

Capital Planning

OVERVIEW OF CAPITAL PLANNING

Boston's five-year \$1.5 billion capital plan, "Together, We CAN," is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to deliver necessary municipal services efficiently.

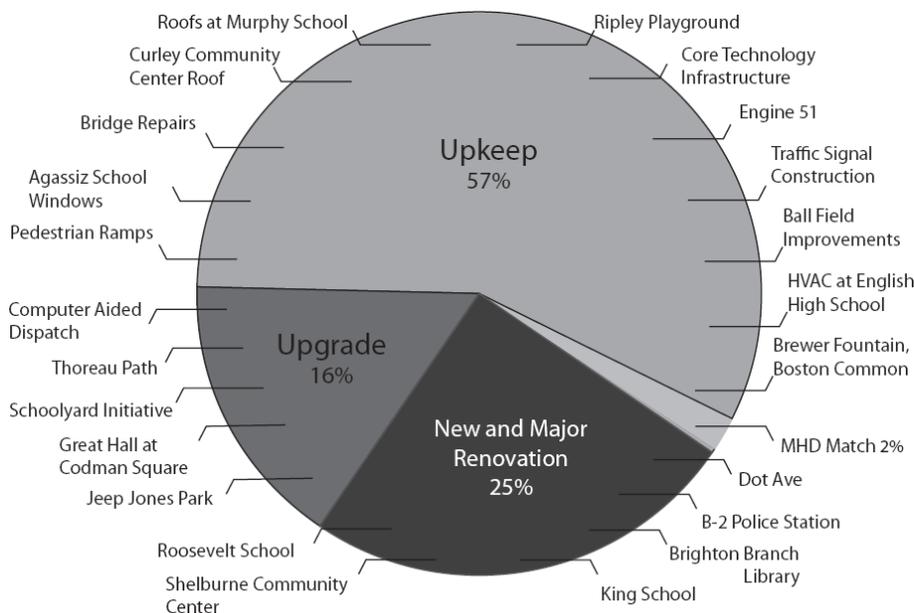
The program name "Together, We CAN" reinforces the ideas that "Cities Are Neighborhoods" and that the capital plan is a strategic tool shaped by many hands and designed to enhance the livability of a city that draws strength from its neighborhoods.

The Office of Budget Management (OBM) is responsible for managing the City's capital plan and budget. OBM coordinates the evaluation of capital requests, forecasts the timing and financial requirements of new construction and rehabilitation, and recommends the allocation of current and future resources by monitoring capital expenditures.

FY10 Allocation Summary

All projects in the capital plan are categorized as Upkeep, New/Major Renovation, Upgrade, Planning or Matching Funds. The Capital Planning division tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the continual expansion and improvement of others.

The "Upkeep" category represents projects that maintain the City's assets, a fundamental priority of the Capital Plan, particularly in years of tighter spending. Accordingly, in FY10 upkeep has grown from 48% to 57% of the budget. These projects include roof and masonry repairs, the replacement of play equipment in parks, HVAC and boiler replacement, and critical repair funds for departments to address relatively small but vital repair projects not covered by routine maintenance. A substantial part of the upkeep portion of allocated spending is on-going roadway programs, including bridge, street, sidewalk, and street lighting repairs that ensure the City's streets and sidewalks are safe and in good condition.



FY10 Spending Allocation

Figure 1

A quarter of the FY10 allocations represent major renovations and new buildings. New facilities and rehabilitation projects for schools, libraries, parks and community centers enable the City's facilities to adapt to fit the needs of today's programs, improve the 'green' performance of facilities, and extend the useful life of historic assets. This category also includes implementation of new and overhauls of existing technology systems.

The Upgrade category represents projects that improve existing assets by adding new capacity or innovations. This year's upgrade allocations include the renovation of Jeep Jones Park in Roxbury, accessibility improvements at the Great Hall in Codman Square and capital investment in the Computer Aided Dispatch (CAD) system which will improve emergency response, disaster preparedness and incident tracking.

Finally, about 2% of the FY10 budget is assigned to matching fund requirements with the state and just under 1% of the FY10 allocation is dedicated to planning projects. Comprehensive planning projects, which analyze a group of buildings or program needs, provide the groundwork for targeted investments in the categories of Upgrade and New/Major Renovations. Matching grants from the Mass Highway Department (MassHighway) and the Massachusetts Bay Transportation Authority (MBTA) unlock state funds for local investment.

The distribution of allocations this year—25% for New/Major Rehabilitations, 16% for Upgrades, 57% for Upkeep, 1% for planning and 2% for matching roadwork—represents a shift towards Upkeep in FY10. The construction of four new facilities and three major renovations increased the New and Major Renovation allocation. The relative growth of the upkeep allocation this year is partly the result of reduction in planned borrowing without diminishing the City's commitment to the basic upkeep of its assets.

Summary and Highlights of the FY10-FY14 Capital Plan

Last year, the Capital Planning division introduced a mapping section on the City of Boston's website. The parks and facilities within the five-year capital plan are now searchable by neighborhood, department or status and displayed in an interactive map. This year the City added planned roadwork for the current fiscal year. A small portion of the projects in the plan cannot be mapped at all because they are citywide, such as technology projects or planning.

In the next years, OBM plans to increase its capacity to map other infrastructure projects such as street lighting and for analysis based on location. Adding geographic information provides a new way of evaluating projects based on demographics, the relationship between projects, and a project's proximity to other programs or resources.

Highlights in the FY10-FY14 Capital Plan include renovations at schools, libraries and community centers, improved recreation opportunities and significant investment in technology initiatives.

Highlights of the FY10-14 Capital Plan

Invest in Youth and Families

Shelburne Community Center
Strand Theatre Improvements
Ripley and Hynes Playgrounds
Pathways to Excellence
Ball Field and Playing Court Renovations
Roosevelt School Addition
Schoolyard Initiative
King School Renovation
New Gym Floors in Community Centers

Improving Neighborhoods

Brighton Branch Library Renovations
New Roofs at Seven Branches
New Fire Apparatus
Thoreau Path
Strategic Bicycle Network
Great Hall in Codman Square
Crossroads Initiative
Washington-Beech Roadways
Sidewalks and Pedestrian Ramps

Strengthening the Economy

New Dudley Square B-2 Police Station
Charlestown Navy Yard Improvements
Permit and Inspection System
Energy Conservation Program
Dorchester Avenue
American Legion Highway
Road Resurfacing and Reconstruction
Computer Aided Dispatch

Capital Planning Process

Capital needs and resource availability are assessed annually through a capital planning process that results in a five-year capital plan. The first year of the spending plan is considered the City's capital budget. Expenditures against this budget are closely monitored. To emphasize the balance between needs and resource availability, the budget document (in Volumes 2 and 3) includes both capital authorizations and expenditure projections for each project.

The annual capital planning process begins with a capital improvement project request schedule where all departments have an opportunity to identify their facility, equipment, infrastructure, and planning needs in a systematic manner and to forward their proposals to OBM for funding consideration. The development of department project requests may involve both internal assessments of current needs as well as a review of external constituent requests.

The departmental requests must be comprehensive and meet threshold criteria established each year. Project requests include cost estimates, descriptions of the proposed scope of work, useful life statements, and project justifications related to the primary criteria.

The total cost of a proposed project must account for its short-term and long-term effect on the City's operating budget. Accordingly, project requests must include information describing the proposed project's anticipated effect on personnel, utilities, maintenance, and supply costs as well as expected changes in service demand or delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation and energy efficiency projects (e.g. heating system upgrades or roof and window replacements) provide operating budget savings. OBM works with departments to measure these savings.

All capital improvement projects requesting funding consideration must meet at least one of the following threshold criteria:

- Complies with Americans with Disabilities Act;
- Improves health and safety;
- Supports economic development;
- Enhances general government effectiveness;
- Mitigates an environmental hazard;
- Responds to a legal, legislative or administrative mandate; or
- Preserves existing municipal facilities.

OBM reviews submissions to determine the extent to which private purposes or benefits exist for each project, a process that allows the City of Boston to maintain its tax-exempt financing status.

New capital requests that are recommended for funding are placed into a multi-year spending plan along with projects previously authorized. The Mayor submits the capital plan to the City Council each year. The City Council, in turn, holds public hearings to consider project authorizations. This year's Capital Plan identifies 327 new and continuing projects and proposes \$52.8 million in new project authorizations.

Descriptions of all 327 projects can be found in Volumes 2 and 3 of the Budget. Project descriptions include authorizations and funding sources, projected expenditures, and scope of the project.

Financing the FY10-FY14 Capital Plan

Financing for the capital plan comes from General Obligation bonds, state and federal funds, trust funds, and other funds. These sources are described below.

General Obligation (G.O.) Bonds

General obligation bonds represent 59.1% of all project funding. This year's plan assumes \$570 million in new general obligation borrowings over the next five years to support ongoing capital needs.

State and Federal Funds

Funds for capital financing are currently estimated at \$181.8 million from state programs and \$320.2 million from federal programs. Specific financing programs provide key resources for Boston's capital plan. Programs include the School Building Assistance program, Chapter 90, the Transportation Improvement Program.

School Building Assistance Program: The School Building Assistance (SBA) program, currently administered by the Massachusetts School Building Authority (MSBA), is an important revenue source for school renovation and construction.

The MSBA assumed responsibility for the payment of existing SBA program commitments from the Department of Education and will review and prioritize future project requests (reimbursement rates range from 40%-80%). MSBA began accepting new project requests in July 2007 and the City submitted seven Statements of Interest.

For the period FY10-14 total payments from the state are estimated at \$51.3 million to offset debt service costs for projects previously approved by MSBA. In addition, the City finalized a project funding agreement for Burke High School with the MSBA that will reimburse the City up to \$42.4 million of approved project costs on a pay as you go basis.

Chapter 90 Funds: Administered by the Massachusetts Highway Department, Chapter 90 funds are allocated by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. Based on recent allocations, \$10.7 million in Chapter 90 funds will be provided in FY10.

Transportation Improvement Program (TIP): The Transportation Improvement Program is a statewide road and bridge construction advertisement program developed under the management of the Commonwealth of Massachusetts Executive Office of Transportation and Construction (EOTC). It includes both locally-owned roads and bridges as well as state owned roads and bridges. The TIP's funding sources include state-issued general obligation bonds and federal funds made available through the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA LU). Additional federal aid is provided this year through the American Recovery and Reinvestment Act of 2009 (ARRA). The City anticipates \$39 million in federal support from ARRA for roadway resurfacing, roadway reconstruction and traffic safety and management improvements.

Trust Funds

The City's Treasury Department manages trust funds and bequests from private citizens dedicated to Boston's public spaces. Grants from the Edward Ingersoll Browne Trust Fund have been used for the restoration of neighborhood parks, schoolyards, and public spaces. The George Robert White Fund is used to support facilities owned by the Fund.

Other Funds

The City uses funds including the Street Opening Account and Surplus Property Fund to finance capital projects. Private donors also provide some funding for capital projects. These sources of capital financing are currently estimated at \$94.0 million.

Expenditures

Current Fiscal Year: Total capital expenditures in FY09 are forecast at \$132 million. The estimate includes \$115 million for general obligation bond spending and \$17 million from various grants and other sources.

Facilities which reopened in FY09 after major renovations included: the Hyde Park Community Center, the Burke High School in Dorchester, the Hemenway School in Hyde Park, and the Veronica Smith Senior Center in Brighton. This summer Chester Square Park in the South End, Phillips Street in Beacon Hill, and Bryne Playground in Dorchester will re-open following major restoration projects.

New facilities were opened in FY09 as well. They include a new police station in Charlestown, a new Fire Academy training simulator on Moon Island, Ceylon Park (new synthetic turf field) and new branch libraries in Mattapan and Grove Hall, Dorchester. The Grove Hall Library was incorporated into a new addition at Burke High School that also includes a new community center.

In FY09, Phase I of the Client Relationship Management system was completed allowing residents to call City Hall for information or concerns and have the issue tracked through to its resolution. The next phase will add tracking capability to more departments and expand the service to on-line users.

The Management Information System Department also began implementing a multi-phase technology initiative for Youth and Human Services in support of the Community Learning Initiative. The project will develop a system to track utilization of programs and improve visibility and access to services across libraries, schools, community centers and the Public Health Commission.

Work is expected to be completed by the end of FY09 at the City's new archives and library storage facility in West Roxbury, the Strand Theatre in Dorchester, and Phase II improvements at East Boston Stadium.

A wide range of renovations continued in the City's school buildings, including masonry repointing, upgraded fire alarms and new roofs. The summer will mark the end to an eight-month compliance project to retrofit all 20 indoor and outdoor pools in order to meet the requirements of the federal Virginia Graeme Baker drain safety law.

Brighton Branch Library will begin a major renovation later this spring to improve accessibility, lighting and energy efficiency. The renovation will create the first

U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) Silver branch in Boston.

Major intersection and traffic signal construction was completed at Four Corners in Dorchester. Phase I of the American Legion Highway in Mattapan was completed during FY09 and Phase II, From Hyde Park Avenue to Cummins Highway, began. Bids were opened by the Commonwealth for the Chelsea Street Bridge in East Boston and the American Legion Bridge, both of which are state Transportation Improvement Projects.

In FY09, the Public Works Department began a five-year \$15 million project for pedestrian ramp upgrades and repair. Approximately 500 ramps were rebuilt, and approximately 150 citations from the Massachusetts Architectural Access Board were eliminated. This spring, the City will begin constructing a strategic network of bicycle lanes connecting existing high-volume paths in the City and improving access into downtown.

Finally, the Public Works department is projected to spend approximately \$18 million in street and sidewalk maintenance in FY09. This work is funded through the street cut opening account, state grants and general obligation borrowing.

Upcoming Fiscal Year: Total capital expenditures in FY10 are forecast at \$122 million. This estimate includes \$110 million for general obligation (G.O.) bond spending and \$12 million from various grants and other sources. The G.O. spending level is a reduction of \$10 million from what was anticipated last year and is in response to the current economic climate. The City's FY10 capital expenditures will be supplemented by an infusion of federal aid through ARRA that will be managed by MassHighway.

A major addition to the five-year plan is the School Department's Pathways to Excellence program. Twelve schools will receive funding to support the creation or expansion of K-8 programs or accommodate the consolidation of school programs based on declining enrollment and operating budget constraints. Construction and renovation work will also be completed at the Roosevelt School and the King School by September 2009.

Round eight of the City of Boston's partnership with the Boston Schoolyard Initiative will include three schoolyards and two outdoor classrooms. New

schoolyards will be built at the Lyndon in West Roxbury, the Bradley in East Boston, and the Curley in Jamaica Plain; the Conley and Winship schools will receive outdoor classrooms.

Solar panels will be installed on the roofs of four additional schools, the Murphy and the Boston Latin Academy in Dorchester, the Boston Latin School in Fenway, and the Roosevelt in Hyde Park. In addition, ongoing programs to replace roofs, repoint masonry, install new HVAC and fire safety systems will continue.

The renovation of the Shelburne Community Center in Roxbury will be underway in early 2010 while design work will continue on the Mattahunt and Curtis Hall centers. Orchard Gardens in Roxbury and the Walsh in South Boston community centers will receive new gym floors.

Park improvements will include major renovations to Ripley Playground in Roxbury and Hynes Playground in West Roxbury and will begin in the early fall. In addition, nine parks will receive court renovations for tennis, basketball and street hockey. The Brewer Fountain on Boston Common will undergo a comprehensive restoration this fall supported in part by the federal Save America's Treasures Fund and local donors. Finally, for the second consecutive year, approximately 400 street trees will be planted in support of the Boston Urban Forest Initiative.

The Fire Department will take delivery of three ladder trucks, two pumpers, an air supply truck and a rescue this summer. These purchases are supported by the long-term apparatus replacement plan and the award of an Assistance to Fire Fighters federal grant which contributed to the purchase of one ladder truck.

Construction on the new B-2 Police Station in Dudley Square will begin this summer. This building is also designed to LEED Silver standards and will be built on a remediated brown-field site.

Management of Information Services Department (MIS) will continue key public safety projects including selecting a new Computer Aided Dispatch system, preparing for F.C.C. mandated narrow banding of emergency communication radio channels, and updating public safety mobile communications. In FY10, MIS will proceed with a second year of its core technology upgrade and "greening" program which includes data center consolidation, server virtualization, enterprise storage, and business interruption planning.

The Public Works Department will continue a \$15 million multi-year program of pedestrian ramp upgrades and repairs.

MassHighway, with funding from ARRA will resurface approximately 21 miles of federally eligible streets, improving 400 pedestrian ramps and adding bicycle lanes where feasible. This will be in addition to the City's annual resurfacing program, which this year, will focus on non-Federal, residential streets.

ARRA will also support the accelerated construction of the Dorchester Avenue project. Peabody Square, Fields Corner, Glover's Corner and Andrew Square along Dorchester will be reconstructed to improve pedestrian safety, facilitate traffic-flow and increase mobility and bicycle accommodation. Finally, through ARRA, MassHighway will fund traffic management improvements at over 50 intersections throughout the city.

FY11-FY14 Planned Expenditures: Planned expenditures for FY11 and FY12 will remain at \$110 million annually. Planned G.O. expenditures in FY13 and FY14 will increase to \$120 million annually. Future grant expenditures are estimated to total approximately \$16 million annually between FY11 and FY14. Figure 2 displays total capital spending from all sources since FY07 and projected expenditures through FY14.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, and actively manage its projects to ensure that spending does not exceed projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

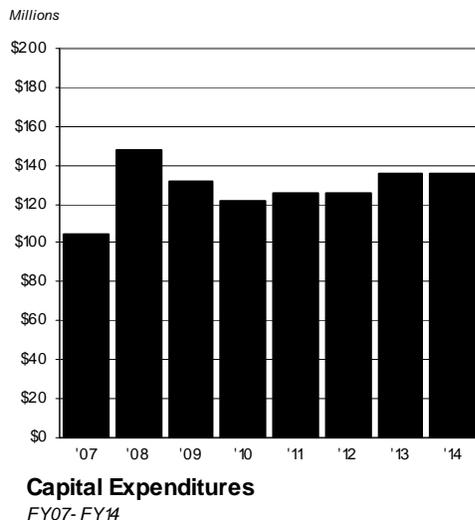


Figure 2

Operating Budget Impacts

Quantifying operating budget impacts related to proposed capital investments is essential to the capital budgeting process. OBM evaluates proposed projects in part based on how they impact the City's operating budget (personnel, maintenance, equipment and utilities). Increased costs are often justified through improved or expanded service delivery, or are unavoidable due to legal mandates or regulatory requirements.

Savings: The capital plan supports investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems and energy inefficiency. The Strand Theatre received a five-stage gas-fired boiler in FY08 which can scale production up or down in response to demand. As a result, the Mayor's Office of Arts, Tourism and Special Events (MOATSE) which operates the Strand will see a 20% reduction in its FY10 utility appropriation compared to its actual FY07 expenditure (the last full year of operations prior to the boiler installation). A substantial portion of the capital plan is focused on these types of basic facility improvements.

The City has committed to designing new buildings and selected major renovations to attain U.S. Green Building Leadership in Energy and Environmental Design (LEED) certification. Construction will begin on a new LEED Silver B-2 police station in Dudley Square. The addition to and renovation of the Roosevelt School in Hyde Park, which will be completed by September 2009, is a registered LEED project. The Brighton Branch library renovation will be LEED Silver for Commercial Interiors. In addition to reducing building waste and improving indoor air quality, these projects will reduce utility costs through energy efficient systems.

In the area of renewable energy, the City became one of thirteen inaugural Solar City Partners with the U.S. Department of Energy (DOE) under the Solar America Initiative in 2007. The Partnership, called SolarBoston, is a 2-year, \$500,000 project supported by the DOE, the Massachusetts Technology Collaborative (MTC), National Grid, NSTAR, and an anonymous foundation. Studies have demonstrated that solar energy systems in Boston produce electricity at periods when utility peak is at its highest, thereby reducing strain on the electricity grid and generating significant savings. Solar power also reduces air emissions, decreases the risk of power outages, and can serve as a hedge against spiking fossil fuel prices.

In FY10 solar panels will be installed on the roofs of four additional schools, the Murphy and the Boston Latin Academy in Dorchester, the Boston Latin School in Fenway, and the Roosevelt in Hyde Park. The resulting reduction in external energy demand will be tracked by the School Department's central energy management system.

The School Department is aggressively pursuing capital projects to save energy and reduce operating costs for utilities. These projects include an on-going program to install energy management systems to control buildings' systems from a remote, centralized location, window replacement projects, installing green and solar roofs and exploring the installation of wind turbines.

The five-year plan includes \$15 million of window replacement projects at a number of schools. Due to recent changes in the Massachusetts State Building Code, these window projects inherently improve insulation and energy savings. Installation is underway at the Condon and McCormack schools while design has started at the Agassiz School; the Marshall, Mattahunt, McKay and Umana schools are scheduled for window replacement in future years. The Energy Management System will track the reduction in energy usage at these locations.

At Brighton High School, the School Department will pilot the installation of a vegetated roof and solar panels on various sections of the multi-level roof. The change in energy usage will be monitored via the central Energy Management System. The outcome of the roof, the health of the plants and maintenance will be evaluated for several years.

In the area of energy management and efficiency, the City benefits from established relationships in the energy industry developed through the Mayor's Advisory Committee and the creation of an Energy Management Board. Boston City Hall and the Boston Public Library's central library in Copley Square have undergone comprehensive energy audits which recommend a range of energy efficiency measures including lighting upgrades and re-commissioning (evaluating a building's current systems' performance against original design specifications).

Installation has begun on the lighting control system at Boston City Hall that is estimated to save 850,000 kilo-watt hours of electricity annually or approximately \$131,000. These buildings are eligible for implementation grants from the ratepayer-funded Energy Efficiency Fund, which is administered by

Boston's local electric utility company, NSTAR, and approved by the state Department of Telecommunications and Energy (DTE) and Division of Energy Resources (DOER).

The City also looks to technology improvements and enhancements to reduce costs and improve efficiency. In FY09, the MIS department began eliminating leased lines used for data communications as it lights up a City-owned fiber optic cable system. Ongoing savings reductions are anticipated through FY10 while the fiber optic/wireless network implementation continues. Eventually, the estimated annual cost savings for eliminating leased lines range from \$1.2 million to \$1.5 million in a fully implemented project, based on current bandwidth demand.

The Core Technology Infrastructure project in MIS provides for the creation of virtual servers, enterprise storage and improved network reliability. In conjunction with the Fiber Optic project, this capital investment will allow the City to consolidate data centers currently located remotely in departments. Consolidation and virtual servers will reduce the amount of hardware needed, as well as the space and energy needed to maintain the remote locations.

The capital project to create a consolidated records center and materials storage facility for the City of Boston Archives and Records Management Center and the Boston Public Library is near completion with occupancy expected before the end of FY09. This facility allows the City to consolidate its collections management operations, currently housed in multiple City-owned buildings and privately-owned locations. In the ongoing effort to centralize building operations and maintenance, the care, custody, and control of the building has been assigned to the Property and Construction Management Department. The building's operation and maintenance costs are currently budgeted centrally in the Property and Construction Management Department, but may be distributed to other operating departments as they begin using the renovated facility. Operation and maintenance costs will be partially offset with lease revenue generated by a non-City tenant temporarily occupying a portion of the building.

Additional Costs: In second half of FY09 two new branch libraries opened replacing two significantly smaller facilities. The new branches will result in the addition of ten net new positions.

Workflow Efficiencies: Investment in an enterprise-wide permitting and licensing system will improve

customer service and achieve efficiencies by providing consistent data that can be shared by multiple City departments simultaneously. Beginning in FY07, the Inspectional Services Department began bringing multiple business processes online. The next department to be brought on line will be the Boston Fire Department. The longer term goal is to move all permitting and licensing functions onto a central system.

MIS, in partnership with user departments, will design and implement a comprehensive time and attendance program to assist departments in managing personnel. This will reduce time spent by each department maintaining attendance records, improve reporting capabilities and enhance management of overtime assignments.

Debt Management Policies and Debt Implications of the Plan

Effective debt management ensures that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes and structure of debt issuance. Long-term debt related to capital investment has two main purposes:

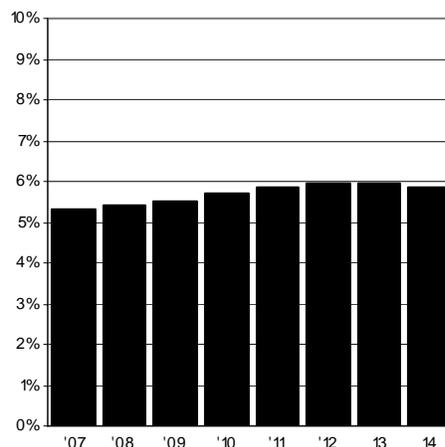
- (1) It finances acquisition, construction, repair, and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) It finances infrastructure improvements to ensure the City's continued growth and safe roadway conditions.

The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs do not exceed 7% of general fund expenditures;
- variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt (the City has no variable debt).

- (Please refer to the chapter on Financial Management for further discussion of the City's financial policies and management controls.)



Gross Debt Service as a Percent of Total General Fund Expenditures
FY07 - FY14

Figure 3

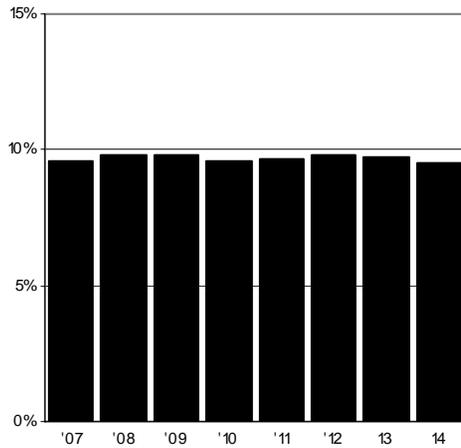
The City's debt service forecast assumes general obligation spending of \$110 million each year from FY10 through FY12 and \$120 million each year for FY13 and FY14. On March 18, 2009, the City issued \$100 million in general obligation bonds and \$8.9 million in general obligation refunding bonds. The debt tables at the end of this chapter detail the City's outstanding debt service obligations and demonstrate the City's rapid retirement of its debt.

The City's gross debt service requirement will remain under 7% of total General Fund expenditures throughout the period FY10-14 (See Figure 3).

The ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in the early part of this decade. This ratio is projected to decrease in FY08 and then increase in the period FY09-FY12 (See Figure 4.).

The City's current overall debt burden (net direct debt to assessed property value of \$90.39 billion) is approximately .93% as of April 1, 2009. The City's net direct debt per capita currently stands at approximately \$1,387.19 as of April 1, 2009.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt



Gross Debt Service as a Percent of the Net Property Tax Levy
FY07 - FY14

Figure 4

expeditiously. As of April 1, 2009, the City's debt retirement schedule shows that 44.5% of its principal will be retired five years out, before the end of FY14 (See Figure 8).

In March 2009, Moody's Investors Service and Standard & Poor's Rating Services affirmed Boston's credit rating at Aa1 and AA+, respectively. These are the highest ratings in Boston's history.

Boston has had ten general obligation bond sales over the past decade, the most recent of which was for \$100 million on March 18, 2009. The City also has had ten general obligation refunding issues. The most recent refunding issue, also on March 18, 2009, achieved significant interest rate savings.

Capital Project Financing

Fiscal Years 2010 - 2014

| | Existing Authorization | FY10 Authorization | FY11-14 Authorization | State | Federal | Other | Trust | Total |
|---|---------------------------|-----------------------|--------------------------|--------------------|--------------------|-------------------|----------------|----------------------|
| Boston Center for Youth and Families | 27,730,629 | 200,000 | 15,380,200 | 626,325 | 0 | 0 | 0 | \$43,937,154 |
| Boston Redevelopment Authority | 1,265,000 | 0 | 0 | 4,263,500 | 5,050,000 | 1,100,000 | 0 | \$11,678,500 |
| Environment Department | 1,717,000 | 0 | 500,000 | 0 | 0 | 0 | 0 | \$2,217,000 |
| Fire Department | 19,983,346 | 3,350,000 | 22,902,150 | 0 | 2,000,000 | 0 | 0 | \$48,235,496 |
| Library Department | 18,528,122 | 250,000 | 30,950,000 | 1,180,000 | 750,000 | 2,171,852 | 0 | \$53,829,974 |
| Management Information Services | 22,927,925 | 15,500,000 | 8,050,000 | 0 | 0 | 750,000 | 0 | \$47,227,925 |
| Neighborhood Development | 20,053,600 | 0 | 345,000 | 0 | 0 | 0 | 0 | \$20,398,600 |
| Parks and Recreation Department | 48,068,478 | 925,000 | 23,339,000 | 25,237,500 | 40,200,000 | 12,285,302 | 220,000 | \$150,275,280 |
| Police Department | 46,007,000 | 0 | 2,815,000 | 200,000 | 0 | 0 | 0 | \$49,022,000 |
| Property and Construction Management Department | 50,061,541 | 2,050,000 | 23,310,000 | 0 | 0 | 8,750,000 | 0 | \$84,171,541 |
| Public Health Commission | 4,500,000 | 1,900,000 | 750,000 | 0 | 0 | 0 | 0 | \$7,150,000 |
| Public Works Department | 115,040,210 | 12,000,000 | 89,849,708 | 105,911,795 | 261,688,000 | 52,410,000 | 0 | \$636,899,713 |
| School Department | 88,420,565 | 16,577,000 | 81,456,400 | 0 | 0 | 14,934,998 | 0 | \$201,388,963 |
| Transportation Department | 15,427,198 | 0 | 23,600,000 | 17,320,000 | 10,480,000 | 50,000 | 0 | \$66,877,198 |
| Total | 479,730,614 | 52,752,000 | 323,247,458 | 154,739,120 | 320,168,000 | 92,452,152 | 220,000 | 1,423,309,344 |

City of Boston
Outstanding Debt by Purpose as of April 1, 2009

| Statute: | | Outstanding @ April 1, 2009 | Percent of Total Outstanding Debt |
|----------------------------------|--|--------------------------------|--|
| <u>General Purpose:</u> | | | |
| C44 s7 (13) | Acquisition of Fire or Police Boats | 68,490 | 0.01 |
| C44 s7 (20) | Acquisition of Land; Cemeteries | 505,770 | 0.05 |
| C44 s7 (21) | Architectural Services for Plans and Specifications | 18,735 | 0.00 |
| C44 s7 (22) | Engineering or Architectural Services | 2,891,408 | 0.31 |
| C44 s7 (25) | Acquisition of Land; Parks and Playgrounds | 65,406,389 | 7.08 |
| C44 s7 (28) | Computer Hardware | 14,839,654 | 1.61 |
| C44 s7 (29) | Computer Software | 4,508,525 | 0.49 |
| C44 s7 (9) | Departmental Equipment | 16,522,631 | 1.79 |
| C44 s7 (9A) | Firefighting Apparatus - Remodeling, Re-Constr. | 128,217 | 0.01 |
| C44 s7 (3B) | Energy Conserv., Alternative Energy Improvements | 978,217 | 0.11 |
| C659 Acts 1986 | BCH - Constr., Equipping, Furnishing | 0 | 0.00 |
| | | \$ 105,868,035 | 11.47 |
| <u>Urban Development:</u> | | | |
| C121B s20 | Urban Redevelopment and Renewal | \$ 17,914,853 | 1.94 |
| C1097 s11 Acts 1971 | Economic Development and Industrial Corp. | 2,575,973 | 0.28 |
| | | \$ 20,490,826 | 2.22 |
| <u>Schools:</u> | | | |
| C645 s8 Acts 1948 | School Project Loan | \$ 41,305,954 | 4.47 |
| C642 s7 Acts 1966 | Capital Improvements; Act of 1966 | 0 | 0.00 |
| C642 s7A Acts 1973 | Capital Improvements; Act of 1973 | 21,415 | 0.00 |
| C642 s7B Acts 1991 | Capital Improvements; Act of 1991 | 14,506,498 | 1.57 |
| C642 s7C Acts 1996 | Capital Improvements; Act of 1996 | 27,130,825 | 2.94 |
| | | \$ 82,964,692 | 8.98 |
| <u>Public Buildings:</u> | | | |
| C44 s7 (3) | Construction of Buildings; Acquisition Of Land | \$ 134,808,404 | 14.60 |
| C44 s7 (3A) | Remodeling and Extraordinary Repairs | 381,664,577 | 41.33 |
| C642 s7 Acts 1966 | Capital Improvements; Act of 1966 | 70,236 | 0.01 |
| C642 s7A Acts 1973 | Capital Improvements; Act of 1973 | 2,300,599 | 0.25 |
| C642 s7B Acts 1991 | Capital Improvements; Act of 1991 | 40,884,901 | 4.43 |
| C642 s7C Acts 1996 | Capital Improvements; Act of 1996 | 27,366,632 | 2.96 |
| | | \$ 587,095,349 | 63.58 |
| <u>Public Works:</u> | | | |
| C44 s7 (1) | Construct/Re-Construct of Surface Drains, Sewers, et | \$ 2,021,699 | 0.22 |
| C44 s7 (4) | Construction and/or Re-Construction of Bridges | 32,922,984 | 3.57 |
| C44 s7 (5) | Construction of Public Ways | 49,695,055 | 5.38 |
| C44 s7 (6) | Construction of Sidewalks | 10,920,056 | 1.18 |
| C44 s7 (14) | Traffic Signal and Public Lighting Install., etc. | 18,873,696 | 2.04 |
| C44 s8 (4) | Reservoir Constr/Enlrg; Water Trmt Bldgs | 428,316 | 0.05 |
| C44 s8 (5) | Water Mains Laying, Re-Laying, Construct. | 2,002,836 | 0.22 |
| C44 s8 (7A) | Water Meter Purchase & Installation | 194,873 | 0.02 |
| C44 s8 (7C) | Water Dept. Equip.; Purchase, Replace., Rehab. | 1,227,501 | 0.13 |
| C44 s8 (24) C29C | Landfill; Closing, Opening, Improve. to (MWPAT) | 8,677,753 | 0.94 |
| | | \$ 126,964,768 | 13.75 |
| | Grand Total = | \$ 923,383,670 | 100.00 % |

CITY of BOSTON
DEBT SERVICE PAYMENTS on GENERAL OBLIGATION BONDS

@ April 1, 2009

- Stated in Five Year Intervals -
 (\$ in thousands)

| DATE of ISSUE | AMOUNT ISSUED | @ 4/ 1/09 | | FY'09 through FY'14 | | FY'15 through FY'19 | | FY'20 through FY'24 | | FY'25 through FY'29 | | @ 4/ 1/09 | |
|---------------------------|---------------|------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|-----------------|---------------------|--------------------|-----------|----------|
| | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| March 18, 2009 | 100,000 | 31,110 | 19,969 | 26,050 | 13,635 | 21,095 | 7,712 | 21,745 | 3,093 | \$100,000 | \$44,409 | | |
| March 18, 2009 | 8,940 | 25 | 1,741 | 8,915 | 1,568 | 0 | 0 | 0 | 0 | \$8,940 | \$3,299 | | |
| March 20, 2008 | 126,185 | 35,380 | 26,344 | 31,065 | 17,933 | 28,210 | 10,583 | 25,170 | 3,223 | \$119,825 | \$58,083 | | |
| March 20, 2008 | 28,155 | 24,370 | 2,874 | 2,745 | 110 | 0 | 0 | 0 | 0 | \$27,115 | \$2,984 | | |
| March 22, 2007 | 100,000 | 28,615 | 17,470 | 25,105 | 11,203 | 21,500 | 5,499 | 13,570 | 989 | \$88,790 | \$35,161 | | |
| March 31, 2006 | 80,000 | 1,710 | 17,510 | 41,860 | 14,077 | 41,150 | 2,782 | 0 | 0 | \$84,720 | \$34,369 | | |
| February 1, 2005 | 52,775 | 35,295 | 9,807 | 17,610 | 6,507 | 13,835 | 2,705 | 5,050 | 319 | \$61,295 | \$21,285 | | |
| February 1, 2005 | 75,000 | 22,005 | 10,220 | 16,200 | 5,297 | 13,635 | 2,141 | 2,660 | 106 | \$52,775 | \$11,364 | | |
| April 1, 2004 | 42,330 | 12,645 | 822 | 0 | 0 | 0 | 0 | 0 | 0 | \$12,645 | \$822 | | |
| February 1, 2004 | 35,870 | 14,725 | 2,309 | 2,440 | 122 | 0 | 0 | 0 | 0 | \$17,165 | \$2,431 | | |
| February 1, 2004 | 65,000 | 18,150 | 8,523 | 15,000 | 4,480 | 12,850 | 1,603 | 0 | 0 | \$46,000 | \$14,606 | | |
| February 1, 2003 | 28,515 | 16,725 | 2,570 | 0 | 0 | 0 | 0 | 0 | 0 | \$16,725 | \$2,570 | | |
| February 1, 2003 | 25,000 | 6,500 | 2,627 | 6,000 | 1,131 | 1,200 | 54 | 0 | 0 | \$13,700 | \$3,812 | | |
| February 1, 2003 | 33,500 | 6,515 | 4,090 | 10,465 | 2,201 | 2,690 | 121 | 0 | 0 | \$19,670 | \$6,412 | | |
| February 1, 2003 | 75,000 | 19,780 | 7,123 | 16,050 | 2,753 | 2,450 | 110 | 0 | 0 | \$38,280 | \$9,986 | | |
| August 15, 2002 | 48,640 | 22,200 | 8,587 | 20,310 | 3,464 | 3,850 | 173 | 0 | 0 | \$46,360 | \$12,224 | | |
| February 1, 2002 | 100,000 | 25,935 | 5,263 | 9,000 | 653 | 0 | 0 | 0 | 0 | \$34,935 | \$5,916 | | |
| April 1, 2001 | 52,025 | 26,940 | 4,549 | 6,360 | 318 | 0 | 0 | 0 | 0 | \$33,300 | \$4,867 | | |
| February 1, 2001 | 120,000 | 27,745 | 4,502 | 4,655.00 | 219 | 0 | 0 | 0 | 0 | \$32,400 | \$4,721 | | |
| February 1, 2000 | 120,000 | 6,025 | 346 | 0 | 0 | 0 | 0 | 0 | 0 | \$6,025 | \$346 | | |
| MM/PAT - October 15, 1999 | 13,389 | 3,409 | 1,692 | 3,955 | 729 | 855 | 24 | 0 | 0 | \$8,219 | \$2,445 | | |
| Totals: | | \$410,604 | \$170,692 | \$281,265 | \$87,947 | \$163,320 | \$33,507 | \$68,195 | \$7,730 | \$923,384 | \$299,876 | | |
| | | | \$581,296 | | \$369,212 | | \$196,827 | | \$75,925 | | \$1,223,260 | | |

@ 4/1/09:

% of Total Principal and Interest Retired in 5 Years: **44.5%** **56.9%**

% of Total Principal and Interest Retired in 10 Years: **74.9%** **86.2%**

% of Total Principal and Interest Retired in 15 Years: **92.6%** **97.4%**

% of Total Principal and Interest Retired in 20 Years: **100.0%** **100.0%**

Note: R = General Obligation Refunding Issuance

CAPITAL FUND - DEBT SERVICE REQUIREMENTS - FISCAL YEARS 2008 through 2014

| | Actual FY08 | Projected FY09 | Projected FY10 | Projected FY11 | Projected FY12 | Projected FY13 | Projected FY14 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Gross Debt Service Requirements - Bonded Debt: | | | | | | | |
| Total Principal: | 84,072,086.00 | 88,533,046.66 | 91,783,669.00 | 95,905,000.00 | 101,740,000.00 | 105,120,000.00 | 106,215,000.00 |
| Total Interest: | 39,010,908.08 | 45,008,662.22 | 44,598,634.36 | 47,061,553.92 | 48,908,159.14 | 50,800,373.81 | 52,657,841.91 |
| (1) Total: | 123,082,994.08 | 133,541,708.88 | 136,382,303.36 | 142,966,553.92 | 150,648,159.14 | 155,920,373.81 | 158,872,841.91 |
| Less: Revenue Deemed Available from Related Sources: | | | | | | | |
| Boston Medical Center | 631,894.95 | 752,600.74 | 735,912.49 | 721,834.22 | 742,397.75 | 703,414.19 | 375,290.96 |
| Boston Public Health Commission | 553,770.68 | 681,245.81 | 673,202.78 | 670,790.36 | 661,374.13 | 527,203.26 | 211,477.71 |
| Water and Sewer Payments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gardner Street Landfill Subsidy | 516,522.08 | 492,350.74 | 483,701.36 | 439,686.70 | 434,162.78 | 422,998.00 | 410,113.57 |
| (2) Irrigation Project | 262,125.38 | 253,958.94 | 246,810.26 | 239,661.59 | 231,495.12 | 223,246.26 | 214,914.96 |
| (3) 1010 Massachusetts Avenue Project | 1,652,301.00 | 1,707,466.00 | 1,754,534.00 | 1,800,321.00 | 1,856,561.00 | 1,919,028.00 | 1,966,381.00 |
| (4) Pension Management System | 0.00 | 1,432,246.80 | 1,432,246.80 | 1,432,246.80 | 1,432,246.80 | 1,432,246.80 | 0.00 |
| Accrued Interest | 0.00 | 0.00 | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| Premium | 3,695,492.28 | 5,821,979.85 | 3,413,230.67 | 3,702,736.36 | 3,698,969.16 | 100,000.00 | 100,000.00 |
| Plus: Interest on Temporary Loan Notes and Additional Items: | | | | | | | |
| Revenue Anticipation | 0.00 | 2,457,900.00 | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 |
| Cost of Issuance | 149,621.37 | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 | 500,000.00 |
| (5) Dudley Sq., Modern. Site / Sec. 108 | 0.00 | 505,000.00 | 505,000.00 | 505,000.00 | 505,000.00 | 505,000.00 | 505,000.00 |
| School B.A.N.'s | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Debt Service/Budget Summary: | 115,920,509.08 | 125,862,760.00 | 131,547,665.00 | 137,864,276.89 | 145,495,952.40 | 154,497,237.30 | 159,499,663.71 |
| Additional Adjustments: | | | | | | | |
| Less: | | | | | | | |
| School Construction Assistance | 13,711,961.00 | 13,198,866.00 | 12,956,404.00 | 11,157,748.00 | 9,847,753.00 | 8,833,043.00 | 8,474,584.00 |
| (6) Room Occupancy Expose Fund | 8,268,937.50 | 8,269,362.50 | 8,270,862.50 | 8,272,662.50 | 8,268,662.50 | 8,269,025.00 | 8,267,750.00 |
| Plus: | | | | | | | |
| (6) Convention Center Special Obligation Bonds | 8,268,937.50 | 8,269,362.50 | 8,270,862.50 | 8,272,662.50 | 8,268,662.50 | 8,269,025.00 | 8,267,750.00 |
| Total Net Debt Service Requirements: | 102,208,548.08 | 112,663,894.00 | 118,591,261.00 | 126,706,528.89 | 135,648,199.40 | 145,664,194.30 | 151,025,079.71 |

NOTES:

- (1) FY09 - On May 27, 2009, the City issued \$31,485 million in General Obligation Refunding Bonds with a 9 year maturity and an average interest rate of 2.86 %.
- FY09 - On March 18, 2009, the City issued \$100 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.35 % and issued \$8,940 million in General Obligation Refunding Bonds with a 10 year maturity and an average interest rate of 2.83 %.
- Assumptions:
FY10 through FY12 - Assumes General Obligation debt issuance of \$ 110 million per year, each with a 20 year maturity and an average interest rate of 6.0 %.
FY13 through FY14 - Assumes General Obligation debt issuance of \$ 120 million per year, each with a 20 year maturity and an average interest rate of 6.0 %.
- (2) Debt Service Costs will be offset by the "Fund for Parks and Recreation".
- (3) Debt Service Costs will be offset by charging City departments for the space they occupy.
- (4) Debt Service Costs will be offset by semi-annual payments from the Retirement Board for FY09 - FY13.
- (5) Debt Service Costs are based on level principal payments over ten years; interest cost covered from other sources.
- (6) On April 15, 2002, the City issued \$116.9 million in Special Obligation Bonds for the Convention Center with a 25 year maturity and an average interest rate of 4.83%. Pledged revenues will be dedicated to the repayment of the debt service.

