Consent Agenda # 14

CITY COUNCIL
CITY OF CAMBRIDGE
June 20, 1994

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING AN APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1993

ORDERED: That the following transfer be made in the General Fund to the School Debt Stabilization Fund of the City of Cambridge:

FROM	AMOUNT	TO	AMOUNT
School Debt Service Extraordinary Expenditures	$528,968.00	School Debt Services Stabilization Fund	$528,968.00

REASON (S) For the purposes of offsetting future School debt service.

In City Council June 20, 1994.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

CAMBRIDGE SCHOOL DEPARTMENT

159 THORNDIKE STREET
CAMBRIDGE, MASSACHUSETTS 02141

June 14, 1994

To The Honorable Members of the School Committee:

School Debt Stabilization Fund

Recommendation: That the School Committee request the City Manager to establish a School Debt Service Stabilization Fund for the exclusive purpose of receiving and expending funds related to school construction or renovation projects which have been approved for funding by the School Committee, City Manager and City Council. The intent of establishing such Stabilization Fund shall be to stabilize the impact on the annual budget of fluctuating principal and interest costs on school projects, and to provide an ongoing source of funding for future school projects.

Further, that the School Committee approve the transfer of $528,968 from the Debt Service account of the FY93-94 School General Fund Budget to the School Debt Service Stabilization Fund, such amount being the available balance in this account resulting from the first state reimbursement payment for the New Haggerty School Project, for which the first bond principal and interest payment is due in FY1994-95.

Description: Establishment of this Stabilization Fund will enable the School Department to initiate an ongoing source of funding for current and future school projects that will, if prudently managed, reduce the fluctuating budget cost patterns that occur when new projects are brought on-line. Revenue from the local property tax levy, state school construction reimbursements, and such other sources as the School Committee, City Manager and City Council may deem appropriate, would enable future projects to be approved without catastrophic impact on the School General Fund Operating Budget, which contains the budget for principal and interest payments on school construction bonds.

Attached is a 10-year plan summarizing estimated revenues, expenditures and available funds based on the establishment of the Stabilization Fund. At the present time, the School Department is facing a major budget problem in FY1995-96 and FY1996-97 related to Debt Service costs. The 20 year bonds for the New High School project (CRLS) were delayed in issuance back in the mid-1970's, while state reimbursements for the project were not delayed. As a result, the reimbursements end after 1994-95, while the bond principal and interest payments continue in 1995-96 and through the next two years.

Absent state reimbursements, the only other source of funding to pay school bond issue principal and interest costs is the Property Tax Levy, which is also the primary source of funding for the School Operating Budget. As the attached 10-year chart shows, the problem is much more significant without a Stabilization Fund, which can be used to set funds aside over the next two years, and can retain funds for future principal and interest payments to prevent a situation such as occurred with the High School bonds from occurring again.

With a Stabilization Fund, we can resolve the problem for FY1995-96, and reduce it for FY1996-97. If additional sources of funding can be identified over the next 2-3 years, we can further reduce the impact.

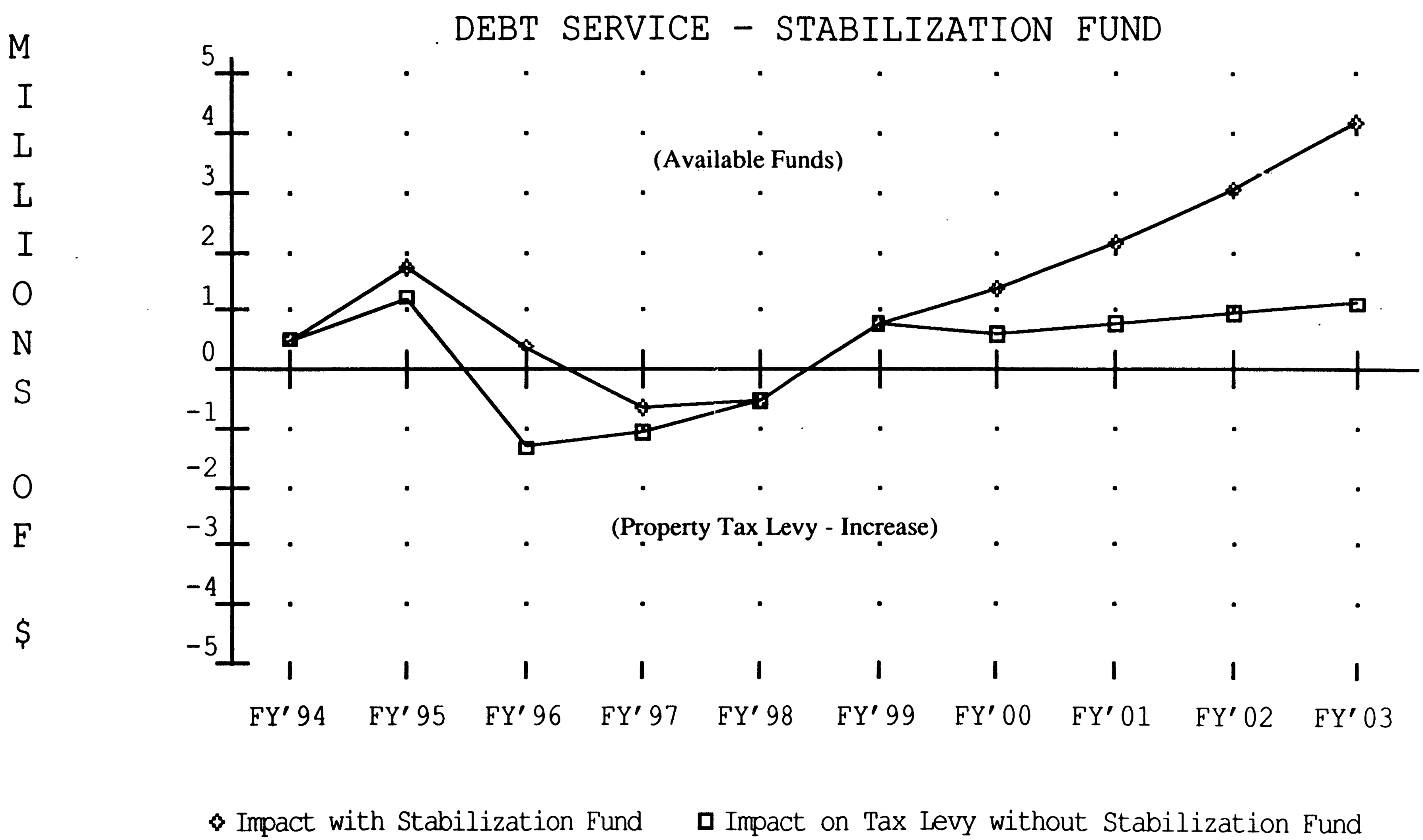
Supporting Data: *FY94-95 Budget Document, pages I-7 and I-8.*

Respectfully submitted,

Mary Lou McGrath

Mary Lou McGrath
Superintendent of Schools

MLM/tg



DEBT SERVICE - STABILIZATION FUND
MILLIONS OF $
5
4
3
2
1
0
-1
-2
-3
-4
-5
(Available Funds)
(Property Tax Levy - Increase)
FY'94
FY'95
FY'96
FY'97
FY'98
FY'99
FY'00
FY'01
FY'02
FY'03
Impact with Stabilization Fund
Impact on Tax Levy without Stabilization Fund

3

-ISSUE HAGGERTY DEBT 2/94 & AGASSIZ DEBT 10/94

CREATED 8/23/93
REVISED 2/22/94

SCHEDULE C - SUMMARY OF REVENUES AND DEBT EXPENDITURES - AUTHORIZED SCHOOL PROJECTS INCLUDING HAGGERTY AND AGASSIZ

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
Revenues:													
Schedule of SBAB Reimb-Existing	1,843,253	1,734,300	1,325,252	345,230	345,230	142,292	80,450	0	0	0	0	0	0
(1) Sch. of SBAB Reimb-HAGG/AG	0	879,188	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	1,316,700	0
Total SBAB Revenues	1,843,253	2,613,488	3,521,140	2,541,118	2,541,118	2,338,180	2,276,338	2,195,888	2,195,888	2,195,888	2,195,888	1,316,700	0
Property Tax Support (2)	1,993,550	1,223,315	1,260,014	1,297,815	1,336,749	1,376,852	1,418,157	1,460,702	1,504,523	1,549,659	1,596,149	1,644,033	1,693,354
TOTAL REVENUES	3,836,803	3,836,803	4,781,154	3,838,933	3,877,867	3,715,032	3,694,495	3,656,590	3,700,411	3,745,547	3,792,037	2,960,733	1,693,354
Expenditures:													
Current Issues-Debt Schedule	3,583,510	3,307,835	2,041,140	1,947,990	1,853,560	1,279,330	0	0	0	0	0	0	0
Sch. Capt'l Proj. One-Time	253,293	0	0	0	0	0	0	0	0	0	0	0	0
Est. Debt-$9.1 M @ 10 Yrs. (Hag)	0	0	1,121,042	1,095,467	1,066,779	1,038,092	1,012,404	1,270,220	1,230,130	1,187,930	1,144,675	1,100,365	0
Est. Debt-$13.5 M @ 10 Yrs. (Ag)	0	0	405,000	2,119,500	2,038,500	1,957,500	1,876,500	1,795,500	1,714,500	1,633,500	1,552,500	1,471,500	1,390,500
TOTAL EXPENDITURES	3,836,803	3,307,835	3,567,182	5,162,957	4,958,839	4,274,922	2,888,904	3,065,720	2,944,630	2,821,430	2,697,175	2,571,865	1,390,500
Difference Bet. Rev & Exp.:	0	528,968	1,213,972	-1,324,024	-1,080,972	-559,890	805,591	590,870	755,781	924,117	1,094,862	388,868	302,854

IMPACT OF DEBT STABILIZATION FUND-ASSUMES USING THE FY'94 PROPERTY TAX AMOUNT AS A BASE WITH 3% INCR IN THE OUT YRS.

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
Beginning Balance	0	0	528,968	1,742,940	418,916	0	0	805,591	1,396,461	2,152,243	3,076,359	4,171,221	4,560,089
Transfer in:	0	528,968	1,213,972	0	0	0	805,591	590,870	755,781	924,117	1,094,862	388,868	302,854
Transfer out:	0	0	0	-1,324,024	-418,916	0	0	0	0	0	0	0	0
Amt. Available for Fund	0	528,968	1,742,940	418,916	0	0	805,591	1,396,461	2,152,243	3,076,359	4,171,221	4,560,089	4,862,943
Incr. in Property Tax Required		0	0	0	662,056	559,891	0	0	0	0	0	0	0

(1) $879,188 - Haggerty SBAB reimbursement is included in SBAB revenues.

(2) Property tax support is calculated by subtracting SBAB revenue from total expenditures for FY'94 and keeping the base amt ($1.2 M) for the out years with a yearly tax levy increase estimated at 3%.

-ISSUE HAGGERTY DEBT 2/94 & AGASSIZ DEBT 10/94

CREATED 8/23/93
REVISED 2/22/94

SCHEDULE A - CURRENT AND PROJECTED SCHOOL DEBT SCHEDULE

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
I. Current Debt Issues													
CRLS - New High School Addition	221,600	207,200											
CRLS - New High School	1,550,010	1,484,175	1,418,340	1,352,505	1,286,670	1,220,835							
LONGFELLOW, MAYNARD, G/P	1,128,250	966,625											
KING ROOF/CRLS A/O/HAGG ROOF	76,980	73,620	70,260	66,900	63,360								
HARRINGTON RENOVATION	231,220	220,860	210,780	200,710	190,080								
TOBIN - HVAC	293,760	283,440	273,120	262,560	251,520								
ELEM. ROOFS/CRLS PLAZA DECK	81,690	71,915	68,640	65,315	61,930	58,495							
ONE-TIME SCHOOL CAPITAL	253,293												
Sub-total - Current Issues	3,836,803	3,307,835	2,041,140	1,947,990	1,853,560	1,279,330	0	0	0	0	0	0	0
II. Auth. New School Debt													
(Haggerty) $9.1 M @ 10 Yrs. @ 4.03% (1)		0	1,121,042	1,095,467	1,066,779	1,038,092	1,012,404	1,270,220	1,230,130	1,187,930	1,144,675	1,100,365	0
(Agassiz) $13.5 M @ 10 Yrs. @ 6.0% (2)		0	405,000	2,119,500	2,038,500	1,957,500	1,876,500	1,795,500	1,714,500	1,633,500	1,552,500	1,471,500	1,390,500
Sub-total - Auth. New Issue		0	1,526,042	3,214,967	3,105,279	2,995,592	2,888,904	3,065,720	2,944,630	2,821,430	2,697,175	2,571,865	1,390,500
TOTALS- Curr & Auth. Debt	3,836,803	3,307,835	3,567,182	5,162,957	4,958,839	4,274,922	2,888,904	3,065,720	2,944,630	2,821,430	2,697,175	2,571,865	1,390,500

(1) Haggerty bonds to issued in Feb., 1994; No FY'94 payments; first principal and interest payment in FY'95.
(2) Agassiz bonds to be issued in the fall, 1994; FY'95 cost includes half-year interest payment only; first principal payment in FY'96.

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
III. Proposed New School Projects													
(Morse) $4.0 M @ 10 Yrs. @ 6.0% (June Issue)		0	0		640,000	616,000	592,000	568,000	544,000	520,000	496,000	472,000	448,000
(Fitz) $4.0 M @ 10 Yrs. @ 6.0% (June Issue)		0	0		640,000	616,000	592,000	568,000	544,000	520,000	496,000	472,000	448,000
(New Sch) $12.0 M @ 10 Yrs. @ 6.0% (June)		0	0		0	1,920,000	1,848,000	1,776,000	1,704,000	1,632,000	1,560,000	1,488,000	1,416,000
Sub-total - Prop. New Issues		0	0	0	1,280,000	3,152,000	3,032,000	2,912,000	2,792,000	2,672,000	2,552,000	2,432,000	2,312,000
TOTALs I, II, & III	3,836,803	3,307,835	3,567,182	5,162,957	6,238,839	7,426,922	5,920,904	5,977,720	5,736,630	5,493,430	5,249,175	5,003,865	3,702,500

-ISSUE HAGGERTY DEBT 2/94 & AGASSIZ DEBT 10/94

CREATED 8/23/93
REVISED 2/22/94

SCHEDULE B - SBAB REIMBURSEMENTS FOR SCHOOL PROJECTS - ESTIMATE AS OF 6/93

AUDITED	PROJ #	SCHOOL	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
I. Existing Reimbursements															
Y	2010	CRLS (1)	1,384,787	1,384,787	980,022										
N	2041	Fletcher (2)	80,450	80,450	80,450	80,450	80,450	80,450	80,450						
Y	2632	Haggerty	6,913	6,913	6,913	6,913	6,913	6,913							
Y	2108	Haggerty	0	2,491	0										
Y	2107	Agassiz	0	1,792	0										
N	2761	Harrington (2)	202,938	202,938	202,938	202,938	202,938								
N	2928	King Roof (2)	54,929	54,929	54,929	54,929	54,929	54,929							
Y	2633	Morse	113,236												
		Sub-Total	1,843,253	1,734,300	1,325,252	345,230	345,230	142,292	80,450	0	0	0	0	0	0
II. Authorized Projects New Reimbursements															
N	N/A	Haggerty (3)	0	879,188	879,188	879,188	879,188	879,188	879,188	879,188	879,188	879,188	879,188	0	0
N	N/A	Agassiz (4)	0	0	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	1,316,700	0
		Sub-Total	0	879,188	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	1,316,700	0
TOTAL - I & II			1,843,253	2,613,488	3,521,140	2,541,118	2,541,118	2,338,180	2,276,338	2,195,888	2,195,888	2,195,888	2,195,888	1,316,700	0
TOTAL CHANGE				770,235	907,652	-980,022	0	-202,938	-61,842	-80,450	0	0	0	-879,188	-1,316,700

Estimated Reimbursements-New Projects

AUDITED	PROJ #	SCHOOL	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
N	N/A	Morse 10 yrs	0	0	0	0	478,000	478,000	478,000	478,000	478,000	478,000	478,000	478,000	478,000
N	N/A	Fitz 10 yrs	0	0	0	0	478,000	478,000	478,000	478,000	478,000	478,000	478,000	478,000	478,000
N	N/A	New Sch 10 y	0	0	0	0	0	1,436,400	1,436,400	1,436,400	1,436,400	1,436,400	1,436,400	1,436,400	1,436,400
		Sub-Total	0	0	0	0	956,000	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400
TOTAL- I,II, &III			1,843,253	2,613,488	3,521,140	2,541,118	3,497,118	4,730,580	4,668,738	4,588,288	4,588,288	4,588,288	4,588,288	3,709,100	2,392,400

SOURCE: ROBERT SHURDUT, SBAB 12/31/92

(1) FY'94-95 Payment will be $980,022 based on audit results.

(2) Final payments may change for projects which have not yet been audited.

(3) Reimb. amount based on original estimate of $7.5 million. If revised project cost ($ 9.1M) is fully reimbursed, revenue will increase by 192,644 beginning in FY'97.

(4) Assumes 90% reimbursement.
Reimb. amount based on original estimate of $11.0 million. If revised project cost ($ 13.1M) is fully reimbursed , revenue will increase by $359,100 beginning in FY'98.

-ISSUE HAGGERTY DEBT 2/94 & AGASSIZ DEBT 10/94

CREATED 8/23/93
REVISED 2/22/94

SCHEDULE - D SUMMARY OF REVENUES AND DEBT EXPENDITURES - SCHOOL PROJECTS - AUTHORIZED & PROJECTED NEW PROJECTS

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
Revenues:													
Schedule of SBAB Reimb-Existing	1,843,253	1,734,300	1,325,252	345,230	345,230	142,292	80,450	0	0	0	0	0	0
(1) Sch. of SBAB Reimb-HAGG/AG	0	879,188	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	2,195,888	1,316,700	0
Sch. of SBAB Reimb.-Proposed Proj	0	0	0	0	956,000	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400	2,392,400
Total SBAB Revenues	1,843,253	2,613,488	3,521,140	2,541,118	3,497,118	4,730,580	4,668,738	4,588,288	4,588,288	4,588,288	4,588,288	3,709,100	2,392,400
Property Tax Support (2)	1,993,550	1,223,315	1,260,014	1,297,815	1,336,749	1,376,852	1,418,157	1,460,702	1,504,523	1,549,659	1,596,149	1,644,033	1,693,354
TOTAL REVENUES	3,836,803	3,836,803	4,781,154	3,838,933	4,833,867	6,107,432	6,086,895	6,048,990	6,092,811	6,137,947	6,184,437	5,353,133	4,085,754
Expenditures:													
Current Issues-Debt Schedule	3,583,510	3,307,835	2,041,140	1,947,990	1,853,560	1,279,330	0	0	0	0	0	0	0
Sch. Capt'l Proj. One-Time	253,293	0	0	0	0	0	0	0	0	0	0	0	0
Est. Debt-$9.1 M @ 10 Yrs. (Hag)	0	0	1,121,042	1,095,467	1,066,779	1,038,092	1,012,404	1,270,220	1,230,130	1,187,930	1,144,675	1,100,365	0
Est. Debt-$11.0 M @ 10 Yrs. (Ag)	0	0	405,000	2,119,500	2,038,500	1,957,500	1,876,500	1,795,500	1,714,500	1,633,500	1,552,500	1,471,500	1,390,500
Est. Debt-Proposed Projects		0	0	0	1,280,000	3,152,000	3,032,000	2,912,000	2,792,000	2,672,000	2,552,000	2,432,000	2,312,000
TOTAL EXPENDITURES	3,836,803	3,307,835	3,567,182	5,162,957	6,238,839	7,426,922	5,920,904	5,977,720	5,736,630	5,493,430	5,249,175	5,003,865	3,702,500
Difference Bet Rev & Exp	0	528,968	1,213,972	-1,324,024	-1,404,972	-1,319,490	165,991	71,270	356,181	644,517	935,262	349,268	383,254

IMPACT OF DEBT STABILIZATION FUND-ASSUMES USING THE FY'94 PROPERTY TAX AMOUNT AS A BASE WITH 3% INCR IN THE OUT YRS.

	Actual FY'92-93	Budget FY'93-94	Estimated FY'94-95	Estimated FY'95-96	Estimated FY'96-97	Estimated FY'97-98	Estimated FY'98-99	Estimated FY'99-00	Estimated FY'00-01	Estimated FY'01-02	Estimated FY'02-03	Estimated FY'03-04	Estimated FY'04-05
Beginning Balance	0	0	528,968	1,742,940	418,916	0	0	165,991	237,261	593,443	1,237,959	2,173,221	2,522,489
Transfer in:	0	528,968	1,213,972	0	0	0	165,991	71,270	356,181	644,517	935,262	349,268	383,254
Transfer out:	0	0	0	-1,324,024	-418,916	0	0	0	0	0	0	0	0
Amt. Available for Fund	0	528,968	1,742,940	418,916	0	0	165,991	237,261	593,443	1,237,959	2,173,221	2,522,489	2,905,743
Incr. in Property Tax Required		0	0	0	986,056	1,319,491	0	0	0	0	0	0	0

(1) $879,188 - Haggerty SBAB reimbursement is included in SBAB revenues.

(2) Property tax support is calculated by subtracting SBAB revenue from total expenditures for FY'94 and keeping the base amt ($1.2 M) for the out years with a yearly tax levy increase estimated at 3%.

N94-100

CAMBRIDGE SCHOOL DEPARTMENT

159 THORNDIKE STREET
CAMBRIDGE, MASSACHUSETTS 02141

May 27, 1994

To The Honorable Members of the School Committee:

Debt Stabilization Fund

Please Be Notified That; the attached recommendation to establish the School Debt Stabilization Fund will be submitted to the School Committee for approval at the next meeting on 6/14/94. The recommendation is based on the data presented in the FY94-95 Budget document and provides additional detail information on revenues and expenditures.

We are providing this in advance so that any questions can be responded to in advance of the 6/14/94 meeting and the current year transfer can take place before the fiscal year ends.

Respectfully submitted,

Mary Lou McGrath

Mary Lou McGrath
Superintendent of Schools

MLM/tg

14.

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 349-4300
FAX. 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

June 20, 1994

To The Honorable, The City Council:

RECOMMENDATION: That the City Council transfer $528,968.00 from the School General Fund Debt Service Account to establish a School Debt Service Stabilization Fund for the purposes of offsetting future School debt service.

BACKGROUND: The FY 1993-94 School budget assumed that a full year of debt service on the Haggerty School Construction project would be required during FY94. In addition, the first year of the Commonwealth's 90 percent reimbursement for this debt service was received by the City. However, due to the fact that the timing of the sale of the Haggerty debt was delayed until February of the current year, a full year's debt service was not required this fiscal year. As a result over $528,000 remains in the School debt service account. In FY93, School financial staff and City financial staff identified a school financing problem that will occur in FY96 and FY97 when state reimbursements for the 1978 High School project drop off yet two years of debt service remain. As the attached memo from School staff points out, this revenue shortfall would have to be made up from tax levy if the stabilization funds were not established. Because the City is at its levy limit, any additional tax levy funds to the School for this shortfall would necessarily have to be within the Schools overall annual tax levy number thus reducing funds available for general operating expenses.

I strongly recommend passage of this request.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda # 14 F-95

Transfer of $528,968 from the School Dept.
General Fund Debt Service Account.

In City Council,

June 20, 1994

Order adopted
9-0-0