be prudent for a thorough discussion of these facts, given that a $35,000,000 bond issue would add approximately $5,200,000 in property tax supported debt service in the first year. The second issue to be discussed would be the matter of timing. Prior to the issuance of a $35,000,000 or any size bond issue for open space it should be determined whether such a bond issue would force the "bumping" or delay of one or more of the capital projects listed above. There is a limit to how much debt Cambridge can issue before adversely affecting either the City's taxpayers and/or Aaa bond rating.

Once the issues of affordability and timing have been reviewed and discussed it is my belief that a reasonable and productive response to an open space bond request can be forthcoming.

Very truly yours,

Robert W. Healy
City Manager

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

July 20, 1999

To the Honorable, the City Council,

Awaiting Report #99-106 requests that the City Manager take all necessary actions to issue bonds in the amount of $35,000,000 for the purpose of acquiring and constructing active recreational open space in the eastern part of the City. While I am supportive of efforts to increase open space in Cambridge, I am not prepared to make a recommendation for a $35,000,000 bond issue for open space without considerable further discussion with the City Council to discuss the impacts such an issuance would have upon the City's finances, tax payers and existing 5 year capital plan.

This past spring, the City Council reviewed the proposed five year capital budget which, while not containing $35,000,000 for open space did contain continued funding for the open space acquisition fund and a total of $246,615,100 for other capital projects. Included in that total was $30,000,000 for a new police headquarters; $13,600,000 for the War Memorial; $6,850,000 for improvements to high school athletic facilities including a new track and a changing facility for student athletes; $2,500,000 for teen centers; $30,000,000 for a new main library and $4,390,000 for Cambridge Street improvements. These projects, almost entirely funded from taxes, total over $89,000,000 and will add approximately $10.2 million annually to the tax levy in the form of debt service.

The two major issues to be discussed prior to the recommendation of an open space bond issue are affordability and timing. While it is true that Cambridge enjoys excess tax levy capacity today, the fact also remains that the property tax levy (without the capital projects mentioned above), grows by approximately 4% per year which means that under Proposition 2½ the City needs to see new construction growth of between one and one half percent of the current tax levy to fund annual expenses. This means that much of future new growth will be needed to fund the operating budget either directly or by tapping into our excess levy capacity if the economy slows. Additionally much of the projected new growth and excess levy capacity will be needed to fund the annual debt service for the capital projects mentioned above. Prior to my recommending an open space bond issue and the City Council's approving one, it would

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Consent Agenda #23

Relative to AW Rpt. 99- 106,
relative to a report on actions
to issue bonds in the amount of
$35,000,000 for the expressed
purpose of acquiring and
constuctionactive recereational
open space in the eastern part
of the City.

In City Council July 26, 1999

REFERRED TO ROUND
TABLE IN SEPTEMBER
OR OCTOBER ON MOTION
OF COUNCILLOR TOOMEY