Consent Agenda # 32A

CITY COUNCIL
CITY OF CAMBRIDGE
June 19, 1995

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING AN APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1994

ORDERED: That the following transfer be made in the General Fund of the School Stabilization:

| FROM | AMOUNT | TO | AMOUNT |
|---|---|---|---|
| School Salaries and Wages | $204,852 | School Stabilization Fund | $204,852 |

REASON (S) Teacher's Early Retirement Program.

In City Council June 19, 1995
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk

A true copy; D. Margaret Drury

ATTEST:-
D. Margaret Drury, City Clerk

Consent Agenda # 32B
CITY COUNCIL
CITY OF CAMBRIDGE
June 19, 1995

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING AN APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1994

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

| FROM | AMOUNT | TO | AMOUNT |
|---|---|---|---|
| School Extraordinary Expenditures Account | $1,277,572 | School Debt Stabilization Fund | $1,277,572 |

REASON (S) Debt Stabilization.

In City Council June 19, 1995
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk

A true copy; D. Margaret Drury

ATTEST:-
D. Margaret Drury, City Clerk

# MEMORANDUM

TO: *Robert W. Healy, City Manager* DATE: *6/13/95*

FROM: *James M. Conry,* Executive Director for Management Services

SUBJECT: *Fund Transfers:*

*Attached please find two School Committee orders authorizing the transfer of General Funds to the appropriate School Stabilization Fund. We are requesting that these transfers be recommended for approval to the City Council prior to the end of FY95.*

*The School Committee has approved a transfer of $204,852 into the School Stabilization Fund to offset future pension costs relating to the Early Retirement Incentive Program for teachers.*

*In addition, the School Committee has approved a transfer of $1,277,752 into the School Debt Stabilization Fund.*

*I've included a copy of the Superintendent's recommendation with back up for each order.*

*Your cooperation in placing these transfers before the City Council is appreciated.*

*JMC/tg*

C 95 - 224

CHAIRMAN
MAYOR KENNETH E. REEVES
VICE CHAIRMAN
DAVID P. MAHER

SCHOOL COMMITTEE
456 BROADWAY
CAMBRIDGE, MASSACHUSETTS 02138
OFFICE OF THE SECRETARY
Tel. (617) 349-6620 • Fax: (617) 349-6624

MEMBERS
HENRIETTA DAVIS
ALFRED B. FANTINI
JOSEPH G. GRASSI
ROBIN A. HARRIS
E. DENISE SIMMONS



--IN SCHOOL COMMITTEE--

June 7, 1995

**ORDERED:**

That Superintendent's Recommendation #95-084, FY '95 Stabilization Fund Transfer for Teacher ERI Pension, be adopted as follows: that the School Committee approve the transfer of $204,852 from the pension account of the FY '94-95 School General Fund Budget to the School Stabilization Fund. When the ERI Program was approved by the School Committee, City Council and City Manager, it was determined to establish a stabilization fund to capture savings from the program that will be used to offset future pension costs. This Stabilization Fund was established in FY '94. With this transfer, the School Stabilization Fund will have a balance of $467,016.

A true copy:
Attest: Claire E. Rodley
Claire E. Rodley
Secretary of the School Committee

cc School Committee Members
City Manager
City Auditor
Superintendent ✓
Executive Director of Management Services

CAMBRIDGE SCHOOL DEPARTMENT

159 THORNDIKE STREET
CAMBRIDGE, MASSACHUSETTS 02141

June 7, 1995

To The Honorable Members of the School Committee:

FY95 Stabilization Fund Transfer for Teacher ERI Pension:

Recommendation: That the School Committee approve the transfer of $204,852 from the pension account of the FY94-95 School General Fund Budget to the School Stabilization Fund.

Description: When the ERI Program was approved by the School Committee, City Council and City Manager, it was determined to establish a stabilization fund to capture savings from the program that will be used to offset future pension costs. This Stabilization Fund was established in FY94. With this transfer, the School Stabilization Fund will have a balance of $467,016.

Supporting Data:

Respectfully submitted,

Mary Lou McGrath

Mary Lou McGrath
Superintendent of Schools

MLM/tg

C93 - 360

CHAIRMAN
MAYOR KENNETH E. REEVES

VICE CHAIRMAN
LARRY WEINSTEIN

CAMBRIDGE SCHOOL
JUN 23 3 56 PM '93
OFFICE OF THE
SUPERINTENDENT

SCHOOL COMMITTEE
459 BROADWAY
CAMBRIDGE, MASSACHUSETTS 02138

OFFICE OF THE SECRETARY
Tel: (617) 349-6620 • Fax: (617) 349-6624

MEMBERS
HENRIETTA DAVIS
ALFRED B. FANTINI
DAVID P. MAHER
JAMES J. RAFFERTY
E. DENISE SIMMONS

--IN SCHOOL COMMITTEE--

June 22, 1993

ORDERED:

That Superintendent's Recommendation #93-110 be adopted as follows: that the School Committee approve and accept the provisions of the Education Reform Act of 1993, for participation of the Cambridge Public Schools in the Early Retirement Incentive Program for members of the Massachusetts Teachers' Retirement System, in the year 1993, with the provisions that: 1) there be no local limit on the number of participants and 2) participants be allowed a credit of up to five additional years of age, five additional years of service, or a combination of additional years of service and age, the sum of which shall not be greater than five. Further that the City Manager and City Council be requested to similarly approve and accept these provisions within no later than 30 days after the effective date of the Act, as required by the Act.

Additionally, that savings from participation in the Early Retirement Incentive Program be first allocated to an Early Retirement Incentive Stabilization Fund (or similar account) to cover the required 50% local share of the long-term actuarial cost of the increased benefits for the participants, and health insurance, and that any additional savings be allocated as determined by the School Committee.

A true copy:
Attest: Claire E. Rodley
Claire E. Rodley
Secretary of the School Committee

cc School Committee Members
Superintendent
City Manager
City Council, c/o City Clerk
Executive Director of Management Services
President, C.T.A.

# City of Cambridge

Agenda Item No. 26

IN CITY COUNCIL

June 28, 1993

**ORDERED:** That the City Council approve and accept the provisions of the Education Reform Act of 1993, Section 83, for participation of the Cambridge Public Schools in the Early Retirement Incentive Program for members of the Massachusetts Teachers' Retirement System, in the year 1993 with the provisions that: 1.) There be no local limit on the number of participants; and 2.) participants be allowed a credit of up to five additional years of age, five additional years of service, or a combination of additional years of service and age, the sum of which shall not be greater than five.

In City Council June 28, 1993.
Adopted by a yea and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

26.3

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 28, 1993

To The Honorable, The City Council:

RECOMMENDATION:

That the City Council approve and accept the provisions of the Education Reform Act of 1993, for participation of the Cambridge Public Schools in the Early Retirement Incentive Program for members of the Massachusetts Teachers' Retirement System, in the year 1993, with the provisions that; 1.) there be no local limit on the number of participants and 2.) participants be allowed a credit of up to five additional years of age, five additional years of services, or a combination of additional years of service and age, the sum of which shall not be greater than five.

Additionally, that savings from participation in the Early Retirement Incentive Program be first allocated to an Early Retirement Incentive Stabilization Fund (or similar account) to cover the required 50% local share of the long-term actuarial cost of the increased benefits for the participants, and health insurance, and that any additional savings be allocated as determined by the School Committee.

I concur with the School Committees acceptance of the ERI Program and recommend City Council approval for the following reasons:

1. Retirements will generate staff turnover that will allow an infusion of new teachers to the system;

2. Cost of additional retirement benefit is offset by salary savings generated through lower salaries for new hires; and

3. Vacancies provides opportunity for restructuring and budget savings.

The Honorable, The City Council
June 28, 1993
Page 2

FISCAL IMPACT:

When the City Council accepted an early retirement option for City employees last fall, the option was restricted to only 75 employees and offered only 3 additional years of either service or age. These limits were placed on the program because of my concerns of creating double costs, that is, having to budget pension costs as well as replacement costs. Unlike City employee pensions which are City funded, teacher pensions are funded by the Commonwealth of Massachusetts. The local cost under this plan is only the incremental gain given to each teacher opting to accept the early retirement plus health insurance. Thus, unlike the City's early retirement plan, the more City teachers who select this option the greater the potential savings. The School Department estimates a $67,000 to $73,000 cost per employee including health insurance over a fifteen year period, while the savings per employee over a 15 year period would be approximately $75,000.

In September when final numbers are known, I will come back to the City Council to transfer FY1994 savings to a stabilization account to assist in covering future incremental pensions and health insurance costs.

Attached please find supporting documentation from the School Department.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

C95 - 233

CHAIRMAN
MAYOR KENNETH E. REEVES

VICE CHAIRMAN
DAVID P. MAHER

SCHOOL COMMITTEE
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JOSEPH G. GRASSI
ROBIN A. HARRIS
E. DENISE SIMMONS

CAMBRIDGE SCHOOL JUN 12 12 30 PM '96 OFFICE OF SUPERINTENDENT

--IN SCHOOL COMMITTEE--

June 7, 1995

**ORDERED:**

That Superintendent's Recommendation #95-094, FY '95 School Debt Stabilization Fund Transfer, be adopted as follows: that the School Committee approve the transfer of $1,277,752 from the Debt Service account of the FY '94-95 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 Agassiz School Project, for which the first bond principal and interest payment is due in FY' 1995-96.

A true copy:
Attest: Claire E. Rodley
Claire E. Rodley
Secretary of the School Committee

cc School Committee Members
City Manager
City Auditor
Superintendent ✓
Executive Director of Management Services

CAMBRIDGE SCHOOL DEPARTMENT

159 THORNDIKE STREET
CAMBRIDGE, MASSACHUSETTS 02141

June 7, 1995

To The Honorable Members of the School Committee:

FY95 School Debt Stabilization Fund Transfer

Recommendation: That the School Committee approve the transfer of $1,277,752 from the Debt Service account of the FY94-95 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 Agassiz School Project, for which the first bond principal and interest payment is due in FY1995-96.

Description: The School Department Debt Stabilization Fund, established in FY94, 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 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. The fund can also be used to retain funds for future principal and interest payments to prevent a situation such as occurred with the High School bonds from occurring again.

With this transfer, the Stabilization Fund Will have a balance of $1.8 million. Of this amount, $1.4 million will be used in FY96 to address the shortfall noted above which is included in the Adopted FY96 Budget. If additional sources of funding can be identified over the next 1-2 years, such as medicaid reimbursement revenues, we can further reduce the impact.

Supporting Data:

1. Summary of Debt Service Expenditures/Revenues from FY95-96 Budget Document
2. FY1993-94 Transfer

Respectfully submitted,

Mary Lou McGrath

Mary Lou McGrath
Superintendent of Schools

MLM/tg

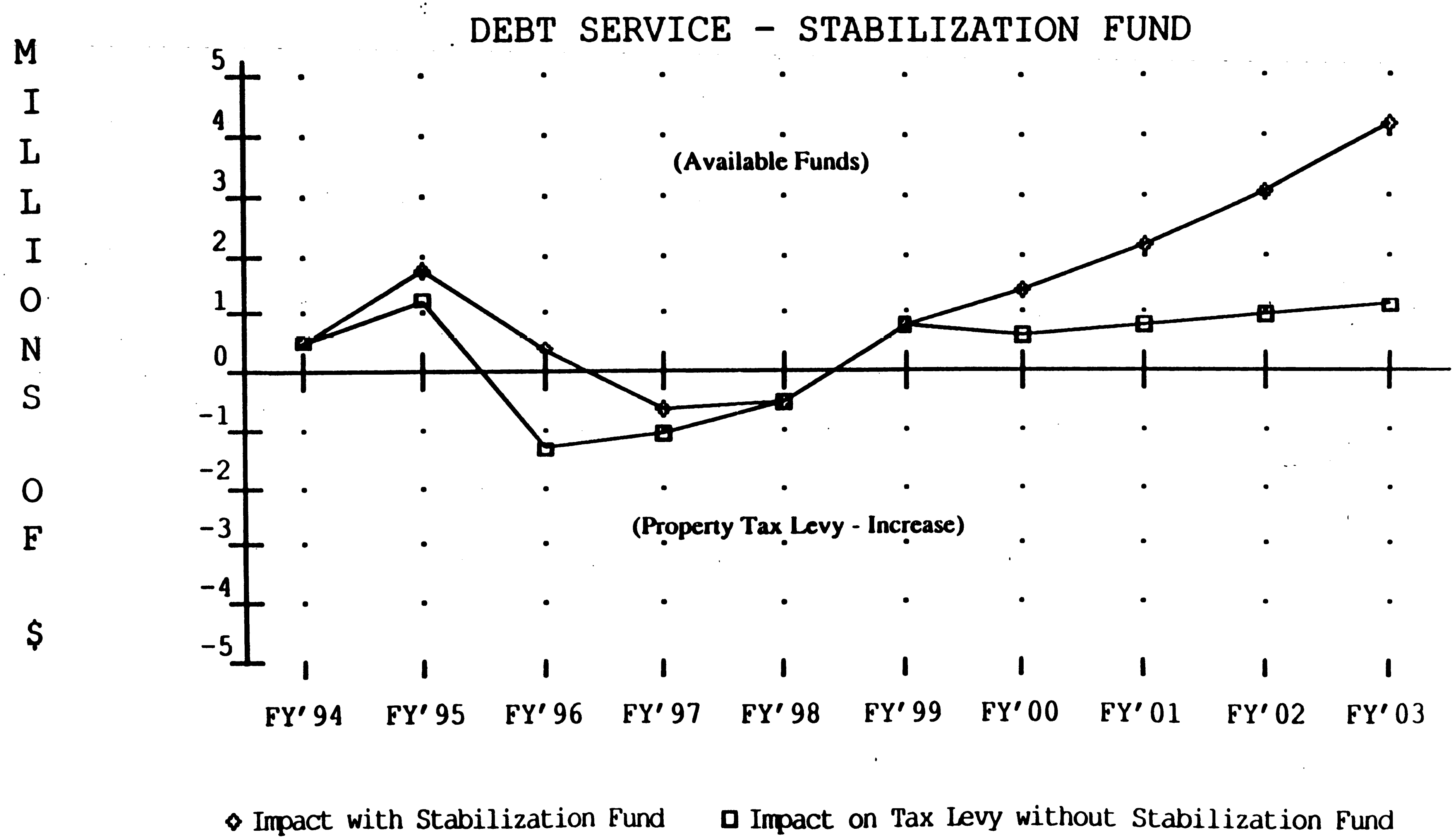
The method for managing such fluctuations in debt service was the establishment of a Debt Service Stabilization Fund. Such a fund allows state reimbursements (School Building Assistance) and local appropriations to be transferred in and out in order to match the timing of bond issues and avoid large fluctuations that will draw resources away from the operating budget. It will also provide a stable stream of revenues for new planned projects, contingent upon state reimbursement approvals.

The following chart provides an estimate of 10-year revenues, expenditures, and Debt Stabilization Fund impact. Current projects are those identified in FY'96 on the preceding page. Projects in the planning process include;

- Renovation/addition projects at the Fitzgerald and Morse, estimated at $13.5 million and $9.6 million, respectively, may be eligible for state reimbursement at 90%.

**Table 3b**
**Future Debt Service Costs & Revenue Sources**
(in $ Millions)

| Description | | Budget FY'94 | FY'95 | FY'96 | FY'97 | FY'98 | FY'99 | FY'00 | FY'01 | FY'02 | FY'03 | FY'04 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Revenues | | | | | | | | | | | | |
| - SBAB Reimb (Old) | $ | 1.73 | 1.35 | .34 | .35 | .14 | .08 | 0 | 0 | 0 | 0 | 0 |
| - SBAB Hagg/Agassiz | | .88 | 2.19 | 2.20 | 2.19 | 2.19 | 2.19 | 2.19 | 2.19 | 2.19 | 2.19 | 1.32 |
| - Local Tax Levy | | 1.23 | 1.26 | 1.30 | 1.34 | 1.38 | 1.42 | 1.46 | 1.51 | 1.55 | 1.60 | 1.64 |
| Total | $ | 3.84 | 4.80 | 3.84 | 3.88 | 3.71 | 3.69 | 3.65 | 3.70 | 3.74 | 3.79 | 2.96 |
| 2. Expenditures | | | | | | | | | | | | |
| - Pre-1995 Debt | $ | 3.31 | 2.04 | 1.95 | 1.85 | 1.28 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Haggerty Proj. $9.1M | | | 1.12 | 1.10 | 1.07 | 1.04 | 1.01 | 1.27 | 1.23 | 1.19 | 1.14 | 1.10 |
| - Agassiz Proj. $12.1 M | | | .34 | 1.75 | 1.69 | 1.63 | 1.57 | 1.50 | 1.66 | 1.59 | 1.52 | 1.44 |
| - Agassiz Proj. $.64 M | | | | .10 | .10 | .09 | .09 | .09 | .08 | .08 | .08 | .07 |
| - Ag, Hagg, Morse $2.4 M | | — | — | .38 | .37 | .36 | .34 | .33 | .32 | .30 | .28 | .24 |
| Total | $ | 3.31 | 3.50 | 5.28 | 5.08 | 4.40 | 3.01 | 3.19 | 3.29 | 3.16 | 3.02 | 2.85 |
| 3. Difference Between Revenues & Expenditures | $ | .53 | 1.30 | (1.44) | (1.20) | (.69) | .68 | .46 | .41 | .58 | .77 | .11 |
| 4. Impact of Debt Stabilization Fund | | | | | | | | | | | | |
| - Beginning Balance | $ | 0 | .53 | 1.83 | .39 | 0 | 0 | .68 | 1.14 | 1.55 | 2.13 | 2.90 |
| - Transfer In | | .53 | 1.30 | - | - | - | .68 | .46 | .41 | .58 | .77 | .11 |
| - Transfer Out | | — | — | (1.44) | (.39) | - | - | - | - | - | - | - |
| - Amount Available | $ | .53 | 1.83 | .39 | 0 | 0 | .68 | 1.14 | 1.55 | 2.13 | 2.90 | 3.01 |
| 5. Increase in Property Tax Required | $ | 0 | 0 | 0 | .81 | .69 | 0 | 0 | 0 | 0 | 0 | 0 |


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

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

# CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307

8

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

CAMBRIDGE SCHOOL DEPARTMENT

159 THORNDIKE STREET
CAMBRIDGE, MASSACHUSETTS 02141

June 7, 1995

To The Honorable Members of the School Committee:

FY95 Stabilization Fund Transfer for Teacher ERI Pension:

Recommendation: That the School Committee approve the transfer of $204,852 from the pension account of the FY94-95 School General Fund Budget to the School Stabilization Fund.

Description: When the ERI Program was approved by the School Committee, City Council and City Manager, it was determined to establish a stabilization fund to capture savings from the program that will be used to offset future pension costs. This Stabilization Fund was established in FY94. With this transfer, the School Stabilization Fund will have a balance of $467,016.

Supporting Data:

Respectfully submitted,

for Mary Lou McGrath

Mary Lou McGrath
Superintendent of Schools

MLM/tg

32.

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307

June 19, 1995

To the Honorable, the City Council:

Attached please find requests for two transfers related to the School Department. The first would transfer $204,852 from the School Department pension account to the School Stabilization Fund. The $204,852 was budgeted in the FY1995 School budget to offset the teachers early retirement program of two years ago. Under the plan the State teachers pension fund is to bill the City annually for the cost of the early retirement program. However, the City was not billed during the current year thus funds will be set aside to pay the bill early in 1996.

The second request is to transfer $1,277,752 from the School debt service account to the School Debt Stabilization Fund. These funds represent the annual debt service on the Agassiz School. Originally the City expected to issue bonds on the Agassiz School so that the first full principal and interest payment would be due during FY1995. However, the sale of those bonds was delayed until after July 1, 1994, thus pushing the first full debt payment back into FY1996. As the City Council is aware funds in the School Stabilization Funds will be used to offset state aid debt reimbursement drop offs in FY1996 and FY1997.

Both orders were passed by the School Committee at the June 7, 1995 meeting.

Very truly yours,

Robert W. Healy
City Manager

RWH/dls

Consent Agenda # 32 F-141

32A. Transfer of $204,852 in the School Dept.

32B. Transfer of $1,277,752 in the School Dept.

In City Council,

June 19, 1995

32A. Order Adopted
8-0-1

32B. Order Adopted
8-0-1