



CITY OF NEWTON, MASSACHUSETTS

CITY HALL

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David Wilkinson, Comptroller

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TO: Board of Aldermen
FROM: David Wilkinson *[Signature]*
SUBJECT: **Mayor's Multi-Year Capital Financing Plan**

Attached to this communication is a one page analysis of the projected impact of the Mayor's recommended capital financing plan on the operating budget of the City.

Revenue estimates for both the current plan and the Mayor's recommended plan assume 2 ½% per year growth in the property tax levy, along with \$2 million in new annual growth and a 1.4% allowance for tax abatements and exemptions.

Meaningful growth in non property tax local revenues is constrained by a variety of statutory limitations and the need for near term conservatism in all such budgetary revenue estimates in order to rebuild financial reserves that have been significantly depleted over the past several years. In this regard, it's important to note that free cash is not only at an all time low, but that General Fund Undesignated Fund Balance, on a GAAP (generally accepted accounting principal) basis has declined from 5.3% of revenue in 2000 to 2.6% for the year ended June 30, 2005. Independent credit rating agencies generally consider financial reserves of between 5% and 10% of revenues to be necessary protection against extraordinary and unforeseen events. With the exception of a modest level of growth in motor excise taxes, local non-property tax revenues are expected to change little over the foreseeable future.

Since growth in state and federal aid is completely unpredictable since both funding for local aid and specific aid distribution formulas are at the discretion of the governor and legislature each year, the only growth forecast in this category is anticipated Tier I elementary school building assistance aid. The state's \$46.6 million commitment to the North High School project is expected to be used to either pay down temporary construction loans or used to pay construction obligations directly, so this sum is not included as a General Fund financing source.

Free cash used as a financing source for the operating budget is expected to continue to decline by \$500,000 per year from the current level of \$2.2 million

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Debt service requirements on existing debt, including the \$13.8 million in bonds sold this month will be paid in full by 2026. Assuming that the City continues its long standing policy of committing 3% of total revenues to debt service and pay-as-you-go capital financing, resources are expected to be available to fund growth of approximately 2.8% per year in the operating budget of the City. Column 1 of the attached analysis summarizes the level of resources that are expected to be available to support the operating budget, assuming a continuation of the current policy of dedicating 3% of total revenue to capital financing.

Column 2 of the attached analysis includes an estimate of the resources that are expected to be available to support the operating budget under the Mayor's recommended capital financing plan. This plan is designed to fund a \$140 million North High School project, with \$46.6 million in Commonwealth of Massachusetts construction assistance, and \$4.5 million in additional capital improvements each year.

In order to ease (but not eliminate) the impact of the additional commitment to capital project financing on the annual operating budget during peak debt service requirement years, the Mayor's plan calls for the reallocation of \$250,000 of annual hotel/motel room occupancy tax and or property tax revenue growth from the operating budget to capital budget financing beginning in fiscal year 2007. The \$250,000 annual reallocation, grows to \$1.5 million after five years; \$2.5 million after 10 years; and \$6 million by the year 2030. Funds accumulated in the City's Capital Stabilization Fund are first used to help off-set the impact of new debt service beginning in 2009.

Column 3 of the attached analysis, summarizes the impact that the Mayor's capital financing plan has on the amount of resources available to support the operating budget of the City. Columns 4 and 5 of the attached analysis provide information on the extent to which the high school and other capital project components of the plan contribute to the reduction in funds available for the operating budget.

CITY OF NEWTON, MASSACHUSETTS
MAYOR'S MULTI-YEAR CAPITAL FINANCING PLAN
IMPACT ON ANNUAL OPERATING BUDGET RESOURCES

Year	Column 1	Column 2	Column 3	Column 4	Column 5
	Available for Annual Operating Budget	Operating Budget Impact	Operating Budget Impact	Analysis of	Operating Budget Impact
	Current Plan {1}	Mavor's Proposal {2}		High School Projects	Other Capital
2006	\$ 236,237,014	\$ 236,237,014	\$ -	\$ -	\$ -
2007	244,430,059	244,180,059	(250,000)	(198,539)	(51,461)
2008	251,497,928	250,547,928	(950,000)	(754,450)	(195,550)
2009	259,291,402	257,221,560	(2,069,842)	(1,643,782)	(426,060)
2010	265,462,077	263,789,944	(1,672,133)	(1,327,937)	(344,196)
2011	271,730,686	270,713,132	(1,017,554)	(808,099)	(209,455)
2012	279,592,149	278,389,673	(1,202,476)	(954,956)	(247,520)
2013	287,649,070	286,269,536	(1,379,534)	(1,095,568)	(283,966)
2014	295,659,214	293,076,037	(2,583,176)	(2,051,450)	(531,726)
2015	304,121,776	300,224,344	(3,897,432)	(3,095,176)	(802,256)
2016	312,794,767	308,730,945	(4,063,822)	(3,227,316)	(836,506)
2017	321,683,424	317,735,020	(3,948,404)	(3,135,656)	(812,748)
2018	330,102,196	326,259,440	(3,842,756)	(3,051,755)	(791,001)
2019	339,438,437	335,727,046	(3,711,391)	(2,947,430)	(763,961)
2020	349,006,865	345,567,771	(3,439,094)	(2,731,183)	(707,911)
2021	358,813,263	355,530,727	(3,282,536)	(2,606,851)	(675,685)
2022	368,863,558	365,748,333	(3,115,224)	(2,473,980)	(641,244)
2023	379,163,825	376,227,164	(2,936,661)	(2,332,172)	(604,489)
2024	389,720,291	386,973,946	(2,746,345)	(2,181,031)	(565,314)
2025	400,539,339	397,994,575	(2,544,764)	(2,020,944)	(523,820)
2026	411,627,508	409,295,853	(2,331,656)	(1,851,702)	(479,954)
2027	422,991,504	420,956,507	(2,034,997)	(1,616,108)	(418,889)
2028	434,638,198	433,017,518	(1,620,680)	(1,287,076)	(333,604)
2029	446,574,634	444,956,681	(1,617,952)	(1,284,910)	(333,042)
2030	\$ 458,808,029	\$ 457,272,519	(1,535,510)	(1,219,437)	(316,073)

{1} 3% of revenue for capital purposes.

{2} \$140 million NNHS with \$46.6 million state assistance and \$4.5 million in other capital projects per year.