Long-Term Debt—This group of accounts is used to account for all long-term debt of the City except for debt issued for hospital improvements.

BUDGET AND APPROPRIATION PROCESS

Under Massachusetts statutes and the City Charter, the City Manager is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1 within 120 days after the annual organization of the city government (which is ordinarily in early January). The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the City Manager, the Council may not make any appropriation for a purpose not included in the proposed budget (except by a two-thirds vote in the case of the failure of the City Manager to recommend an appropriation for such a purpose within 7 days after a request from the Council). The Council may not increase any item without the recommendation of the City Manager (except as provided by legislation, subject to local acceptance, under which the school budget can be increased upon recommendation of the school committee and by two-thirds vote of the Council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the City Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

If the City Manager does not make a timely budget submission, provision is made for preparation of a budget by the Council. Provision is also made for supplementary appropriations upon recommendation of the City Manager.

Water Department expenditures are included in the budgets adopted by the City Council. Under legislation enacted in 1981 any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department.

As a result of the Proposition 2½ legislation adopted in November of 1980, the Cambridge School Committee is no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the City Council, but the School Committee retains full power to allocate the funds appropriated.

City Department heads are generally required to submit their budget requests to the City Manager between November 1 and December 1. This schedule does not apply to the School Department, which must submit its request in time for the City Manager to include them in his submission to the Council.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgements are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

Budget Comparison

The following table shows a comparison of the budgeted operating revenues and expenditures of the City for fiscal years 1987 through 1991. Health insurance, retirement, and debt service costs for the Public Schools and Cambridge Hospital are in the School and Hospital budgets for these years. In addition, contributory retirement costs, which were included in the Retirement System category for fiscal years 1987 and 1988, have been allocated to departmental budgets for fiscal years 1989, 1990 and 1991. The fiscal year 1991 budget represents an increase of \$11.5 million, or 4.9%, over the fiscal year 1990 budget. This increase is considerably less than the previous years' 9% increase of \$19.6 million. Lower than anticipated increases in Health Insurance and Pension costs are the primary reasons for this relatively small increase. Other large budgets, such as Hospital, Schools, Fire, Police, Public Works, and the Massachusetts Water Resources Authority also had lower rates of increase than in previous years. It should be noted that, in addition to the figures shown on the following page, \$19.3 million has been appropriated to the fiscal year 1991 Public Investment Fund for a variety of capital improvement projects.

CITY OF CAMBRIDGE
BUDGETED REVENUES AND EXPENDITURES
FISCAL YEARS 1987 THROUGH 1991
(000 omitted)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Revenues:					
Real & Personal Property Taxes	\$ 82,641.3	\$ 85,868.2	\$ 93,962.7	\$108,128.0	\$115,998.4
Local Estimated Receipts:					
Motor Vehicle Excise	1,500.0	2,250.0	2,600.0	2,600.0	2,600.0
Water	3,884.5	4,062.2	4,144.9	4,751.3	5,856.7
Sewer	5,932.4	6,203.6	7,922.4	9,388.9	9,685.0
Hospital, Health & Infirmary	30,546.9	35,812.6	42,427.9	44,261.3	48,091.9
Interest Income	1,904.7	1,500.0	1,410.0	1,510.0	2,010.0
Other Local Receipts	8,111.8	9,096.7	11,256.6	11,131.8	12,882.5
Subtotal	51,880.3	58,925.1	69,761.8	73,643.3	81,126.1
State Aid(4)	42,201.5	44,426.5	44,453.2	44,153.3	40,283.7
Federal Revenue Sharing	500.0	0	0	0	0
Other Available Funds	8,643.5	11,504.5	10,256.3	12,075.2	12,070.2
Total Revenues	<u>\$185,866.6</u>	<u>\$200,724.3</u>	<u>\$218,434.0</u>	<u>\$237,999.8</u>	<u>\$249,478.4</u>
Expenditures:					
Deficits to be Raised:					
Overlay	\$ 183.4	\$ 200.0	\$ 200.0	\$ 200.0	\$ 200.0
Revenue	0	0	0	0	0
Overdrawn Expenditures	0	0	0	0	0
Other	0	0	0	0	0
Subtotal Deficits	183.4	200.0	200.0	200.0	200.0
Overlay Reserve	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Fixed Expenses:					
State & County Assessments(4)	1,283.0	1,567.1	193.6	193.6	649.4
Mass. Water Resources Authority	3,279.9	3,335.1	5,018.6	7,192.6	7,426.3
Debt Service(1)	3,896.0	5,359.9	5,418.0	6,969.4	7,765.8
Retirement System(2)	11,283.2	12,095.2	5,440.7	5,768.2	6,052.3
MBTA(4)	5,601.9	5,545.8	5,646.0	5,646.0	5,689.5
Other Fixed Costs(3)	340.0	557.3	551.2	877.6	872.5
Subtotal Fixed	<u>\$ 25,684.0</u>	<u>\$ 28,460.4</u>	<u>\$ 22,268.1</u>	<u>\$ 26,647.4</u>	<u>\$ 28,455.8</u>
Variable Expense (Budget):					
Schools	51,733.7	56,533.7	60,860.4	65,189.4	68,773.5
Police	12,518.5	13,233.7	16,235.3	18,279.1	19,292.2
Fire	11,853.5	12,364.0	14,702.2	16,685.8	17,141.3
Public Works:					
Water	3,709.8	3,840.9	3,918.8	3,886.2	4,122.0
Sewer	746.6	1,056.8	1,147.5	914.4	1,023.8
Highway	1,804.4	1,914.8	2,593.4	2,649.4	2,466.0
Other	9,181.1	11,102.6	12,675.1	12,761.7	13,315.0
Hospital, Health & Infirmary	40,274.4	43,525.9	51,374.5	57,460.1	60,678.9
General Government	8,485.5	7,017.6	8,605.0	8,926.6	9,816.2
Other Variable	17,691.7	19,473.9	21,853.7	22,396.7	22,193.7
Subtotal Variable	<u>\$157,999.2</u>	<u>\$170,063.9</u>	<u>\$193,965.9</u>	<u>\$209,152.4</u>	<u>\$218,822.6</u>
Total Expenditures	<u>\$185,866.6</u>	<u>\$200,724.3</u>	<u>\$218,434.0</u>	<u>\$237,999.8</u>	<u>\$249,478.4</u>

(1) School and Hospital costs for this category are included in the School and Hospital Budgets.

(2) For fiscal years 1989, 1990 and 1991, Contributory Retirement System costs are included in departmental budgets.

(3) Most of the components of the Other Fixed Costs category are included in the departmental budgets.

(4) Both State Aid and State and County Assessments (including the MBTA) are shown at fiscal year 1990 levels. Actual fiscal year 1991 figures will not be available until the state budget is approved.

Source: City Department of Finance.

PROPERTY TAXATION

Tax Rate and Valuation-General

Prior to a 1978 amendment of the Massachusetts constitution, a single tax rate applied for each fiscal year to all of the taxable real and personal property in the City of Cambridge. The rate was equal to the amount to be raised in the City divided by the total assessed valuation as of the prior January 1. Assessed valuation was required to be based on 100 percent of fair cash value.

The 1978 amendment authorized the State Legislature to classify property for the purpose of taxation according to its use. The Legislature has in substance created three classes of taxable property: (1) residential real property; (2) open space land; and (3) all other (commercial, industrial, and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation. The effective rate for open space must be at least 75 percent of the effective rate for residential real property. The share of commercial, industrial, and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land under an act adopted by the State Legislature in 1981 is valued for this purpose at five percent of fair cash value, but not less than ten dollars per acre. Land classified as forest land under prior law is valued at not more than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value." The last date that the Commissioner of Revenue made his redetermination of "equalized value" for the City of Cambridge was January 1, 1988.

The following tables show assessed and equalized valuations for the past five fiscal years and total assessed valuation by property classification for the fiscal years 1988, 1989, and 1990.

**CITY OF CAMBRIDGE
ASSESSED AND EQUALIZED VALUATIONS
FISCAL YEARS 1986 TO 1990**

Fiscal Year	Assessed Value(1)			Equalized Valuation(2)	% of Total Assessed Valuation to Equalized
	Real Property	Personal Property	Total		
1990	\$8,360,269,144	\$168,500,000	\$8,528,769,144	\$7,154,077,000	119.2%
1989	7,183,753,910	144,093,012	7,327,846,922	7,154,077,000	102.4
1988	6,000,944,260	147,000,000	6,147,944,260	4,192,316,000	146.6(3)
1987	5,825,497,020	149,534,722	5,975,031,742	4,192,316,000	142.5(3)
1986	3,502,211,487	111,000,000	3,616,211,487	2,918,829,043	123.9

(1) As of January 1, 1989, 1988, 1987, 1986, and 1985, respectively.

(2) As of January 1, 1988, 1986, and 1984, respectively. Equalized valuations are determined biennially by the Commissioner of Revenue.

(3) The high percentage of assessed valuation to equalized valuation is primarily the result of Department of Revenue estimates being more conservative than actual assessments.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
TOTAL ASSESSED VALUATION BY CLASSIFICATION
FISCAL YEARS 1988, 1989, AND 1990**

Class	1988 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$3,601,348,760	58.6%	38.1%
Commercial	1,903,603,980	31.0	46.3
Industrial	495,991,520	8.0	12.1
Personal Property	147,000,000	2.4	3.6
	<u>\$6,147,944,260</u>	<u>100.0%</u>	<u>100.0%</u>
Class	1989 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$4,384,370,640	59.8%	37.5%
Commercial	2,256,116,670	30.9	47.9
Industrial	543,266,600	7.4	11.5
Personal Property	144,093,012	2.0	3.1
	<u>\$7,327,846,922</u>	<u>100.0%</u>	<u>100.0%</u>
Class	1990 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$4,622,780,381	54.2%	35.2%
Commercial	3,063,332,563	35.9	50.8
Industrial	674,156,200	7.9	11.2
Personal Property	168,500,000	2.0	2.8
	<u>\$8,528,769,144</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City Department of Finance.

The following table shows the actual tax rates per \$1,000 of assessed valuation and the estimated full value rate based on the equalized valuations for the latest fiscal years:

**CITY OF CAMBRIDGE
PROPERTY TAX RATE
FISCAL YEARS 1986 to 1990**

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Category</u>	<u>Estimated Full Value Tax Rate(1)</u>	<u>Average Rate(2)</u>
1990	\$ 9.51 18.16	Residential Commercial/ Industrial	\$15.31	\$12.84
1989	9.23 20.06	Residential Commercial/ Industrial	13.21	12.89
1988	9.79 21.15	Residential Commercial/ Industrial	20.72	14.13
1987	9.81 20.76	Residential Commercial/ Industrial	19.68	13.85
1986	14.29 30.83	Residential Commercial/ Industrial	25.46	20.55

(1) Based on an equalized valuation for that fiscal year as determined by the State Department of Revenue.

(2) The average rate is determined by dividing the total tax levy by the total assessed valuation.

Source: City Department of Finance.

The following table sets forth the City's 10 largest taxpayers of real estate and personal property taxes and the assessed value of property owned by each such taxpayer. The aggregate assessed value of the 10 largest taxpayers represents 18.3 percent of the City's total assessable base for fiscal year 1990.

CITY OF CAMBRIDGE
10 LARGEST TAXPAYERS
(Fiscal Year 1990) (1)

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Tax Levy</u>
Commonwealth Energy	Utility	\$ 278,154,900	\$ 5,049,362	4.6%
Boston Properties.	Commercial	215,696,800	3,917,053	3.6
M.I.T.	Educational	206,268,700	3,537,040	3.2
Asahi Seimei Prudential Associates ...	Commercial	172,935,700	3,140,512	2.9
Robert Jones and K. George Najarian.	Commercial	152,560,900	2,770,505	2.5
Spaulding & Slye Corp.	Commercial	151,590,400	2,752,881	2.5
Presidents and Fellows of Harvard College	Educational	163,587,006	2,339,678	2.1
The Congress Group	Commercial	81,057,300	1,472,000	1.3
E.M.I. Cambridge Limited Partnership	Commercial	76,282,100	1,385,282	1.3
Cabot, Cabot & Forbes.	Commercial	63,200,000	1,147,712	1.0
Totals		<u>\$1,561,333,806</u>	<u>\$27,512,025</u>	<u>25.0%</u>

(1) For fiscal year 1990 (as of January 1, 1989)

Source: City Department of Finance.

TAX LEVIES

Levy-General

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see *Tax Limitations* below. As to the inclusion of debt service and final judgements, see "Security and Remedies" above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see *Abatements and Overlay* below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see *Taxation to Meet Deficits* below).

Taxation to Meet Deficits

As noted elsewhere (see *Abatements and Overlay* below), overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits resulting from non-property tax revenues being less than anticipated are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2½", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the State Legislature. The Legislation, as subsequently amended, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent (subject to an exception for property added to the tax rolls and for certain valuation increases other than as part of a general revaluation). This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters. But an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitations, since the two limitations apply independently.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effect of extraordinary, non-recurring events which occurred during the base year."

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy: (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributed to such obligations. Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except a regional school district and the Massachusetts Water Resources Authority) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option." Under the statute any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Tax Limitations: Effect on the City 1982-1990

In the eight fiscal years since the implementation of Proposition 2½, the City has reduced its property tax levy only once, in fiscal year 1982. In fiscal year 1983, a referendum to override the required reductions was passed which allowed the City to maintain its levy at the fiscal year 1982 level. The revaluation of all real and personal property at a fiscal year 1984 level of \$2.9 billion enabled the City to increase its levy by 2½ percent (the actual increase, including allowable new construction, was 2.43 percent) while remaining within the primary levy limit. Although large amounts of qualifying new construction enabled the levy limit to grow substantially in the following two fiscal years, actual levy increases in fiscal years 1985 and 1986 were limited to 3.9 percent and 2.7 percent respectively.

In the ensuing years, the gap between the actual property tax levy and the levy limit grew substantially to a peak of \$12.9 million in FY89. The gap decreased to \$7.7 million in FY90 but is expected to remain stable at approximately that level for the next few years.

Tax Limitations Effect on the City: Five-Year Projections

Fiscal year 1990 valuations, as a result of the third full reevaluation of property as required by state law, were certified at \$8.528 billion, an increase of \$1.2 billion from fiscal year 1989 valuations. This increase includes an additional \$764 million to existing property as well as \$436 million in new construction. The \$8.528 billion property valuations allowed the City to raise \$117.2 million, an increase of \$9.8 million from the fiscal year 1989 limit of \$107.4 million. It is anticipated that assessments will total \$8.853 billion for fiscal year 1991, which will enable the City to raise \$125.1 million, an increase of \$7.9 million. It is anticipated that the City will raise \$117 million, leaving a margin of \$8.1 million, which is 6.5% below the allowable limit.

As shown in the chart on the following page, the anticipated growth in property values in fiscal years 1991 through 1995 would allow the City to increase its levy by the maximum amount allowed by law while staying within both the primary and secondary limits.

**CITY OF CAMBRIDGE
PROJECTED GROWTH IN PROPERTY VALUATION
FISCAL YEARS 1990 TO 1994**

Fiscal Year	Projected Assessments	Projected Levy	Primary Levy Limit	Secondary Levy Limit
1991	\$ 8,853,769,144	\$117,000,000	\$221,344,230	\$125,146,000
1992	9,073,769,144	122,714,000	226,844,230	132,165,000
1993	9,480,982,217	130,114,000	237,024,555	137,941,000
1994	9,875,411,682	137,322,000	246,885,295	143,488,000
1995	10,244,594,032	147,387,000	256,114,850	149,173,000

- (1) The primary levy limit is calculated at 2.5 percent of the projected assessment.
(2) The secondary levy limit is the previous fiscal year's maximum allowable limit times 102.5 percent plus qualified new construction.

Source: City Department of Finance.

Tax Limitations: Other Effects

In the early years of Proposition 2½, motor vehicle excise tax receipts were reduced substantially due to a change in the rate of this tax from \$66 per \$1000 to \$25 per \$1000. Revenues from this source decreased from \$2,728,032 in fiscal year 1980 (the last full fiscal year assessed at the \$66 rate) to a low point of \$1,240,996 in fiscal year 1983 (the first fiscal year in which most receipts were at the lower rate). Since fiscal year 1983, there has been a gradual increase in receipts due primarily to the increased value of automobiles combined with the installation of an automated "in-house" excise tax billing system. \$2,859,715 was received during fiscal year 1989 with \$2,800,000 being projected for fiscal year 1990.

In order to partially offset the reduction in local tax revenues caused by Proposition 2½, the Massachusetts Legislature appropriated increasing amounts for local aid from fiscal years 1982 through 1989. The City benefited considerably from this increase with its share of state aid increasing from \$14,887,966 in fiscal 1981 to \$43,937,706 in fiscal year 1989. The Commonwealth is currently experiencing significant financial difficulties. Due to Commonwealth budgetary constraints, the forecast for fiscal year 1990 distribution of state aid to the City is estimated at \$41,283,670, or \$2,654,036 less than that for fiscal year 1989. To compensate for this shortfall, the City instituted a hiring freeze which is expected to yield approximately \$1.1 million in savings and increased hospital revenues by \$1.6 million due to the payment of past medical debts by the Commonwealth. It should also be noted that the Secretary of Finance and Administration has publicly stated that a substantial portion of local aid disbursements scheduled for June 1990 may be withheld. For the City of Cambridge, this amount is not expected to exceed \$1 million. The Supreme Judicial Court recently determined that the Governor has no authority to withhold local school aid that has been appropriated by the legislature, but no final determination has been made as to how and when the Commonwealth will raise the funds needed to make local aid payments. Current projections show that certain revenue categories are exceeding fiscal year 1990 estimates and would more than offset any further losses in state aid. The fiscal year 1991 budget has been prepared with the expectation of a loss of an additional \$1 million. However, increases in other revenue sources enabled the City to fully fund all programs. Increases in the City's annual assessment by the Massachusetts Water Resources Authority (MWRA), established in January of 1985 to succeed the water and sewer operations of the Metropolitan District Commission, are financed by increases in the sewer service charge. The fiscal year 1991 MWRA assessment, which increased \$1,145,210 from the fiscal year 1989 charge of \$6,281,135, is fully covered through the sewer service charge. In an effort to promote water conservation as well as to provide a more fair and equitable billing system, the city has changed its method of billing for water and sewer use from a flat rate to an increasing block rate.

The Revaluation Process: A Review and Update

Massachusetts state law requires that real and personal property assessments be maintained at 100% of full market value. Every three years, values must be certified by the Massachusetts Department of Revenue as meeting this standard. In 1983, the first complete revaluation of real and personal property in over sixty years was completed and certified at \$2.9 billion for fiscal year 1984. Values were updated, based on sales ratio analysis, for fiscal years 1985 and 1986. For fiscal year 1987, all real

and personal property was again revalued and certified by the Department of Revenue. The total assessed value certified for fiscal year 1987 was \$5.975 billion. Values were updated for fiscal years 1988 and 1989 similarly to fiscal years 1985 and 1986. Fiscal year 1990 was a "full revaluation" year for the City of Cambridge, meaning that, again, property assessments were certified by the State Department of Revenue at a total value of \$8.528 billion.

The City has several general policies with respect to property assessments. First, values should be maintained at approximately 100 percent. Thus, Cambridge is among very few jurisdictions in the state which adjust values annually and thereby avoid the disrupting shifts in value (and taxes) which might otherwise occur every third year, when values must be certified by the state.

Secondly, the City's valuation program is almost exclusively an "in-house" operation. Assessing Department personnel include appraisal and analysis professionals as well as permanent, full time staff members dedicated to data collection and maintenance. Also, the Department has full service data management, analysis and valuation software systems on its computer. All residential and commercial real estate valuations, with the exception of some hotels, hospitals, and nursing homes, are currently handled by Assessing Department permanent staff.

The following table shows the calculations of the tax levies for the most recent fiscal years.

**CITY OF CAMBRIDGE
CALCULATION OF PROPERTY TAX LEVIES
FISCAL YEARS 1987 TO 1991
(000 Omitted)**

	1987	1988	1989	1990	Projected 1991
Gross Amount to be Raised:					
Total Appropriations	\$176,836	\$192,437	\$211,068	\$229,634	240,984
Overlay Deficits from Prior Years	183	595	89	0	200
Revenue Deficits from Prior Years	0	0	0	0	0
Other Local Expenditures	1,642	1,298	1,169	960	960
State and County Assessments	6,885	7,113	5,886	6,298	6,339
Overlay for Current Year	2,000	2,000	1,991	2,883	2,000
Other Amounts Required to be					
Raised	0	0	0	0	0
Total to be Raised	<u>\$187,546</u>	<u>\$203,443</u>	<u>\$220,203</u>	<u>\$239,775</u>	<u>\$250,483</u>
Offsets:					
Estimated Receipts from State	42,202	44,436	44,527	41,284	40,284
Prior Year's Overestimates					
of State & County Assessments	92	225	40	45	45
Local Estimated Receipts	53,431	61,497	70,866	77,416	81,126
Federal Revenue Sharing	500	0	0	0	0
Other Available Funds	8,643	10,392	10,279	11,519	12,070
Total Offsets	<u>\$104,868</u>	<u>\$116,550</u>	<u>\$125,712</u>	<u>\$130,264</u>	<u>\$133,525</u>
Tax Levy	<u>\$ 82,678</u>	<u>\$ 86,893</u>	<u>\$ 94,491</u>	<u>\$109,511</u>	<u>\$116,958</u>

Source: City Department of Finance.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates

The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1. (A city or town may accept a statute providing for quarterly tax payments. The City Council has referred the recommendation of the City Manager to adopt this proposal beginning July 1, 1991 to its Finance Committee for further review.) Interest accrues on delinquent taxes at the rate of 14 percent per annum retroactive to one month before the due date.

Lien

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an

unenforced lien expires on the third October 1 after the fiscal year. If the property has not been transferred by the third October 1, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien when it could not be enforced because of a legal impediment.

Personal Liability

The persons against whom real and personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in *Taking and Sale* below.

Abatements and Overlay

The City of Cambridge is authorized to increase each tax levy by up to five percent (or a larger amount approved by the State Commissioner of Revenue) as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real and personal property has been overvalued or disproportionately valued. The City Assessor may also abate uncollectible personal property taxes. The Assessor may abate uncollectible personal property taxes. The Assessor may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table shows the total tax levy, the reserve for abatements, the net levy, and the amounts collected during each fiscal year for each of the last five fiscal years:

CITY OF CAMBRIDGE TOTAL TAX LEVY, OVERLAY RESERVE, AND TAX COLLECTIONS FISCAL YEARS 1986 TO 1990

Fiscal Year	Tax Levy	Overlay Reserve for Abatements	Net Tax Levy(1)	Collections During Fiscal Year Payable(2)		Collections as of 4/30/90(3)	
				Amount	% of Net Levy	Amount	% of Net Levy
1990	\$109,510,683	\$2,882,761	\$106,627,922	\$84,577,902	79.3%	\$84,577,902	79.3%
1989	94,490,784	1,990,784	92,500,000	89,622,668	68.5	91,695,147	99.1
1988	86,893,000	2,000,000	84,893,000	82,576,749	97.3	85,891,789	101.2
1987	82,678,300	2,000,000	80,678,300	40,249,052(4)	49.9	80,884,539	100.3
1986	74,326,924	2,000,000	72,326,924	71,158,036	98.4	72,409,109	100.1

(1) Tax levy less overlay reserve for abatement.

(2) Actual collection of levy less refunds and amounts refundable including proceeds of tax titles and tax possessions but not including abatements or other credits.

(3) Unaudited.

(4) Tax collections are low for this period due to actual tax bills being issued late in the fiscal year.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
OVERLAY RESERVES AND ABATEMENTS
FISCAL YEARS 1986 TO 1990**

Fiscal Year	Overlay Reserve		Abatements	
	Amount	% of Total Levy	During Fiscal Year of Each Tax Levy	Since Fiscal Year Ended (through 4/30/90)
1990	\$2,882,760	2.6%	\$1,936,470	\$1,936,470
1989	1,990,784	2.1	552,927	1,837,198
1988	2,000,000	2.3	868,466	2,103,304 (1)
1987	2,000,000	2.4	245,949	2,508,704 (1)
1986	2,000,000	2.7	629,450	754,826

(1) The excess of abatements over overlay reserve has been funded from future fiscal year tax levies.

Source: City Department of Finance.

TAXES OUTSTANDING

Taking and Sale

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

**OVERDUE PROPERTY TAXES
FISCAL YEARS 1985 TO 1989**

Fiscal Year	Aggregate(1)	For Current Year	Tax Title and Tax Possessions
1989	\$ 6,236,064	\$ 3,949,944	\$2,347,664
1988	6,582,533	3,675,566	2,340,079
1987	43,753,074(2)	42,182,847	2,096,943
1986	3,880,934	2,394,875	2,632,165
1985	4,320,173	2,965,984	2,185,770

(1) Excludes tax titles, tax possessions, and abated taxes. Includes taxes in litigation, if any.

(2) In fiscal year 1987, actual tax bills were issued late in the fiscal year. As a result, both the aggregate and current year property tax receivables were unusually high for this period. These receivables were reduced to normal levels by the end of fiscal year 1988.

Source: City Department of Finance.

FEDERAL AND STATE AID

Federal

Although the two major sources of federal aid to the City, Revenue Sharing and Community Development Block Grant, have been reduced in recent years, programs funded through these sources have not been affected. Current revenues have been used in some cases to fund programs previously supported by Revenue Sharing and Block Grant funds. In addition, bond proceeds have been utilized to offset reductions in funding of capital projects. The authorization for the Federal Revenue Sharing program expired on September 30, 1986.

The following table shows federal moneys received over the last five years.

**CITY OF CAMBRIDGE
PRINCIPAL FEDERAL AID BY SOURCE
FISCAL YEARS 1986 TO 1990**

<u>Fiscal Year</u>	<u>Federal Revenue Sharing</u>	<u>Community Development Block Grant</u>	<u>Other</u>	<u>Total From Federal Government</u>
1990(1)	\$ 0	\$2,964,295	\$8,500,000	\$11,464,295
1989	0	3,133,766	8,447,953	11,581,719
1988	0	3,494,473	8,423,784	11,918,257
1987	675,609	3,011,210	8,645,790	12,332,609
1986	1,638,801	2,872,511	9,357,171	13,868,483

(1) Estimated.

Source: City Department of Finance.

State

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth of Massachusetts provides financial assistance to the City of Cambridge principally through the Local Aid Fund, but also to a major extent through the General Fund and the Highway Fund. (See "Tax Limitation: Other Effects" for a description of the effects of the Commonwealth's current fiscal difficulties.)

The following table sets forth the actual State aid received by the City in each of the last five fiscal years:

**CITY OF CAMBRIDGE
MAJOR STATE ASSISTANCE BY SOURCE
FISCAL YEARS 1986 TO 1990**

<u>Fiscal Year</u>	<u>School Construction</u>	<u>School Operations</u>	<u>Other</u>	<u>Total From State</u>
1990(1)	\$2,608,574	\$3,837,518	\$34,837,612	\$41,283,704
1989	2,824,577	6,630,897	34,839,118	44,294,592
1988	4,971,978	6,298,822	33,343,610	44,614,410
1987	3,113,620	5,763,532	32,004,591	40,881,743
1986	3,130,919	6,947,226	27,215,260	37,293,405

(1) Estimated.

Source: City Department of Finance.

MOTOR VEHICLE EXCISE

An excise tax is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on a manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent from the due date. Provision is also made for suspension of registration by the Registrar of Motor Vehicles, who may also after a hearing suspend the owner's operating license.

Previously, the bills for the motor vehicle excise tax for Cambridge were prepared throughout the calendar year by the State Registry of Motor Vehicles ("RMV") and delivered in batches to the City Assessor for mailing to the individual owners of motor vehicles and collection by the City tax collector. Account maintenance and the processing of delinquent notices were prepared for the City by an outside service bureau.

During fiscal year 1984 a computerized "in-house" excise tax billing system was installed, allowing the City to discontinue a contractual agreement with the outside service bureau. As a result of this new system, the excise billing and enforcement process is both more timely and efficient.

More importantly, excise tax revenue increased dramatically from \$1.4 million in fiscal year 1984 to \$1.9 million in fiscal year 1985, an increase of 32 percent. For fiscal year 1986, excise tax revenue increased to \$2.5 million because of a statute change in the payment due dates from 60 days to 30 days from the date of issue and the efficiencies of the "in-house" system. The decrease in fiscal year 1987 revenues, was primarily due to the Registry of Motor Vehicles converting computer systems which resulted in the City not receiving approximately 15,000 bills to be sent to vehicle owners in the City. Receipts improved dramatically in fiscal year 1988 with only a slight decrease occurring during fiscal year 1989. Fiscal year 1990 revenues are expected to be at approximately the same level.

The valuations of motor vehicles are in addition to the real and personal property valuations.

The following table shows the actual motor vehicle excise tax receipts in each of the last five fiscal years:

RECEIPTS FROM MOTOR VEHICLE EXCISE TAX FISCAL YEARS 1986 TO 1990

<u>Fiscal Year</u>	<u>Receipts(1)</u>
1990(2)	\$2,800,000
1989	2,876,981
1988	2,986,256
1987	2,259,804
1986	2,496,016

(1) Net after refunds, includes receipts from prior years.

(2) Estimated.

Source: City Department of Finance.

ROOM OCCUPANCY EXCISE

Since fiscal year 1986 the City has imposed a room occupancy excise tax at a rate of four percent on hotel, motel, lodging house, and bed and breakfast rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the City.

RECEIPTS FROM ROOM OCCUPANCY EXCISE

<u>Fiscal Year</u>	<u>Receipts</u>
1990(1)	\$2,600,000
1989	2,550,728
1988	2,707,073
1987	1,779,028
1986	770,653

(1) Estimated.

Source: City Department of Finance.

PUBLISHED FINANCIAL INFORMATION

The City annually contracts with a Certified Public Accounting firm to conduct an independent audit of its financial operations for each fiscal year. Since fiscal year 1979, the City's independent auditor has been Peat, Marwick, Mitchell & Co., Certified Public Accountants, Boston, Massachusetts. Copies of the annual audit are available to the public upon request from the Department of Finance, City Hall, 795 Massachusetts Avenue, Cambridge, Massachusetts 02139.

In addition to the annual independent audit, the City annually publishes a Comprehensive Operating Budget, which includes a five-year Public Investment Program. This document is available through the City Manager's Office, City Hall, 795 Massachusetts Avenue, Cambridge, Massachusetts 02139.

The first table shows general fund balance sheets for fiscal years 1985 through 1989, while the second table compares City revenues, expenditures, and changes in fund balance for fiscal years 1985 through 1989.

**CITY OF CAMBRIDGE
GENERAL FUND BALANCE SHEETS
FISCAL YEARS 1985 TO 1989(1)
(as of June 30)**

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
ASSETS					
Cash	\$27,321,024	\$33,240,193	\$ 7,136,088	\$39,364,528	\$40,236,110
Investments (at cost)	0	0	0	0	0
Receivables(2)					
Taxes	4,320,173	4,109,527	43,753,074	6,582,533	6,236,064
Tax Title and Possessions	2,629,099	2,096,943	2,340,079	2,347,664	2,347,664
Motor Vehicle Excise	2,867,637	3,041,645	3,034,477	3,562,344	3,335,125
Departmental	766,150	365,590	718,146	486,599	518,153
Notes	0	0	0	0	0
Allowable for Uncollectible					
Receivables	(4,514,320)	(4,311,944)	(8,578,855)	(8,368,944)	(7,763,861)
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$33,232,952</u>	<u>\$39,074,110</u>	<u>\$48,159,873</u>	<u>\$43,967,139</u>	<u>\$45,503,463</u>
LIABILITIES AND FUND EQUITY					
Warrants Payable	\$ 2,681,822	\$ 2,709,862	\$ 1,587,069	\$ 2,374,352	\$ 4,941,007
Accrued Liabilities	6,287,947	7,141,220	8,525,676	9,194,747	9,254,666
Notes Payable	0	0	10,900,000	0	0
Accrued Tax Abatement Refund	0	0	4,955,682	6,249,506	3,079,993
Due to Other Funds	<u>330,958</u>	<u>773,015</u>	<u>158,820</u>	<u>158,820</u>	<u>0</u>
Total Liabilities	<u>\$9,300,727</u>	<u>\$10,624,097</u>	<u>\$26,127,247</u>	<u>\$17,977,425</u>	<u>\$17,275,666</u>
Deferred Revenue	4,084,609	3,959,879	1,113,920	833,363	1,009,373
Fund Equity:					
Fund Balances					
Reserved for Encumbrances	\$ 1,573,221	\$ 3,426,085	\$ 5,878,987	\$ 6,433,798	\$ 2,962,668
Reserved for Specific Purposes ...	614,676	837,387	749,304	749,132	110,962
Undesignated	<u>17,659,719</u>	<u>20,226,662</u>	<u>14,290,415</u>	<u>17,973,421</u>	<u>24,144,794</u>
Total Fund Equity	<u>\$19,847,616</u>	<u>\$24,490,134</u>	<u>\$20,918,706</u>	<u>\$25,156,351</u>	<u>\$27,218,424</u>
Total Liability & Fund Equity	<u>\$33,232,952</u>	<u>\$39,074,110</u>	<u>\$48,159,873</u>	<u>\$43,967,139</u>	<u>\$45,503,463</u>

(1) See Appendix A for complete financial report for 1989. Copies of the financial reports for 1988, 1987, 1986, and 1985 are available upon request.

(2) The amounts shown for receivables are the total receivables with an allowance for uncollectible receivables shown on a separate line.

Source: Audit Reports of Peat, Marwick, Mitchell & Co. for the fiscal years ended June 30, 1985, 1986, 1987, 1988, and 1989.

CITY OF CAMBRIDGE
GENERAL FUND—COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL FOR FISCAL YEARS 1985 TO 1989 (1)

	1985	1986	1987	1988	1989
Revenues:					
Taxes	\$ 68,868,640	\$ 72,847,538	\$ 80,222,341	\$ 86,470,142	\$ 94,047,616
In Lieu of Tax Receipts	1,986,846	1,723,316	1,157,414	2,707,073	1,873,196
Hotel/Motel Tax	0	770,653	1,779,028	2,428,449	2,550,728
Intergovernmental Revenue	34,819,160	38,513,679	40,881,743	44,614,410	43,187,051
Infirmary & Health Dept.	4,450,547	4,842,337	4,942,434	5,945,555	6,195,620
Sewer Use	4,181,882	4,763,533	5,448,553	6,911,555	8,181,355
Motor Vehicle Excise	1,993,685	2,478,132	1,989,523	2,986,256	2,859,715
Interest	2,045,053	2,005,971	1,006,231	2,056,898	2,807,231
Other	6,154,480	4,909,590	3,764,510	8,842,770	9,015,422
Total Revenues.	<u>\$124,500,293</u>	<u>\$132,854,749</u>	<u>\$141,191,777</u>	<u>\$162,963,108</u>	<u>\$170,717,934</u>
Expenditures					
Education	\$ 46,171,375	\$ 49,285,618	\$ 52,496,119	\$ 56,488,499	\$ 61,601,747
Infirmary & Health Dept.	4,677,904	5,548,814	5,721,415	6,542,800	7,616,515
Employee Benefits	12,810,247	10,664,526	12,864,778	12,058,612	3,772,386
Public Works	8,967,021	10,481,158	11,256,764	14,621,202	16,421,641
Debt Service	3,251,275	3,478,817	3,129,945	4,814,157	5,493,864
Police	9,673,072	12,160,093	13,059,940	12,992,571	16,836,385
Fire	8,709,013	11,362,554	12,203,383	12,499,467	15,551,089
Massachusetts Bay					
Trans. Authority	5,336,090	5,465,275	5,464,737	5,545,775	5,645,969
Community Development	1,051,748	1,329,499	1,427,882	1,703,493	1,858,374
Finance	2,435,941	3,300,896	3,545,162	3,824,665	4,034,582
Traffic & Parking	3,260,574	4,012,942	4,160,230	4,006,161	4,908,337
Library	1,416,477	1,665,879	1,789,154	2,047,639	2,429,329
Other	11,246,747	12,589,820	13,990,528	19,286,477	20,051,928
Prior Year Encumbrances	2,034,461	0(2)	0(2)	0(2)	0(2)
Total Expenditures & Encumbrances	<u>\$121,041,945</u>	<u>\$131,345,891</u>	<u>\$141,110,037</u>	<u>\$156,431,518</u>	<u>\$166,222,146</u>
Transfers from Other Funds:	<u>\$ 2,493,882</u>	<u>\$ 3,133,660</u>	<u>\$ (3,653,168)</u>	<u>\$ (2,293,945)</u>	<u>\$ (2,433,715)</u>
Excess of Revenue Over (under) Expenditures, Encumbrances and Transfers	<u>\$ 5,952,230</u>	<u>\$ 4,642,518</u>	<u>\$ (3,571,428)</u>	<u>\$ 4,237,645</u>	<u>\$ 4,495,788</u>
Fund Equity at beginning of year.	<u>13,895,386</u>	<u>19,847,616</u>	<u>24,490,134</u>	<u>\$ 20,918,706</u>	<u>\$ 25,156,351</u>
Equity Transfer.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity at end of year	<u>\$ 19,847,616</u>	<u>\$ 24,490,134</u>	<u>\$ 20,918,706</u>	<u>\$ 25,156,351</u>	<u>\$ 27,218,424</u>

(1) Does not include water and hospital revenues and expenditures.

(2) For fiscal years 1986, 1987, 1988, and 1989, expenditures against prior year encumbrances are included in the individual departments.

Source: Audit reports of Peat, Marwick, Mitchell & Co. for the fiscal years ended June 30, 1985, 1986, 1987, 1988, and 1989.

SURPLUS REVENUE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations for available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

For fiscal year 1986, the reduction in free cash was attributable to the use of \$3,000,000 to cover a portion of the fiscal year 1987 Capital Improvement Budget and \$1,500,000 to reduce the fiscal year 1987 property tax levy. Similar situations have occurred in each of the fiscal years since 1986.

The following table sets forth the surplus revenue and certified free cash for the most recent fiscal years:

CITY OF CAMBRIDGE SURPLUS REVENUE AND CERTIFIED FREE CASH FISCAL YEARS 1986 TO 1990

<u>July 1</u>	<u>Surplus Revenue or (Deficit)(1)</u>	<u>Free Cash</u>
1990(2)	\$19,500,000	\$14,500,000
1989	22,065,715	15,082,327
1988	20,612,701	17,389,694
1987	14,290,415	12,254,767
1986(3)	15,726,662	10,694,029

- (1) Surplus revenue is not reduced by revenue deficits from tax abatements in excess of overlay or revenue deficits resulting from non-property tax receipts being less than estimates, both of which are added to the next tax levy. It also does not include special funds, such as water.
- (2) Estimated.
- (3) Reserves of \$4,500,000 to cover appropriations from free cash are not included in either the Surplus Revenue or Free Cash figures.

Source: City Department of Finance.

RETIREMENT PLAN

The Massachusetts General Laws (Chapter 32, Sections 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city, and town employees other than teachers. Teachers are assigned to a separate statewide teacher's system and not to the City system. Substantially all employees of the City are covered.

In addition to the contributory systems, the City provides non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents.

The obligations of the City of Cambridge under the Contributory Pension Law are contractual legal obligations and are required to be included in the annual tax levy.

The amount required to pay the pensions over and above employee contributions and investment income has traditionally been provided on an essentially pay-as-you-go basis, but recent legislation provides for substantial changes in the funding of both state and local retirement systems.

In 1933 legislation was enacted establishing the Pension Reserves Investment Trust ("PRIT") Fund to receive and manage funds to offset future pension costs of state and local systems to the extent of their participation in the assets of the PRIT Fund. To induce systems to participate, the law provides that annual appropriations by the Commonwealth for unfunded pension liabilities will be deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund. The law calls for annual State appropriations amounting to at least 1.3% of State payroll.

"Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate are set aside for future, not current, pension liabilities. (Under prior law, local systems had been allowed to use excess earnings to reduce their annual appropriations for benefits paid to retirees.) Each system not joining PRIT is required to establish a pension reserve fund to receive excess earnings. Cities and towns may voluntarily appropriate to the pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than 40 years. In addition, Chapter 697 contains significant financial incentives for each local governmental unit to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. Annual state pension funding grants are to be provided for the first fifteen years of an approved funding schedule, beginning with the fiscal year ending June 30, 1990; the grants would be funded from designated percentages of increases in state revenues. The funding provisions for local systems are subject to local acceptance. In December 1989, the City adopted Chapter 697.

The annual contributions of the City to the contributory and non-contributory retirement system for the current year and most recent years are set forth below:

**CITY OF CAMBRIDGE
CONTRIBUTIONS TO CITY PENSION FUNDS
FISCAL YEARS 1987 TO 1991**

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-contributory</u>	<u>Total</u>
1991(1)	\$11,743,370	\$2,175,000	\$13,918,370
1990(1)	11,439,380	2,130,000	13,569,380
1989	10,496,880	2,184,698	12,681,578
1988	9,707,045	2,378,586	12,085,631
1987	9,788,545	2,260,610	12,049,155

(1) Contributory figure indicated has been determined by the Commonwealth. The non-contributory figure is estimated for fiscal years 1990 and 1991.

Source: City Department of Finance.

An actuarial study conducted by an independent audit firm determined that the unfunded pension liability of the Cambridge Retirement System was \$125,940,000 as of January 1, 1989. The study has also provided cost options available to the City under Chapter 697 of the Acts of 1987. The City plans to use the results of this study to begin a long term actuarial funding of the system. Under Chapter 697.

As indicated above, the laws of Massachusetts permit local governments to make annual appropriations for the purpose of offsetting pension costs. During fiscal years 1984 and 1985, the City Council appropriated and funded \$1,000,000 annually to the City's Pension Reserve Fund. As also indicated above, prior to fiscal year 1986, excess earnings generated by the retirement system in a calendar year

were used to reduce the pension funding needed for the next fiscal year. However, the City decided not to exercise its option to use excess investment earnings to fund a portion of the pension costs, choosing to appropriate the full amount needed to cover "pay-as-you-go" expenses and transfer the excess earnings to the Pension Reserve Fund. The total of the fund, including all appropriations from City funds and transfers of excess earnings, is \$26,944,843 as of December 31, 1989.

EMPLOYEE RELATIONS AND COLLECTIVE BARGAINING

City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours, and other terms and conditions of employment. Provisions for compulsory arbitration of labor disputes involving fire fighters and police officers were repealed by a State initiative law adopted at the November 1980 election.

The City has approximately 4,100 full- and part-time employees, of whom approximately 77 percent belong to unions or other collective bargaining groups.

CITY OF CAMBRIDGE CITY UNIONS AND COLLECTIVE BARGAINING GROUPS

<u>Groups</u>	<u>Department</u>	<u>Number of Employees Represented</u>	<u>Contract Expires</u>
International Public Employees Association	City-Wide	850	6/30/92
Teachers and Administrators (Mass. Teachers Assoc.)	School	865	8/31/91
Clerical	School	82	6/30/90
Custodians (Local 1611 AFL-CIO)	School	79	6/30/91
Food Service	School	50	8/31/91
Safety Specialist	School	12	6/30/90
Paraprofessionals (affiliated with Mass. Teachers Assoc.)	School	135	6/30/91
Substitute Teachers	School	48	8/31/90
Nurses (Massachusetts Nurses Association)	Hospital	200	3/31/90
National Organization of Legal Service Workers	Rent Control	20	6/30/92
House Officers	Hospital	60	6/30/92
Steam Fireman	Hospital	9	6/30/90
International Assoc. of Firefighters	Fire	288	6/30/90
Patrol Officers	Police	215	6/30/91
Superior Officers	Police	61	6/30/91
Traffic Supervisors	Police	44	6/30/92
Service Employees International Union	Water	60	6/30/92
Professional Librarians	Library	44	6/30/90
Code Inspectors (AFSCME)	Inspectional Services	12	6/30/92
Daycare Workers	Human Services	30	6/30/92
		<u>3,164</u>	

Source: City Personnel Department.

Negotiations are being conducted for renewal of the contracts which will expire June 30, 1990. Those unions not yet settled by their expiration date will continue to work pursuant to a rollover clause in their contracts. For the contracts that are not yet settled, negotiations have been proceeding on a satisfactory basis. Settlements are anticipated with a wage increase of 9 percent spread over two years and with modest improvements in fringe benefits. Provisions have been made in the fiscal year 1991 budget to cover all anticipated salary and fringe benefit increases.

PART IV: THE CITY

INTRODUCTION

The City of Cambridge is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west and the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. The City's estimated population was 90,290 in 1990.

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. Since 1940, the City has had a Council-Manager form of government.

Cambridge has experienced strong growth in taxable valuations and job opportunities due to the construction of new commercial and industrial property, as well as through reconstruction and rehabilitation of existing property, throughout the City. This growth is expected to continue over the next several years. Developers find the City attractive due to its close proximity to Boston, extensive public transportation, an excellent network of roads, and the City's commitment to encouraging planned development. The location of two major universities, Harvard and the Massachusetts Institute of Technology, within the City's borders contributes significantly to its vitality and growth.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

"A town is not an independent sovereignty. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers."

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State Legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966. Under this amendment, a city or town may exercise, by ordinance or by-law, any power which the State Legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State Legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law. These powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State Legislature may enact general laws relating to a class of two or more municipalities, but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town.

An amendment to the State Constitution passed at the November, 1980 general election provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the Legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. The City of Cambridge is governed by a city council and an appointed city manager who has no power to veto council actions. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

School affairs of the City are administered by an elected school committee. However, as a result of an initiative law adopted in 1980 (Proposition 2^{1/2}), the School Committee is no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the City Council, but the School Committee retains full power to allocate the funds appropriated.

CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

The City operates under the Council-Manager form of government. The legislature and policy making body of the City is the nine-member City Council whose members are elected at-large for two-year terms. The Council elects a Mayor and Vice-Mayor from among its members with the Mayor serving as Chairman of the School Committee.

The City Manager is the chief executive and administrative officer and carries out the policies of the City Council. With the assistance of the Deputy City Manager and three Assistant City Managers, he coordinates the functions of 41 municipal departments responsible for the delivery of service to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. In 1989, the City Council approved a contract for the present City Manager, which expires June 30, 1993.

There is a School Committee which is comprised of six elected members plus the Mayor who are elected for two-year terms. The School Superintendent is responsible for the day-to-day activities of the School Department and serves at the pleasure of the School Committee.

The City Council also appoints members to certain boards and commissions as it deems necessary to the operation of the City.

Principal Elected Officials

The following are the nine members of the City Council elected for two-year terms ending December 31, 1991:

	Alice K. Wolf, Mayor	
Kenneth E. Reeves, Vice Mayor		Sheila T. Russell
Edward N. Cyr		Walter J. Sullivan
Francis H. Duehay		Timothy J. Toomey, Jr.
Jonathan S. Myers		William H. Walsh

The following are the six members of the School Committee elected for two-year terms ending December 31, 1989:

	Alice K. Wolf, Chairman	
Frances H. Cooper		James Rafferty
Henrietta Davis		Timothy J. Toomey, Jr.
Alfred B. Fantini		Lawrence Weinstein

Principal Executive Officers

Robert W. Healy, City Manager since July, 1981.

Previously served the City as Deputy City Manager from 1980 to 1981 and Assistant City Manager from 1974 to 1980. Also served as Assistant City Manager for the City of Lowell, Massachusetts from 1970 to 1974. Bachelor of Arts degree in English from the University of Massachusetts and Masters degree in Educational Administration from the University of Lowell.

Richard C. Rossi, Deputy City Manager since November, 1981.

Previously served the City as Purchasing Agent from 1978 to 1981 and Assistant Superintendent of the Water Department from 1975 to 1978. Bachelor of Science degree in Business from Salem State University and a Masters degree in Public Administration from Northeastern University.

James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs and Treasurer/Collector since November, 1982.

Previously served the City as Chief Budget Analyst from 1978 to 1980 and Budget Analyst from 1974 to 1978. Also served as Budget Administrator for the County of Arlington, Virginia from 1980 to 1982, and a consultant to the Finance Department, Engelwood, New Jersey in 1976. Bachelor of Arts degree in Government from Suffolk University and a Masters degree in Public Administration from Northeastern University.

Michael H. Rosenberg, Assistant City Manager for Community Development since March, 1986.

Previously served the City as Director of Housing from 1980 to 1986. Executive Director, Newton Community Development Department Foundation, Newton, Massachusetts, from 1979 to 1980. Bachelor of Arts in Philosophy from Queens College, City University of New York, and Master of Science degree in Urban and Regional Planning, University of Wisconsin.

Jili Herold, Assistant City Manager for Human Services since September, 1980.

Previously served the City as Director of Human Services Planning, Community Development Department from 1978 to 1980. Executive Director of a non-profit organization from 1971 to 1978. Bachelor of Science degree from the University of Maryland.

Russell B. Higley, City Solicitor since March, 1976.

Previously served the City as Assistant City Solicitor from 1970 to 1976 and General Counsel to the Rent Control Board. Assistant District Attorney, Middlesex County from 1968 to 1969. In addition, Mr. Higley has his own private law practice in Cambridge. Bachelor of Science degree in Business Administration from Suffolk University and a Doctor of Jurisprudence degree from Suffolk Law School.

Joseph E. Connarton, City Clerk since October, 1986.

Previously served as Assistant City Clerk from 1973 to 1975 and Deputy City Clerk from 1975 to 1986. Bachelor of Arts degree in Public Service and Legal Education from the University of Massachusetts and Masters degree in Public Administration from the John F. Kennedy School of Government at Harvard University.

Arthur F. Libitz, City Auditor since 1970.

Previously served as a member of the Finance Department staff, Massachusetts Institute of Technology from 1956 to 1970. Degree in Accounting from Northeastern University.

Mary Lou McGrath, Superintendent of the Cambridge School System since December, 1988.

Appointed by the Cambridge School Committee. Previously served as Interim Superintendent of Cambridge Public Schools from July 1988 to December 1988, Assistant Superintendent for Administration from October 1987 to July 1988, Director of Elementary Education from 1978 to 1987, Coordinator of Primary Education from 1975 to 1978, Acting Director of Primary Education from 1974 to 1975, Teacher in the Cambridge Public Schools from 1956 to 1974 and teacher in the Burlington School Department from 1955 to 1956. Bachelor of Science Degree, Elementary Education from State College, Salem, MA. Masters Degree in Education from Boston State College, Boston, MA.

GOVERNMENTAL SERVICES AND FACILITIES

The City provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of garbage and rubbish, public education in grades kindergarten through twelve, a hospital, water and sewer services, parks and recreation, health and social services, libraries/culture, and maintenance of streets and highways. The principal services provided by Middlesex County are space for courts, a jail, and house of correction, a hospital, and a registry of deeds. The Massachusetts Bay Transportation Authority ("MBTA") provides rapid transit service and bus coverage throughout the City with connections to the Metropolitan Boston area. The Metropolitan District Commission provides sewerage disposal services to the City and also maintains certain parks, highways, and related police services. The Cambridge Housing Authority provides public housing for eligible low-income families, the elderly, and the handicapped.

The City's main municipal buildings include a City Hall, two general administrative buildings, a school administrative building, a public works garage and headquarters building, and a water treatment facility located at the City's reservoir. There is one police headquarters building, nine fire stations, six area libraries, plus a main branch, over sixty-nine parks and playground areas, a high school, plus thirteen elementary schools, located throughout the City.

Some other major facilities provided by the City include a municipal golf course and club house, two community centers, outdoor and indoor swimming pools, tennis facilities, and a newly constructed field house located at the high school.

Federal buildings which are located in the City include offices for the Department of Transportation and the Social Security Administration. Also, in connection with Harvard University, the Smithsonian Astrophysical Observatory is located in the City.

The major State buildings located within the City are the Middlesex County Courthouse and the Registry of Deeds.

An organization chart for the City is presented on the following page.

ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Development Activity

Based on estimated valuations of all real and personal property as of January 1, 1989, the total value of all property in the City is approximately \$8.529 billion. Of that total approximately \$3.906 billion consists of industrial, commercial, and personal property. New properties now under construction and those in the development phase, are expected to add approximately \$1 billion to the taxable valuation base of the City. Fiscal 1991 assessments are expected to increase approximately \$325 million from fiscal 1990 assessments.

Presented below are the major areas being developed, with a listing of projects that are either planned, under development, being constructed or completed within the last eighteen months.

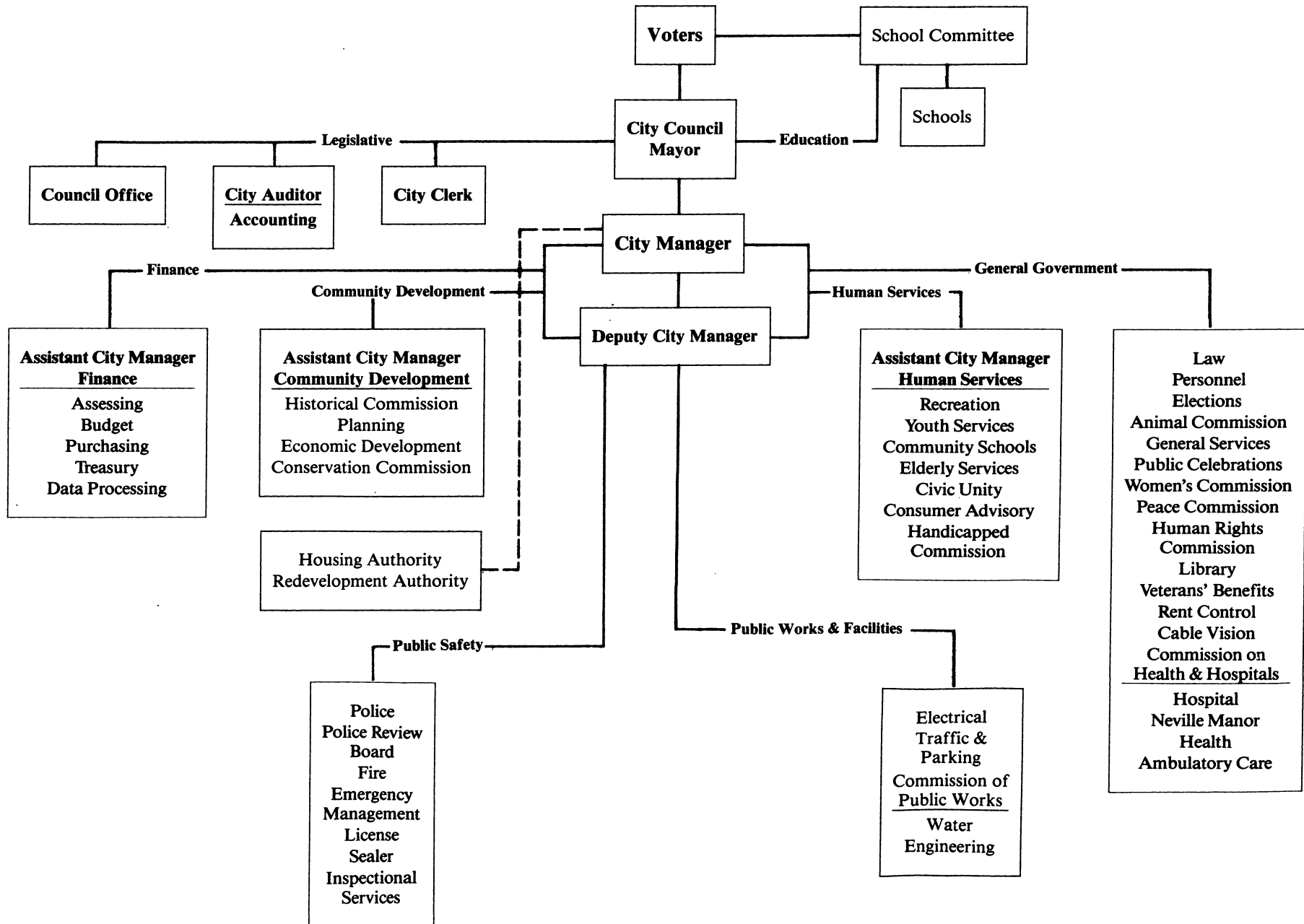
East Cambridge Riverfront (Lechmere). This area lies directly across the Charles River from Boston at the Museum of Science and Charles River Dam area, approximately 2 miles from downtown Boston and 15 minutes from Logan International Airport and, along with the Kendall Square area, consists of approximately 170 acres of land.

Access to public transportation is by way of the MBTA's Lechmere Green Line rapid transit station with connections to the metropolitan Boston area, as well as by surface line bus routes.

The total development recently completed, underway, or planned in this project area includes over 6 million square feet of new prime office, retail, hotel and housing space valued at over \$700 million. Approximately 3.0 million square feet of new office space has been completed. This new space is located in both renovated industrial and newly constructed buildings with rents ranging from \$16 to \$35 per square foot. East Cambridge is the headquarters for such firms as Lotus Development and Com Energy. In 1990, New England Development will open the Cambridgeside Galleria Mall anchored by Sears, Lechmere, and Filenes. The ten year development potential in the area is approximately one million square feet of additional commercial space.

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



Development	Floor Area	Use	Estimated Value	Status
Athenaeum Press Bldg. Rehab.	340,000	Office/Commercial	\$ 10.0 million	Completed
American Twine Bldg. Rehab.	130,000	Office/R&D	7.0 million	Completed
Bulfinch Courthouse Rehab.	70,000	Office/Retail	10.0 million	Completed
Esplanade	206 units	Residential	70.0 million	Completed
The Pavillion	114 units	Residential	10.0 million	Completed
Cambridge Research Park	800,000	R&D	60.0 million	Planned
432 Columbia Street	120,000	Office/Industrial	6.0 million	Completed
Davenport Bldg. Rehab.	230,000	Office/Retail	22.0 million	Completed
Interleaf Bldg.	111,000	Office/Restaurant	15.0 million	Completed
41 Monroe St. Bldg. Rehab.	13,000	Office	.5 million	Completed
Graves Landing (Phase I)	90 units	Residential	11.0 million	Completed
Graves Landing (Phase II)	90 units	Residential	11.0 million	Completed
CambridgeSide Galleria	680,000	Retail	100.0 million	Construction Phase
	80,000	Office	160.0 million	Development Phase
	80 units	Residential		
Grief Brothers Site	38 units	Residential	7.0 million	Completed
One Memorial Drive	340,000	Office	35.0 million	Completed
217-218 Thorndike	55 units	Residential	4.5 million	Completed
Nicholson Glue Bldg. Rehab.	45,000	Office	2.0 million	Completed
One Canal Park	100,000	Office/Retail	15.0 million	Completed
Two Canal Park	160,000	Office/Retail	18.0 million	Construction Phase
Lotus Development	263,000	Office	20.0 million	Completed
Riverfront Office Park	330,200	Office/Retail	34.0 million	Completed
Riverfront Office Park—Phase II	300,000	Office/Retail	26.0 million	Completed
Riverview Office Bldg.	145,000	Office	10.0 million	Completed
Riverview Office Bldg.—Phase II	130,000	Office	19.0 million	Completed
Riverside Place	290,000	Office	37.5 million	Completed
Rowland Research Institute	70,000	Office/R&D	8.5 million	Completed
Sonesta Hotel	200 rooms	Hotel	25.0 million	Completed
River Court	171 units	Residential	38.5 million	Completed
58 Charles Street	50,000	Office	5.0 million	Completed

Kendall Square. This area, which lies across the Charles River from Boston at the Longfellow Bridge, is adjacent to the East Cambridge Riverfront area. The MBTA's newly renovated Kendall Square Red Line rapid transit station, as well as surface line bus routes, serve this area. Buildings under construction or recently completed will be primarily for offices and research and development, and now total over 2 million square feet of space with an estimated total value of \$220,000,000. Expected rentals are in the \$20 to \$29 per square foot range. The most significant development in this area has been the commitment of Camp, Dresser and McKee, a major design/engineering firm, to move from Boston and lease in excess of 150,000 square feet in Ten Cambridge Center. Office leasing remains healthy due to the close proximity to MIT. Polaroid and Marriott both have major facilities in Kendall Square. The ten year development potential would accommodate an additional 1.5 million square feet of commercial space.

Development	Floor Area	Use	Estimated Value	Status
One Cambridge Center	210,000	Office	\$20.0 million	Completed
Three Cambridge Center	100,000	Office/Retail	10.0 million	Completed
Four Cambridge Center	225,000	Office	22.0 million	Completed
Five Cambridge Center	250,000	Office/Retail	24.0 million	Completed
Nine Cambridge Center	155,000	Office/R&D	15.0 million	Completed
Eleven Cambridge Center	80,000	Office/R&D	8.0 million	Completed
Fourteen Cambridge Center	67,000	Office/R&D	6.0 million	Completed
U.S. Trust Bldg.	127,000	Office/Bank	15.0 million	Completed
One Hampshire Street	184,000	Office/R&D	18.0 million	Completed
One Kendall Square—Phase I	588,000	Office	50.0 million	Completed
Marriott Hotel	431 rooms	Hotel	25.0 million	Completed
One Kendall Square—Phase II	400,000	Office	50.0 million	Construction Phase
Ten Cambridge Center	152,000	Office	18.0 million	Construction Phase
201 Broadway	121,000	Office/Retail	15.0 million	Completed
210 Broadway	170,000	Office/Retail	20.0 million	Development Phase

Massachusetts Avenue (including Central, Harvard, and Porter Squares). This area consists of scattered sites along and near Massachusetts Avenue and runs the length of the City from the Charles River at the Massachusetts Institute of Technology to the Arlington town line. It is served by the MBTA's Red Line and by surface bus routes. The projects under construction or recently completed include over 2,000,000 square feet of space with over 300 hotel rooms, 160 condominium units, 84 units of rental housing, and several new office/retail buildings. Rentals range from \$20 to \$28 per square foot. These buildings are being developed by, among others, well-known firms such as Spaulding and Slye, Winn Development Company, Carpenter and Company and UNIHAB. New retail and office space, as well as a number of new hotels, is anticipated in the near future.

Development	Floor Area	Use	Estimated Value	Status
Charles Square Bldg.	115,000	Office		
	45,000	Retail		
	307 rooms	Hotel		
	94 units	Residential	\$80.0 million	Completed
Central Square Bldg.	30,000	Office/Retail	2.0 million	Completed
Coolidge Bank	36,000	Office/Retail	10.0 million	Completed
Henderson Carriage Bldg. Rehab.	100,000	Office/Retail	8.0 million	Completed
184-188 Harvard St.	17 units	Residential	1.3 million	Completed
Church Corner Apts.	85 units/			
	3,000	Residential/Retail	10.0 million	Completed
University Place	70 units/			
	200,000	Residential/Office	20.0 million	Completed
375 Mass. Ave.	27,000	Office	3.0 million	Completed
1000 Mass Ave.	108,000	Office/Retail	10.0 million	Completed
1000 Mass. Ave.—Phase II	102,000	Office/Retail	10.0 million	Development Phase
1030 Mass. Ave.	66,000	Office	6.0 million	Completed
1280 Mass. Ave.	43,000	Office/Retail	3.0 million	Completed
1972 Mass. Ave.	15,000	Office/Retail	1.0 million	Completed
Porter Exchange	177,000	Retail	12.0 million	Completed
	45,000	Office		
Porter Square Arcade	46,000	Retail	7.0 million	Construction Phase
Bay Square	110 units	Residential	20.0 million	Completed
	6,000	Office		
	4,000	Retail		
595 Mass. Ave.			4.0 million	Construction Phase
	15,000	Retail		
	45,000	Office		
931 Mass. Ave.	50 units	Residential	10.0 million	Completed
2465 Mass. Ave.	36,000	Retail	4.0 million	Development Phase
2494 Mass. Ave.	11,000	Office/Retail	1.5 million	Completed
119-123 Mt. Auburn	28,000	Office/Retail	3.0 million	Completed
St. Paul's	100 units	Residential	15.0 million	Development Phase
One Brattle Square	100,000	Office/Retail	11.0 million	Development Phase
Harvard Motor Inn	120,000	Office/Retail	15.0 million	Development Phase
2456 Mass. Ave.	24 units	Residential	4.5 million	Completed
Hammond Court	73 units	Residential	14.0 million	Construction Phase
12-14 Mifflin Place	31,000	Office/Retail	4.0 million	Development Phase
Gulf Site	116 rooms	Hotel	10.0 million	Planned
0 Arrow Street	51,500	Office	6.5 million	Development Phase
Banker Bldg.	44,300	Office/Retail	6.0 million	Development Phase
Cambridge Hotel	96 Suites	Hotel	7.0 million	Development Phase

Alewife. This area, in the western end of the City near the Fresh Pond Reservoir, the M.D.C. Alewife Reservation, and the Belmont and Arlington town lines, consists of approximately 370 acres within a 30-minute drive of Logan International Airport and downtown Boston as well as of the residential suburbs and the Route 128 corridor. The area is now served by the MBTA's Red Line rapid transit system as a result of the 1985 opening of 3 stations along the 2.5 mile extension from Harvard Square, including the Alewife Station, all of which are supplemented by MBTA surface bus lines. A

2,000-car parking garage adjacent to the station, with direct access to State Route 2, has also been completed in conjunction with the Red Line station. Recent completions include over one million square feet of prime office space. In addition, two major planned developments on opposite sides of the MBTA station have successfully leased their initial phases totalling over 500,000 square feet. Alewife has become a center for companies in the communications area and biotechnology. These projects are being developed by Spaulding and Slye and RVM&G (formerly Gerald P. Hines). The ten year potential including the planned projects in Alewife will accommodate an additional 2.3 million square feet of commercial space.

Development	Floor Area	Use	Estimated Value	Status
One Alewife Center	88,000	Office/R&D	\$10.0 million	Completed
Alewife Center—Later Phases	850,000	Mixed	80.0 million	Development Phase
A.O. Wilson Site	500,000	Office	50.0 million	Planned
Arthur D. Little	200,000	Office	20.0 million	Planned
125 Cambridge Park	184,000	Office	18.0 million	Completed
150 Cambridge Park	248,000	Office	25.0 million	Completed
100 Cambridge Park	130,000	Office	15.0 million	Construction Phase
Cambridge Park II	600,000	Office/ R&D/Hotel	60.0 million	Development Phase
725 Concord Ave.	80,000	Office	7.0 million	Completed
Continental Can Rehab.	125,000	Office/R&D	11.0 million	Completed
Fresh Pond Square	130,000	Office/Retail	10.0 million	Completed
Genetics Institute	100,000	Office/R&D	10.0 million	Completed
Intermetrics Bldg. Rehab.	42,000	Office	1.8 million	Completed
Lincoln School	20 units	Residential	2.5 million	Completed
One Alewife Place	136,000	Office	11.0 million	Completed
Richdale Terraces	96 units	Residential	15.0 million	Completed
One CambridgePark Place	205,000	Office/Retail	20.0 million	Development Phase
Five Alewife Center	153,000	Office/Retail	19.5 million	Development Phase
Fresh Pond Reservoir Place	20,000	Office	2.4 million	Completed
Northeastern Mortgage	67,000	Office	9.0 million	Completed

Cambridgeport. This area, comprising 70–80 acres located between the Charles River at the Boston University Bridge and Central Square, consists of a former industrial area being developed primarily for office and research and development with some light manufacturing and residential use. The projects under construction or recently completed total over 600,000 square feet of space, not including residential uses, with an estimated value of approximately \$55,000,000. Forest City Development, in conjunction with the Massachusetts Institute of Technology, has started a 2,000,000 square foot mixed use development including a major hotel/convention center, retail shopping center and office/r & d space with an estimated value of over \$250,000,000. Phases I–III, consisting of 400,000 square feet of new and rehabilitated office and housing, are completed and occupied. Later phases will be scheduled over the next 10–15 years.

Development	Floor Area	Use	Estimated Value	Status
American Science & Engineering	150,000	Office/R&D	\$ 10.0 million	Completed
Cambridge Research Lab	48,000	Office/R&D	3.5 million	Completed
CLC Building Rehab	11,000	Office/R&D	.9 million	Completed
Kloss Video	32,000	Manuf.	.6 million	Completed
Kurzweil Computer	48,000	Office/Manuf.	1.1 million	Completed
Moleculon Biotech	30,000	Office/R&D	2.7 million	Completed
Fort Washington Townhouse	20 units	Residential	1.3 million	Completed
University Park/Phase I	106,000	Office/R&D	10.0 million	Completed
University Park/Phase II	133,000	Office/R&D	15.0 million	Completed
University Park/Later Phases	1,132,000	Office/R&D	240.0 million	Development Phase
	150,000	Retail		
	350 rooms	Hotel		
	258 units	Residential		
	3,500 spaces	Parking		
Cambridge Commons	100 units	Residential	18.0 million	Completed
University Park/Phase III	142 units	Residential	18.0 million	Completed
University Park/Phase IV	119,000	Office/R&D	12.0 million	Construction Phase

Publicly-Assisted Housing

In the late 1960's and 1970's, Cambridge aggressively supported federal housing programs for the production of new rental units for low and moderate income families and the elderly. During this period the number of publicly assisted units more than doubled from 2211 in 1970 to approximately 5000 in 1980. Since 1980, however, with the cutback in federal funds for housing production, the City has placed increased emphasis on the preservation and rehabilitation of the existing stock, especially in lower income neighborhoods, though a number of new publicly assisted projects have been undertaken even during this period.

More than half of the City's \$3 million annual Community Development Block Grant, as well as other public and private funds, are being allocated to local housing programs that rehabilitate 1-4 unit owner-occupied structures and investor-owned multi-family properties and create affordable homeownership opportunities for Cambridge residents through conversion, infill construction, and the Resident Coop Ownership Program. Since 1980 such programs have enabled the City to upgrade over 2,000 dwelling units. The City's efforts have clearly had a significant impact in preserving an aging inventory of privately owned structures while providing additional units of decent, affordable housing in existing buildings, and, in some cases, new structures.

For the past decade, the Cambridge Housing Authority has successfully pursued a program of modernizing the public housing inventory. More than 900 units in the City's largest public housing developments have undergone major renovations at a cost in excess of \$36 million in federal and state funds, and 21 million more has been committed to additional modernization.

With the resurgence of private residential construction in Cambridge in the past few years, new opportunities have arisen to create additional units of affordable rental housing in mixed-income developments. The City has participated in the development of three projects that will add a total of 506 rental units including 163 for low and moderate income families.

Employment

Because of the extensive development which has taken place, Cambridge has experienced unemployment rates significantly lower than the national and Massachusetts averages over the last six years. In addition to the new employment created by the growth of research and development and service industries, the City still has its traditional employers in the area of education, medicine, and government which promotes the City's overall diversity.

The following table presents the number of employees for the calendar year 1988, as compiled by the Massachusetts Division of Employment Security. The total annual payroll for the more than 3,400 businesses and government agencies for 1988 was \$2.85 billion.

CITY OF CAMBRIDGE NUMBER OF EMPLOYEES CALENDAR YEAR 1988

	<u>1988 Average Employees</u>	<u>Percent of Total Employment</u>
Private Sector:		
Agriculture,		
Forestry & Fisheries	145	.1%
Mining.	111	.1
Construction	1,455	1.4
Manufacturing	10,499	10.5
Transportation,		
Communication, Utilities	2,159	2.2
Wholesale & Retail Trade	16,889	16.8
Financial, Insurance,		
Real Estate	3,110	3.1
Service Industries.	59,737	59.5
Total Private.	<u>94,105</u>	<u>93.7</u>
Public Sector:	<u>6,515</u>	<u>6.3</u>
TOTAL	<u>100,620</u>	<u>100.0%</u>

Source: Massachusetts Division of Employment Security.

**TOP TWENTY-FIVE EMPLOYERS:
CAMBRIDGE APRIL 1990**

<u>Rank</u>	<u>Name of Employer</u>	<u>Nature of Business</u>	<u>1990 Employees</u>
1	Harvard University	Education	9,856
2	MIT	Education	8,159
3	City of Cambridge	Government	3,624
4	Polaroid	Photo & Optic Equipment	2,171
5	Draper Labs	Research & Development	1,900
6	Arthur D. Little	Research & Development	1,889
7	Mt. Auburn Hospital	Medical	1,870
8	Lotus Development Corp. . .	Research & Development	1,785
9	Bolt, Beranek & Newman	Research & Development	1,668
10	Dept. of Transportation . . .	Government	1,112
11	Youville Hospital	Medical	800
12	Badger Engineering	Construction	770
13	Camp, Dresser, McKee.	Engineering	700
14	Harvard Coop. Society.	Retail	650
15	TRW Fasteners	Manufacturing & Distribution	602
16	ABT Associates	Research & Development	448
17	Hyatt Regency Hotel	Hotel	388
18	Cambridge Marriott Hotel. .	Hotel	383
19	Middlesex County	Government	373
20	BayBanks Harvard Trust . .	Financial	350
21	Lechmere Sales	Retail	350
22	Lesley College	Education	348
23	Charles Hotel	Hotel	345
24	Sonesta Hotel	Hotel	320
25	Warner Lambert	Confectionary Products	320
	TOTAL		41,181

Source: Cambridge Community Development Department

As illustrated in the table below, the unemployment rate for the City of Cambridge has been consistently lower than the rates for the State of Massachusetts and the United States.

**UNEMPLOYMENT RATE
AVERAGE ANNUAL RATES
1985 TO 1990**

	<u>Cambridge</u>	<u>Boston SMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1990, January (1)	3.0%	4.1%	5.0%	5.9%
1989	2.8	3.4	4.0	5.3
1988	2.4	2.8	3.3	5.5
1987	2.4	2.7	3.2	6.2
1986	3.2	3.5	3.8	7.0
1985	3.3	3.4	3.9	7.2

(1) Unadjusted Monthly Average

Source: Massachusetts Department of Employment and Training

Industry

A variety of industrial and commercial service employers are located within the City of Cambridge. The following two tables present information on retail establishments and sales, and service establishments and sales for the 1987 calendar year.

CITY OF CAMBRIDGE RETAIL ESTABLISHMENTS AND SALES CALENDAR YEAR 1987

	Cambridge			Boston SMSA		
	# of Firms(1) With Payroll	Sales (000)	% of Total	# of Firms(2) With Payroll	Sales (000)	% of Total
Building Materials and Lawn Products	17	\$ 21,813	2.6%	673	\$ 1,077,686	4.8%
General Merchandise Group	10	126,222	15.0	324	2,461,231	10.9
Food Stores	93	159,264	18.9	2,126	3,925,962	17.4
Automotive Dealers	13	64,527	7.6	760	4,919,668	21.8
Gasoline Service Stations	39	32,265	3.8	1,208	1,114,623	4.9
Apparel, Accessories Stores	81	66,879	7.9	1,821	1,527,533	6.8
Furnishing, Home Furnishings, Equipment Stores	83	72,700	8.6	1,324	1,101,271	4.9
Eating & Drinking Places	282	138,978	16.5	4,883	2,507,571	11.1
Drug Stores, Proprietary Stores	29	39,884	4.7	632	823,267	3.6
Miscellaneous Retail	179	121,717	14.4	3,911	3,116,355	13.8
Total	826	\$844,249	100.0%	17,662	\$22,575,167	100.0%

Source: U.S. Department of Commerce, Bureau of the Census, 1987 Census of Retail Trade.

**CITY OF CAMBRIDGE
SERVICE ESTABLISHMENTS AND SALES
CALENDAR YEAR 1987**

	Cambridge			Boston SMSA		
	Firms With Payrolls	Sales (000)	% of Total	Firms With Payrolls	Sales (000)	% of Total
Hotels, Motels, & Other Lodging						
Places	11	\$ 77,304	4.1%	232	\$ 893,545	4.6%
Personal Services	90	31,924	1.7	2,735	508,056	2.6
Business Services	272	993,277	53.0	4,635	5,642,773	29.0
Automotive Repair, Service, and						
Garages	53	22,754	1.2	1,963	988,782	5.1
Misc. Repair Service..	21	8,143	0.4	717	380,879	2.0
Amusement and Recreation Services Including Motion Pictures	53	36,264	1.9	1,205	747,020	3.8
Health Services, Except						
Hospitals	210	118,000	6.3	5,408	2,520,794	13.0
Legal Services	66	18,126	1.0	2,341	1,659,563	8.5
Selected Education Services ..	16	8,434	0.5	215	93,581	0.5
Engineering, Architectural, & Surveying Services .	340	542,893	29.0	4,145	5,781,863	29.7
Social and Other Services ...	37	15,596	0.8	962	223,246	1.1
Total	1,169	\$1,872,715	100.0%	24,558	\$19,440,102	100.0%

Source: U.S. Department of Commerce, Bureau of the Census, 1987 Census of Service Industries.

Housing and Construction Activity

The data in the tables below are presented to illustrate various housing characteristics for the City of Cambridge. The 1980 U.S. Census indicates that the total number of dwellings in the City was 41,278. Overall, the distribution of housing units is not skewed to any one type, with three and four family units representing the largest percentage. As of January 1, 1989, the total number of units in the City was 42,411.

**CITY OF CAMBRIDGE
DWELLING UNITS BY TYPE
(As of January, 1989)**

<u>Type of Housing</u>	<u>Number of Buildings</u>	<u>Number of Units</u>	<u>% of Total</u>
One-Family	3,575	3,575	8.4%
Two-Family	3,363	6,726	15.9
Three-Family	1,830	5,490	12.9
Four to Six Family	910	4,052	9.6
Seven to Ten Units	240	1,786	4.2
Eleven or More Units	325	15,167	35.8
Condominiums	657	5,615	13.2
Total	10,900	42,411	100.0%

Source: City Department of Finance.

**CITY OF CAMBRIDGE
VALUE OF NEW CONSTRUCTION AND DISTRIBUTION BY TYPE
FISCAL YEARS 1985 TO 1990**

<u>Fiscal Year</u>	<u>Est. Value of Construction</u>	<u>% Distribution</u>	
		<u>Residential</u>	<u>Commercial</u>
1990 (1)	\$159,756,186	33%	67%
1989	247,169,263	14	86
1988	289,218,235	33	67
1987	201,222,034	46	54
1986	133,090,381	44	56
1985	142,381,619	27	73

(1) Figures for fiscal year 1990 are through March 31, 1990.

Source: Cambridge Inspectional Services Department.

Population and Income Characteristics

According to estimates provided by the U.S. Census Bureau, as of 1990, the City of Cambridge had a population of 90,290. This figure represents a 1.1 percent decrease from the 1988 population. The following table represents population figures for selected years.

**CITY OF CAMBRIDGE
POPULATION AND RATES OF CHANGE**

<u>Year</u>	<u>Population</u>	<u>Rate of Change</u>
1990	90,290	-1.1%
1988	91,260	1.4
1986	92,535	0
1984	92,535	-1.4
1982	93,841	-1.6
1980	95,322	-5.0
1970	100,361	-6.8
1960	107,716	-10.8
1950	120,740	—

Source: The 1980, 1970, 1960, and 1950 figures are from the U.S. Census. The 1982, 1984, 1986, 1988, and 1990 figures are from the Bureau of the Census, Current Population Report "Local Population Estimates."

The 1980 U.S. Census reported the City's median age to be approximately 29 years with a much greater representation of residents in the 25-34 year old age group than the national average. In addition, the City has a very high percentage of individuals who have graduated from high school and who have attended four or more years of college in comparison to the Massachusetts and national averages.

SELECTED POPULATION CHARACTERISTICS

<u>Characteristic</u>	<u>Cambridge</u>	<u>Boston SMSA</u>	<u>Massachusetts</u>	<u>United States</u>
Population (1).....	91,260	2,820,700	5,797,582	236,495,000
Median Age (2)				
1980	28.6	31.3	31.2	30.0
1970	26.8	29.1	29.0	28.0
1960	29.6	32.0	32.1	29.5
Age Group (3)				
5-17	11.6%	19.1%	20.1%	20.9%
25-34	25.5	17.0	16.3	16.4
65 and over.....	11.4	12.5	12.7	11.3
Four or more years of college education				
25 years old & over (3)	43.1%	23.8%	20.0%	16.3%
High school graduates				
25 years old & over (3)	76.2%	76.4%	72.2%	66.3%

(1) Source: U.S. Department of Commerce, Bureau of the Census, Current Population Reports, "Local Population Estimates," 1988.

(2) Source: U.S. Department of Commerce, Bureau of the Census.

(3) Source: U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population.

Income

Per capita income for the City of Cambridge was 120 percent of the national average for 1983. Presented below are tables of median family income and per capita income.

MEDIAN FAMILY INCOME

<u>Year</u>	<u>Cambridge</u>	<u>Boston SMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1979	\$17,845	\$22,848	\$21,166	\$19,917
1969	9,815	11,449	10,981	9,590

Source: U.S. Department of Commerce, Bureau of the Census

PER CAPITA PERSONAL INCOME

<u>Year</u>	<u>Cambridge</u>	<u>Boston SMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1969	\$ 3,899	\$ 4,471	\$ 4,349	\$ 3,945
1979	7,957	9,880	10,096	9,494
1983	11,403	14,612	13,306	11,687
1985	13,494	17,391	16,324	13,908
1987	15,613	20,355	18,296	15,472

Source: U.S. Department of Commerce, Bureau of the Census; and the Bureau of Economic Analysis; and Massachusetts State Data Center.

EDUCATION

Elementary and Secondary Schools

The City of Cambridge public school enrollment totalled 7,635 for the 1989-1990 school year. It is projected that the figures will show a slight increase over the next four years. In addition to the public school system, there are approximately eleven private and parochial schools in the City. In 1989-90, there were approximately 1,600 students enrolled in these schools.

Summarized below are selected items of information concerning the number and type of public facilities and the total annual school enrollments (actual and projected).

CITY OF CAMBRIDGE PUBLIC EDUCATION FACILITIES 1989-1990 SCHOOL YEAR

13 Elementary Schools
1 High School
1 Administrative Building
3 Miscellaneous Buildings

Source: Cambridge School Department.

SCHOOL ENROLLMENT HISTORY AND PROJECTIONS SCHOOL YEARS 1990-1994 (1)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Elementary	4,796	4,865	4,865	5,026	5,085
Secondary	2,136	2,069	2,069	2,028	2,038
Upgraded	703	703	703	703	703
Total	7,635	7,637	7,637	7,757	7,826

(1) Enrollments are as of October 1 for the school years shown.

**CITY OF CAMBRIDGE
PUBLIC SCHOOL ENROLLMENTS
ACTUAL AND PROJECTED (1)**

<u>Fiscal Year</u>	<u>Actual</u>				<u>Percentage Change</u>
	<u>K-8</u>	<u>9-12</u>	<u>Special</u>	<u>Total</u>	
1982	5,060	2,604	612	8,276	
1983	4,930	2,606	616	8,152	- 1.50%
1984	4,795	2,621	577	7,993	- 2.00
1985	4,760	2,671	566	7,997	+ .05
1986	4,684	2,619	582	7,885	- 1.40
1987	4,631	2,541	648	7,820	- .82
1988	4,584	2,400	721	7,705	- 1.49
1989	4,657	2,253	743	7,653	- .67
1990	4,796	2,136	703	7,635	- .23
<u>Projected</u>					
1991	4,865	2,069	703	7,637	+ .02

(1) Enrollments are as of October 1, for the fiscal years shown.
Source: Cambridge School Department.

Higher Education

The major institutions of higher education located in the City are Harvard University and the Massachusetts Institute of Technology (M.I.T.).

Harvard University, the nation's oldest institution of higher learning, was established by the Great and General Court of the Massachusetts Bay Colony in 1636, just 16 years after the Pilgrims landed at Plymouth Rock. Harvard has grown from a school of 12 students and a single master to a university with an enrollment of 17,300 degree candidates.

Harvard University is located in Harvard Square. The various schools and colleges include facilities of Harvard College (the undergraduate portion of the University) as well as the Graduate School of Arts and Sciences, Radcliff College, the Graduate School of Education, the John F. Kennedy School of Government, the Harvard Law School, the Harvard Divinity School, the Graduate School of Design, the Widener Library and the Loeb Drama Center (home of the American Repertory Theater).

Additional facilities include many of Harvard's famous museums, including the Fogg Museum, The Busch Reisinger Museum, the Sackler Museum, the Museum of Comparative Zoology, the Peabody Museum, and the Botanical Museum. In addition to serving as teaching and research facilities, these museums are open to the public. Public exhibitions also are conducted at the Harvard College Observatory and the Harvard Smithsonian Observatory.

While the Massachusetts Institute of Technology began its life across the Charles River, in Boston, the University moved to Cambridge in the early part of this century.

The facilities of the undergraduate and graduate schools for M.I.T., with an enrollment of over 9,200 degree candidates, are located in the Kendall Square area of the City. These include the Graduate School for Architecture and Planning, the Graduate School of Management, the Graduate School of Science, and the Graduate School of Humanities and Social Science.

Additional M.I.T. facilities include the Interdenominational Chapel, Kresge Auditorium, the Hayden Art Gallery, the Margaret Hutchinson Compton Gallery, the Hart Nautical Galleries, the Albert and Vera List Visual Arts Center, and the M.I.T. Museum and Historical Collections, as well as the famous laboratory of Professor Harold Edgerton for Stroboscopic Light Display and Photographs.

/s/ James P. Maloney, Jr.
City Treasurer

June 1, 1990

APPENDIX A

There follows in this appendix financial statements of the City of Cambridge, Massachusetts, for the fiscal year ended June 30, 1989 together with the Auditor's report thereon by Peat, Marwick, Main & Co. of Boston, Massachusetts. These have been reproduced with the permission of Peat, Marwick, Main & Co. Any questions concerning information contained herein should be directed to Mr. Anthony La Cava, Peat, Marwick, Main & Co., One Boston Place, Boston, Massachusetts 02108, telephone (617) 723-7700.

**CITY OF CAMBRIDGE MASSACHUSETTS
FINANCIAL STATEMENTS
For the Year Ended June 30, 1989**

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Peat Marwick

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The City Manager and Honorable Members of the City Council
City of Cambridge, Massachusetts:

We have audited the general purpose financial statements of the City of Cambridge, Massachusetts as of and for the year ended June 30, 1989, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cambridge, Massachusetts at June 30, 1989, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Cambridge, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Peat Marwick Main & Co.

December 15, 1989



Member firm of
Klynveld Peat Marwick Goerdeler

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GENERAL PURPOSE FINANCIAL STATEMENTS

These "general purpose financial statements" provide a broad financial overview for users requiring less detailed information than is presented in the individual statements for each separate fund and account group.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Balance Sheet All Fund Types and Account Groups

June 30, 1989

Assets and Other Debits	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Combined Total
	General	Special Revenue	Capital Projects	Enterprise (note 9)	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligations	(Memorandum Only)
Cash and short-term investments (note 4)	\$ 40,236,110	\$ 3,612,199	\$ 6,063,663	\$ 1,884,810	\$ 403,472	\$ 21,893,822	\$ -	\$ -	\$ 74,094,076
Other investments, at cost (note 4)	-	-	-	-	-	83,292,925	-	-	83,292,925
Receivables:									
Property taxes	6,236,064	-	-	-	-	-	-	-	6,236,064
Tax titles and possessions	2,347,664	-	-	-	-	-	-	-	2,347,664
Excise taxes	3,335,125	-	-	-	-	-	-	-	3,335,125
Accounts	518,153	-	-	14,055,295	-	-	-	-	14,573,448
Allowance for uncollectible receivables	(7,763,861)	-	-	(5,417,639)	-	-	-	-	(13,181,500)
Due from third parties	-	-	-	4,497,883	-	-	-	-	4,497,883
Due from other funds (note 10)	594,208	-	-	3,549,971	-	-	-	-	4,144,179
Due from other governments (note 5)	-	1,335,335	5,929,656	-	-	-	-	-	7,264,991
Fixed assets (net, where applicable, of accumulated depreciation)(note 6)	-	-	-	56,290,627	63,387	-	256,654,186	-	313,008,200
Other assets	-	-	-	274,218	-	1,487,275	-	-	1,761,493
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	146,259,426	146,259,426
Total assets	\$ 45,503,463	\$ 4,947,534	\$ 11,993,319	\$ 75,135,165	\$ 466,859	\$ 106,674,022	\$ 256,654,186	\$ 146,259,426	\$ 647,633,974

See accompanying notes to general purpose financial statements.

(continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Balance Sheet (Continued) All Fund Types and Account Groups

June 30, 1989

Liabilities and Fund Equity	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Groups		Combined Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise (note 9)	Internal Service		General Fixed Assets	General Long Term Obligations	
Liabilities:									
Warrants payable	\$ 4,941,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,941,007
Accrued liabilities	9,254,666	-	2,148,344	1,871,256	-	7,750	-	-	13,282,016
Accrued tax abatement refunds	3,079,993	-	-	-	-	-	-	-	3,079,993
Guarantee deposits and amounts due to other taxing authorities	-	-	-	-	-	555,280	-	-	555,280
Due to other funds (note 10)	-	753,028	3,147,294	243,857	-	-	-	-	4,144,179
Deferred revenue	1,009,373	-	-	-	-	-	-	-	1,009,373
Accrued compensated absences (note 7)	-	-	-	1,421,045	-	-	-	8,246,674	9,667,719
General obligation bonds payable (note 7)	-	-	-	9,250,000	-	-	-	47,700,000	56,950,000
Accrued pension costs (notes 7 and 12)	-	-	-	-	-	-	-	90,312,752	90,312,752
Total liabilities	<u>18,285,039</u>	<u>753,028</u>	<u>5,295,638</u>	<u>12,786,158</u>	<u>-</u>	<u>563,030</u>	<u>-</u>	<u>146,259,426</u>	<u>183,942,319</u>
Fund equity:									
Investment in general fixed assets	-	-	-	-	-	-	256,654,186	-	256,654,186
Retained earnings	-	-	-	62,349,007	466,859	-	-	-	62,815,866
Fund balances:									
Reserved for encumbrances	2,962,668	929,853	6,697,681	-	-	-	-	-	10,590,202
Reserved for specific purposes (note 8)	110,962	824,375	-	-	-	106,110,992	-	-	107,046,329
Unreserved	24,144,794	2,440,278	-	-	-	-	-	-	26,585,072
Total fund equity	<u>27,218,424</u>	<u>4,194,506</u>	<u>6,697,681</u>	<u>62,349,007</u>	<u>466,859</u>	<u>106,110,992</u>	<u>256,654,186</u>	<u>-</u>	<u>463,691,655</u>
Commitments and contingencies (note 11)									
Total liabilities and fund equity	<u>\$ 45,503,463</u>	<u>\$ 4,947,534</u>	<u>\$ 11,993,319</u>	<u>\$ 75,135,165</u>	<u>\$ 466,859</u>	<u>\$ 106,674,022</u>	<u>\$ 256,654,186</u>	<u>\$ 146,259,426</u>	<u>\$ 647,633,974</u>

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 1989

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Combined Total (Memorandum Only)
	General	Special Revenue	Capital Projects		
Revenues:					
Property taxes	\$ 94,047,616	\$ -	\$ -	\$ -	\$ 94,047,616
Payments in lieu of tax receipts	1,873,196	-	-	-	1,873,196
Hotel/Motel excise tax	2,550,728	-	-	-	2,550,728
Intergovernmental	43,187,051	17,746,454	2,988,141	-	63,921,646
Infirmity and health department	6,195,620	-	-	-	6,195,620
Sewer use	8,181,355	-	-	-	8,181,355
Motor vehicle excise	2,859,715	-	-	-	2,859,715
Investment income	2,807,231	487,585	-	571,424	3,866,240
Other	9,015,422	9,897,278	-	1,401,170	20,313,870
Total revenues	<u>170,717,934</u>	<u>28,131,317</u>	<u>2,988,141</u>	<u>1,972,594</u>	<u>203,809,986</u>
Expenditures:					
Current:					
General government	11,410,992	-	-	-	11,410,992
Public safety	40,808,547	-	-	-	40,808,547
Community maintenance and development	19,942,286	-	-	-	19,942,286
Infirmity and health department	7,616,515	-	-	-	7,616,515
Human resource development	6,905,417	-	-	-	6,905,417
Education	61,601,747	5,518,241	-	-	67,119,988
Fuel assistance	-	1,776,573	-	-	1,776,573
Judgements and claims	1,489,780	-	-	-	1,489,780
State Assessments	10,977,999	-	-	-	10,977,999
Other	-	7,376,592	-	57,612	7,434,204
Capital outlay	-	-	19,008,254	-	19,008,254
Debt service:					
Principal retirement	3,941,074	-	-	-	3,941,074
Interest	1,527,789	-	-	-	1,527,789
Total expenditures	<u>166,222,146</u>	<u>14,671,406</u>	<u>19,008,254</u>	<u>57,612</u>	<u>199,959,418</u>
Excess (deficiency) of revenues over expenditures	<u>4,495,788</u>	<u>13,459,911</u>	<u>(16,020,113)</u>	<u>1,914,982</u>	<u>3,850,568</u>
Other financing sources (uses):					
Operating transfers from other funds	10,437,624	-	6,561,433	1,755,030	18,754,087
Operating transfers to other funds	(12,871,339)	(12,250,926)	-	(100,000)	(25,222,265)
Issuance of bonds	-	-	6,015,000	-	6,015,000
Total other financing sources (uses)	<u>(2,433,715)</u>	<u>(12,250,926)</u>	<u>12,576,433</u>	<u>1,655,030</u>	<u>(453,178)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>2,062,073</u>	<u>1,208,985</u>	<u>(3,443,680)</u>	<u>3,570,012</u>	<u>3,397,390</u>
Fund balances at beginning of year	<u>25,156,351</u>	<u>2,985,521</u>	<u>10,141,361</u>	<u>6,054,659</u>	<u>44,337,892</u>
Fund balances at end of year	<u>\$ 27,218,424</u>	<u>\$ 4,194,506</u>	<u>\$ 6,697,681</u>	<u>\$ 9,624,671</u>	<u>\$ 47,735,282</u>

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Revenues, Expenditures, and Encumbrances - Budget and Actual
General Fund - Budget Basis

Year ended June 30, 1989
(with comparative totals for 1988)

	1989 Budget (note 13)	1989 Actual	Variance favorable (unfavorable)	1988 Actual
Revenues:				
Property taxes	\$ 94,490,784	\$ 94,576,678	\$ 85,894	\$ 87,233,221
Provision for tax abatements and adjustments	(1,990,784)	(1,990,784)	-	(2,000,000)
Payments in lieu of tax receipts	1,500,000	2,111,303	611,303	3,019,092
Hotel/Motel excise tax	1,900,000	2,550,728	650,728	2,428,449
Intergovernmental revenue	44,526,559	42,722,387	(1,804,172)	40,679,645
Hospital, infirmary and health department	43,217,960	43,606,642	388,682	38,531,392
Sewer use	7,922,435	8,202,848	280,413	6,890,062
Water use	5,144,900	5,615,945	471,045	5,550,943
Motor vehicle excise	2,600,000	2,876,981	276,981	3,055,152
Investment income	1,179,472	1,858,397	678,925	2,056,898
Other	7,600,575	9,159,122	1,558,547	11,749,108
Tax title revenue	-	281,636	281,636	803,373
Total revenues	208,091,901	211,571,883	3,479,982	199,997,335
Expenditures and encumbrances:				
Current:				
General government	15,018,206	13,645,027	1,373,179	12,220,664
Public safety	41,939,425	41,710,216	229,209	33,028,045
Community maintenance and development	20,156,226	19,822,690	333,536	22,556,414
Health and hospital services	52,815,560	52,480,973	334,587	45,031,381
Human resource development	7,123,878	6,968,342	155,536	6,187,260
Education	61,520,376	61,516,982	3,394	56,488,499
Intergovernmental	10,858,105	10,977,906	(119,801)	9,990,355
Water	3,918,755	3,787,693	131,062	3,932,794
Debt Service:				
Principal retirement	3,964,874	3,964,874	-	3,240,000
Interest	1,567,040	1,527,789	39,251	1,574,157
Total expenditures and encumbrances	218,882,445	216,402,492	2,479,953	194,249,569
Excess (deficiency) of revenues over expenditures and encumbrances	(10,790,544)	(4,830,609)	5,959,935	5,747,766
Operating transfers in (out):				
Special Revenue Funds	10,110,354	10,110,354	-	6,371,600
Capital Project Funds	(4,420,935)	(4,420,935)	-	(5,422,045)
Trust Funds	101,125	101,125	-	(1,350,000)
Total Operating Transfers	5,790,544	5,790,544	-	(400,445)
Excess (deficiency) of revenues and operating transfers in over expenditures and operating transfers out	(5,000,000)	959,935	5,959,935	5,347,321
Other Budget Items:				
Free Cash Appropriations	5,000,000	5,000,000	-	5,160,000
Net Budget and Actual	\$ - 0 -	\$ 5,959,935	\$ 5,959,935	\$ 10,507,321

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types and Similar Trust Funds

Year ended June 30, 1989

	Proprietary Fund Types		Fiduciary Fund Types		Combined Total (Memorandum Only)
	Enterprise (note 9)	Internal Service	Pension Trust	Non- Expendable Trust	
Operating revenues:					
Patient service revenue, net of allowances and uncollectible accounts	\$ 38,411,269	\$ -	\$ -	\$ -	\$ 38,411,269
Charges for services	5,183,116	250,516	-	-	5,433,632
Income from employer and member contributions	-	-	17,586,487	-	17,586,487
Donations	-	-	-	18,735	18,735
Investment income	-	-	5,789,730	11,189	5,800,919
Donations including direct income	-	-	-	-	-
Bond amortization	-	-	621,749	-	621,749
Other	1,511,580	-	-	-	1,511,580
Total operating revenues	<u>45,105,965</u>	<u>250,516</u>	<u>23,997,966</u>	<u>29,924</u>	<u>69,384,371</u>
Operating expenses:					
Administration	6,076,557	-	-	-	6,076,557
Finance	5,215,812	-	-	-	5,215,812
Service and support programs	27,391,705	47,378	-	-	27,439,083
General services	5,114,998	-	-	-	5,114,998
Depreciation	1,436,919	12,784	-	-	1,449,703
Pension plan benefit payments	-	-	16,239,609	-	16,239,609
Net loss on sale of investments	-	-	618,867	-	618,867
Other	2,364,192	-	177,040	-	2,541,232
Total operating expenses	<u>47,600,183</u>	<u>60,162</u>	<u>17,035,516</u>	<u>-</u>	<u>64,695,861</u>
Operating income (loss)	<u>(2,494,218)</u>	<u>190,354</u>	<u>6,962,450</u>	<u>29,924</u>	<u>4,688,510</u>
Non-operating revenues and expenses:					
Interest expense	(235,272)	-	-	-	(235,272)
Income (loss) before operating transfers	<u>(2,729,490)</u>	<u>190,354</u>	<u>6,962,450</u>	<u>29,924</u>	<u>4,453,238</u>
Operating transfers from other funds	7,705,512	-	-	-	7,705,512
Operating transfers to other funds	(1,226,145)	-	-	(11,189)	(1,237,334)
Net income	<u>3,749,877</u>	<u>190,354</u>	<u>6,962,450</u>	<u>18,735</u>	<u>10,921,416</u>
Retained Earnings / Fund Balances:					
Beginning of year	58,599,130	276,505	89,361,520	143,616	148,380,771
End of year	<u>\$ 62,349,007</u>	<u>\$ 466,859</u>	<u>\$ 96,323,970</u>	<u>\$ 162,351</u>	<u>\$ 159,302,187</u>

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Funds

Year ended June 30, 1989

	Proprietary Fund Types		Fiduciary Fund Types	Combined Total
	Enterprise (note 9)	Internal Service	Non- expendable Trust	(Memorandum Only)
Cash flows from operating activities:				
Operating income (loss)	\$ (2,494,218)	\$ 190,354	\$ 29,924	\$ (2,273,940)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,436,919	12,784	-	1,449,703
Provision for uncollectible accounts	8,830,018	-	-	8,830,018
Loss on disposal of assets	-	1,565	-	1,565
Change in assets and liabilities:				
Increase in due from third parties	(592,726)	-	-	(592,726)
Increase in accounts receivable	(10,162,924)	-	-	(10,162,924)
Increase in other assets	(28,710)	-	-	(28,710)
Increase in accrued liabilities	395,194	-	-	395,194
Decrease in interfund payables	(3,117,781)	-	-	(3,117,781)
Increase in accrued compensated absences	233,721	-	-	233,721
Net cash provided (used) by operating activities	(5,500,507)	204,703	29,924	(5,265,880)
Cash flows from noncapital financing activities:				
Operating transfers - in from General Fund	7,705,512	-	-	7,705,512
Operating transfers - out to General Fund	(226,145)	-	-	(226,145)
Operating transfers - out to Capital Projects Fund	(1,000,000)	-	-	(1,000,000)
Operating transfers - out to Expendable Trust Funds	-	-	(11,189)	(11,189)
Net cash provided (used) for noncapital financing activities	6,479,367	-	(11,189)	6,468,178
Cash flows from capital and related financing activities:				
Proceeds on sale of bonds	6,000,000	-	-	6,000,000
Acquisition of capital assets	(4,991,747)	(21,094)	-	(5,012,841)
Principal paid on revenue bonds	(1,290,000)	-	-	(1,290,000)
Interest paid on revenue bonds	(235,272)	-	-	(235,272)
Net cash used for capital and related financing activities	(517,019)	(21,094)	-	(538,113)
Net increase in cash and cash equivalents	461,841	183,609	18,735	664,185
Cash and cash equivalents at beginning of year	1,422,969	219,863	139,597	1,782,429
Cash and cash equivalents at end of year	1,884,810	403,472	158,332	2,446,614

See accompanying notes to general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

This section explains the accounting principles used in the preparation of the statements, explains definitions of various terms used in the report, provides detailed breakdowns of certain figures used in the report, and explains how the financial statements prepared under the Budgetary Basis of accounting relate to those prepared under Generally Accepted Accounting Principles as applicable to governmental units.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(1) Definition of Reporting Entity

The combined financial statements present information on organizations and activities of the City of Cambridge, Massachusetts for which the Mayor and City Council have oversight responsibility. The criteria, as defined by GASB codification 2100, for inclusion of organizations and activities in the oversight entity's combined financial statements are: selection of governing authority; designation of management; ability to significantly influence operations; accountability over fiscal matters; and scope of public service. The inclusion of organizations and activities in the City's combined financial statements does not affect their separate legal standing.

These organizations and activities include the Cambridge City Hospital and its affiliated Neighborhood Health Centers, the City's Water Department, the Cambridge Retirement System, the Neville Manor Nursing Home, the Cambridge Public Library System and the Cambridge Public School System since the City controls their operations.

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 1988, which is its fiscal period for reporting to the Retirement Law Commission of the Commonwealth of Massachusetts.

The operations of the Cambridge Housing Authority and the Cambridge Redevelopment Authority are not part of the defined reporting entity and therefore, are not included in the combined financial statements of the City. Both organizations are excluded because (1) neither falls within the oversight responsibility of the City, (2) they are not subject to the financial controls of the City Manager or the budgetary controls of the Mayor and City Council and (3) no financial interdependency exists.

(2) Summary of Significant Accounting Policies

The accounting policies of the City of Cambridge, Massachusetts conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) Basis of Presentation--Fund Accounting

The activities of the City are accounted for through the use of several funds and two account groups, each of which is a separate accounting entity. The operations of each fund and account group are accounted for through a separate set of self-balancing accounts which are summarized by type in the financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds and the long term obligations account group) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General Fund --This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

Special Revenue Funds --These funds are used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund --This fund is used to account for the financial resources and expenditures for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary fund types:

Enterprise Funds --These funds are used to account for City operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent is that the costs (expenses, including depreciation) of providing services to the public be financed or recovered primarily through user charges; or (2) where a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund --This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) expendable trust funds, (2) nonexpendable trust funds, (3) pension trust funds, and (4) agency funds.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The following are the City's account groups:

General Fixed Assets Account Group --This account group is used to account for all fixed assets of the City, except for fixed assets purchased through proprietary funds.

General Long Term Obligations Account Group --This account group is used to account for all long term obligations of the City except for debt issued for hospital improvements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(b) Basis of Accounting by Fund

The basis of accounting used for each fund is as follows:

Governmental Funds, Expendable Trust and Agency Funds

The modified accrual basis of accounting is applied in all governmental fund types and expendable trust and agency funds. Accordingly, revenues are recorded when susceptible to accrual, that is both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued pension costs and accrued vacation and sick leave, which are recorded as liabilities of the general long-term obligations account group.

Those revenues susceptible to accrual are property taxes, investment income and intergovernmental revenue. Excise taxes, licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria are met.

Proprietary, Pension and Nonexpendable Trust Funds

The accrual basis of accounting is used by proprietary, pension, and nonexpendable trust funds.

Patient service revenue of the Cambridge Hospital is recorded at established rates charged less provisions for charity allowances and uncollectible accounts which are deducted to arrive at net patient service revenue. Patient service revenue received under certain cost reimbursement agreements is subject to audit and adjustments by third party payors. Provisions for estimated adjustments under these agreements are accrued in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

Third-Party Reimbursements

Effective July 1, 1983, Massachusetts payment legislation Chapter 372 was enacted to govern the establishment of hospital charges and government rates of payment. Chapter 372 established a prospective payment system for substantially all payors and adopted the Blue Cross basis of payment as the basis for determining the approved level of gross patient service revenue and Medicaid and Medicare rates of payment. Effective July 1, 1986, the payment system established pursuant to the Chapter 372 legislation was amended for a two-year period by Chapter 574. The two principal modifications were the exclusion of Medicare reimbursement from the Massachusetts system and the establishment of an uncompensated care pool to uniformly fund free care and bad debts incurred by hospitals. Effective July 1, 1988, the Massachusetts legislature enacted Chapter 23 to govern hospital charges through June 30, 1992. The system established under Chapter 23 continues the methodology established under Chapters 372/574 with some modifications including a discontinuance of the productivity factors after fiscal 1988 which reduced hospital payments under Chapters 372/574; greater incentives for changes in volume and case mix and a rebasing of the fiscal 1988 inpatient volume allowance; and the establishment of a statewide cap on the amount of uncompensated care costs that can be recovered through hospital charges.

For fiscal 1989 and 1988, pursuant to Hospital Agreements HA-31 and HA-30, respectively, Blue Cross paid the Hospital a proportionate share of the substantially fixed Maximum Allowable Costs (MAC) as well as their share of the statewide uniform uncompensated care allowance. The MAC is based upon base year (fiscal 1981) patient care costs with annual adjustments for inflation, an add-on to inflation and changes in volume and case mix, and, with certain items, principally depreciation, interest and malpractice insurance, reimbursed on a cost basis outside the MAC. The current agreement, HA-31, expires on June 30, 1992. In fiscal 1988, the Blue Cross basis of payment was reduced by a 6% productivity factor as mandated by Chapters 372/574. This reduced basis of payment served as the base for determining the fiscal 1989 Blue Cross basis of payment.

Under Chapters 372/574, Medicaid reimbursement is based upon Medicaid's proportionate share of the Blue Cross MAC basis of payment reduced by a fixed discount to maintain Medicaid's discount at the fiscal 1982 level. In fiscal 1988, the basis of payment for Medicaid was reduced by an 8% productivity factor as mandated by Chapters 372/574. Under Chapter 23, Medicaid reimbursement in fiscal 1989 was based upon approved charges less a discount which reflected the fiscal 1988 relationship between Medicaid reimbursement and approved charges.

The Hospital is reimbursed for services during the year at interim rates by Blue Cross, Medicaid and Medicare with differences between Hospital charges and estimated final reimbursement recorded as contractual adjustments.

Also under Chapter 23 and Chapters 372/574, gross patient service revenue is limited to a maximum level based upon the Blue Cross basis of payment. Any under or over-generation of revenue in one year results in an increase or reduction in approved charges in the succeeding year. Any over-generation is deferred by the Hospital.

The Hospital is required to prepare and file certain compliance reports pursuant to the Blue Cross agreement, Chapters 23 and 372/574, and Medicare regulations. The Hospital is current with respect to all compliance filings.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(c) Other Investments

Investments, other than those of the Pension Trust Fund, are carried at cost or amortized cost which approximates market value. The accounting policy for investments of the Pension Trust Fund is described in note 12.

(d) Encumbrances and Continuing Appropriations

The City uses encumbrance accounting in its governmental funds as a method of recording commitments under purchase orders and contracts. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the General Fund as a significant aspect of budgetary control.

Unencumbered appropriations which are carried over to the ensuing fiscal year are reported as "continuing appropriations" and all other appropriations lapse at year end.

Continuing appropriations represent amounts appropriated for specific programs or projects which were not completed by the end of the fiscal year.

Encumbrances and continuing appropriations are reported as reservations of fund balances in the accompanying balance sheet because they do not constitute expenditures or liabilities. Encumbrances and continuing appropriations are combined with expenditures for budgetary comparison purposes.

(e) Vacation and Sick Leave

City employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave which is (subject to certain limitations) at their then current rates of pay. The noncurrent portion of this unused vacation and sick leave which is expected to be paid from future financial resources, is accounted for as a liability of the General Long-Term Obligation Account Group for governmental fund types. The liabilities for sick and vacation pay of Proprietary Funds are recorded as liabilities of those funds.

(f) Judgments and Claims

Expenditures for judgments and claims are recorded in the governmental funds to the extent they are expected to be paid from expendable available resources. The balance of these liabilities is recorded in the General Long-Term Obligations Account Group. Estimated liabilities for judgments and claims of Proprietary Funds are recorded as liabilities of those funds.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(g) General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. Contributed fixed assets are recorded in general fixed assets at estimated fair market value at the time received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets, nor has interest been capitalized.

(h) Property, Plant and Equipment - Enterprise and Internal Service Funds

Property, plant and equipment owned by the proprietary funds is stated at cost or estimated fair market value. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-50	years
Improvements	10-20	years
Equipment	5-30	years

(i) Combined Totals

The combined totals are the aggregate of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus, they do not represent consolidated information.

(3) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. In fiscal 1989, real estate and personal property taxes were assessed and billed in accordance with this timetable. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The City has an ultimate right to foreclose on property for which taxes have not been paid. A tax lien is issued on the property when more than one year's tax is overdue. Property taxes levied are recorded as receivables, net of estimated uncollectibles, in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting described in note 2.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the City. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a City-wide referendum vote.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(4) Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust ("MMDT").

In addition, the City's Pension Trust Fund has additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

Deposits

The City maintains deposits in several financial institutions. Of the total amount of bank recorded deposits at year end of \$16,529,388, \$1,659,559 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The carrying amount of these deposits was \$18,798,348.

Investments

The following table summarizes the carrying value, estimated market value and risk characteristics ("categories") of the City's investments as of year end. Category 1 represents investments held in the name of the City by either the City or its agent; Category 2 represents investments held by counterparties to the transactions in the name of the City; and Category 3 represents investments held by counterparties but not in the name of the City. Amounts in pooled investment accounts are not categorized.

	Category			Not	Carrying	Estimated
	1	2	3	Categorized	Amount	Market Value
MMDT	\$ -	-	-	42,525,502	42,525,502	42,525,502
Money Market	-	-	-	12,770,226	12,770,226	12,770,226
Total short term investments	-	-	-	55,295,728	55,295,728	55,295,728
U.S. Treasury bills	667,844	-	-	-	667,844	749,687
Common stock	48,187,672	-	-	-	48,187,672	49,471,924
Bonds	34,437,409	-	-	-	34,437,409	33,927,477
Total other investments	83,292,925	-	-	-	83,292,925	84,149,088
Total	<u>\$83,292,925</u>	<u>-</u>	<u>-</u>	<u>55,295,728</u>	<u>138,588,653</u>	<u>139,444,816</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(5) Due From Other Governments

The following is a summary of amounts due from other governments as of June 30, 1989:

U.S. Department of Housing and Urban Development	\$ 4,059,727
Other Federal and State Agencies	<u>3,205,264</u>
	\$ <u>7,264,991</u>

(6) Fixed Assets

A summary of general fixed assets activity for the year ended June 30, 1989 follows:

	<u>Balance</u> <u>June 30, 1988</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1989</u>
Land	\$ 168,997,884	-	-	168,997,884
Buildings	63,570,750	4,563,974	-	68,134,724
Improvements other than buildings	1,493,149	-	-	1,493,149
Equipment	13,442,734	1,920,976	461,556	14,902,154
Construction in progress	<u>5,174,224</u>	<u>892,279</u>	<u>2,940,228</u>	<u>3,126,275</u>
	\$ <u>252,678,741</u>	<u>7,377,229</u>	<u>3,401,784</u>	<u>256,654,186</u>

The City initiated a fixed assets system in fiscal 1986 for its general fixed assets, and arrived at amounts as of the end of the fiscal year. These amounts are based on actual costs wherever possible. Land and building costs are based on current appraised value adjusted to estimated cost at date of purchase. Improvements other than buildings and equipment are valued at estimated cost when actual cost information was impractical to obtain. Construction in progress is valued at cost.

The sources of funds used to acquire the fixed assets were impractical to obtain, therefore, the sources of fixed assets are not presented.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(7) Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds reported in the proprietary funds are expected to be paid from proprietary fund revenues. Bonds reported in the general long-term obligations account group are expected to be paid from general fund revenues.

The following is a summary of general obligation bond transactions of the City for the year ended June 30, 1989:

	<u>General Obligation</u>	<u>Enterprise Funds</u>	<u>Total</u>
Bonds payable at June 30, 1988	\$ 49,530,000	4,540,000	54,070,000
New debt issued: Municipal Purpose Loans	6,015,000	6,000,000	12,015,000
Debt retired: Serial bonds	<u>7,845,000</u>	<u>1,290,000</u>	<u>9,135,000</u>
Bonds payable at June 30, 1989	\$ <u>47,700,000</u>	<u>9,250,000</u>	<u>56,950,000</u>

Principal retirement of general obligation bonds is recorded in the financial statements as debt service expenditures of \$3,941,074, education expenditures of \$3,903,926, and operating transfers to other funds of \$1,290,000 totalling \$9,135,000 of principal retirement costs.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

The following is a summary of the composition of general long term obligations outstanding at June 30, 1988 and 1989:

<u>Description and Repayment Terms</u>	<u>Date of Obligation</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 1988</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 1989</u>
Bonds:								
General purpose, serial maturities through June 15, 1998	6/15/87 to 6/15/88	\$ 3,975,000	6/15/98	5.6% to 6.35%	\$ 3,575,000	-	\$ 730,000	\$ 2,845,000
Urban redevelopment, serial maturities through June 15, 1999	6/1/82 to 6/15/89	17,260,000	6/15/99	6.1% to 11.6%	11,375,000	3,515,000	1,520,000	13,370,000
Schools, serial maturities through June 15, 1998	11/1/69 to 6/15/87	56,075,000	6/15/98	5.25% to 11.6%	24,805,000	-	3,905,000	20,900,000
Street reconstruction, serial maturities through June 15, 1999	6/15/87 to 6/15/89	6,500,000	6/15/99	5.6% to 6.5%	3,700,000	2,500,000	400,000	5,800,000
Water, serial maturities through October 15, 1996	9/1/72 to 2/15/84	<u>15,065,000</u>	10/15/96	4.7% to 9.2%	<u>6,075,000</u>	<u>-</u>	<u>1,290,000</u>	<u>4,785,000</u>
Total bonds		<u>\$98,875,000</u>			<u>49,530,000</u>	<u>6,015,000</u>	<u>7,845,000</u>	<u>47,700,000</u>
Accrued compensated absences					<u>7,309,697</u>	<u>936,977</u>	<u>-</u>	<u>8,246,674</u>
Accrued pension costs					<u>89,080,480</u>	<u>1,232,272</u>	<u>-</u>	<u>90,312,752</u>
Total general long term obligations					<u>\$ 145,920,177</u>	<u>8,184,249</u>	<u>7,845,000</u>	<u>146,259,426</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

The annual sinking fund requirements for general long term obligation debt outstanding as of June 30, 1989 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1990	\$ 7,965,000	2,984,230	10,949,230
1991	7,750,000	2,448,548	10,198,548
1992	6,830,000	1,931,636	8,761,636
1993	6,135,000	1,469,241	7,604,241
1994	5,440,000	1,080,946	6,520,946
1995-99	<u>13,580,000</u>	<u>1,888,243</u>	<u>15,468,243</u>
	<u>\$ 47,700,000</u>	<u>11,802,844</u>	<u>59,502,844</u>

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions.

The City is subject to the Municipal Finance Law of Massachusetts which limits the amount of net bonded debt the City may have outstanding to 2-1/2 percent of assessed property value. The City may incur debt outside this limit for purposes as described in Section 8 of Chapter 44 of the Massachusetts Municipal Finance Laws. At June 30, 1989, the City had available borrowings inside the debt margin of \$148,112,650. Authorized and unissued debt at June 30, 1989 was \$28,160,000.

At June 30, 1989, the City had grants receivable from the School Building Assistance Bureau (SBAB) of \$13,169,690 to defray principal and interest costs related to \$19,885,000 of school bonds outstanding. Grants are subject to annual appropriation by the State legislature. The amount of the grants is based on estimated construction costs of school projects which may be revised upon audit by the SBAB. Assuming satisfactory audit results and annual appropriations by the State legislature, \$2,608,574 will be received in 1990, \$2,757,017 in 1991 and the balance will be received in subsequent years.

Enterprise Fund Serial bond issues outstanding at June 30, 1989 were \$8,250,000 and \$1,000,000 for the Cambridge Hospital and Water Fund, respectively. Interest rates range from 5.6% to 7.0% for the Hospital and 6.4% to 6.5% for the Water Fund. The Hospital and Water weighted average interest rates were 6.33% and 6.40%, respectively. Outstanding debt matures in subsequent fiscal years as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1990	\$ 1,280,000	579,900	1,859,900
1991	1,280,000	500,200	1,780,200
1992	1,280,000	419,900	1,699,900
1993	980,000	339,600	1,319,600
1994	980,000	276,100	1,256,100
Thereafter	<u>3,450,000</u>	<u>636,750</u>	<u>4,086,750</u>
	<u>\$ 9,250,000</u>	<u>2,752,450</u>	<u>12,002,450</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

The Massachusetts Water Resources Authority (MWRA), the Massachusetts Bay Transportation Authority (MBTA), and Middlesex County assess the City a net cost of service, including debt service requirements, in accordance with various formulas. The following summary sets forth the unaudited amount of long-term debt of each entity as well as the City's share of the debt at June 30, 1989 and the City's 1989 assessment from each entity:

	Long-term debt <u>outstanding</u>	The City's estimated <u>share</u>	The City's estimated <u>indirect debt</u>	Assessment including <u>debt service</u>
MWRA	\$ 702,534,150	3.8%	26,916,606	\$ 4,647,302
MBTA	1,071,735,000	5.1	54,698,139	5,643,870
Middlesex County	4,875,000	6.8	331,500	95,480

(8) Fund Balances Reserved for Specific Purposes

Fund balances are reserved for the following purposes as of June 30, 1989:

General Fund:

Sale of Real Estate (section 63 of Chapter 44 Massachusetts General Laws)	\$ 48,157
Police Officer Detail and Other	<u>62,805</u>
	\$ <u>110,962</u>

Special Revenue Funds:

School Grants	\$ 633,371
Fuel Assistance Grants	<u>191,004</u>
	\$ <u>824,375</u>

Trust Funds:

Retirement	\$ 96,323,970
Stabilization	3,476,942
Cemetery Perpetual Care	1,258,931
Health Claims	4,035,097
School	50,695
Neville Manor	66,301
Library	102,703
Bridge Charitable	13,779
Charles Bullock	176,706
Facade Preservation	18,804
Housing	505,464
Smith-Hughes	5,203
John Kinnear	12,683
Melville Shoe	863
Bridget McGuire	6,000
Cambridge Plant and Garden	13,197
Molly Ramsey	16,425
Soldier's Monument	879
Sheehan War Memorial	6,712
Daniel White/Warren Merrill	<u>19,638</u>
	\$ <u>106,110,992</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

(9) Segment Information for Enterprise Funds

The City maintains Enterprise Funds which provide water and hospital services. Segment information for the year ended June 30, 1989 follows:

		Hospital and Neighborhood Health Centers	Water	Total
Operating revenues	\$	39,485,921	5,620,044	45,105,965
Operating income (loss)		(6,193,736)	3,699,518	(2,494,218)
Net operating transfers		7,705,512	(1,226,145)	6,479,367
Depreciation Expense		1,108,036	328,883	1,436,919
Net income (loss)		1,276,504	2,473,373	3,749,877
Fixed assets		11,908,064	44,382,563	56,290,627
Net working capital		13,122,712	2,185,668	15,308,380
Total assets		28,323,077	46,812,088	75,135,165
Long-term obligations		8,250,000	1,000,000	9,250,000
Retained earnings	\$	16,780,776	45,568,231	62,349,007

(10) Individual Fund Receivables/Payables and Deficits

Individual balances of amounts due from and to other funds at June 30, 1989 are as follows:

	Due from other funds	Due to other funds
General Fund	\$ 594,208	-
Special Revenue Fund	-	753,028
Capital Projects Fund	-	3,147,294
Enterprise Funds:		
Hospital and Neighborhood Health Centers Fund	3,549,971	-
Water Fund	-	243,857
	\$ 4,144,179	4,144,179

There were no individual fund deficits or significant operating deficits for fiscal year 1989.

(11) Commitments and Contingencies

See note 7 for a discussion of commitments by the City to the MWRA, MBTA, and Middlesex County.

There are numerous cases pending in courts throughout the Commonwealth where the City of Cambridge is a defendant. In the opinion of the City Solicitor, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the City that would materially affect its financial position.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

The Cambridge Hospital self-insures against losses from claims for alleged malpractice. In the opinion of counsel for the Hospital, no asserted or unasserted claims for malpractice are likely to result in final judgments that would materially affect the financial condition of the Hospital.

The City participates in a number of federal financial assistance programs, principal of which are the Community Development Block Grant, Low Income Home Energy Assistance, National School Lunch, and numerous Education Grant programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 1989, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

(12) Pension Plan

(a) Plan Description

The City contributes to the City of Cambridge Employees' Retirement System ("System"), a single employer public employee retirement system that acts as the investment and administrative agent for the City. The City's payroll for employees covered by the System for the year ended June 30, 1989 was \$87,919,092. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System (TRS) to which the City of Cambridge, Massachusetts does not contribute. The City's payroll for teachers covered by the TRS for the year ended June 30, 1989 was \$30,094,955. The total payroll for the City was \$118,014,047.

The System and the TRS are contributory defined benefit plans covering all City employees and teachers deemed eligible.

Instituted in 1939, the System is a member of the Massachusetts Contributory System and is governed by M.G.L.c. 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. Current members of the Plan consist of the following:

Retired and Inactive	1,547
Active:	
Vested	1,260
Nonvested employees covered by the Plan	<u>1,259</u>
Total	<u>4,066</u>

The System and TRS provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members joining the System after January 1, 1979 are subject to a cap of \$30,000 on the level of compensation upon which their benefit is calculated.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

Members of both systems become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The Plans also provide for early retirement at age 55 if the Participant (1) has a record of 10 years of creditable service, (2) was on the City payroll on January 1, 1973, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5, 7, or 8% of their gross regular compensation depending on the date upon which their membership began.

The System also provides death and disability benefits.

(b) Significant Accounting Policies and Plan Assets

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of the Public Employee Retirement Administration.

The investments of the System are valued as follows:

Bonds are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity.

Stocks are reflected at the lower of cost of market.

Investments at December 31, 1988 are summarized as follows:

	<u>Book Value</u>	<u>Market Value</u>
Bonds	\$ 34,423,390	\$ 33,913,458
Stocks	48,187,672	49,471,924
Cash	12,233,383	12,233,383
Total	<u>\$ 94,844,445</u>	<u>\$ 95,618,765</u>

(c) Funding Status and Progress

The amount shown below as the "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The Pension Benefit Obligation was computed as part of an actuarial valuation performed as of January 1, 1988 (which was updated as of January 1, 1989). Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 2% a year compounded annually, attributed to inflation, (c) additional projected salary increases of 4% a year, attributable to seniority/merit, and (d) no post-retirement benefit increases.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

Total unfunded pension benefit obligation applicable to the City's employees was \$115,759,000 at December 31, 1988 as follows (in thousands):

Pension Benefit Obligation

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 99,659
Current employees:	
Accumulated employee contributions, including allocated investment earnings	43,505
Employer-financed vested	28,963
Employer-financed nonvested	<u>39,956</u>
Total Pension Benefit Obligation	<u>212,083</u>
Net assets available for benefits, at cost	<u>96,324</u>
Unfunded Pension Benefit Obligation	<u>\$ 115,759</u>

(d) Contribution Requirements and Contribution Made

The City is required to contribute, each fiscal year, an amount approximating the Pension Benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. No actuarial information is used in determining this amount. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefits payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

The City's required minimum contribution to the system was \$ 10,625,826 for the year ended December 31, 1988. The City actually contributed \$ 10,877,135 (12% of covered payroll) and the employees contributed \$ 4,788,252 (5% of covered payroll) for a total contribution of \$ 15,665,387.

(e) Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found in the required supplementary schedules on pages 34 and 35 of the City's Comprehensive Annual Financial Report. For the years ended December 31, 1988 and 1987, available assets were sufficient to fund \$96,323,970 and \$89,361,520, or 45% and 44% of the Pension Benefit Obligation, respectively. Unfunded Pension Benefit Obligation represented 132% and 162% of the annual payroll for employees covered by the system for 1989 and 1988 respectively. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three years ended June 30, 1989, 1988 and 1987, the City's contributions to the system, all made in accordance with the above requirements, were \$10,877,135, \$10,315,154 and \$10,867,977 which is 12%, 15%, and 12% respectively, of annual covered payroll.

It is the City's policy to charge expenditures with the amount of pension costs actually funded. The City records the unfunded accumulated benefit obligation as a liability of the general long term obligations account group.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

All retired employees eligible for pension benefits as well as teachers covered under the Commonwealth of Massachusetts Teacher's Retirement System receive certain post-retirement benefits including major health, dental, and life insurance. The cost of the health insurance premiums is the City's responsibility. 75% of life insurance premiums are paid by the City with the remaining 25% paid by the retiree. Dental insurance premiums are the retiree's responsibility but are available at the reduced group rate. The City's cost of these post-retirement benefits for fiscal 1989 was \$991,348 and is funded and accounted for on a pay-as-you-go basis.

(13) Budget Basis of Accounting

The City's budget as presented in the statement of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund was developed as follows:

City Council authorizations	\$ 216,224,406
Supplemental appropriations and budget transfers	<u>2,658,039</u>
	<u>\$ 218,882,445</u>

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for the General Fund for which the level of expenditure may not legally exceed appropriations for each department or undertaking classified in the following categories:

- (1) Salaries and wages,
- (2) Other ordinary maintenance,
- (3) Travel and training, and
- (4) Extraordinary expenditures.

Proposed expenditure appropriations for all departments and operations of the City, except that of public schools, are prepared under the direction of the Mayor. School Department appropriations are acted upon directly by the School Committee up to the level of certain prior year school appropriations. The Mayor may recommend additional sums for school purposes. In addition, the Mayor may submit to the City Council such supplementary appropriation orders as are deemed necessary.

The City Council may reduce or reject any item in budgets submitted by the Mayor but may not increase or add items without the recommendation of the Mayor. Supplemental appropriations for the year ended June 30, 1989, after the setting of the tax rate, were \$2,981,303 and are included in the budgetary comparison financial statements.

The City follows a gross budgeting concept pursuant to which expenditures financed by special revenue funds and trust funds are budgeted as general fund expenditures and are financed by transfers from these funds to the general fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1989

The City's General Fund budget is prepared on a basis other than generally accepted accounting principles (GAAP basis). The actual results of operations in the statement of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund, are presented on a "budget basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are that:

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes which are recorded as revenue when levied (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- (c) The Cambridge City Hospital and its affiliated Neighborhood Health Centers and the Water Department are budgeted departments of the City's General Fund. However, for financial statement purposes, these entities are reported in enterprise funds and not as a part of the General Fund.

A summary of the differences between the results of operations presented on a budgeted basis and those presented in accordance with generally accepted accounting principles is as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)
As reported on a budgetary basis	\$ 211,571,883	216,402,492	5,790,544
To reclassify Hospital operations to enterprise fund	(37,411,022)	(45,116,534)	(7,705,512)
To reclassify Water Department operations to enterprise fund	(5,615,945)	(3,787,693)	1,000,000
To record revenue and other financing sources on a modified accrual basis of accounting	2,173,018	-	(1,518,747)
To record 1988 encumbrances and continuing appropriations paid during 1989	-	1,686,549	-
To eliminate 1989 encumbrances and continuing appropriations	-	(2,962,668)	-
As reported on GAAP basis	\$ <u>170,717,934</u>	<u>166,222,146</u>	<u>(2,433,715)</u>

REQUIRED SUPPLEMENTARY INFORMATION

The following two schedules present historical trend information for the City of Cambridge, Massachusetts Employees' Retirement System. The information is presented in accordance with the requirements of Statement No. 5 of the Governmental Accounting Standards Board, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers."

CITY OF CAMBRIDGE, MASSACHUSETTS

Employees' Retirement System

Required Supplementary Information

Analysis of Funding Progress

(in thousands)

(unaudited)

June 30, 1989

Fiscal year	(1) Net assets available for benefits	(2) Pension benefit obligation	(3) Percentage funded (1)/(2)	(4) Unfunded pension benefit obligation (2)-(1)	(5) Annual covered payroll	(6) Unfunded Pension benefit obligation as a percentage of covered payroll (4)/(5)
1989	\$ 96,324	\$ 212,083	45%	\$ 115,759	\$ 87,919	132%
1988	\$ 89,362	\$ 202,771	44%	\$ 113,409	\$ 69,965	162%

Isolated analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Note: Information prior to 1988 not available.

CITY OF CAMBRIDGE, MASSACHUSETTS

Employees' Retirement System

Required Supplementary Information Revenues by Source and Expenses by Type (unaudited)

June 30, 1989

Revenues by Source					
Year	Employee contributions	Dollar amount	Employer Contributions		Total
			Percentage of annual covered payroll	Investment income	
1989	\$ 4,788,252	\$ 10,877,135	12 %	\$ 5,792,612	\$ 21,457,999
1988	4,530,895	10,315,154	15	8,316,275	23,162,324
1987	4,128,139	10,867,977	12	8,383,230	23,379,346
1986	3,902,428	8,871,703	-	6,092,556	18,866,687
1985	3,496,863	8,975,097	-	4,930,030	17,401,990
1984	3,268,040	8,016,833	-	4,218,225	15,503,098
1983	2,875,600	7,153,573	-	3,410,962	13,440,135
1982	2,718,565	6,578,758	-	2,844,091	12,141,414
1981	2,590,840	6,079,460	-	2,323,245	10,993,545
1980	2,311,330	5,229,868	-	1,879,236	9,420,434

Fiscal year	Expenses by Type			
	Benefits	Administrative expenses	Refunds	Total
1989	\$ 14,724,007	\$ 177,040	\$ 1,515,602	\$ 16,416,649
1988	13,429,757	180,155	1,303,227	14,913,839
1987	13,164,057	163,714	1,211,495	14,539,260
1986	11,539,930	164,664	898,077	12,602,671
1985	10,720,775	148,425	972,267	11,841,467
1984	9,930,933	139,281	832,712	10,902,926
1983	9,170,655	112,309	885,179	10,168,143
1982	8,201,743	95,335	1,240,296	9,537,374
1981	7,337,259	100,573	693,507	8,131,339
1980	6,622,248	89,858	545,906	7,258,012

Note: Annual covered payroll information is not available for years prior to 1987.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

The following section provides detailed information on the General, Special Revenue, Enterprise, and Trust and Agency Funds included in the general purpose financial statements. Also, information on real, personal, and excise tax collections, as well as a schedule of the long-term debt obligations and general fixed assets of the City is provided in this section.

SPECIAL REVENUE FUNDS

Community Development Block Grant

Revenues from the Community Development Block Grant Program, which are used to support both operating and capital improvement programs, are recorded in this fund. A transfer is made at the end of the fiscal year to the General and Capital Projects Funds to cover Block Grant-related expenditures in these funds during that fiscal year.

School Grants

This fund accounts for both the receipt and expenditure of funds received from numerous Federal and State agencies to support a wide range of elementary and secondary school programs.

Fuel Assistance

This fund is used to account for revenues and expenditures for a federal program designed to provide low-income families with assistance in purchasing fuel supplies.

Parking Fund

Receipts from the Parking Fund, which consist primarily of meter collections, parking fines, and miscellaneous revenues, are recorded in this fund and support a wide range of City programs in accordance with Chapter 844 of the Massachusetts General Laws. In a similar manner to the Block Grant Funds, an amount equal to that which is appropriated in the General and Capital Projects Funds, is transferred to those funds at the end of the fiscal year.

Other Grants

Funds from a wide range of federal and state grants provide additional support to several City programs, including the Arts Council, Historical Commission, Library, and Hospital. Both the receipt and expenditure of these funds are accounted for in this fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Special Revenue Funds

June 30, 1989

<u>Assets</u>	<u>School Grants</u>	<u>Fuel Assistance</u>	<u>Parking Fund</u>	<u>Other Grants</u>	<u>Total</u>
Cash	\$ 820,101	204,023	2,440,278	147,797	3,612,199
Due from other governments	-	-	-	1,335,335	1,335,335
Total assets	<u>820,101</u>	<u>204,023</u>	<u>2,440,278</u>	<u>1,483,132</u>	<u>4,947,534</u>
<u>Liabilities and Fund Equity</u>					
Due to other funds	-	-	-	753,028	753,028
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>753,028</u>	<u>753,028</u>
Fund equity:					
Reserved for encumbrances	186,730	13,019	-	730,104	929,853
Reserved for specific purposes	633,371	191,004	-	-	824,375
Unreserved	-	-	2,440,278	-	2,440,278
Total fund equity	<u>820,101</u>	<u>204,023</u>	<u>2,440,278</u>	<u>730,104</u>	<u>4,194,506</u>
Total liabilities and fund equity	<u>\$ 820,101</u>	<u>204,023</u>	<u>2,440,278</u>	<u>1,483,132</u>	<u>4,947,534</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Special Revenue Funds

Year ended June 30, 1989

	Community Development Block Grants	School Grants	Fuel Assistance	Parking Fund	Other Grants	Total
Revenues:						
Intergovernmental	\$ 3,133,766	5,156,652	1,643,456	-	7,812,580	17,746,454
Investment income	-	-	28,102	459,483	-	487,585
Other	-	-	-	9,897,278	-	9,897,278
Total revenues	<u>3,133,766</u>	<u>5,156,652</u>	<u>1,671,558</u>	<u>10,356,761</u>	<u>7,812,580</u>	<u>28,131,317</u>
Expenditures:						
Education	-	5,518,241	-	-	-	5,518,241
Fuel assistance	-	-	1,776,573	-	-	1,776,573
Other	-	-	-	-	7,376,592	7,376,592
Total expenditures	<u>-</u>	<u>5,518,241</u>	<u>1,776,573</u>	<u>-</u>	<u>7,376,592</u>	<u>14,671,406</u>
Excess (deficiency) of revenues over expenditures	3,133,766	(361,589)	(105,015)	10,356,761	435,988	13,459,911
Other financing sources (uses):						
Operating transfers from other funds	-	-	-	-	-	-
Operating transfers to other funds	(3,133,766)	-	-	(9,117,160)	-	(12,250,926)
Excess (deficiency) of revenues over expenditures and transfers	-	(361,589)	(105,015)	1,239,601	435,988	1,208,985
Fund equity at beginning of year	-	1,181,690	309,038	1,200,677	294,116	2,985,521
Fund equity at end of year	<u>\$ -</u>	<u>820,101</u>	<u>204,023</u>	<u>2,440,278</u>	<u>730,104</u>	<u>4,194,506</u>

ENTERPRISE FUNDS

Hospital and Neighborhood Health Centers Fund

This fund is used to account for the operations of the Cambridge City Hospital and its affiliated Neighborhood Health Centers. The accrual basis of accounting requires that Hospital revenues be recorded at established rates charged less certain allowances and uncollectible amounts. Expenses are recorded as liabilities as incurred. Debt Service on general obligation bonds issued to finance the construction of the hospital as well as building renovations and the acquisition of medical equipment is also included in this fund.

Water Fund

This fund is used to account for the operations and maintenance of the City's water system. Revenues are recorded primarily on the basis of charges issued for water services. While expenses for Water Department capital improvements are recorded in the Capital Projects Fund, debt service on any bonds issued to finance these improvements is included in the Water Enterprise Fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Enterprise Funds

June 30, 1989

<u>Assets</u>	Hospital and Neighborhood Health Centers	Water	Total
Cash	\$ -	1,884,810	1,884,810
Accounts receivable	13,420,082	635,213	14,055,295
Allowance for uncollectible receivables	(5,327,141)	(90,498)	(5,417,639)
Due from third parties	4,497,883	-	4,497,883
Due from other funds	3,549,971	-	3,549,971
Property, plant and equipment, net of accumulated depreciation	11,908,064	44,382,563	56,290,627
Other assets	274,218	-	274,218
Total assets	<u>28,323,077</u>	<u>46,812,088</u>	<u>75,135,165</u>
<u>Liabilities and Fund Equity/Retained Earnings</u>			
Accrued liabilities	1,871,256	-	1,871,256
Due to other funds	-	243,857	243,857
Accrued compensated absences	1,421,045	-	1,421,045
General obligation bonds payable	<u>8,250,000</u>	<u>1,000,000</u>	<u>9,250,000</u>
Total liabilities	<u>11,542,301</u>	<u>1,243,857</u>	<u>12,786,158</u>
Fund equity/retained earnings	<u>16,780,776</u>	<u>45,568,231</u>	<u>62,349,007</u>
Total liabilities and fund equity/retained earnings	\$ <u>28,323,077</u>	<u>46,812,088</u>	<u>75,135,165</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenses, and Changes in Fund Balances/Retained Earnings

Enterprise Funds

Year ended June 30, 1989

	Hospital and Neighborhood Health Centers	Water	Total
Operating revenues:			
Patient service revenue, net of allowances and uncollectible accounts	\$ 38,411,269	-	38,411,269
Charges for services	-	5,183,116	5,183,116
Other	1,074,652	436,928	1,511,580
Total operating revenues	<u>39,485,921</u>	<u>5,620,044</u>	<u>45,105,965</u>
Operating expenses:			
Administration	4,970,972	1,105,585	6,076,557
Finance	5,215,812	-	5,215,812
Service and support programs	27,008,201	383,504	27,391,705
General services	5,114,998	-	5,114,998
Depreciation	1,108,036	328,883	1,436,919
Other	2,261,638	102,554	2,364,192
Total operating expenses	<u>45,679,657</u>	<u>1,920,526</u>	<u>47,600,183</u>
Operating income (loss)	(6,193,736)	3,699,518	(2,494,218)
Non-operating revenues and expenses:			
Interest expense	(235,272)	-	(235,272)
Net income (loss) before operating transfers	(6,429,008)	3,699,518	(2,729,490)
Operating transfers from other funds	7,705,512	-	7,705,512
Operating transfers to other funds	-	(1,226,145)	(1,226,145)
Net income (loss)	1,276,504	2,473,373	3,749,877
Fund Balances/Retained earnings:			
Beginning of year	15,504,272	43,094,858	58,599,130
End of year	<u>\$16,780,776</u>	<u>45,568,231</u>	<u>62,349,007</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Cash Flows

Enterprise Funds

Year ended June 30, 1989

	Hospital and Neighborhood Health Centers	Water	Total
Cash flows from operating activities:			
Operating Income (Loss)	\$ (6,193,736)	\$ 3,699,518	\$ (2,494,218)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,108,036	328,883	1,436,919
Provision for uncollectible accounts	8,805,073	24,945	8,830,018
Change in assets and liabilities:			
Increase in due from third parties	(592,726)	-	(592,726)
Increase in accounts receivable	(10,133,880)	(29,044)	(10,162,924)
Increase in other assets	(28,710)	-	(28,710)
Increase (decrease) in accrued liabilities	518,578	(123,384)	395,194
Decrease in interfund payables	(2,117,781)	(1,000,000)	(3,117,781)
Increase in accrued uncompensated absences	233,721	-	233,721
Net cash provided (used) by operating activities	(8,401,425)	2,900,918	(5,500,507)
Cash flows from noncapital financing activities:			
Operating transfer-in from General Fund	7,705,512	-	7,705,512
Operating transfer-out to General Fund	-	(226,145)	(226,145)
Operating transfer-out to Capital Projects Fund	-	(1,000,000)	(1,000,000)
Net cash provided (used) for noncapital financing activities	7,705,512	(1,226,145)	6,479,367
Cash flows from capital and related financing activities:			
Proceeds from sale of bonds	5,000,000	1,000,000	6,000,000
Acquisition of capital assets	(2,778,815)	(2,212,932)	(4,991,747)
Principal paid on bonds	(1,290,000)	-	(1,290,000)
Interest paid on bonds	(235,272)	-	(235,272)
Net cash provided used for capital and related financing activities	695,913	(1,212,932)	(517,019)
Net increase in cash and cash equivalents	-	461,841	461,841
Cash and cash equivalents at beginning of year	-	1,422,969	1,422,969
Cash and cash equivalents at end of year	-	1,884,810	1,884,810

FIDUCIARY FUNDS

The City's Fiduciary Funds are used to account for the assets received and disbursed by the City acting in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds.

The Trust Funds, which are described later in this section of the report, are segregated into four categories, School Trust Funds, Neville Manor Nursing Home Trust Funds, Library Trust Funds, and Other Trust Funds. The last sentence of each Trust Fund narrative lists the expendable balances which represents the income/interest portion of the Trust. In general, the City has a policy to limit expenditures from the Trusts to the total accumulated income/interest amount so that the principal of the Trusts is protected.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Fiduciary Funds

June 30, 1989

	Pension Trust Funds	Nonexpendable Trust Funds				Expendable Trust Funds							Agency Funds	Total
	Retirement Trust Fund	School Fund	Neville Manor Fund	Library Fund	Other Funds	School Fund	Neville Manor Fund	Library Fund	Cemetery Fund	Health Claims Trust Fund	Stabilization Trust Fund	Other Funds		
Assets														
Cash and short term investments	\$ 12,233,383	23,289	25,733	49,210	60,100	27,406	40,568	39,474	591,087	4,035,097	3,476,942	736,253	555,280	21,893,822
Other investments	82,611,062	-	-	4,019	-	-	-	10,000	667,844	-	-	-	-	83,292,925
Other assets	1,487,275	-	-	-	-	-	-	-	-	-	-	-	-	1,487,275
Total assets	<u>96,331,720</u>	<u>23,289</u>	<u>25,733</u>	<u>53,229</u>	<u>60,100</u>	<u>27,406</u>	<u>40,568</u>	<u>49,474</u>	<u>1,258,931</u>	<u>4,035,097</u>	<u>3,476,942</u>	<u>736,253</u>	<u>555,280</u>	<u>106,674,022</u>
Liabilities and Fund Equity														
Guarantee deposits and amounts due other taxing authorities	-	-	-	-	-	-	-	-	-	-	-	-	555,280	555,280
Accrued liabilities	7,750	-	-	-	-	-	-	-	-	-	-	-	-	7,750
Total liabilities	7,750	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund equity	96,323,970	23,289	25,733	53,229	60,100	27,406	40,568	49,474	1,258,931	4,035,097	3,476,942	736,253	555,280	563,030
Total liabilities and fund equity	<u>\$ 96,331,720</u>	<u>23,289</u>	<u>25,733</u>	<u>53,229</u>	<u>60,100</u>	<u>27,406</u>	<u>40,568</u>	<u>49,474</u>	<u>1,258,931</u>	<u>4,035,097</u>	<u>3,476,942</u>	<u>736,253</u>	<u>555,280</u>	<u>106,674,022</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities Agency Funds

Year ended June 30, 1989

<u>Assets</u>	Balance June 30, 1988	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 1989
Cash:				
ERI	\$ 8,251	-	8,251	-
Contract bids	11,680	-	-	11,680
Plans	315	1,688	-	2,003
Tree removals	485	-	-	485
Driveways	143,206	21,355	-	164,561
Street openings	171,177	72,455	32,600	211,032
Sidewalk openings	150	-	-	150
In lieu of bond	70,645	-	-	70,645
License commission	44,900	5,629	5,529	45,000
Cambridge police detail	(140,194)	2,205,595	2,317,646	(252,245)
Cambridge fire detail	1,146	27,571	28,571	146
Dog licenses	(911)	-	-	(911)
Sporting licenses	(342)	10,836	10,490	4
Dog officer	570	-	-	570
Constable fees	(3,859)	114,378	113,790	(3,271)
Meal tax agency	36,619	-	-	36,619
Senior cab	4,279	-	-	4,279
Water service renewal	17,422	-	-	17,422
Undistributed interest	3,808	-	-	3,808
Purchase of trees	1,328	20,746	19,740	2,334
Blue Cross	634,839	-	634,839	-
Accident & Life Insurance	19,629	75,173	50,515	44,287
Medicare	1,953	253	-	2,206
Car seat program	1,464	75	-	1,539
Deferred compensation	1,286	123	-	1,409
Commonwealth Health	32,518	40,985	67,578	5,925
Legal fees	15,600	6,393	-	21,993
Retirement office payroll	394,290	259,362	527,774	125,878
Lahey Health Insurance	(2,694)	2,694	-	-
Tufts Health Insurance	491	-	491	-
Optional Boston Mutual	24,072	112,392	134,657	1,807
New England Life	2,493	6,164	-	8,657
Continental Casualty	1,681	8,075	9,620	136
Teacher Insurance Reimbursement	4,940	-	-	4,940
Bay State Health Insurance	9,333	-	9,333	-
Teachers Retirement	-	13,437	527	12,910
Excise Registry Fees	-	10,625	6360	4,265
3 Bigelow Contingency Fund	-	3,922	-	3,922
Retractive Wages	-	480	-	480
Land Court Fees	-	615	-	615
Total	<u>\$ 1,512,570</u>	<u>3,021,021</u>	<u>3,978,311</u>	<u>555,280</u>

(continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities Agency Funds, continued

Year ended June 30, 1989

<u>Liabilities</u>	Balance June 30, 1988	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 1989
Guarantee deposits and amounts due other taxing authorities:				
ERI	\$ 8,251	-	8,251	-
Contract bids	11,680	-	-	11,680
Plans	315	1,688	-	2,003
Tree removals	485	-	-	485
Driveways	143,206	21,355	-	164,561
Street openings	171,177	72,455	32,600	211,032
Sidewalk openings	150	-	-	150
In lieu of bond	70,645	-	-	70,645
License commission	44,900	5,629	5,529	45,000
Cambridge police detail	(140,194)	2,205,595	2,317,646	(252,245)
Cambridge fire detail	1,146	27,571	28,571	146
Dog licenses	(911)	-	-	(911)
Sporting licenses	(342)	10,836	10,490	4
Dog officer	570	-	-	570
Constable fees	(3859)	114,378	113,790	(3,271)
Meal tax agency	36,619	-	-	36,619
Senior cab	4,279	-	-	4,279
Water service renewal	17,422	-	-	17,422
Undistributed interest	3,808	-	-	3,808
Purchase of trees	1,328	20,746	19,740	2,334
Blue Cross	634,839	-	634,839	-
Accident & Life Insurance	19,629	75,173	50,515	44,287
Medicare	1,953	253	-	2,206
Car seat program	1,464	75	-	1,539
Deferred compensation	1,286	123	-	1,409
Commonwealth Health	32,518	40,985	67,578	5,925
Legal fees	15,600	6,393	-	21,993
Retirement office payroll	394,290	259,362	527,774	125,878
Lahey Health Insurance	(2,694)	2,694	-	-
Tufts Health Insurance	491	-	491	-
Optional Boston Mutual	24,072	112,392	134,657	1,807
New England Life	2,493	6,164	-	8,657
Continental Casualty	1,681	8,075	9,620	136
Teacher Insurance Reimbursement	4,940	-	-	4,940
Bay State Health Insurance	9,333	-	9,333	-
Teachers Retirement	-	13,437	527	12,910
Excise Registry Fees	-	10,625	6,360	4,265
3 Bigelow Contingency Fund	-	3,922	-	3,922
Retroactive Wages	-	480	-	480
Land Court Fees	-	615	-	615
Total	<u>\$ 1,512,570</u>	<u>3,021,021</u>	<u>3,978,311</u>	<u>555,280</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenses, and Changes in Fund Balances

Pension and Nonexpendable Trust Funds

Year ended June 30, 1989

	<u>Pension Trust Funds</u>	<u>Nonexpendable Trust Funds</u>				
	<u>Retirement Trust Fund</u>	<u>School Fund</u>	<u>Neville Manor Fund</u>	<u>Library Fund</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:						
Income from employer and member contributions	\$ 17,586,487	-	-	-	-	-
Donations	-	18,735	-	-	-	18,735
Investment income	5,789,730	416	2,353	2,923	5,497	11,189
Net Gain on sale of investments	-	-	-	-	-	-
Bond amortization	<u>621,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>23,997,966</u>	<u>19,151</u>	<u>2,353</u>	<u>2,923</u>	<u>5,497</u>	<u>29,924</u>
Expenses:						
Pension plan benefit payments	16,239,609	-	-	-	-	-
Net Loss on Sale of Investments	618,867	-	-	-	-	-
Other	<u>177,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before operating transfers	6,962,450	19,151	2,353	2,923	5,497	29,924
Transfers to other funds	<u>-</u>	<u>(416)</u>	<u>(2,353)</u>	<u>(2,923)</u>	<u>(5,497)</u>	<u>(11,189)</u>
Net income	6,962,450	18,735	-	-	-	18,735
Fund equity at beginning of year	89,361,520	4,554	25,733	53,229	60,100	143,616
Fund equity at end of year	<u>\$ 96,323,970</u>	<u>23,289</u>	<u>25,733</u>	<u>53,229</u>	<u>60,100</u>	<u>162,351</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Cash Flows

Nonexpendable Trust Funds

Year ended June 30, 1989

	Nonexpendable Trust Funds				
	<u>School Fund</u>	<u>Neville Manor Fund</u>	<u>Library Fund</u>	<u>Other Fund</u>	<u>Total</u>
Cash flows from operating activities:					
Operating income	\$ <u>19,151</u>	<u>2,353</u>	<u>2,923</u>	<u>5,497</u>	<u>29,924</u>
Cash flows from noncapital financing activities					
Operating transfer - out to Expendable trusts	<u>(416)</u>	<u>(2,353)</u>	<u>(2,923)</u>	<u>(5,497)</u>	<u>(11,189)</u>
Net increase in cash and cash equivalents	<u>18,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,735</u>
Cash and cash equivalents at beginning of year	<u>4,554</u>	<u>25,733</u>	<u>49,210</u>	<u>60,100</u>	<u>139,597</u>
Cash and cash equivalents at end of year	\$ <u>23,289</u>	<u>25,733</u>	<u>49,210</u>	<u>60,100</u>	<u>158,332</u>

CITY OF CAMBRIDGE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Expendable Trust Funds

Year ended June 30, 1989

	Expendable Trust Funds							
	School Fund	Neville Manor Fund	Library Fund	Cemetery Fund	Health Claims Trust Fund	Stabilization Trust Fund	Other Funds	Total
Revenues:								
Investment income	\$ 2,257	3,295	4,309	130,042	183,984	208,357	39,180	571,424
Donations	8,167	-	2,982	-	-	-	317,785	328,934
Contributions	-	-	-	-	1,043,924	-	-	1,043,924
Cemetery deposits	-	-	-	28,312	-	-	-	28,312
	<u>10,424</u>	<u>3,295</u>	<u>7,291</u>	<u>158,354</u>	<u>1,227,908</u>	<u>208,357</u>	<u>356,965</u>	<u>1,972,594</u>
Expenditures:								
Other	<u>7,013</u>	<u>1,792</u>	<u>16,660</u>	<u>-</u>	<u>23,441</u>	<u>-</u>	<u>8,706</u>	<u>57,612</u>
Excess (deficiency) of revenues over expenditures	3,411	1,503	(9,369)	158,354	1,204,467	208,357	348,259	1,914,982
Operating transfers from other funds	416	2,353	2,923	-	998,949	744,892	5,497	1,755,030
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Excess of revenue over expenditures and transfers	3,827	3,856	(6,446)	58,354	2,203,416	953,249	353,756	3,570,012
Fund equity at beginning of year	<u>23,579</u>	<u>36,712</u>	<u>55,920</u>	<u>1,200,577</u>	<u>1,831,681</u>	<u>2,523,693</u>	<u>382,497</u>	<u>6,054,659</u>
Fund equity at end of year	<u>\$ 27,406</u>	<u>40,568</u>	<u>49,474</u>	<u>1,258,931</u>	<u>4,035,097</u>	<u>3,476,942</u>	<u>736,253</u>	<u>9,624,671</u>

OTHER SCHEDULES

The following schedules present detailed information on the City's real estate, personal property, and motor vehicle excise taxes, bonds payable, and general fixed assets as of June 30, 1989.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Real Estate, Personal Property, and Motor Vehicle Excise Taxes Year ended June 30, 1989

	Uncollected June 30, 1988	Commitments	Abatements	Transfers to Tax Title	Refunds	Collections	Adjustments Increase (decrease)	Uncollected June 30, 1989
Real estate taxes:								
1979 and prior	\$ 197,640	-	3,259	-	1,556	6,766	2,633	191,804
1980	87,405	-	1,319	-	-	14,343	5,570	77,313
1981	62,275	-	829	-	2	4,886	1,944	58,506
1982	76,802	-	999	-	-	5,371	(1,937)	68,495
1983	142,155	-	-	-	1,268	15,976	(9,883)	117,564
1984	82,031	-	24,161	-	14,191	7,785	11,196	75,472
1985	114,359	-	7,732	-	36,223	26,569	(20,543)	95,738
1986	39,653	-	6,067	-	44,925	6,631	(25,665)	46,215
1987	890,316	-	408,507	113,916	289,767	208,731	(365,190)	83,739
1988	3,449,227	-	747,625	587,939	577,742	2,701,775	82,021	71,651
1989	-	91,695,623	1,632,317	-	345,690	86,849,916	227,558	3,786,638
	<u>\$ 5,141,863</u>	<u>91,695,623</u>	<u>2,832,815</u>	<u>701,855</u>	<u>1,311,364</u>	<u>89,848,749</u>	<u>(92,296)</u>	<u>4,673,135</u>
Personal property taxes:								
1979 and prior	\$ 204,535	-	-	-	-	-	-	204,535
1980	58,528	-	-	-	-	-	-	58,528
1981	71,221	-	-	-	-	-	-	71,221
1982	85,147	-	-	-	-	-	-	85,147
1983	103,931	-	-	-	-	-	-	103,931
1984	69,833	-	-	-	-	9	-	69,824
1985	79,889	-	-	-	-	-	-	79,889
1986	68,456	-	-	-	-	392	-	68,064
1987	472,791	-	-	-	7,837	7,391	-	473,237
1988	226,339	-	27,475	-	423	17,553	3,513	185,247
1989	-	2,881,055	11,429	-	66,599	2,772,752	(167)	163,306
	<u>\$ 1,440,670</u>	<u>2,881,055</u>	<u>38,904</u>	<u>-</u>	<u>74,859</u>	<u>2,798,097</u>	<u>3,346</u>	<u>1,562,929</u>
Motor vehicle excise taxes:								
1979 and prior	\$ 1,296,758	-	5,672	-	283	33,154	(1)	1,258,214
1980	345,369	-	2,714	-	148	13,165	(115)	329,523
1981	138,314	-	858	-	61	5,242	(38)	132,237
1982	139,098	-	566	-	125	9,892	2,891	131,656
1983	125,341	-	1,004	-	236	11,650	(256)	112,667
1984	120,046	-	1,270	-	20	10,498	(138)	108,160
1985	181,712	-	383	-	455	13,704	(170)	167,910
1986	160,832	-	1,438	-	438	13,703	(1,052)	145,077
1987	366,563	70,203	25,024	-	13,177	151,544	(6,505)	266,870
1988	652,601	605,124	65,408	-	37,699	903,898	(8,250)	317,868
1989	-	2,200,622	86,935	-	9,648	1,758,392	0	364,943
	<u>\$ 3,526,634</u>	<u>2,875,949</u>	<u>191,272</u>	<u>-</u>	<u>62,290</u>	<u>2,924,842</u>	<u>(13,634)</u>	<u>3,335,125</u>
Boat Excise Taxes								
1980	6,942	-	-	-	-	-	(6,942)	-
1981	6,665	-	-	-	-	-	(6,665)	-
1982	7,251	-	-	-	-	-	(7,251)	-
1983	4,677	-	-	-	-	-	(4,677)	-
1984	10,175	-	-	-	-	-	(10,175)	-
Totals	<u>\$ 35,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,710)</u>	<u>-</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds Payable

June 30, 1989

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Balance June 30, 1988</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 1989</u>
Inside Debt Limit:							
Surface drainage loan	4.7%	9/1/72	9/1/92	75,000	-	15,000	60,000
Surface drainage loan	5.38%	10/15/76	10/15/96	675,000	-	75,000	600,000
Multi-purpose	11.4-11.6%	6/1/82	6/1/92	200,000	-	50,000	150,000
Multi-purpose	5.6-5.7%	6/15/87	6/15/97	8,380,000	-	1,205,000	7,175,000
Multi-purpose	6.4-6.5%	6/15/89	6/15/99	-	12,015,000	-	12,015,000
Sewer loan	9.1-9.2%	12/15/82	12/15/92	2,500,000	-	500,000	2,000,000
Surface drainage loan	7.2%	2/15/84	11/15/88	380,000	-	380,000	-
Lechmere Canal Park Loan	7.0%	7/1/85	7/1/95	3,550,000	-	450,000	3,100,000
Public Building Renovation	7.0%	7/1/85	7/1/90	900,000	-	300,000	600,000
Hospital loan (Boiler renovations)	7.0%	7/1/85	7/1/93	1,380,000	-	230,000	1,150,000
Hospital loan (Equipment)	7.0%	7/1/85	7/1/88	495,000	-	495,000	-
Lechmere Parking Garage	6.1-6.2%	7/1/86	7/1/94	615,000	-	85,000	530,000
Building Renovations	5.9-6.35%	6/15/88	6/15/98	3,025,000	-	305,000	2,720,000
Streets and Sidewalks	5.9-6.35%	6/15/88	6/15/98	1,000,000	-	100,000	900,000
Radio Equipment	5.9-6.35%	6/15/88	6/15/98	975,000	-	330,000	645,000
				<u>24,150,000</u>	<u>12,015,000</u>	<u>4,520,000</u>	<u>31,645,000</u>
Outside Debt Limit:							
School Debt: School Project Loan	5.8%	11/1/69	11/1/88	100,000	-	100,000	-
School Project Loan	5.8%	11/1/69	11/1/89	400,000	-	200,000	200,000
School Project Loan	5.7%	9/1/70	9/1/90	900,000	-	300,000	600,000
School Project Loan	5.25%	7/1/71	7/1/91	760,000	-	190,000	570,000
School Project Loan	11.4-11.6%	6/1/82	6/1/92	1,000,000	-	250,000	750,000
High School Loan	5.7%	6/15/78	6/15/98	11,550,000	-	1,155,000	10,395,000
School Project Loan	7.2%	2/15/84	11/15/93	1,200,000	-	200,000	1,000,000
School Project Loan	9%	8/1/84	8/1/93	5,925,000	-	1,000,000	4,925,000
School Building Renovation	5.6-5.7%	6/15/87	6/15/97	1,630,000	-	185,000	1,445,000
				<u>23,465,000</u>	<u>-</u>	<u>3,580,000</u>	<u>19,885,000</u>
Parking:							
Lechmere Parking Garage	7.0%	7/1/85	7/1/93	1,570,000	-	265,000	1,305,000
Lechmere Parking Garage	6.1-6.2%	7/1/86	7/1/94	2,325,000	-	335,000	1,990,000
				<u>3,895,000</u>	<u>-</u>	<u>600,000</u>	<u>3,295,000</u>
Hospital:							
Hospital Loan	4.40%	7/1/68	7/1/88	115,000	-	115,000	-
Sewer Projects:							
Sewer Loan	5.38%	10/15/76	10/15/96	1,945,000	-	220,000	1,725,000
Sewer Loan	4.70%	9/1/72	9/1/92	500,000	-	100,000	400,000
				<u>2,445,000</u>	<u>-</u>	<u>320,000</u>	<u>2,125,000</u>
				<u>\$ 54,070,000</u>	<u>12,015,000</u>	<u>9,135,000</u>	<u>\$6,950,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of General Fixed Assets - by Function and Activity

Year Ended June 30, 1989

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>
General Government:					
Control:					
Legislative	\$ 34,487	\$ -	\$ -	\$ -	\$ 34,487
Executive	60,765	-	-	-	60,765
Total Control	<u>95,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,252</u>
Staff Agencies:					
Elections	17,323	-	-	-	17,323
Finance	1,327,236	-	-	-	1,327,236
Law	12,855	-	-	-	12,855
Employee Benefits	9,201	-	-	-	9,201
Animal Commission	5,429	-	-	-	5,429
Public Celebrations	3,322	-	-	-	3,322
Total Staff Agencies	<u>1,375,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375,366</u>
Total General Government	<u>1,470,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,470,618</u>
Public Safety:					
Building Inspection	9,799	-	-	-	9,799
License	14,611	-	-	-	14,611
Emergency Management	43,937	-	-	-	43,937
Fire Protection	7,776,693	3,274,675	1,806,228	-	2,695,790
Police Protection	2,673,359	999,803	483,994	-	1,189,562
Traffic and Parking	20,699,033	1,952,080	18,095,215	-	651,738
Electrical	388,415	50,000	147,315	-	191,100
Total Public Safety	<u>31,605,847</u>	<u>6,276,558</u>	<u>20,532,752</u>	<u>-</u>	<u>4,796,537</u>
Community Maintenance and Development:					
Public Works	23,855,973	14,734,126	5,548,768	-	3,573,079
Community Development	116,225	-	-	-	116,225
Historical Commission	15,389	-	-	-	15,389
Conservation Commission	2,975	-	-	-	2,975
Rent Control	36,434	-	-	-	36,434
Cable Television	72,292	-	-	-	72,292
Total Community Maintenance and Development	<u>24,099,288</u>	<u>14,734,126</u>	<u>5,548,768</u>	<u>-</u>	<u>3,816,394</u>
Human Resource Development:					
Library	1,610,631	125,000	1,098,556	-	387,075
Human Services	88,817,529	87,242,253	327,377	967,281	280,618
Human Rights Commission	2,130	-	-	-	2,130
Women's Commission	6,937	-	-	-	6,937
Veteran's Benefits	4,285	-	-	-	4,285
Total Human Resources	<u>90,441,512</u>	<u>87,367,253</u>	<u>1,425,933</u>	<u>967,281</u>	<u>681,045</u>
Public Schools	<u>99,385,766</u>	<u>55,067,765</u>	<u>39,808,074</u>	<u>525,868</u>	<u>3,984,059</u>
Neville Manor	<u>6,524,880</u>	<u>5,552,182</u>	<u>819,197</u>	<u>-</u>	<u>153,501</u>
Construction in Progress	<u>3,126,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fixed Assets	\$ <u>256,654,186</u>	\$ <u>168,997,884</u>	\$ <u>68,134,724</u>	\$ <u>1,493,149</u>	\$ <u>14,902,154</u>

CITY OF CAMBRIDGE MASSACHUSETTS

Schedule of Changes in General Fixed Assets - by Function and Activity

Year Ended June 30, 1989

Function and Activity	General Fixed Assets June 30, 1988	Additions	Deductions	General Fixed Assets June 30, 1989
General Government				
Control:				
Legislative	\$ 33,419	\$ 1,068	\$ -	\$ 34,487
Executive	57,743	3,022	-	60,765
Total Control	<u>91,162</u>	<u>4,090</u>	<u>-</u>	<u>95,252</u>
Staff Agencies:				
Elections	14,985	2,338	-	17,323
Finance	1,214,852	112,384	-	1,327,236
Law	11,203	1,652	-	12,855
Employee Benefits	2,315	6,886	-	9,201
Animal Commission	4,761	668	-	5,429
Public Celebrations	3,322	-	-	3,322
Total Staff Agencies	<u>1,251,438</u>	<u>123,928</u>	<u>-</u>	<u>1,375,366</u>
Total General Government	<u>1,324,600</u>	<u>128,018</u>	<u>-</u>	<u>1,470,618</u>
Public Safety:				
Building Inspection	9,799	-	-	9,799
License	14,611	-	-	14,611
Emergency Management	43,937	-	-	43,937
Fire Protection	6,761,917	1,014,776	-	7,776,693
Police Protection	2,274,356	508,928	109,925	2,673,359
Traffic and Parking	20,693,113	5,920	-	20,699,033
Electrical	388,415	-	-	388,415
Total Public Safety	<u>30,186,148</u>	<u>1,529,624</u>	<u>109,925</u>	<u>31,605,847</u>
Community Maintenance and Development:				
Public Works	19,681,349	4,418,359	243,735	23,855,973
Community Development	90,693	25,532	-	116,225
Historical Commission	15,389	-	-	15,389
Conservation Commission	2,046	929	-	2,975
Rent Control	23,237	13,197	-	36,434
Cable Television	19,666	52,626	-	72,292
Total Community Maintenance and Development	<u>19,832,380</u>	<u>4,510,643</u>	<u>243,735</u>	<u>24,099,288</u>
Human Resource Development:				
Library	1,624,887	74,994	89,250	1,610,631
Human Services	88,777,380	40,149	-	88,817,529
Human Rights Commission	2,130	-	-	2,130
Women's Commission	8,270	2,864	4,197	6,937
Veteran's Benefits	4,285	-	-	4,285
Total Human Resource	<u>90,416,952</u>	<u>118,007</u>	<u>93,447</u>	<u>90,441,512</u>
Public Schools	<u>99,246,993</u>	<u>138,773</u>	<u>-</u>	<u>99,385,766</u>
Neville Manor	6,479,444	59,885	14,449	6,524,880
Construction in Progress	5,174,224	892,279	2,940,228	3,126,275
Total General Fixed Assets	<u>\$ 252,678,741</u>	<u>\$ 7,377,229</u>	<u>\$ 3,401,784</u>	<u>\$ 256,654,186</u>

PROPOSED FORM OF LEGAL OPINION

**PALMER & DODGE
ONE BEACON STREET
BOSTON, MASSACHUSETTS**

James P. Maloney, Jr.
City Treasurer
Cambridge, Massachusetts

(Delivery Date)

(Cambridge Municipal Purpose Loan of 1990)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$20,000,000 Municipal Purpose Loan of 1990 bonds dated June 15, 1990, by the City of Cambridge, Massachusetts. The bonds are payable on June 15 of the years and in the principal amounts and bear interest at the respective rates, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1991	\$2,000,000	%	1996	\$2,000,000	%
1992	2,000,000		1997	2,000,000	
1993	2,000,000		1998	2,000,000	
1994	2,000,000		1999	2,000,000	
1995	2,000,000		2000	2,000,000	

The bonds are immobilized in the custody of The Depository Trust Company and a book entry system is being used to evidence ownership and transfer on the records of The Depository Trust Company and its participants.

On the basis of this examination we are of opinion, as of the date hereof and under existing law, as follows:

(1) The bonds are valid general obligations of the City of Cambridge and except to the extent they are paid from other sources the principal of and interest on the bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

(2) The bonds are exempt from local property taxes in Massachusetts and the interest thereon is exempt from Massachusetts personal income taxes, although the bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes.

(3) The interest on the bonds is excluded from the gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings (adjusted net book income before 1990) for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds. We express no opinion regarding any other federal tax consequences arising with respect to the bonds.

The rights of the holders of the bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

/s/ Palmer & Dodge



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

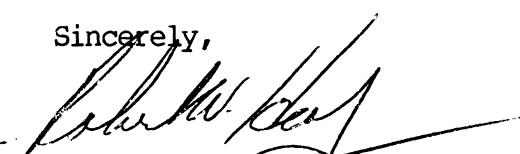
June 25, 1990

To the Honorable, the City Council:

As you are aware, the City recently issued \$20,000,000 in bonds to finance various capital improvement projects at the Water Department, Hospital, and Danehy Park. In conjunction with that, members of my staff and I traveled to New York to meet with major bond rating agencies to present the City's case for its rating. I am pleased to report that because of the City's strong financial condition both Moody's Investor Services and Standard and Poors' Corporation confirmed their rating of the City at Aa and AA- respectively. The confirmation of these high grade investment ratings at a time when the Commonwealth and many local municipalities are being downgraded is an accomplishment which the City Council should take a great deal of pride. Because of our continued high credit rating, Cambridge should be able to address its capital needs during the next decade. This means a continuation of the City's efforts to upgrade School facilities, the Cambridge Hospital, our water and sewer systems, and our various recreational facilities.

For your information and review I have forwarded to the Council copies of three documents related to the bond sale. The first two, an Official Disclosure Statement and a Rating's Meeting Presentation Document, were prepared by the City's Finance and Budget Departments. The third document is the analysis of the City's fiscal condition done by Moody's Investor Service. I urge that the City Council take a moment or two to review in particular Moody's analysis of the City's fiscal position, as this is essentially a report card prepared by the financial community on the City.

Sincerely,



Robert W. Healy
City Manager

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City's Bond Rating.

In City Council,

June 25, 1990

Placed on file