MAJOR REVENUE

Type	12/01/02	06/30/03	04 Recap	12/01/03	06/30/04	Recap vs. Projected
Motor Vehicle Excise	976 795	6 025 063	5 613 465	633 270	5 900 465	+287 000
Hotel/Motel	1 284 533	4 401 259	4 250 000	1 162 955	4 200 000	(50 000)
Sewer	11 094 821	27 061 322	26 950 635	10 574 155	27 500 635	+ 550 000
Building Permits	4 159 140	8 883 639	2 800 000	2 085 255	4 000 000	+1 200 000
General Fund	**17 515 289**	**46 371 283**	**39 614 100**	**14 455 635**	**41 601 100**	**+1 987 000**
Water	6 178 770	16 223 911	15 515 855	6 153 280	16 300 855	+785 000
Parking	5 863 564	14 514 725	13 800 490	6 017 480	14 600 490	+800 000

Attachment A

Fee and Permit Revenue Increases (12/1/03)

The following is a summary of activities with regard to proposed fee increases:

1. Phase I - The Finance Department is reviewing fee and permit increases submitted by the following departments.

Department	$ Range of Incr.	Preliminary Est. Incr. in Revenue
A. City Clerk	$3-50	$100,000-125,000
B. Animal Commission	$2-10	$4,000-6,000
C. Fire Department	$15-50	$40,000-60,000
D. Police Department	$4-40	$50,000-60,000
E. License Commission	$20-45	$5,000-10,000
F. Public Works	$5-280	$80,000-95,000
		$279,000-356,000

   The Finance Department is completing an analysis in conjunction with the above departments to estimate the additional revenue to be generated by the proposed fee increases. Fees that can be increased without City Council approval will be changed effective April 2004. Fees that require City Council action will be forwarded to the City Council for approval before the submission of the FY05 Budget. It appears that only the increases related to the City Clerk's Office would require City Council approval.

2. The Law Office is finalizing their review of the statutory authority for the above fee increases.

3. Phase II will include a review of all city revenues as part of the FY05 budget process. It should be noted that increased fees would not be included in the FY05 financing plan.

4. At the conclusion of Phase II, the City will have reviewed and documented all fees that will include a listing of the appropriate statutory authority for each fee.

Assumptions for Expenditure Projections

1) Salaries & Wages:

Year	Date	Increase	Budget Cost
FY04	4/4/2004	3.00%	1.00%
FY05	10/3/2004	3.00%	4.25%
FY06	7/1/2005	4.25%	5.00%
FY07	7/1/2006	3.00%	3.00%
FY08	7/1/2007	3.00%	3.00%

2) Other Ordinary Maintenance expenses increase by 3% annually except for Schools which increases 5% annually

3) Travel & Training expenses increase by 3% annually except for Water which remains constant from 04-08 and Schools which increases 5% from 04-08

4) Extraordinary Expenditures increase $50,000 in total per year for City Programs, $25,000 in total per year for School Programs, and constant for Water Programs

5) Debt costs reflect issued debt and debt issuance schedule on page 42.

6) Health insurance costs increase 12% from 2004-2006 and 14% in 2007-2008

7) Contributory pensions (including supplemental appropriation of $500,000 for Early Retirement Incentive) increase by 2.5% annually

8) Dental costs are level funded in FY05 and increase 2% annually in FY06-08.

9) State charges (including Charter School) increase by 2.5% annually

10) MWRA charges increase by 6% annually

11) Cherry Sheet Offset for FY04 is $132,429 and remains constant from 2005-2008

Cambridge Health Alliance:

1) The Cambridge Health Alliance had not been part of the City for several years. However, debt and pension costs are shown as expenditures under the City Programs and are reimbursed by the Alliance

2) The Annual contract for services is equal to the projected annual tax subsidy under the Health Alliance. The figures shown for FY04-08 are covered under the current contract

Expenditure Projections

❖ The City's operating budget is projected to average annual growth of 5.0%

	FY04 Budget	FY05 Projection	FY06 Projection	FY07 Projection	FY08 Projection
CITY PROGRAMS:					
City Operating Programs	111,599,445	116,086,956	121,363,031	125,013,866	128,772,727
Contributory Pensions	14,758,150	15,639,604	16,030,594	16,431,359	16,842,143
Non-Contrib. Pensions	1,350,000	1,300,000	1,300,000	1,300,000	1,300,000
Health Insurance	13,756,100	15,406,832	17,255,652	19,671,443	22,425,445
Retirees' Health Insurance	8,074,105	9,042,998	10,128,157	11,546,099	13,162,553
Dental Insurance	1,153,700	1,153,700	1,200,310	1,224,315	1,248,802
City Debt Service	18,950,315	21,872,813	27,398,118	33,447,982	36,495,483
Health Comm. Pensions	4,160,260	4,264,267	4,370,873	4,480,145	4,592,149
Health Comm. Debt	2,512,500	2,445,000	2,377,500	2,310,000	2,242,500
Overlay	4,499,396	4,500,000	4,500,000	4,500,000	4,500,000
Prior Year Overlay	356	10,000	10,000	10,000	10,000
SUBTOTAL:	**180,814,327**	**191,722,169**	**205,934,235**	**219,935,209**	**231,591,802**
CHERRY SHEET					
Offsets	132,429	132,429	132,429	132,429	132,429
State Charges (Including Charter School)	11,908,910	12,206,633	12,511,799	12,824,594	13,145,208
MWRA	16,143,130	16,950,287	17,797,801	18,687,691	19,622,075
SUBTOTAL:	**28,184,469**	**29,289,348**	**30,442,028**	**31,644,713**	**32,899,713**
SCHOOL DEPARTMENT:					
School Operating	97,417,266	101,754,182	106,815,903	110,590,352	114,505,577
School Contrib. Pensions	2,620,395	2,685,905	2,753,052	2,821,879	2,892,426
School Health	9,884,470	11,268,296	12,845,857	14,644,277	16,694,476
School Dental	940,817	959,633	978,826	998,403	1,018,371
School Debt	7,009,509	5,655,686	4,137,150	3,744,875	3,571,525
SUBTOTAL:	**117,872,457**	**122,323,702**	**127,530,789**	**132,799,786**	**138,682,374**
WATER DEPARTMENT:					
Water Operating	6,420,230	6,654,453	6,923,492	7,129,149	7,340,976
Water Contributory Pensions	524,770	537,889	551,336	565,120	579,248
Water Non-Contrib. Pensions	72,045	72,045	72,045	72,045	72,045
Water Health	664,250	757,245	863,259	984,116	1,121,892
Water Dental	45,500	46,410	47,338	48,285	49,251
Water Debt	9,032,860	9,174,960	8,933,805	8,416,592	8,307,840
SUBTOTAL:	**16,759,655**	**17,243,002**	**17,391,276**	**17,215,306**	**17,471,251**
CAPITAL:					
Capital (Property Taxes and Free Cash)	3,725,000	3,000,000	2,500,000	2,500,000	2,500,000
STABILIZATION FUND					
Stabilization Fund Transfer	1,000,000	1,000,000	-	-	-
COMMUNITY PRESERVATION ACT					
Community Preservation Act	11,410,000	11,000,000	11,150,000	11,100,000	11,300,000
CAMBRIDGE PUBLIC HEALTH COMMISSION:					
Contract for Service	6,500,000	6,500,000	6,250,000	6,000,000	6,000,000
GRAND TOTAL	**366,265,908**	**382,078,221**	**401,198,328**	**421,195,015**	**440,445,140**
% INCREASE	-	4%	5%	5%	5%

Assumptions for Revenue Projections

1) Sewer revenues increase annually by amount needed to fully cover sewer costs

2) Water revenues increase annually by amount needed to fully cover water costs

3) State aid (excluding School Construction) decreases by $2,000,000 in FY05, $1,500,000 in FY06 and $1,000,000 in FY07 and FY08

4) Transfer from Health Claims Trust Fund remains stable for FY04-08

5) Subsidies from the Massachusetts Water Pollution Abatement Trust are based on projected loans from the Trust during this period

6) Most other non-tax revenues show zero increases

7) Tax levy grows according to table on page 33 (bottom of p. 6)

Revenue Projections
Fiscal Years 2004-2008

	FY04 Budget	FY05 Projection	FY06 Projection	FY07 Projection	FY08 Projection
CITY PROGRAMS:					
Real / Personal Taxes	201,599,396	217,943,265	235,744,046	254,562,127	272,370,567
Free Cash Appropriated to Reduce Tax Rate	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Motor Vehicle Excise	5,613,465	5,600,000	5,600,000	5,600,000	5,600,000
Hotel / Motel	4,250,000	4,300,000	4,300,000	4,300,000	4,300,000
Interest on Taxes	415,000	415,000	415,000	415,000	415,000
Sewer Service Charge	25,850,635	27,627,141	30,566,648	33,689,022	36,917,764
Water User Charge	377,000	377,000	377,000	377,000	377,000
Fees	1,277,940	1,300,000	1,300,000	1,300,000	1,300,000
Rentals	28,810	28,810	28,810	28,810	28,810
Recreation Revenue	1,057,970	1,050,000	1,050,000	1,050,000	1,050,000
Other Departmental	2,824,120	2,800,000	2,850,000	2,900,000	2,950,000
License / Permits	5,305,860	5,200,000	5,200,000	5,200,000	5,200,000
Fines & Forfeits	488,300	475,000	475,000	475,000	475,000
Investment Income	1,290,000	1,250,000	1,250,000	1,250,000	1,250,000
Parking Fund	13,531,350	13,600,000	13,600,000	13,800,000	13,800,000
State Aid	38,568,497	37,255,566	34,509,827	32,806,231	31,830,368
Free Cash	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
In-Lieu-of-Taxes	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Solid Waste Fees	50,000	50,000	50,000	50,000	50,000
Health Trust	3,860,000	3,860,000	3,860,000	3,860,000	3,860,000
Corporate Excise	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Other Available	2,906,510	2,900,000	2,900,000	2,900,000	2,900,000
MWPAT Subsidy	2,333,640	2,024,170	1,512,348	1,456,374	1,094,731
Library Fines	85,000	85,000	85,000	85,000	85,000
Cemetery Fees	335,000	335,000	335,000	335,000	335,000
Health Comm. Pension Reimbursement	4,160,260	4,264,267	4,370,873	4,480,145	4,592,149
Health Comm. Debt Reimbursement	2,512,500	2,445,000	2,377,500	2,310,000	2,242,500
Stabilization Fund Transfer	-	-	2,000,000	2,000,000	1,000,000
SUBTOTAL:	**327,871,253**	**344,335,219**	**363,907,052**	**384,379,709**	**403,173,889**
WATER DEPARTMENT:					
Meter Revenue	13,573,855	14,607,093	15,306,521	15,433,050	15,742,988
Miscellaneous Water Charges	465,000	465,000	465,000	465,000	465,000
Retained Earnings	1,500,000	1,000,000	500,000	250,000	250,000
MWPAT Subsidy	1,220,800	1,170,909	1,119,755	1,067,256	1,013,263
SUBTOTAL:	**16,759,655**	**17,243,002**	**17,391,276**	**17,215,306**	**17,471,251**
CAPITAL:					
Taxes	1,500,000	-	1,000,000	1,000,000	1,000,000
Free Cash	2,225,000	3,000,000	1,500,000	1,500,000	1,500,000
SUBTOTAL:	**3,725,000**	**3,000,000**	**2,500,000**	**2,500,000**	**2,500,000**
COMMUNITY PRESERVATION ACT					
Local Funds	4,800,000	5,000,000	5,200,000	5,300,000	5,400,000
State Funds	4,800,000	5,000,000	5,200,000	5,300,000	5,400,000
CPA Fund Balance	1,000,000	1,000,000	750,000	500,000	500,000
Historical Preservation Reserve	810,000	-	-	-	-
SUBTOTAL:	**11,410,000**	**11,000,000**	**11,150,000**	**11,100,000**	**11,300,000**
CAMBRIDGE PUBLIC HEALTH COMMISSION:					
Taxes	6,500,000	6,500,000	6,250,000	6,000,000	6,000,000
SUBTOTAL:	**6,500,000**	**6,500,000**	**6,250,000**	**6,000,000**	**6,000,000**
GRAND TOTAL:	**366,265,908**	**382,078,221**	**401,198,328**	**421,195,015**	**440,445,140**
PROJECTED LEVY LIMIT:	251,018,443	264,000,354	275,796,743	288,249,001	301,673,277
PROJECTED LEVY SUBJECT TO LEVY LIMIT	209,599,396	224,443,265	242,994,046	261,562,127	279,370,567
EXCESS LEVY CAPACITY	41,419,047	39,557,089	32,802,697	26,686,874	22,302,710
COMMUNITY PRESERVATION ACT TAXES	4,800,000	5,000,000	5,200,000	5,300,000	5,400,000
TOTAL TAX LEVY	214,399,396	229,443,265	248,194,046	266,862,127	284,770,567

Vice Mayor Davis asked whether funding for sidewalk repair was included in city debt expenditure projections. Mr. Rossi said that it is not; sidewalk repair is funded as a pay-as-you-go expense. Vice Mayor Davis stated that she has just experienced a painful fall with dental damage from a sidewalk hole caused by a tree root. These holes have existed for more than a year and need quicker attention.

Mayor Sullivan inquired as to the projections for state aid in FY 05. Mr. DePasquale said that the Finance Department is projecting a 6.3% reduction from current funding level, which amounts to about $2 million, excluding School Construction funds.

Councillor Murphy noted that it appears that the State Administration is no longer trying to eliminate the "Other Additional Assistance" category, which accounts for most of the state funds that Cambridge uses for its school budget funding. In response to a question from Councillor Simmons, Mr. Healy informed the committee that Cambridge allocates $14-15 million in unrestricted state funding to the schools. Mr. DePasquale said that the charter school assessment is now on the Cherry Sheet for the first time, which gives the City a little better idea of what it will have to pay. The charter school funding formula was discussed. Funding for charter schools is calculated based on the residence of the students, not the location of the school.

Councillor Murphy asked about projections for revenue from new construction, and when the City can expect to receive revenue from North Point development. Mr. Pasquale said that the new construction revenue projections are $6.7 million in FY 05, $5.2 million in FY 06 and $6.2 million in FY 07. Mr. Healy said that the North Point special permit is still on appeal. An advantage of the North Point development is that it will be phased in over a long period of time and thus will constitute a longer, steadier addition to city revenue as opposed to a big bump and sharp drop off.

Mr. DePasquale concluded with a description of the Budget Office's work with city departments to be sure that the budget narratives reflect the connection of city work with the adopted goals of the City Council. Vice Mayor Davis said that she would like to see the values of the City Council explicitly referred to in these narratives as well. Councillor Murphy asked whether it would be possible to include this material in the budget document currently being prepared and it was agreed that City Departments would be requested to reference the values in their narrative and description of accomplishments.

Councillor Murphy thanked all those present for their attendance. The meeting was adjourned at 11:40 A.M.

For the Committee,

Brian Murphy DMD

Councillor Brian Murphy, Chair

Councillor Murphy asked about property taxes. Mr. DePasquale said that overall the City is doing well in that area. Tax bills were delayed this year because of the wait for the State Legislature to change the residential exemption rate, and the City has switched to a new computer system for tracking these payments, so he does not yet have detailed reports for the Councillors, but he does expect to have them soon. Councillor Murphy asked about abatements. Mr. DePasquale said that applications for residential abatements are up slightly but applications for commercial abatements, which tend to involve much larger dollar amounts, are down. Total abatement applications fell from 898 for FY 03 to 871 for FY 04.

Mayor Sullivan asked about in lieu of taxes payments from the universities. Mr. Rossi said that negotiations are still ongoing with both Harvard and MIT. The issues are somewhat different. With MIT, the City's major concerns are protection of the stream of tax revenues from the commercial property that MIT has been purchasing in recent years, and getting that protection in a written agreement, which MIT was reluctant to sign in past years. The issues with Harvard lie in the area of specific calculations and what property should be included. Mr. Rossi said that he expects that the City will finalize agreements with both institutions during the first quarter of 2004. Mr. DePasquale said that he expects that there will be increases in the payments, but not dramatic changes.

Mr. DePasquale then called the committee's attention to the information about the City's activities in the area of fee and permit revenue increases set forth on page two of the attachment. In Phase I of the project the Finance Department has been working with six departments, the City Clerk's Office, the Animal Commission, the Fire Department, the Police Department, the License Commission and Public Works, to estimate additional revenue that would be generated. Preliminary estimates show potential increases of $279,000 to $356,000. The Law Department is completing its review of the statutory authority for all of the contemplated fee increases. Phase II will include a review of all city revenues as part of the FY 05 budget process. No increased fees will be included in the FY05 financing plan.

The discussion then moved to the information contained on pages 3-6, information prepared in preparation for the meetings with the bond rating authorities scheduled for next week. Mr. DePasquale first reviewed the assumptions utilized in the expenditure projections (page 3).

Vice Mayor Davis said that she would like to see the City make and track projections of savings resulting from energy efficiency.

Councillor Murphy cautioned that there are some predictions of inflation over the next year that may impact the City's ability to keep the increases in other ordinary maintenance as low as the goal.

Mayor Sullivan asked whether the amount of the Cambridge Public Health Commission contract for services had been finalized. Mr. Rossi stated that it was expected to be signed that afternoon, in the amount of $6.5 million. In response to a question from Mayor Sullivan, Mr. Rossi stated that the City of Cambridge owns the Cambridge Hospital building and the neighborhood health care clinic buildings.

Mr. DePasquale then moved to an explanation of the projections of the City's debt expenditures through FY 08. The new library debt cost is projected as $63,000,000. Debt for a new police station is projected at $45 million, starting in FY 06 with $ 6 million for acquisition costs. Although the projections include funds for renovations for the War Memorial, the City does not plan to go forward unless the project is approved for School Building Assistance Bureau (SBAB) reimbursement from the State.

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C. C. 106

City of Cambridge

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

In City Council December 8, 2003

The Finance Committee held a public meeting on December 2, 2003, beginning at 9:10 A.M. in the Sullivan Chamber for the purpose of receiving a report on city revenues and projections for development revenue for the next several years.

Present at the hearing were Councillor Brian Murphy, Chair of the Committee, Vice Mayor Henrietta Davis, Councillor E. Denise Simmons, Mayor Michael A. Sullivan, and City Clerk D. Margaret Drury. Also present were Robert W. Healy, City Manager, Richard Rossi, Deputy City Manager, Louis DePasquale, Assistant City Manager for Fiscal Affairs, David Kale, Budget Director, James Monagle, City Auditor, David Holland, Budget Analyst, Angela Pierre, Budget Analyst and Steven Hamner, Budget Analyst.

Councillor Murphy convened the hearing and explained the purpose. He invited Mr. DePasquale to begin the presentation. Mr. DePasquale distributed six pages of written material, which served as the basis for the presentation and discussion. **Attachment A**. The discussion began with consideration of the information on major city revenue presented on page one of the attachment. He noted that the first four categories, motor vehicle excise tax, the hotel/motel tax, sewer fees and building permits all constitute general fund receipts. With the exception of the hotel/motel tax revenue, which is lagging behind because room rates have been lowered in light of increased vacancies, the staff is projecting for 6/30/04 increases of $1, 987,000 over the 04 Recap numbers (final projections used in setting the tax rate). Mr. DePasquale pointed out, that, as always, the City fiscal projections are conservative calculations.

Councillor Murphy noted that the hotel/motel lag also reflects the increased use of services such as Priceline.com for the internet purchase of hotel reservations. Internet reservations have not been subject to the full hotel/motel tax. Mayor Sullivan asked whether Boston University is renting rooms from the Hyatt for student housing this year and noted that this contributed significantly to the hotel/motel tax revenue last year.

Mr. DePasquale stated that last year building permit revenues amounted to almost $8.9 million, the highest in the City's history. Their original recap projection for fiscal year 04 was $2,800,000. To date, the revenue has reached $2, 085, 255, and the new June 04 projection is $4,000,000.

Water and parking revenues are also strong. Total water revenues for FY 04 are now projected to come in at $16,300,855, somewhat above the $16,223,911 FY03 total. To date, parking fund revenues are over $6 million, while last year at this time they amounted to $ 5.86 million. However, there will be a supplemental appropriation for garage equipment that will offset some of the additional revenue.

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Committee Report #2

A communication was received from D. Margaret Drury, City Clerk, transmitting a report from Councillor Brian Murphy, Chair of the Finance Committee, for a meeting held on December 2, 2003 for the purpose of receiving a report on city revenues and projections for development revenue for the next several years.

In City Council December 8, 2003

REPORT ACCEPTED.
PLACED ON FILE.