



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 31, 1992

To The Mayor and School Committee:

As your are aware, we began the current budget process with the knowledge that the FY93 budget preparation would be the most difficult in many years. These budget difficulties have been brought on by repeated cutbacks in state aid, the loss of the city's excess levy capacity and the decline in the city's property tax base. As a result of these negative impacts, I issued preliminary budget guidelines last fall that limited School budget growth to 2%. The following chart summarizes the FY92 School budgeted revenues with my original FY93 guidelines for schools:

REVENUE ESTIMATES
(in millions)

Category	FY92	FY93	Increase	Percentage
Tax Levy	\$49,074	\$50,512	\$1,438	2.9%
State Aid	21,700	21,700	-	-
Hotel/Motel	900	900	-	-
Misc. Revenue	<u>200</u>	<u>200</u>	-	-
	\$71,874	\$73,312	\$1,438	2%

Since those guidelines were issued, additional information has become available. First,

while general state aid is expected to remain constant, the Cambridge Schools will lose \$635,000 in state reimbursement for school construction because the debt on particular projects has been retired. That \$635,000 decline must now be taken from the School state aid number. Additionally, I have now completed reviewing city department budgets, and taking into consideration that review process, the original school guidelines, and the \$635,000 drop off referred to above, the city's tax levy for FY93 is estimated at \$132.3 million, \$1.7 million below the projected legal levy limit of \$134.0 million.

My preference at this point would be to remain at the original 2% guideline to allow flexibility with the FY94 budget. However, given that the School Department currently has a \$2.1 million revenue gap (\$2.8 when the state aid drop off is included) I am increasing the School's tax levy allocation for FY93 by \$1 million. Additionally, the city will increase the terms of the bond sale related to the \$1.2 million air quality improvements at the Tobin School. By restructuring the terms of the debt, an annual savings of \$360,000 accrues to the School budget. Finally, I am recommending that the Schools be held harmless for the \$635,000 drop in state reimbursements. Additionally, the city's receipts from the Hotel Tax are declining but I am not reducing the allocation to the schools. In total, as the table below summarizes these changes will result in \$1.995 million in additional funds for the Schools in FY93:

Guideline Changes

Additional tax support	\$1.0 million
Debt Restructuring	.36 million
State Aid Hold Harmless	<u>.635 million</u>
	\$1.995

As the table below indicates, these changes in revenue allocation results in a school tax support increase of 6.3% for FY93:

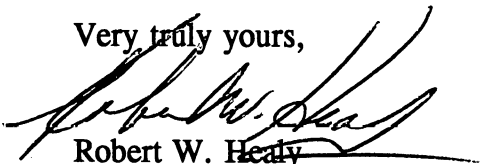
	FY92 Budget	FY93 Original	FY93 Amended	Increase over FY92	
				\$	%
Tax Levy	\$49,074	\$50,512	\$52,147	\$3,073	6.3%
State Aid	21,700	21,700	21,065	(635)	(2.9%)
Hotel/Motel	900	900	900	-	-
Misc. Revenue	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>	<u>-</u>
	\$71,874	\$73,312	\$74,312	\$2,438	3.4%

It should also be noted that because the School debt drop off is being allowed to revert to the operating budget these guidelines actually result in an effective operating budget increase of 4% in FY93, an increase equal to last years increase.

These revenue allocations are final. Because of this I must point out a matter of serious concern to me. As I understand, the School budget currently contains only 1% for salary increases. The School Committee must understand that there will be no ability to increase these revenue numbers and thus any increase granted above 1% will have to be absorbed by the School Department without further city assistance.

In closing, I must once again stress that Cambridge faces severe budget problems in FY94 and beyond. While it appears that the city tax levy in FY93 will rise by \$5.3 million or 4.1%, the legally allowable levy increase for FY94 will be \$4.05 million or 3%. This means that the FY94 budget will not be allowed to increase as much as next years. I strongly urge the School committee and administration to recognize and accept these limitations and plan accordingly for the future.

Very truly yours,


Robert W. Healy
City Manager

cc: Mary Lou McGrath
Superintendent of Schools



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TEL. 349-4300
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4.
April 6, 1992

To The Honorable, The City Council:

I am hereby transmitting for your information my memorandum to the School Committee, relative to the FY93 School Budget.

Very truly yours,

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

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda # 4

F-338

Memo relative to the FY 93 School
Budget to the School Committee.

In City Council,

April 6, 1992

*Referred to the
Finance Committee
4/8/92 Copy sent to Finance
Committee (de)*