



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

January 31, 2003

To The Honorable, The City Council:

The Secretary of Administration and Finance has released Governor Romney's 9c reductions in local aid. The Cambridge loss is \$2,725,396. This amounts to a 6.3% reduction of the City's total State Aid and a 9.35% reduction in the two Cherry Sheet categories that the Governor cut, Lottery and Additional Assistance. This is the highest percentage cut of any city in the Commonwealth. 6.3% is in addition to the \$1.5 that was cut from the Additional Assistance category last fall.

Additionally, the Commonwealth has notified the School Department that they are unlikely to pay vendors for the services to residential placement special needs students for the period April 1 to June 30. This amounts to approximately \$550,000 that the City will need to pay with the "HOPE" that the State will reimburse the City in August.

This means that the City will not receive a total of \$4,775 million dollars in State Revenues that was anticipated in FY03 Budget. While this figure represents a fiscal challenge, the real challenge will be the FY04 Budget when State Aid cuts are expected to be even more severe. The preparation of and recommendations in the FY04 Budget will be difficult, given that the fiscal numbers of the State budget will most likely not be known by the time of my budget submittal. Very conservative assumptions will need to be used. All departments, including schools, must be prepared for providing quality services with less fiscal resources.

As the City Council is aware a "temporary hiring moratorium" has been in effect since January. I am reviewing all "pay-as-you-go" Capital Projects to determine if some can be delayed. All major non Property Tax Revenues (other than State Aid & Hotel Motel Tax) are projected to exceed our traditional conservative estimate. However, a cautious approach must be taken in utilizing reserves or monies that, otherwise, would have gone into reserve accounts.

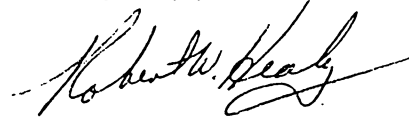
I believe we can complete this fiscal year without major disruption. The one exception may be a potential to hire less than 22 recruits for the June 1st Police Academy. It would, obviously, not be fiscally prudent to hire into positions that could not be

supported in the FY04 budget. Also, the City cannot be expected to, or afford to, assume the costs of grant related programs that have been reduced or eliminated.

The education side of the City Budget must be carefully monitored over the next 5 months. Plans should be considered for having potentially less money available in FY04 than was stated in preliminary budget guidelines.

A very careful balance of expenditure control (review of all vacancies, non replacement of early retirees, delaying or filling essential vacancies at lower pay levels) capital project delays, judicious use of some reserves, fee and service related increases, and modest property tax increases will add up to the City working its way through these difficult fiscal times.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy", with a stylized flourish at the end.

Robert W. Healy
City Manager

RWH/dls

S. 41

Information on State aid.

February 3, 2003