



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 876-6800

EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

September 18, 1978

To the Honorable, the City Council:

In the near future the City of Cambridge will be meeting with the Department of Corporations and Taxation to set the tax rate for fiscal 1979. At the present time the Finance Department is doing the necessary financial analysis and computations to establish the tax rate. As you are aware, the new State aid formula did not greatly benefit the City of Cambridge as much as many of the other larger communities in the Commonwealth. We received only a net increase of 3 million dollars from the State distribution as opposed to 65 million dollars more for Boston and substantially more for many of the other communities.

The City of Cambridge is faced this year with substantive increases which are analyzed below. The City finished the year with a revenue deficit of \$2,340,621.49 which must be raised on this year's tax rate. This figure resulted from the authorization by the City Council in February, 1978 to expend 2 million dollars in excess of appropriation for the blizzard of 1978, as well as an over-expenditure by the School Department in excess of appropriation of \$401,000. Since these revenues were not raised in fiscal 1978 they must be raised in the forthcoming fiscal year.

This year the School Department Budget has increased by \$2,200,000 and the impact of the first year's funding of the High School Debt and Interest is \$2,400,000. On the City side of the ledger the budget increase is approximately 1 million dollars. Without the school-related increases the tax rate for the City would have remained stable, for we would have been able to absorb the increases with the additional State aid. The Assessors have advised that the increase in property valuation this year is minimal, amounting to only 2 million dollars. As a result this year approximately 341 thousand dollars equals 1 dollar on the tax rate.

An analysis of the additional costs as a result of the

budget operations follows:

School Department Related Increases

\$2,200,000	Budget Increase
2,400,000	High School
<u>401,000</u>	Over Expenditure

\$5,001,000

14.66

341M)\$5,001,000

Tax Rate Impact \$14.66

City Related Increases

\$1,939,621	Snow related costs 1978
<u>1,000,000</u>	Budget increase

\$2,939,621

8.62

341M)\$2,939,621

Tax Rate Impact \$8.62

Thus the combined influence on the tax rate of the School Department and the City reflect:

School	\$14.66
City	<u>8.62</u>

\$23.28 potential increase

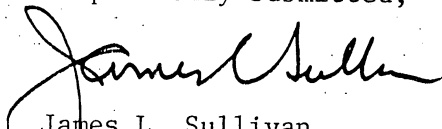
The increased State aid of \$3,058,000 reduces the impact on the tax rate by approximately 9 dollars, providing for a potential tax increase of approximately \$14.00. Additional revenue sources of the City approximate \$1,300,000, thus the tax increase can be reduced to approximately \$10.00. It is my hope that we can keep this figure under \$10.00, which will require approval from the Department of Corporations and Taxation. In the light of the financial impacts on the City this year, I believe this is a realistic figure which will enable us to balance our requirements for the year.

The financial picture for next year would seem at this time to be more optimistic. I do not believe that the School Department can continue to increase at its past levels, and I do not believe that we should incur a revenue deficit next year unless we have a snowstorm of the magnitude of the storm of the century. From the standpoint of the City Administration an increase of 1 million dollars in its budget process is less than 1% of the overall budget and

substantially less than the impact of inflation.

I hope that this communication sets into perspective the financial components of the tax rate analysis.

Respectfully submitted,



James L. Sullivan
City Manager

JLS/mbf



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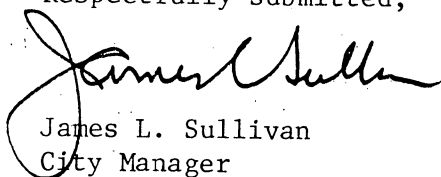
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Respectfully submitted,

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James L. Sullivan
City Manager

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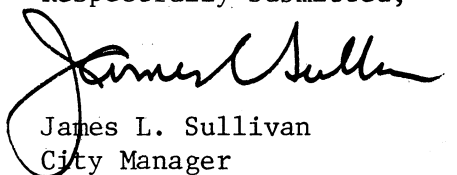
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Agenda # 12

F-262

Tax rate for 1979.

In City Council,
September 18, 1978.

9/18/78

- Placed on File -