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Memorandum

To: Honorable Members of the Board of Aldermen

From: Susan Burstein, Chief Budget Officer
Sandy Pooler, Chief Administrative Officer

Date: March 25, 2008

Re: Capital Financing Plans

The following financing plans demonstrate how the City of Newton can meet the capital cost for the various projects that have been undertaken or have been discussed to this date.

We are providing two plans that use high and low assumptions for interest rates that we may receive when we go to the market for financing. These plans demonstrate that, even with the recent volatility in the market, our established strategy of using the capital stabilization fund to manage the impact of total debt service on the operating budget, we have a plan that will work.

These plans all include the following assumptions and definitions:

1. The cost of Newton North High School is \$197.5 million
2. Debt terms
 - a. Newton North debt will be for a term of 30 years (except \$15 million loan from MSBA which is 2% for 25 years)
 - b. All Other building related debt will be for 20 years.
 - c. All Other non-building debt will be for 15 years
 - d. Debt for New Turf will be for 10 years
3. We will continue to renovate all of the fire stations on a schedule of approximately one every 18 to 24 months.
4. New Turf will be funded by \$2.4 million from capital stabilization and \$2.2 million through debt.
5. The percent of revenue dedicated to capital financing increases from 3% to a maximum of 5%, consistent with the suggestions contained in the Blue Ribbon Commission report.
6. We will continue to spend \$3.5 million per year on other building and non-building capital initiatives annually.
7. Old debt includes all debt issued before FY97 and debt related to Newton South.
8. No assumption has been made that there will be an override.
9. Any future capital expenditures will be through debt exclusion to the extent that they will cause the plan to exceed 5% of revenue for debt service.

Below are the interest rate assumptions contained in the two plans.

<u>Bond Term</u>	<u>Plan 1</u>	<u>Plan 2</u>
10 years	3.5%	4%
15 years	3.5%	4.25%
20 years	3.5%	4.6%
30 years	4%	5%

Plan 1

2008 2009 2010 2011 2012 2013 2014

Annual Debt Service Payments

Total General Fund Debt Service	\$ 7,426,543	\$ 8,300,544	\$ 9,342,111	\$ 10,344,638	\$ 11,427,619	\$ 12,595,725	\$ 13,768,548
North High School	\$ 869,913	\$ 4,546,120	\$ 8,454,435	\$ 10,780,877	\$ 10,710,010	\$ 10,483,161	\$ 10,258,418
Debt Service from Capital Reserve	\$ -	\$ (3,110,149)	\$ (5,007,161)	\$ (6,496,750)	\$ (4,987,478)	\$ (3,560,517)	\$ (2,512,043)
Subtotal - NNHS from General Fund	\$ 869,913	\$ 1,435,971	\$ 3,447,274	\$ 4,284,128	\$ 5,722,532	\$ 6,922,644	\$ 7,746,375
Old Debt	\$ 5,941,527	\$ 5,419,818	\$ 4,011,829	\$ 3,927,857	\$ 3,282,185	\$ 2,779,897	\$ 2,689,858
New Turf	\$ -	\$ 297,000	\$ 289,300	\$ 281,600	\$ 273,900	\$ 266,200	\$ 258,500
Fire Stations	\$ 50,490	\$ 241,174	\$ 403,532	\$ 564,554	\$ 542,315	\$ 700,124	\$ 858,872
Other Capital - Total	\$ 564,614	\$ 906,581	\$ 1,190,176	\$ 1,286,499	\$ 1,606,687	\$ 1,926,860	\$ 2,214,943
Contribution to Capital Reserve	\$ 542,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Reserve Balance	\$ 15,491,144	\$ 17,859,096	\$ 17,557,809	\$ 11,191,060	\$ 6,333,582	\$ 2,903,065	\$ 521,022
Projected Revenue	\$ 267,845,728	\$ 275,018,982	\$ 283,094,264	\$ 291,398,248	\$ 299,937,515	\$ 308,718,753	\$ 317,980,315
Debt Service as a % of revenue	3.0%	3.0%	3.3%	3.6%	3.8%	4.1%	4.3%

Plan 1

2015 2016 2017 2018 2019 2020 2021 2022

Annual Debt Service Payments

Total General Fund Debt Service	\$ 15,065,907	\$ 15,720,292	\$ 15,804,744	\$ 15,775,457	\$ 15,516,363	\$ 15,371,897	\$ 15,345,268	\$ 15,101,223
North High School	\$ 10,038,800	\$ 9,832,769	\$ 9,627,476	\$ 9,410,996	\$ 9,203,728	\$ 8,996,460	\$ 8,789,192	\$ 8,591,724
Debt Service from Capital Reserve	\$ (632,735)	\$ (144,437)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 9,406,065	\$ 9,688,332	\$ 9,627,476	\$ 9,410,996	\$ 9,203,728	\$ 8,996,460	\$ 8,789,192	\$ 8,591,724
Old Debt	\$ 2,055,238	\$ 1,996,153	\$ 1,886,443	\$ 1,836,940	\$ 1,791,141	\$ 1,614,438	\$ 1,563,738	\$ 1,312,788
New Turf	\$ 250,800	\$ 243,100	\$ 235,400	\$ 227,700	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 838,995	\$ 984,586	\$ 962,096	\$ 944,462	\$ 921,685	\$ 898,908	\$ 876,130	\$ 843,553
Other Capital - Total	\$ 2,514,809	\$ 2,808,121	\$ 3,093,329	\$ 3,355,358	\$ 3,599,808	\$ 3,862,091	\$ 4,116,208	\$ 4,353,157
Contribution to Capital Reserve	\$ -	\$ -	\$ 387,157	\$ 902,200	\$ 1,661,625	\$ 2,321,430	\$ 2,878,858	\$ 3,669,628
Capital Reserve Balance	\$ 18,287	\$ 3,850	\$ 521,007	\$ 1,423,207	\$ 3,084,832	\$ 5,406,262	\$ 8,285,120	\$ 11,954,747
Projected Revenue	\$327,519,725	\$337,345,317	\$347,465,676	\$357,889,646	\$368,626,336	\$379,685,126	\$391,075,680	\$402,807,950
Debt Service as a % of revenue	4.6%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%

Plan 1

2023 2024 2025 2026 2027 2028 2029 2030

Annual Debt Service Payments

Total General Fund Debt Service	\$ 14,998,886	\$ 14,839,965	\$ 14,589,670	\$ 13,579,617	\$ 12,717,484	\$ 12,224,696	\$ 11,008,782	\$ 10,732,414
North High School	\$ 8,393,857	\$ 8,205,389	\$ 7,995,902	\$ 7,575,471	\$ 7,265,422	\$ 6,953,473	\$ 5,962,286	\$ 5,803,418
Debt Service from Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 8,393,857	\$ 8,205,389	\$ 7,995,902	\$ 7,575,471	\$ 7,265,422	\$ 6,953,473	\$ 5,962,286	\$ 5,803,418
Old Debt	\$ 1,263,713	\$ 1,219,088	\$ 1,174,463	\$ 624,088	\$ 98,919	\$ -	\$ -	\$ -
New Turf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 791,376	\$ 750,598	\$ 730,221	\$ 709,843	\$ 689,466	\$ 669,089	\$ 566,500	\$ 449,000
Other Capital - Total	\$ 4,549,941	\$ 4,664,890	\$ 4,689,084	\$ 4,670,215	\$ 4,663,677	\$ 4,602,134	\$ 4,479,996	\$ 4,479,996
Contribution to Capital Reserve	\$ 4,335,090	\$ 5,074,030	\$ 5,921,746	\$ 7,547,140	\$ 9,043,076	\$ 10,188,682	\$ 12,076,996	\$ 13,045,938
Capital Reserve Balance	\$ 16,289,838	\$ 21,363,868	\$ 27,285,614	\$ 34,832,754	\$ 43,875,830	\$ 54,064,512	\$ 66,141,508	\$ 79,187,446
Projected Revenue	\$414,892,188	\$427,338,954	\$440,159,123	\$453,363,896	\$466,964,813	\$480,973,758	\$495,402,970	\$510,265,060
Debt Service as a % of revenue	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%

Plan 1

2031 2032 2033 2034 2035 2036 2037 2038

Annual Debt Service Payments

Total General Fund Debt Service	\$ 10,459,546	\$ 10,290,178	\$ 10,020,810	\$ 9,754,942	\$ 9,592,574	\$ 8,730,206	\$ 8,583,338	\$ 8,436,470
North High School	\$ 5,644,550	\$ 5,485,682	\$ 5,326,814	\$ 5,167,946	\$ 5,009,078	\$ 4,250,210	\$ 4,103,342	\$ 3,956,474
Debt Service from Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 5,644,550	\$ 5,485,682	\$ 5,326,814	\$ 5,167,946	\$ 5,009,078	\$ 4,250,210	\$ 4,103,342	\$ 3,956,474
Old Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Turf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 335,000	\$ 324,500	\$ 214,000	\$ 107,000	\$ 103,500	\$ -	\$ -	\$ -
Other Capital - Total	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996
Contribution to Capital Reserve	\$ 14,032,156	\$ 14,936,275	\$ 15,962,437	\$ 17,007,802	\$ 17,973,053	\$ 19,662,389	\$ 20,661,035	\$ 21,685,234
Capital Reserve Balance	\$ 93,219,602	\$ 108,155,878	\$ 124,118,314	\$ 141,126,117	\$ 159,099,169	\$ 178,761,558	\$ 199,422,594	\$ 221,107,828
Projected Revenue	\$525,573,011	\$541,340,202	\$557,580,408	\$574,307,820	\$591,537,055	\$609,283,166	\$627,561,661	\$646,388,511
Debt Service as a % of revenue	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%

Plan 1

2039 2040 2041

Annual Debt Service Payments

Total General Fund Debt Service	\$ 7,218,741	\$ 5,297,707	\$ 4,545,510
North High School	\$ 2,738,745	\$ 817,711	\$ 65,514
Debt Service from Capital Reserve	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 2,738,745	\$ 817,711	\$ 65,514
Old Debt	\$ -	\$ -	\$ -
New Turf	\$ -	\$ -	\$ -
Fire Stations	\$ -	\$ -	\$ -
Other Capital - Total	\$ 4,479,996	\$ 4,479,996	\$ 4,479,996
Contribution to Capital Reserve	\$ 23,806,615	\$ 26,658,409	\$ 28,369,290
Capital Reserve Balance	\$244,914,443	\$271,572,852	\$299,942,141
Projected Revenue	\$665,780,166	\$685,753,571	\$706,326,178
Debt Service as a % of revenue	4.7%	4.7%	4.7%

Plan 2

2008 2009 2010 2011 2012 2013 2014 2015

Annual Debt Service Payments

Total General Fund Debt Service	\$ 7,426,543	\$ 8,300,544	\$ 9,625,205	\$ 10,927,434	\$ 12,597,376	\$ 14,417,166	\$ 15,899,016	\$ 16,375,986
North High School	\$ 869,913	\$ 4,867,378	\$ 9,310,085	\$ 11,823,902	\$ 11,735,846	\$ 11,472,280	\$ 11,210,820	\$ 10,954,485
Debt Service from Capital Reserve	\$ -	\$ (3,497,819)	\$ (5,686,914)	\$ (7,105,710)	\$ (5,008,975)	\$ (2,930,549)	\$ (1,570,416)	\$ (484,016)
Subtotal - NNHS from General Fund	\$ 869,913	\$ 1,369,559	\$ 3,623,171	\$ 4,718,191	\$ 6,726,870	\$ 8,541,731	\$ 9,640,403	\$ 10,470,469
Old Debt	\$ 5,941,527	\$ 5,419,818	\$ 4,011,829	\$ 3,927,857	\$ 3,282,185	\$ 2,779,897	\$ 2,689,858	\$ 2,055,238
New Turf	\$ -	\$ 308,000	\$ 299,200	\$ 290,400	\$ 281,600	\$ 272,800	\$ 264,000	\$ 255,200
Fire Stations	\$ 50,490	\$ 259,260	\$ 442,714	\$ 623,732	\$ 598,388	\$ 775,094	\$ 951,637	\$ 926,455
Other Capital - Total	\$ 564,614	\$ 943,906	\$ 1,248,291	\$ 1,367,254	\$ 1,708,332	\$ 2,047,645	\$ 2,353,118	\$ 2,668,624
Contribution to Capital Reserve	\$ 542,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Reserve Balance	\$ 15,491,144	\$ 17,471,426	\$ 16,490,387	\$ 9,514,676	\$ 4,635,701	\$ 1,835,152	\$ 394,736	\$ 40,720
Projected Revenue	\$ 267,845,728	\$ 275,018,982	\$ 283,094,264	\$ 291,398,248	\$ 299,937,515	\$ 308,718,753	\$ 317,980,315	\$ 327,519,725
Debt Service as a % of revenue	3.0%	3.0%	3.4%	3.8%	4.2%	4.7%	5.0%	5.0%

Plan 2

2016 2017 2018 2019 2020 2021 2022 2023

Annual Debt Service Payments

Total General Fund Debt Service	\$ 16,867,266	\$ 16,926,791	\$ 16,863,673	\$ 16,568,997	\$ 16,388,301	\$ 16,323,691	\$ 16,039,914	\$ 15,896,095
North High School	\$ 10,711,737	\$ 10,469,727	\$ 10,216,530	\$ 9,972,545	\$ 9,728,560	\$ 9,484,575	\$ 9,250,390	\$ 9,015,805
Debt Service from Capital Reserve	\$ (151,592)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 10,560,145	\$ 10,469,727	\$ 10,216,530	\$ 9,972,545	\$ 9,728,560	\$ 9,484,575	\$ 9,250,390	\$ 9,015,805
Old Debt	\$ 1,996,153	\$ 1,886,443	\$ 1,836,940	\$ 1,791,141	\$ 1,614,438	\$ 1,563,738	\$ 1,312,788	\$ 1,263,713
New Turf	\$ 246,400	\$ 237,600	\$ 228,800	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 1,088,743	\$ 1,059,848	\$ 1,035,810	\$ 1,006,628	\$ 977,447	\$ 948,265	\$ 909,283	\$ 850,702
Other Capital - Total	\$ 2,975,826	\$ 3,273,174	\$ 3,545,593	\$ 3,798,683	\$ 4,067,856	\$ 4,327,113	\$ 4,567,453	\$ 4,765,876
Contribution to Capital Reserve	\$ -	\$ 446,492	\$ 1,030,809	\$ 1,862,319	\$ 2,595,955	\$ 3,230,093	\$ 4,100,484	\$ 4,848,514
Capital Reserve Balance	\$ 19,128	\$ 595,620	\$ 1,626,429	\$ 3,488,748	\$ 6,084,704	\$ 9,314,797	\$ 13,415,280	\$ 18,263,794
Projected Revenue	\$337,345,317	\$347,465,676	\$357,889,646	\$368,626,336	\$379,685,126	\$391,075,680	\$402,807,950	\$414,892,188
Debt Service as a % of revenue	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Plan 2

2024 2025 2026 2027 2028 2029 2030 2031

Annual Debt Service Payments

Total General Fund Debt Service	\$ 15,693,944	\$ 15,399,542	\$ 14,344,553	\$ 13,438,089	\$ 12,900,969	\$ 11,641,329	\$ 11,322,744	\$ 11,008,759
North High School	\$ 8,790,620	\$ 8,544,416	\$ 8,087,268	\$ 7,740,502	\$ 7,391,836	\$ 6,363,932	\$ 6,168,347	\$ 5,972,763
Debt Service from Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 8,790,620	\$ 8,544,416	\$ 8,087,268	\$ 7,740,502	\$ 7,391,836	\$ 6,363,932	\$ 6,168,347	\$ 5,972,763
Old Debt	\$ 1,219,088	\$ 1,174,463	\$ 624,088	\$ 98,919	\$ -	\$ -	\$ -	\$ -
New Turf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 803,520	\$ 776,738	\$ 749,956	\$ 723,175	\$ 696,393	\$ 587,400	\$ 464,400	\$ 346,000
Other Capital - Total	\$ 4,880,715	\$ 4,903,924	\$ 4,883,240	\$ 4,875,492	\$ 4,812,739	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996
Contribution to Capital Reserve	\$ 5,673,004	\$ 6,608,414	\$ 8,323,642	\$ 9,910,152	\$ 11,147,719	\$ 13,128,820	\$ 14,190,509	\$ 15,269,892
Capital Reserve Balance	\$ 23,936,799	\$ 30,545,213	\$ 38,868,854	\$ 48,779,006	\$ 59,926,725	\$ 73,055,545	\$ 87,246,054	\$ 102,515,946
Projected Revenue	\$ 427,338,954	\$ 440,159,123	\$ 453,363,896	\$ 466,964,813	\$ 480,973,758	\$ 495,402,970	\$ 510,265,060	\$ 525,573,011
Debt Service as a % of revenue	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Plan 2

2032 2033 2034 2035 2036 2037 2038 2039

Annual Debt Service Payments

Total General Fund Debt Service	\$ 10,799,374	\$ 10,489,989	\$ 10,185,204	\$ 9,985,019	\$ 9,084,834	\$ 8,901,249	\$ 8,717,664	\$ 7,463,218
North High School	\$ 5,777,178	\$ 5,581,593	\$ 5,386,008	\$ 5,190,423	\$ 4,394,838	\$ 4,211,253	\$ 4,027,668	\$ 2,773,221
Debt Service from Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 5,777,178	\$ 5,581,593	\$ 5,386,008	\$ 5,190,423	\$ 4,394,838	\$ 4,211,253	\$ 4,027,668	\$ 2,773,221
Old Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Turf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Stations	\$ 332,200	\$ 218,400	\$ 109,200	\$ 104,600	\$ -	\$ -	\$ -	\$ -
Other Capital - Total	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996	\$ 4,689,996
Contribution to Capital Reserve	\$ 16,267,636	\$ 17,389,031	\$ 18,530,187	\$ 19,591,833	\$ 21,379,324	\$ 22,476,834	\$ 23,601,761	\$ 25,825,790
Capital Reserve Balance	\$ 118,783,582	\$ 136,172,613	\$ 154,702,800	\$ 174,294,633	\$ 195,673,957	\$ 218,150,791	\$ 241,752,552	\$ 267,578,342
Projected Revenue	\$ 541,340,202	\$ 557,580,408	\$ 574,307,820	\$ 591,537,055	\$ 609,283,166	\$ 627,561,661	\$ 646,388,511	\$ 665,780,166
Debt Service as a % of revenue	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Plan 2

2040 2041

Annual Debt Service Payments

Total General Fund Debt Service	\$ 5,516,176	\$ 4,756,140
North High School	\$ 826,179	\$ 66,144
Debt Service from Capital Reserve	\$ -	\$ -
Subtotal - NNHS from General Fund	\$ 826,179	\$ 66,144
Old Debt	\$ -	\$ -
New Turf	\$ -	\$ -
Fire Stations	\$ -	\$ -
Other Capital - Total	\$ 4,689,996	\$ 4,689,996
Contribution to Capital Reserve	\$ 28,771,503	\$ 30,560,169
Capital Reserve Balance	\$296,349,845	\$326,910,014
Projected Revenue	\$685,753,571	\$706,326,178
Debt Service as a % of revenue	5.0%	5.0%