

SECTION IV

REVENUE

REVENUE

REVENUE CATEGORIES

City revenues are divided into six basic categories recommended by the Massachusetts Uniform Municipal Accounting System: charges for services, fines and forfeits, intergovernmental revenue, licenses and permits, miscellaneous revenue, and taxes. The revenues described in this section are received in the General, Parking, Water, and Grant Funds.

REVENUE ASSUMPTIONS

The City's practice is to budget revenues conservatively. Revenue requests for FY24 are based on FY22 actual and FY23 projected collections, historical trends, and anticipated changes that impact particular revenues. In FY22, the City met its budgeted revenue in the aggregate, even as some individual sources fell below budgeted amounts due to the lingering impacts of the COVID-19 crisis. Many revenue sources that declined during the pandemic have rebounded and will continue to be monitored.

The Finance Department annually reviews license and permit fees, charges for services, and fines and forfeits charged by City departments. Increases to these amounts proposed in FY24, for the most part, have not been reflected in the budget, in keeping with the practice to obtain actual revenue history prior to budgeting an increase in revenue. In addition, the economic outlook, planned use of reserves, and ongoing analysis of revenue collections also contribute to the estimates of non-property tax revenues.

MAXIMIZING NON-TAX REVENUE

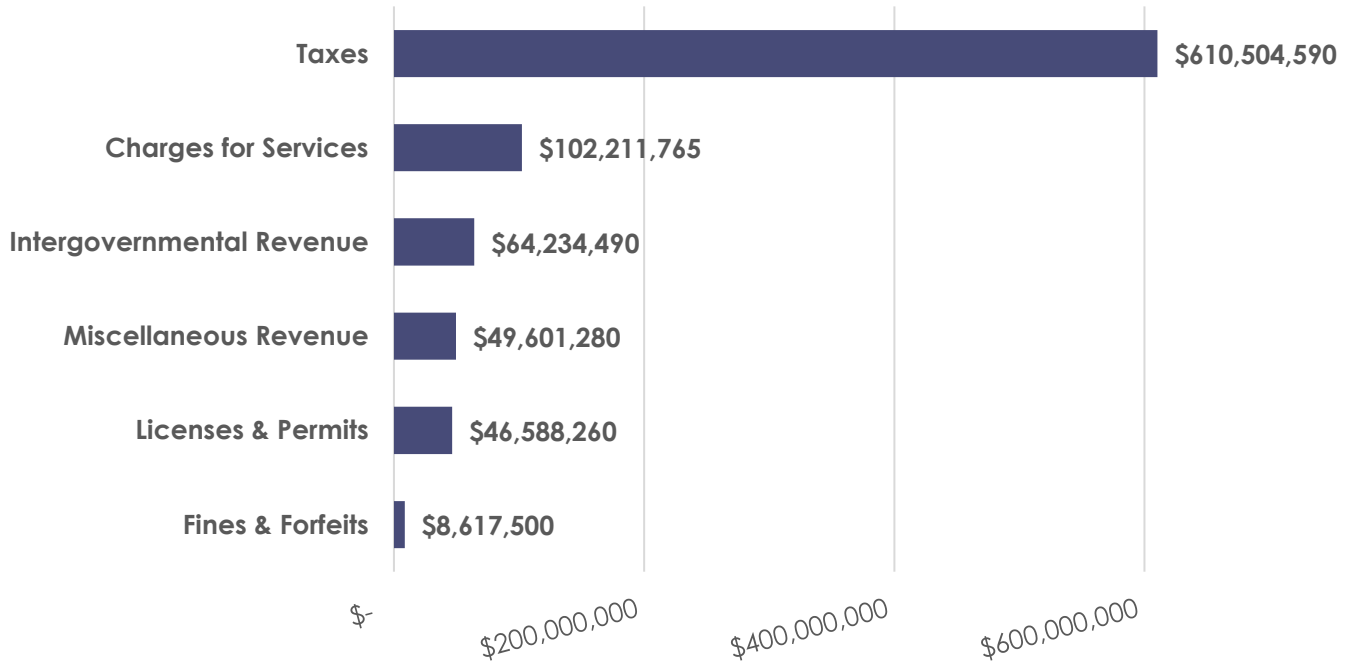
The City will continue its policy of maximizing alternative revenue sources to lower residents' tax burden for City services through enforcing license and permit policies, charging users for specific services where feasible, and collecting outstanding parking fines. Several key non-property tax revenues will be reviewed again in the fall as part of the property tax and classification process. The total property tax levy is projected to increase by 8.8% in FY24, or by \$46.8 million from the FY23 property tax levy.

FIVE YEAR BUDGETED REVENUE ANALYSIS

REVENUE CATEGORY	FY20	FY21	FY22	FY23	FY24
CHARGES FOR SERVICES	\$91,176,760	\$93,436,400	\$89,969,745	\$93,475,125	\$102,211,765
FINES & FORFEITS	\$10,177,370	\$10,490,475	\$8,509,000	\$8,508,000	\$8,617,500
INTERGOVERNMENTAL REVENUE	\$51,350,145	\$54,553,800	\$55,334,540	\$61,742,295	\$64,234,490
LICENSES AND PERMITS	\$20,255,620	\$22,738,570	\$27,483,425	\$42,474,205	\$46,588,260
MISCELLANEOUS REVENUE	\$22,631,620	\$26,573,515	\$26,840,865	\$30,837,540	\$49,601,280
TAXES	\$482,792,720	\$507,471,465	\$540,083,115	\$564,414,705	\$610,504,590
TOTAL	\$678,384,235	\$715,264,225	\$748,220,690	\$801,451,870	\$881,757,885

REVENUE

FY24 OPERATING BUDGET - REVENUES BY CATEGORY: \$881,757,885

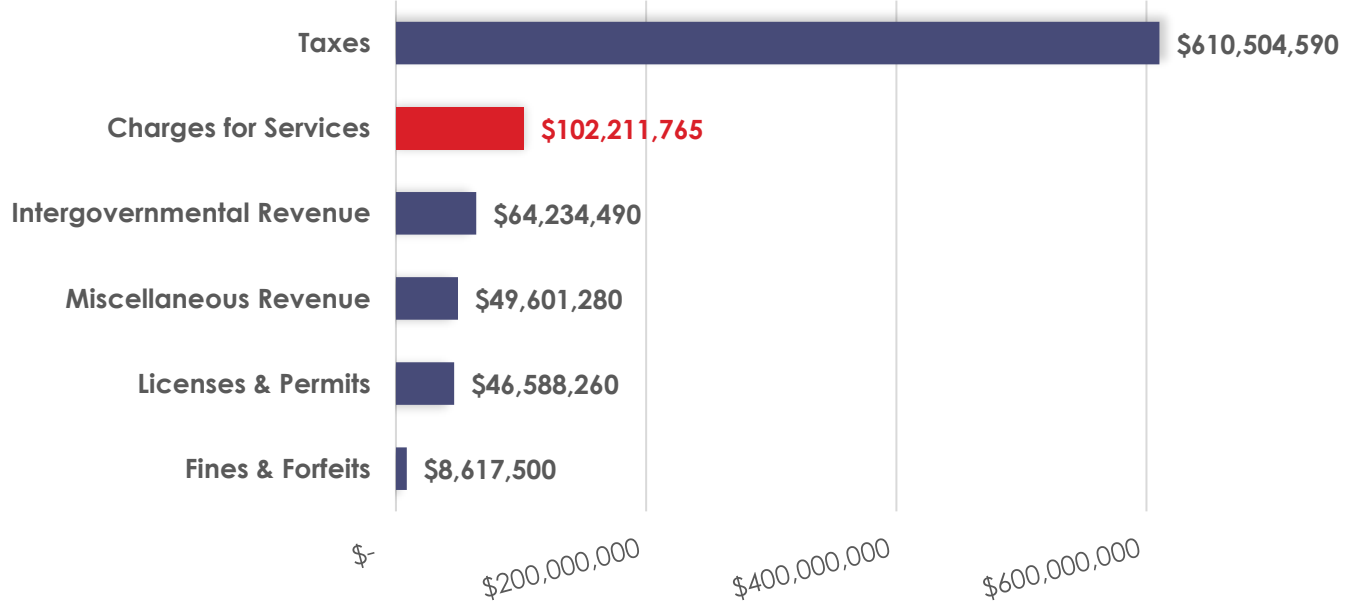


OPERATING BUDGET

FINANCING PLAN BY SOURCE	FY22 ACTUAL	FY23 PROJECTED	FY24 BUDGET
CHARGES FOR SERVICES	\$92,721,065	\$96,522,890	\$102,211,765
FINES & FORFEITS	\$9,445,765	\$10,353,900	\$8,617,500
INTERGOVERNMENTAL REVENUE	\$56,034,175	\$63,265,280	\$64,234,490
LICENSES AND PERMITS	\$49,387,810	\$51,944,200	\$46,588,260
MISCELLANEOUS REVENUE	\$27,676,415	\$35,130,835	\$49,601,280
TAXES	\$527,411,075	\$573,042,930	\$610,504,590
TOTAL REVENUE	\$762,676,305	\$830,260,035	\$881,757,885
PROGRAM EXPENDITURES			
GENERAL GOVERNMENT	\$75,658,475	\$73,851,785	\$79,248,160
PUBLIC SAFETY	\$158,436,220	\$168,931,850	\$186,828,465
COMMUNITY MAINTENANCE AND DEVELOPMENT	\$167,991,285	\$179,027,315	\$218,130,310
HUMAN RESOURCE DEVELOPMENT	\$56,930,305	\$66,292,435	\$80,463,810
EDUCATION	\$221,315,440	\$232,389,140	\$245,000,000
INTERGOVERNMENTAL	\$64,455,990	\$70,580,000	\$72,087,140
TOTAL EXPENDITURES	\$744,787,715	\$791,072,525	\$881,757,885

CHARGES FOR SERVICES

FY24 OPERATING BUDGET - REVENUES BY CATEGORY: \$881,757,885

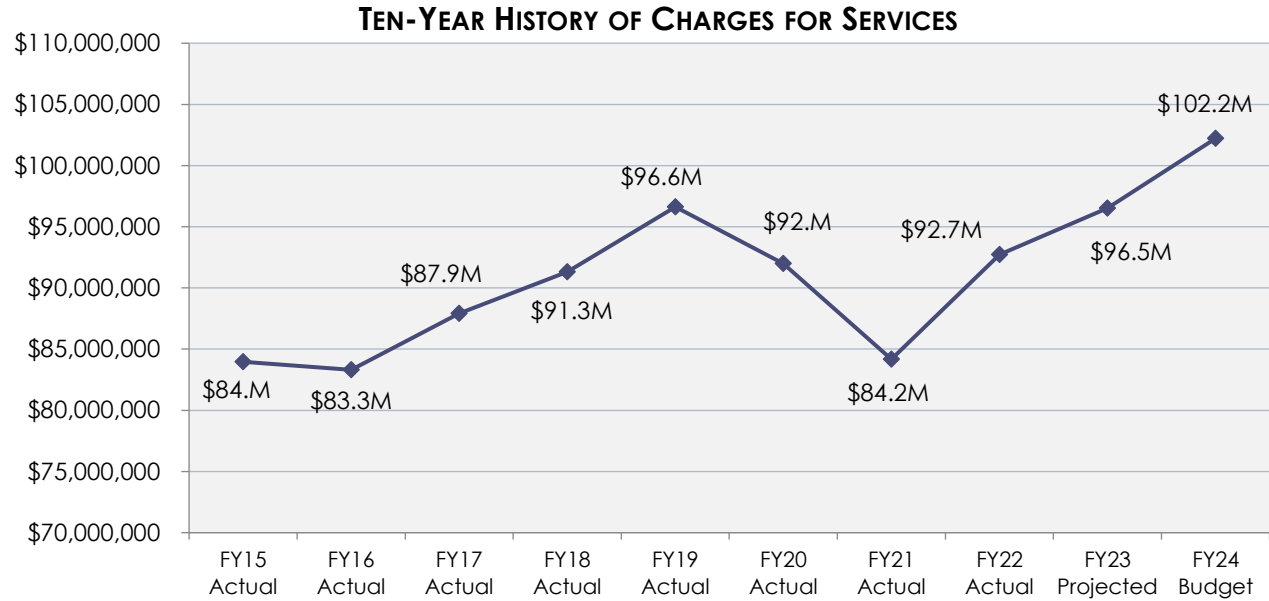


CHARGES FOR SERVICES SUMMARY

CHARGES FOR SERVICES	FY22 ACTUAL	FY23 PROJECTED	FY24 BUDGET
FEES	\$7,664,060	\$8,210,545	\$8,006,240
OTHER CHARGES FOR SERVICES	\$1,992,200	\$2,072,640	\$2,426,840
PARKING	\$10,564,530	\$9,710,000	\$11,010,695
SEWER SERVICE CHARGE,	\$56,038,040	\$60,777,005	\$64,537,255
WATER UTILITY REVENUE	\$16,462,235	\$15,752,700	\$16,230,735
TOTAL	\$92,721,065	\$96,522,890	\$102,211,765

CHARGES FOR SERVICES

Charges for services are an important revenue source to maintain the level of services provided to the community. With a limit on tax revenues, the City must impose charges for the delivery of some services. Fees are flexible and adjustable in accordance with inflation and demand levels. User fees are often a more equitable funding mechanism than taxes because those who benefit from the service directly pay for that service. The user fees also allow the City to recover the cost of providing services, such as water and sewer, to tax exempt institutions. Service charges and user fees will account for 11.6% of total operating revenues.



CHARGES FOR SERVICES

FEES

FY24: \$8,006,240*

FEES	FY22 ACTUAL	FY23 PROJECTED	FY24 BUDGET
ADMINISTRATIVE	<u>\$356,470</u>	<u>\$332,350</u>	<u>\$332,700</u>
Certified Copies	\$233,675	\$226,000	\$226,000
Document Sales	\$155	\$20	\$700
Domestic Partners	\$5,545	\$5,000	\$5,000
Misc. Clerk's Fees	\$27,645	\$30,000	\$30,000
Municipal Liens	\$88,000	\$70,000	\$70,000
Photocopy/Reproduction	\$1,450	\$1,330	\$1,000
ELECTRICAL	<u>\$1,141,180</u>	<u>\$1,109,000</u>	<u>\$1,109,000</u>
Cut-Out/Plug-Out Fee	\$38,825	\$35,000	\$35,000
Fire Alarm Box Charge	\$177,200	\$174,000	\$174,000
Signal Maintenance Fee	\$925,155	\$900,000	\$900,000
HEARING/FILING	<u>\$172,345</u>	<u>\$169,500</u>	<u>\$169,500</u>
Board of Zoning Appeals	\$137,255	\$135,000	\$135,000
Conservation Commission	\$5,675	\$1,500	\$1,500
License Hearing Fees	\$29,415	\$33,000	\$33,000
HUMAN SERVICES	<u>\$4,318,000</u>	<u>\$4,974,695</u>	<u>\$4,817,500</u>
Athletic Leagues	\$1,910	\$6,000	\$6,000
Childcare Tuition	\$1,277,090	\$1,500,000	\$1,400,000
Community Schools	\$1,346,805	\$1,500,000	\$1,600,000
Field Permits	\$100,795	\$140,000	\$140,000
Golf Course	\$1,124,520	\$1,262,695	\$1,060,500
King Open Extended Day	\$192,190	\$160,000	\$220,000
Recreational Activities	\$155,985	\$300,000	\$275,000
Senior Activities	\$42,045	\$25,000	\$25,000
Special Needs	\$12,280	\$11,000	\$11,000
Youth Programs	\$64,380	\$70,000	\$80,000
PUBLIC SAFETY	<u>\$1,676,065</u>	<u>\$1,625,000</u>	<u>\$1,577,540</u>
Agency Fee	\$8,485	\$7,500	\$7,000
Fire Detail Surcharge	\$254,690	\$280,000	\$180,000
Inspectional Details	\$17,055	\$12,500	\$10,000
Police Detail Surcharge	\$308,990	\$275,000	\$300,000
Rescue Service Fees	\$925,350	\$918,000	\$945,540
Sealing Inspection	\$21,815	\$22,000	\$21,000
Smoke Detectors	\$77,050	\$51,000	\$51,000
Towing Surcharge	\$62,630	\$59,000	\$63,000
TOTAL REVENUE	\$7,664,060	\$8,210,545	\$8,006,240

*Does not include revenue (\$30,000 in golf course fees and \$48,000 in recreational activity fees) that will be used in the Capital Budget.

LICENSES & PERMITS

STREET OPENING & SIDEWALK OBSTRUCTION PERMITS

The Public Works Department issues permits for the obstruction and excavation of public rights of way and for the obstruction of sidewalks. Permits require companies to be bonded, insured, and to have proper workplace safety licenses and traffic plans as appropriate.

SUNDAY PERMITS

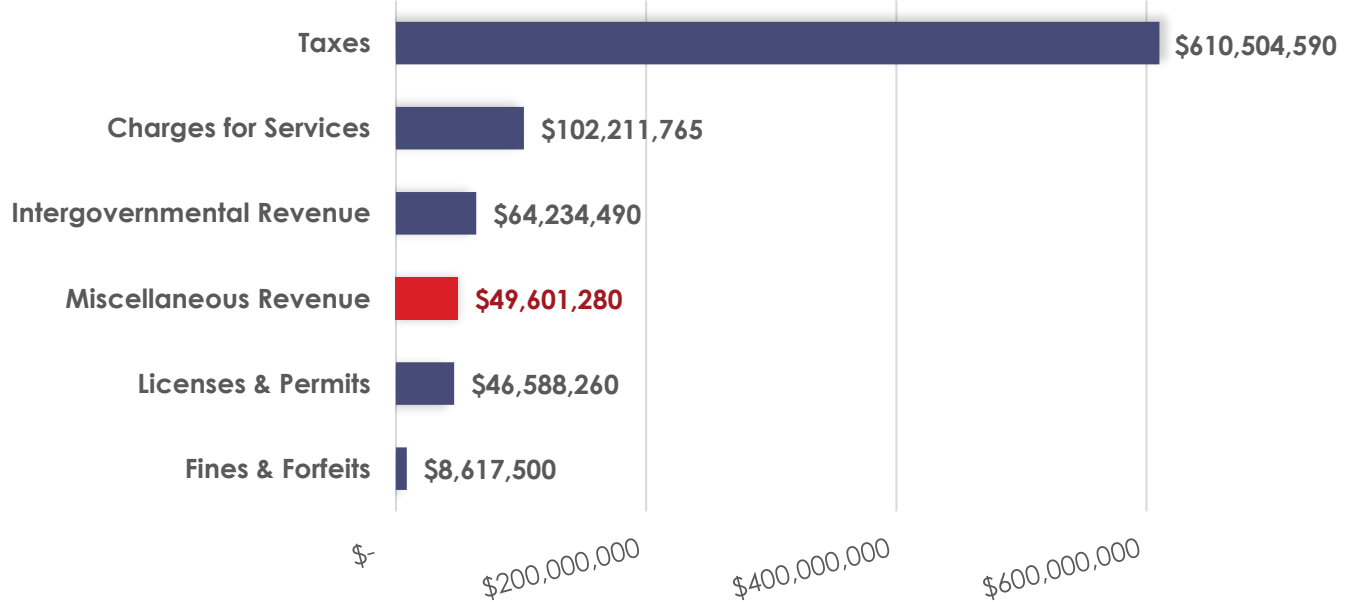
The Police Department issues Sunday permits (\$25 per Sunday) allowing a business to operate on Sunday due to unusual or extenuating circumstances.

WIRING PERMITS

The Inspectional Services Department issues wiring permits to licensed electricians to perform specific electrical wiring work. The cost of the permit is dependent on the number of fixtures and wiring included in the job. The minimum permit fee is \$25.

MISCELLANEOUS REVENUE

FY24 OPERATING BUDGET - REVENUES BY CATEGORY: \$881,757,885



MISCELLANEOUS REVENUE SUMMARY

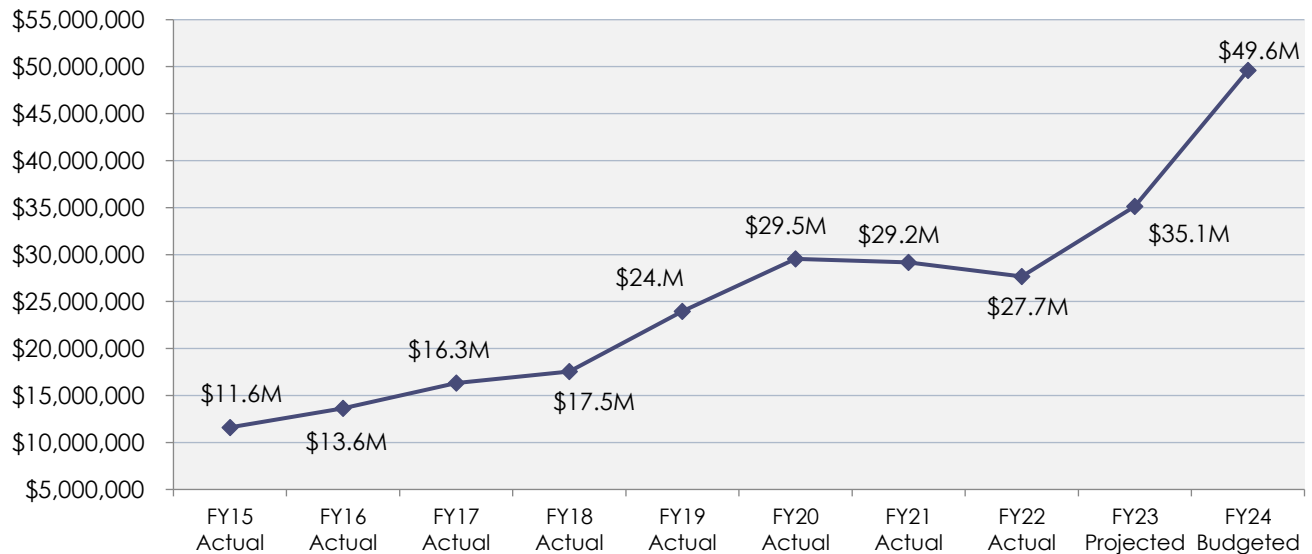
FY24: \$49,601,280

MISCELLANEOUS REVENUE	FY22 ACTUAL	FY23 PROJECTED	FY24 BUDGET
Claims Trust Transfer	\$16,750,000	\$17,000,000	\$17,250,000
Debt Stabilization Transfer	\$9,500,000	\$11,000,000	\$10,000,000
Electric Vehicle Charging Station Revenue	\$34,560	\$48,000	\$55,000
Free Cash	\$0	\$0	\$16,000,000
Interest Earnings	(\$750,460)	\$4,740,000	\$3,940,000
Misc. Reimbursement	\$36,010	\$206,540	\$217,000
Miscellaneous School Receipts	\$186,090	\$50,000	\$50,000
Other Miscellaneous Revenue	\$112,450	\$62,000	\$50,000
Overtime Reimbursement	\$61,115	\$88,000	\$83,000
Recycling	\$22,500	\$12,000	\$12,000
Sale of City Property	\$93,420	\$90,000	\$90,000
Teacher Retirement Transfer	\$775,000	\$775,000	\$775,000
Traffic Knockdown	\$17,390	\$30,000	\$30,000
Traffic Mitigation Funds	\$30,000	\$30,000	\$30,000
Utility Net Metering Credits	\$808,340	\$999,295	\$1,019,280
TOTAL	\$27,676,415	\$35,130,835	\$49,601,280

MISCELLANEOUS REVENUE

The General Fund includes a variety of revenues that cannot be categorized in the other five accounting designations. Interest earnings on investments and transfers from non-operating budget funds comprise the bulk of revenues in this category. Miscellaneous Revenues will account for 5.6% of total operating revenues.

TEN-YEAR HISTORY OF MISCELLANEOUS REVENUE



CLAIMS TRUST TRANSFER

In an effort to lessen the impact of employee benefit increases on the property tax levy, employee contributions from the Health Claims Trust Fund will be used as revenue to offset health insurance, dental, and life insurance costs. The use of these funds is in accordance with the objective of the fund to be used as a contingency against higher than anticipated health insurance costs.

DEBT STABILIZATION TRANSFER

This fund was established as a reserve to offset a portion of the debt service on large tax-supported projects. In FY24, \$10,000,000 will be used to cover debt service costs.

ELECTRIC VEHICLE CHARGING STATION REVENUE

There are City-owned electric vehicle charging stations offering a level 2 charge in locations throughout the city. The stations cost \$0.189 per kWh and \$0.15 per hour. These fees partly offset the cost of the electricity consumed and networking and maintenance of the stations.

FREE CASH

Under MGL Chapter 29, section 23, "free cash" is certified at the beginning of each fiscal year by the state Bureau of Accounts. A community's free cash or budgetary fund balance is the surplus amount of funds that are unrestricted and available for appropriation. This figure is usually generated by actual revenues that exceed estimates and actual expenditures that are less than budgeted amounts. The City carefully limits its use of free cash in operating budgets. The surplus obviates the need for short-term borrowing, bolsters the City's bond ratings, and earns interest. Additional appropriations with free cash are made throughout the fiscal year.

MISCELLANEOUS REVENUE

INTEREST EARNINGS

The City regularly invests temporarily idle cash in the Massachusetts Municipal Trust Depository Cash Fund and through our semiannual Certified Deposit (CD) bids. The City emails bid request to all local banks semiannually to request CD rates for 6-9 month CDs in denominations as low as \$250,000 and as high as \$10,000,000. Over the years, the City has successfully invested idle cash into many local banks.

General Fund interest earnings of \$3,600,000 have been included in the Operating Budget. In addition to this amount, \$300,000 in interest earnings is included in the Parking Fund and \$40,000 from interest on perpetual care accounts have been budgeted in the Public Works Budget.

FY22 actual interest revenue is shown as negative to due an accounting entry related to an unrealized loss caused by fluctuations in the market values of certain treasury bonds. There is an offsetting accounting entry showing a gain in FY23, and the City will receive the full value as the bonds mature without any loss.

MISCELLANEOUS REIMBURSEMENT

The Public Works Department receives reimbursements (\$30,000) for utility costs associated with a community service program located in a City building, as well as reimbursement for fuel obtained at DPW headquarters. This revenue funds energy expenditures in the DPW Budget. The Fire Department receives reimbursements (\$12,000) for the limited use of a rental facility by a third party. Also, the Inspectional Services Department receives reimbursements for laboratory animal inspections (\$125,000).

MISCELLANEOUS SCHOOL RECEIPTS

The School Department receives partial reimbursement from the Department of Elementary & Secondary Education for the transportation of non-resident vocational and homeless students and receives other revenues related to vocational education and international tuition.

OTHER MISCELLANEOUS REVENUE

TP+T receives overtime reimbursement for events that require department staffing and collects a \$0.60 surcharge on each car rental or lease transaction initiated in Cambridge, as required by MGL chapter 90 section 20E.

OVERTIME REIMBURSEMENT

The Police (\$80,000) and Public Works (\$3,000) Departments receive reimbursements from various outside organizations for overtime and services provided by City personnel.

RECYCLING

The City's Public Works Department receives revenue for the materials collected in the curbside recycling collection and drop-off programs. The amount the City receives is based on the market prices per ton of scrap metal, paper, cardboard, cans, and bottles collected minus a per ton processing fee. When market conditions are poor, the City pays for processing of recycled materials.

SALE OF CITY PROPERTY

Revenue from the sale of lots and graves at the City Cemetery supports its the operation and maintenance in the Public Works Budget. The price of a single lot is \$2,000.

TEACHER RETIREMENT TRANSFER

This transfer will be used to offset retirement costs in the Employee Benefits Department. An update to the Pension Actuarial Study is done every two years. The FY24 amount is consistent with previous year allocations and available revenues.

MISCELLANEOUS REVENUE

TRAFFIC KNOCKDOWN

The Public Works and Traffic Departments receive reimbursements for the replacement of streetlights, fire alarm boxes, and traffic lights from individuals who have knocked them down with their vehicles. This revenue is used to fund the expenditure for replacement light poles, fire alarm boxes, and traffic lights.

TRAFFIC MITIGATION FUNDS

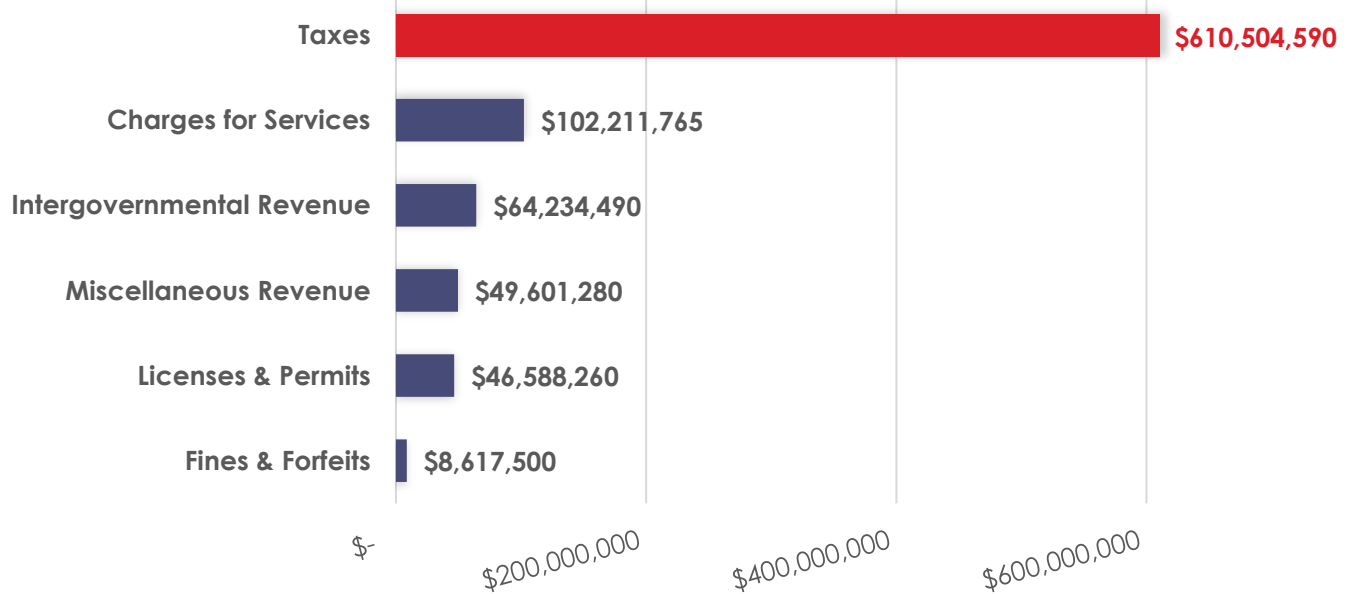
TP+T receives annual mitigation of new development projects for traffic and urban development infrastructures. Each year the owner of the CambridgeSide Galleria contributes \$30,000.

UTILITY NET METERING CREDITS

Virtual net metering credits are earned for energy produced by renewable generating facilities that the City participates in. The City is the registered “off taker” of credits for three rooftop solar systems that have added 4.6 megawatts of renewable energy capacity to the Massachusetts electricity grid.

TAXES

FY24 OPERATING BUDGET - REVENUES BY CATEGORY: \$881,757,885



TAXES SUMMARY

TAXES	FY22 ACTUAL	FY23 PROJECTED	FY24 BUDGET
CANNABIS EXCISE TAX	\$4,020	\$300,000	\$300,000
HOTEL/MOTEL EXCISE TAX	\$8,334,310	\$14,120,000	\$14,120,000
IN LIEU OF TAX PAYMENTS	\$7,880,185	\$8,000,000	\$8,000,000
MEALS EXCISE TAX	\$4,010,060	\$4,758,000	\$4,758,000
MOTOR VEHICLE EXCISE TAX	\$7,776,310	\$7,875,000	\$7,850,000
PENALTIES & DELINQUENT INTEREST	\$1,385,495	\$800,000	\$800,000
PERSONAL PROPERTY TAX	\$21,471,265	\$18,786,035	\$24,653,255
REAL PROPERTY TAX	\$476,549,430	\$518,403,895	\$550,023,335
TOTAL	\$527,411,075	\$573,042,930	\$610,504,590

TAXES

Taxes, primarily on real and personal property, are assessed and levied by the City to fund a wide range of community services. Taxes will account for 69.2% of total General Fund revenues.

CANNABIS EXCISE TAX

FY24: \$300,000

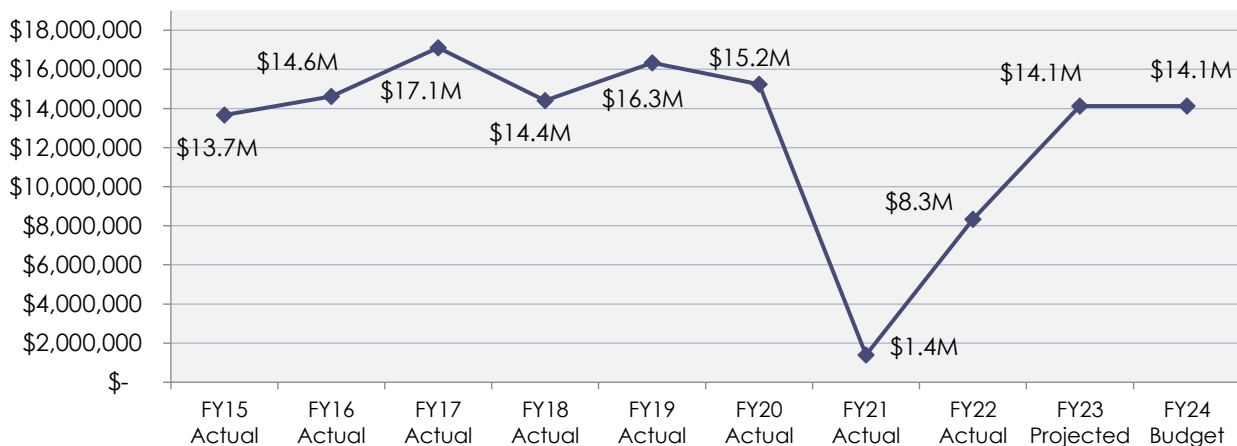
MGL chapter 34N authorizes municipalities to impose a 3% excise tax on the sale of marijuana products. The first recreational marijuana retailers in Cambridge opened during FY22.

HOTEL/MOTEL EXCISE TAX

FY24: \$14,120,000

Chapter 64G, section 3A of the Massachusetts General Laws, states that any city or town has authorization to impose a local excise tax upon the occupancy fee for any room in a hotel or motel or short-term rental located within its limits. The local fee shall not exceed 6% of the total cost of the room and shall not be imposed if the total cost of the room is less than \$15 per day. The local fee was increased from 4% to 6% in FY10. The total tax is 14.45%, with the State and Convention Center Authority receiving the difference of 8.45%. The hotel operator is responsible for collecting the tax from the customer and the Massachusetts Department of Revenue has the legal responsibility for collecting the tax receipts from the hotel operator. Once collected, the state turns the tax receipts over to the City on a quarterly basis.

TEN-YEAR HISTORY OF HOTEL/MOTEL TAX



IN LIEU OF TAX PAYMENTS

FY24: \$8,000,000

The "In Lieu of Tax" payments program was adopted in 1971 to partially offset the loss of tax revenue due to non-taxable property. Harvard University and the Massachusetts Institute of Technology (MIT) are the City's major in lieu of tax payers.

In FY05, the City entered into a 40 year written Payment In Lieu of Taxes (PILOT) agreement with MIT. The agreement contains an annual escalation of the base payment by 2.5% per year during the term. In addition, the City also renewed its PILOT agreement with Harvard University in FY05, which has a 50-year term. The agreement contains an annual escalation of the base payment by 3%. Harvard's base PILOT payment will increase by an additional \$100,000 every 10 years. In addition, other institutions such as the Whitehead Institute and Cambridge Housing Authority, as well as several smaller organizations, make in lieu of tax payments annually.

TAXES

TEN-YEAR HISTORY OF IN LIEU OF TAX PAYMENTS

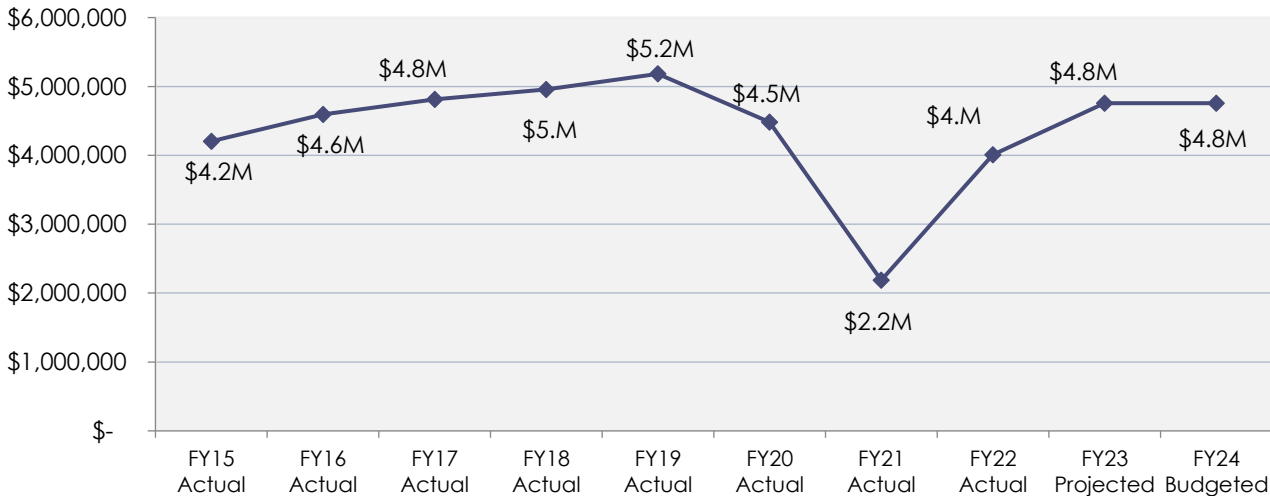


MEALS EXCISE TAX

FY24: \$4,758,000

The state provides cities and towns the ability to impose a 0.75% meals excise upon local acceptance for local use, which the City adopted in July 2009. The state's portion of the Meals Excise Tax is 6.25%.

TEN-YEAR HISTORY OF MEALS EXCISE TAX



MOTOR VEHICLE EXCISE TAX

FY24: \$7,850,000

EXCISE TAX RECEIPTS

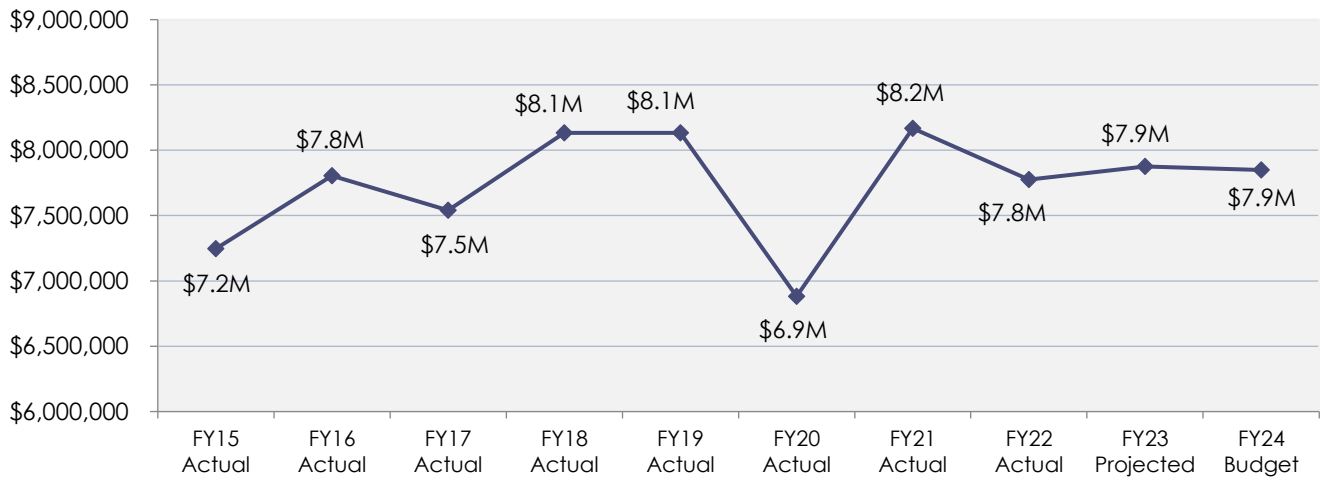
The motor vehicle excise tax is collected by the city or town in which a vehicle is garaged at the time of registration. State law sets the motor vehicle excise rate at \$25 per \$1,000 valuation. These monies are based on data provided by the Massachusetts Registry of Motor Vehicles. Valuations are determined by the Registry using a statutory formula based on a manufacturer's list price and year of manufacture. Accounts are updated nightly, all processes and delinquent notices are automated, and information is provided to the deputy collectors on a quicker and more accurate basis. The City has a web-based payment system that allows excise taxpayers to pay their bill online using their Visa or MasterCard credit cards.

TAXES

REGISTRY NON-RENEWAL SYSTEM

The Registry of Motor Vehicles implemented a computer tracking system that forces auto owners to pay their excise taxes. Those who do not pay are not allowed to renew registrations and licenses. Cities and towns must notify the Registry of delinquent taxpayers and Cambridge currently prepares an excise collection activity computer tape for the Registry at regular intervals.

TEN-YEAR HISTORY OF MOTOR VEHICLE EXCISE TAX



PENALTIES & DELINQUENT INTEREST

FY24: \$800,000

DELINQUENT INTEREST

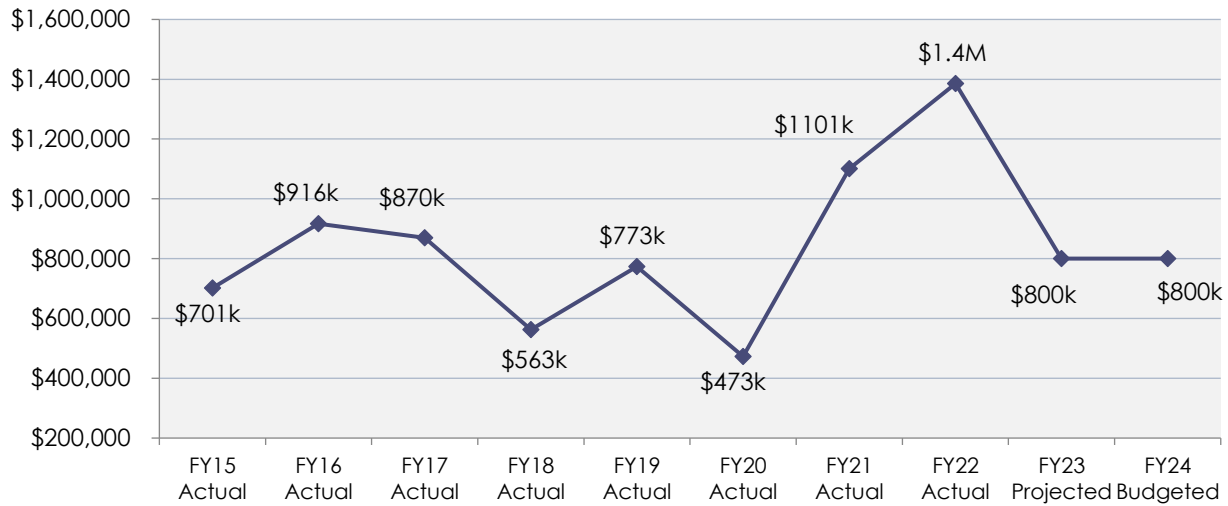
The City receives interest on overdue taxes and water/sewer service rates. State law dictates the interest rate for taxes, whereas City ordinance sets the rate for water/sewer charges. Overdue real and personal property taxes are charged 14% from the due date. Tax title accounts are charged 16% from the tax-taking date or the certification date. The interest rate for delinquent excise tax accounts is 12% from the due date. The interest rate on delinquent water/sewer services is 14% per annum. Water interest is reported in the Water Fund and is not included in the above estimate.

PENALTY CHARGES

If real and personal property taxes are not paid within 30 days for the second billing (usually May 1) in the year of the tax, a demand for payment notice (\$5) is sent to all delinquent taxpayers. Delinquent motor vehicle taxpayers are sent a demand (\$5), a warrant (\$10), and two separate notices from a deputy tax collector (\$12, \$17). The deputy collectors' earnings come solely from delinquent penalty charges, in lieu of a salary. A \$20 fee is added to outstanding excise tax accounts that have been placed on hold at the Registry of Motor Vehicles. Demands and warrants are not issued for delinquent water/sewer service accounts, but such overdue balances are subject to a lien on the corresponding real estate tax bill. Once a delinquent real estate account goes into the process of tax title, there are numerous fees added to the property tax bill.

TAXES

TEN-YEAR HISTORY OF PENALTIES & DELINQUENT INTEREST



PERSONAL PROPERTY TAX

FY24: \$24,653,255

This tax is imposed on the personal property (stock, inventory, and laboratory or business equipment, furniture, fixtures, and machinery) of business firms located in the city. The Board of Assessors determines the value of all taxable personal property for approximately 2,561 accounts. Traditionally, utility companies are the highest personal property taxpayers, but Cambridge has a good biotechnology and high tech base as well. Manufacturing corporations pay personal property tax to the City on poles, wires, and conduit.

The City of Cambridge adopted a Personal Property Tax Exemption to benefit small businesses for fiscal year 2021. Personal property accounts with a total assessed value of less than \$20,000 are granted an exemption.

The personal property tax is projected to produce roughly 4.3% of the City's total property tax revenue. The delinquency rate has rarely exceeded 1%, mainly because the 10 largest accounts pay a majority of the total personal property tax.

The Highest Personal Property Taxpayers (FY23)		
1	NSTAR Electric	\$5,627,324
2	NSTAR Gas	\$2,151,258
3	Novartis Institute for Biomedical Research	\$1,359,246
4	Takeda	\$876,778
5	MCI Com	\$763,541
6	Draper Lab	\$575,236
7	Amgen	\$497,280
8	Level 3 Communications	\$423,352
9	Verizon New England	\$385,566
10	Foundation Medicine, Inc.	\$300,084

TAXES

REAL PROPERTY TAX

FY24: \$550,023,335

The primary source of revenue for municipalities in the Commonwealth is the real property tax. For purposes of taxation, real property includes land and buildings and improvements erected or affixed to the land. The City's Board of Assessors determines the value of all taxable land, which is revalued at fair market each January 1st. The state's Department of Revenue recertifies property values on a triennial basis. In the intervening years, the City is required to perform a statistical validation of values, which is also approved by the state.

TAX LEVIES & COLLECTIONS

The following table shows the tax levies, amounts added as overlay reserve for abatements, and the amount of taxes actually collected as of the end of each fiscal year. The total tax levy for each year includes personal property taxes.

Fiscal Year	Tax Levy	Overlay Reserve Abatements	Net Tax Levy ¹	Collections During FY Payable ²	
				Amount	% of Net Levy
FY23	\$531,428,571	\$4,124,387	\$527,304,184		
FY22	\$494,731,992	\$4,426,877	\$490,305,115	\$492,322,324	100.4%
FY21	\$472,520,148	\$4,343,318	\$468,176,830	\$469,536,464	100.3%
FY20	\$438,128,694	\$4,329,196	\$433,799,498	\$434,056,302	100.1%
FY19	\$409,809,861	\$4,565,850	\$405,244,011	\$408,507,179	100.8%

¹Tax levy less overlay reserve for abatements.

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

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