

Capital Planning

OVERVIEW OF CAPITAL PLANNING

Boston's five-year \$1.3 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.

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 II and III) 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 a 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 had to meet at least one of the following threshold criteria:

- Complies with Americans with Disabilities Act (ADA);
- 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 479 new and continuing projects and proposes \$114.2 million in new project authorizations.

Financing the FY07-FY11 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 67.0% of all project funding. This year's plan assumes \$500 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 \$193.5 million from state programs and \$129.6 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, and the Massachusetts Water Pollution Abatement Trust.

School Building Assistance Program: The School Building Assistance (SBA) program, administered by the Massachusetts School Building Authority, is an important revenue source for school renovation and construction. In July 2000, the State legislature repealed the former school building assistance program and enacted Chapter 70B of the General Laws. The reimbursement rates under Chapter 70B range from 50% to 90%.

In July 2004, the Governor signed into law an act creating the Massachusetts School Building Authority (MSBA) which replaced the state Department of Education as the manager of the SBA program. The Authority assumed responsibility for the payment of existing SBA program commitments and will review and prioritize future project requests, although at a lower range of reimbursement rates (40%-80% rather than 50%-90%). No new project requests will be accepted until July 2007. Reimbursements for projects previously approved will continue on existing schedules. Projects on the SBA priority waiting list will receive lump-sum payments from the state by FY09.

In January 2006, the City received a lump-sum payment totaling \$93.7 million from the MSBA for approved project costs for three of the four City of Boston schools on the priority waiting list. The City applied this payment towards the debt service due on notes issued

Highlights of the FY07-11 Capital Plan

Invest in Infrastructure

Public Works

Beacon Street
Citywalks
Road Resurfacing and Reconstruction
Traffic Signal and Safety Zone Improvements

Boston Center for Youth & Families

Roslindale Community Center Construction
Hyde Park Community Center Construction
Replace Roofs at Three Community Centers
Curley Community Center

Library Department

New Grove Hall Branch Library
New Mattapan Branch Library
New Roofs at Seven Branches
McKim Phase II D

Parks and Recreation Department

New Play Equipment
Ball Field and Playing Court Renovations
New Synthetic Turf Fields at East Boston
Memorial Park, Charlestown High School,
Ceylon Park and Noyes Playground

Invest in Education

Burke High School Addition
Cleveland School
Hemenway School
Dearborn School
Quincy Upper Pilot School
Russett Road School
School Yard Improvements

Promote Public Safety & Public Health

Fire Trucks
New Fire Training Simulator
New Charlestown Police Station
Renovation Work at 2 Police Stations
Critical Repairs at various locations
Infrastructure Improvements at Long Island

Support Neighborhood Development

Crossroads Initiative
Dorchester Avenue
New Dudley Square Office Building
Harborwalk
Maverick Gardens
Neighborhood Business Districts Improvements
Strand Theater Improvements

previously by the City to finance the projects and which came due on February 1, 2006. Construction has been completed on all three schools. The City expects to commence construction on the fourth project on the MSBA priority list, Burke High School, in the near term, and is currently in negotiations with the MSBA regarding the timing and manner in which grant payments will be made to reimburse project costs. For the period FY07-11 total payments from the state are estimated at \$71.4 million.

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 current allocations, \$8.5 million in Chapter 90 funds have been provided annually.

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). SAFETEA LU is authorized by Congress through federal fiscal year FY09. State departments including the Massachusetts Highway Department (MHD), the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Turnpike Authority (MTA) use the TIP to manage the bidding and awarding of state construction projects.

Massachusetts Water Pollution Abatement Trust (MWPAT): The Massachusetts Water Pollution Abatement Trust is a statewide revolving fund that addresses necessary environmental actions outlined in the federal Clean Water Act. \$13.4 million was included in an October 1999 MWPAT bond issue to cap the former Gardner Street landfill as a non-point source of water pollution and to create Millennium Park. Boston will repay the MWPAT for these essentially zero interest bond funds over twenty years.

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 \$111.2 million.

Expenditures

Capital expenditures totaled \$91.3 million in FY05. Expenditures include \$65.7 million for general obligation bond spending, \$25.1 million from various grants and other sources, and approximately \$511,000 to complete three school construction projects. School projects completed or underway included the reopening of the Winship School and a major renovation to the Holland School. The City has completed or nearly completed work at eight branch libraries that began in FY04. The Parks Department continued its program of replacing playlot equipment and refurbishing ball fields and playing courts. In addition, the City acquired an industrial building located in West Roxbury for use as a collection storage facility for the Boston Public Library and the City of Boston Archives and Records Management Center. Once renovated, the facility will enable the City to consolidate its materials collection and public records that are currently stored at multiple sites.

Total capital expenditures in FY06 are forecast at \$107.3 million. The estimate includes \$93 million for general obligation bond spending and \$12.2 million from various grant programs, including Chapter 90. The Dearborn School received extensive masonry repairs this past year. The Holland School remained closed as the first phase of major renovations was completed and the second phase began. The work will be completed by summer so that the school can reopen in September 2006. In addition, the City renovated the annex buildings at the Dorchester Education Complex for use by TechBoston Academy. Finally, six schoolyard projects, funded in part by Jane's Trust, have been completed as well.

Over twenty park improvements at playlots, ball fields, and playing courts throughout the City are scheduled to be completed in FY06. Artificial turf fields were installed at Madison Park High School and Pagel Playground. The Public Works Department began the

Citywalks program, a three year \$18.3 million effort to improve sidewalks and streets across the City.

Total capital expenditures in FY07 are forecast at \$128 million. This estimate includes \$100 million for general obligation bond spending and \$28 million from various grant and other sources including Chapter 90, the Surplus Property Fund, and the School Building Assistance Program.

The Burke High School project will begin construction by this summer and will be completed in approximately two years. The project includes a new branch library incorporated into a building addition along with a new gym and an expanded cafeteria. Preliminary analysis will begin this year to evaluate reuse options for the current library building in Grove Hall.

The Crossroads Initiative is a \$55 million multi-year program of street improvements that will improve connections among the many neighborhoods surrounding the Rose Kennedy Greenway. It will make it possible to move easily from the harbor and the South Boston waterfront to the Financial District; from Chinatown to the Leather District and Fort Point Channel, and from the North End to the West End and the Bulfinch Triangle.

The Public Works Department will continue the engineering work necessary to cap the final portion of the Gardner Street landfill and rebuild the high school football field and track that are currently on the site. Renovation work will begin at two police stations before the end of the calendar year while a renovation of the Strand Theater will begin in early 2007.

Planned G.O. expenditures for the period FY08 through FY11 are expected to remain at \$100 million annually. Future grant expenditures are estimated to total approximately \$29 million in FY08, \$18 million in FY09, and \$15 million between FY10 and FY11. Figure 1 displays total capital spending from all sources since FY04 and projected expenditures through FY11.

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.

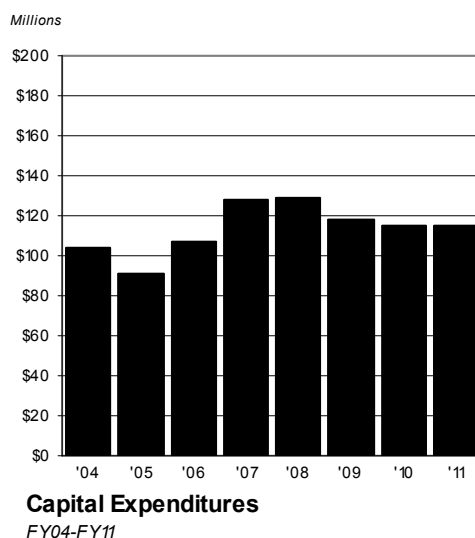


Figure 1

Operating Budget Impacts

Quantifying operating budget impacts related to proposed capital investments is essential to the capital budgeting process. Beyond the most evident operating budget impact associated with debt service repayment (see the debt management section for more information), many capital projects also impact staffing, maintenance, equipment, and utility budgets. OBM evaluates all proposed capital projects based on their impact on the operating budget. Increased costs are often justified through improved or expanded service delivery, or are unavoidable due to legal mandates or regulatory requirements. Cost savings are often realized through operational consolidations, reduced maintenance, energy savings, or other efficiencies. OBM requires that each departmental capital funding request be submitted with operating budget impact analysis. In addition, capital project design standards for materials are established with the assumption that preventative maintenance may be constrained by operational resources.

The capital plan supports investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems, and energy inefficiency. A substantial portion of the plan is focused on basic facility repairs such as roof replacements, new window installations, heating and cooling system updates, and the renovation of parks, playgrounds, play lots, playing courts, and ball fields.

In FY07, the School Department will begin a renovation project at the Cleveland School in Dorchester. This renovation project will allow the Boston Harbor Academy School to relocate from its current leased space, which currently costs \$350,000 per year. The School Department will also renovate two former school buildings and reopen them. The Russett Road building in West Roxbury will reopen in September 2007. The Hemenway School in Hyde Park will be ready to open in September 2008. The School Department's net operating costs will increase as a result of these decisions.

The capital project to create a consolidated archive center for the Boston Public Library and the City of Boston Archives and Record Management Center has several operating budget impacts. In FY05 the City acquired 138,000 square feet of office and warehouse space located at Rivermoor Street in West Roxbury. This building acquisition will allow 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 Rivermoor building has been assigned to the Property and Construction Management Department. The building 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. Planning and design for the proposed fit-out of the Rivermoor facility is currently underway. The proposed building layout will seek to achieve efficiencies by creating shared and flexible spaces incorporating new technologies for storage and retrieval of materials. Regular meetings with involved departments will be required to continually update the short-term and long-term operating budget impacts associated with this project.

The School Department, which has in-house expertise in building systems and energy management, prioritizes capital investment in building systems, both structural and mechanical, that will reduce operating costs. Preventative roof, window, door, and boiler repairs translate into operating budget savings. Preventative repairs and upgrades reduce the ongoing operating costs associated with repeated and emergency repairs

that are expended from the departmental operating budget.

Expanding on a model first established at the School Department, the Property and Construction Management Department in FY06 centralized the management of two additional building automation and energy management systems at Boston City Hall. This centralization has already reduced the energy required to operate these buildings by implementing controlled schedules for adjusting building temperatures and monitoring building conditions.

The City will continue its efforts to implement capital projects that increase energy efficiency. The City of Boston benefits from established relationships in the energy industry developed through the Mayor's Advisory Committee and the creation of an Energy Management Board in FY03. The City of Boston's Integrated Energy Management Plan was finalized in FY06. This plan sets the framework for the Mayor's energy policy and identifies implementation priorities and strategies.

Through the City's integrated energy management plan, two capital projects have been identified. Boston City Hall and the Boston Public Library's central library in Copley Square have undergone comprehensive energy audits. 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 audits recommend a range of energy efficiency measures including lighting upgrades and recommissioning. Annual energy savings are estimated at 5.7 million kilowatt-hours for City Hall and over 6.0 million kilowatt-hours at the central library. Implementation of the City Hall project will begin in FY07. Improvements at the central library will begin in FY08.

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 will bring multiple business processes online and have a central database for all departmental permitting and licensing. The longer term goal is to move all permitting and licensing functions onto the central system.

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:

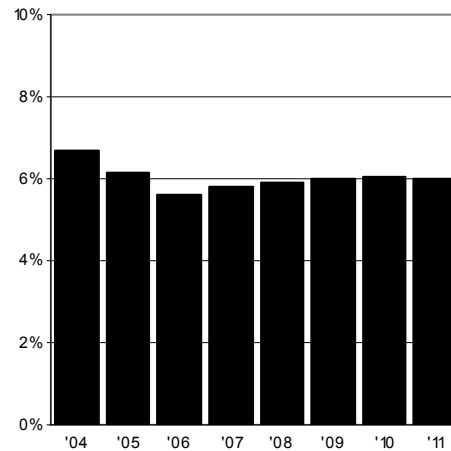
- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs do not exceed 7% of general fund expenditures;
- variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt.

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

The City's debt service forecast assumes general obligation spending of \$100 million each year from FY07 through FY11. On January 31, 2006, the City issued \$80 million in general obligation 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 FY07-11 (See Figure 2).

The ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in



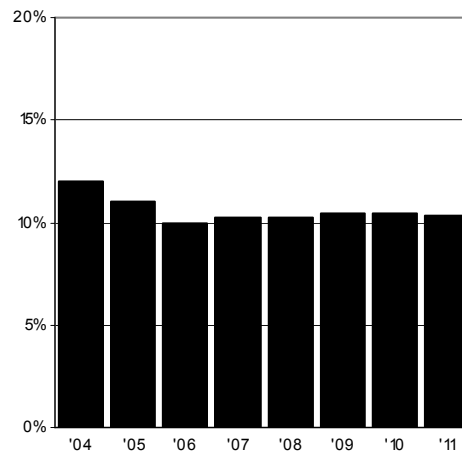
Gross Debt Service as a Percent of Total General Fund Expenditures
FY04 - FY11

Figure 2

the early part of this decade. This ratio is projected to decrease modestly in FY06 and then increase slightly in FY07 (See Figure 3).

The City's current overall debt burden (net direct debt to assessed property value of \$74.74 billion) is approximately 1.03% as of April 1, 2006. The City's net direct debt per capita currently stands at approximately \$1,350.72 as of April 1, 2006.

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



Gross Debt Service as a Percent of the Net Property Tax Levy
FY04 - FY11

Figure 3

As of April 1, 2006, the City's debt retirement schedule shows that 44.3% of its principal will be retired five years out, before the end of FY11 (See Figure 4). Bond rating agencies have recognized Boston's successful capital investment strategy by upgrading the City's bond rating. In January 2006, Moody's Investors Service, Standard and Poor's Rating Services, and FitchRatings awarded the City with bond credit ratings of Aa1, AA and AA, respectively.

Boston has had eleven general obligation bond sales over the past decade, the most recent of which was for \$80 million on January 31, 2006. The City also has had eight general obligation refunding issues. The most recent refunding issue, on February 1, 2005, achieved significant interest rate savings.

Major Capital Projects

Table 1 lists the major projects being undertaken by the Capital Plan. Descriptions on all 479 projects can be found in Volumes II and III of the Budget. Project descriptions include authorizations and funding sources, projected expenditures, and scope of the project.

Table 1

Major Capital Projects FY2007 - 2011 Plan

| Project | Description | Plan Budget |
|-------------------------------------|---|-------------|
| Crossroads Initiative | The Crossroads Initiative is a multi-year capital program of street improvements that will improve connections among the many neighborhoods surrounding and adjacent to the Rose Kennedy Greenway. | 55,000,000 |
| Burke High School | Design and construct an addition that will include a new full service neighborhood branch library and gym. The existing school building will be renovated to include a new cafeteria and general building improvements. | 42,625,000 |
| Mattapan Branch Library (New) | Site acquisition, design, construction and furnishings for the development of a new branch library. | 16,745,000 |
| Quincy Upper Pilot School | Develop a program to design and renovate the former Boston High School (Lincoln) building and Church Street building to accommodate Quincy Upper Pilot School. | 13,000,000 |
| Gardner Street Landfill Phase IA | Design and cap landfill areas at ballfields. | 12,550,000 |
| Citywalks | Repair and replace sidewalks and roads in conjunction with the City's annual sidewalk and roadway reconstruction programs over the next three years. | 12,000,000 |
| Charlestown Police Station | Design and construct a new neighborhood police station including furnishings and equipment. | 11,625,000 |
| 201 Rivermoor Street | Renovate building for use as a new Boston Public Library collections storage facility and also for a new City Archives and Records Management Center. | 10,000,000 |
| Hemenway School | Renovate facility to reopen as a school building. | 9,000,000 |
| Hyde Park Community Center Interior | A complete renovation and reprogramming of the community center including the teen center and kitchen. Upgrades to the gym, office spaces, interior painting, plumbing, heating, masonry work, and fire alarm system. | 8,510,000 |
| Pool Repairs | Renovate pools and locker rooms at various BCYF facilities including: Condon, Harborside, Marshall, Murphy, Perkins, and West Roxbury Community Centers. | 6,730,000 |
| Shelburne Community Center | Interior and exterior facility repairs and upgrades including: roof, mechanical systems, masonry, windows, athletic facility and interior renovations. | 5,700,000 |
| Roslindale Community Center | A complete rehabilitation including upgrades to the gym floor and running track, office space, bathrooms, boiler and controls, gym and interior lights, painting, plumbing, HVAC, and masonry repairs. Reprogram health center space and renovate RMV area. | 5,605,000 |
| Dorchester Avenue | Revitalize Dorchester Avenue with roadway improvements. | 5,000,000 |
| Strand Theater | Masonry repairs including the portico; repair or replace fire doors, regular doors and windows; paint and plaster; refurbish theater seating; replace boiler; sprinkler and security system work; upgrade exit lighting; upgrade exterior lighting, other work. | 4,500,000 |
| Brighton Branch Library | Install emergency lighting and exit signage. Interior renovations include flooring and carpet, window treatment, lighting and signage. Exterior renovations include signage, fences, roof, and retaining walls. Install windows and upgrade HVAC system. | 4,190,610 |
| Charlestown High School Field | Renovate the park with artificial turf fields, new play courts, bleachers, track, fencing and other miscellaneous improvements. | 3,500,000 |
| Cleveland School Phase 1 | Renovation to building addition includes windows, roof, masonry, upgrade of science labs, library, classroom partitions, tiling and administrative space. | 3,000,000 |
| Russett Road School | Major renovation to re-open Russett Road school building. Renovation includes masonry, roof and accessibility issues. | 2,000,000 |
| Beacon Street Phase II | Install new street light system and related roadway improvements from Gloucester Street to Kenmore Square. | 2,000,000 |
| Ceylon Park | Replace existing ballfield with artificial turf, upgrade entrances, improve ballfield lighting and landscaping. Replace concrete stairs. | 1,925,000 |

Capital Project Financing

Fiscal Years 2007 - 2011

| | Existing Authorization | FY07 Authorization | FY08-11 Authorization | State | Federal | Other | Trust | Total |
|---|---------------------------|-----------------------|--------------------------|--------------------|--------------------|--------------------|----------------|----------------------|
| Boston Center for Youth and Families | 14,925,040 | 16,757,250 | 25,140,700 | 0 | 0 | 0 | 0 | \$56,822,990 |
| Boston Redevelopment Authority | 8,524,300 | 0 | 0 | 1,257,000 | 0 | 0 | 0 | \$9,781,300 |
| Environment Department | 2,615,000 | 0 | 500,000 | 0 | 255,000 | 25,000 | 0 | \$3,395,000 |
| Fire Department | 16,290,198 | 5,100,000 | 18,042,150 | 0 | 0 | 0 | 0 | \$39,432,348 |
| Library Department | 28,087,452 | 250,000 | 31,860,000 | 1,180,000 | 0 | 2,155,000 | 0 | \$63,532,452 |
| Management Information Services | 7,366,925 | 0 | 4,050,000 | 0 | 0 | 1,010,000 | 0 | \$12,426,925 |
| Neighborhood Development | 16,705,600 | 0 | 345,000 | 0 | 0 | 0 | 0 | \$17,050,600 |
| Parks and Recreation Department | 44,247,991 | 9,144,000 | 20,579,600 | 32,593,894 | 40,800,000 | 11,792,110 | 115,000 | \$159,272,595 |
| Police Department | 19,480,750 | 18,289,250 | 4,590,000 | 0 | 0 | 0 | 0 | \$42,360,000 |
| Property and Construction Management Department | 66,031,913 | 4,275,000 | 29,963,000 | 0 | 0 | 8,750,000 | 0 | \$109,019,913 |
| Public Health Commission | 889,000 | 250,000 | 4,800,000 | 0 | 0 | 0 | 0 | \$5,939,000 |
| Public Works Department | 109,404,651 | 24,700,000 | 91,230,583 | 158,464,036 | 88,595,253 | 74,117,250 | 0 | \$546,511,773 |
| School Department | 110,187,844 | 34,475,000 | 83,981,700 | 0 | 0 | 13,400,000 | 0 | \$242,044,544 |
| Transportation Department | 9,617,093 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | \$10,617,093 |
| Total | 454,373,757 | 114,240,500 | 315,082,733 | 193,494,930 | 129,650,253 | 111,249,360 | 115,000 | 1,318,206,533 |

CITY of BOSTON

DEBT SERVICE PAYMENTS on GENERAL OBLIGATION BONDS

@ April 1, 2006

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

| DATE of ISSUE | AMOUNT ISSUED | @ 4/ 1/06: | | FY'06 through FY'11 | | FY'12 through FY'16 | | FY'17 through FY'21 | | FY'22 through FY'26 | | @ 4/ 1/06 | |
|--------------------------|---------------|------------|----------|---------------------|----------|---------------------|----------|---------------------|----------|---------------------|-----------|-----------|----------|
| | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| January 31, 2006 | 80,000 | 31,175 | 15,259 | 20,550 | 9,442 | 15,650 | 4,795 | 12,625 | 1,575 | 80,000 | 31,071 | | |
| February 1, 2005 R | 52,775 | 14,510 | 12,910 | 35,020 | 6,180 | 3,245 | 177 | 0 | 0 | 52,775 | 19,267 | | |
| February 1, 2005 | 75,000 | 24,720 | 13,177 | 19,875 | 8,065 | 14,640 | 3,888 | 10,640 | 1,064 | 69,875 | 26,194 | | |
| April 1, 2004 R | 42,330 | 27,130 | 3,957 | 3,345 | 84 | 0 | 0 | 0 | 0 | 30,475 | 4,041 | | |
| February 1, 2004 R | 35,870 | 26,530 | 5,755 | 8,050 | 1,013 | 0 | 0 | 0 | 0 | 34,580 | 6,768 | | |
| February 1, 2004 | 65,000 | 18,660 | 11,296 | 16,890 | 6,739 | 14,140 | 3,268 | 7,710 | 646 | 57,400 | 21,949 | | |
| February 1, 2003 R | 28,515 | 14,335 | 4,594 | 10,580 | 1,078 | 0 | 0 | 0 | 0 | 24,915 | 5,672 | | |
| February 1, 2003 | 25,000 | 6,500 | 4,393 | 6,300 | 2,907 | 6,000 | 1,467 | 2,400 | 180 | 21,200 | 8,947 | | |
| February 1, 2003 | 33,500 | 4,700 | 7,176 | 7,955 | 5,803 | 12,420 | 3,541 | 6,575 | 500 | 31,650 | 17,020 | | |
| February 1, 2003 | 75,000 | 22,395 | 11,810 | 18,390 | 7,092 | 14,150 | 3,131 | 4,900 | 368 | 59,835 | 22,401 | | |
| November 15, 2002 R | 43,070 | 16,115 | 1,693 | 0 | 0 | 0 | 0 | 0 | 0 | 16,115 | 1,693 | | |
| August 15, 2002 R | 48,640 | 4,370 | 10,134 | 27,165 | 6,470 | 15,715 | 1,736 | 0 | 0 | 47,250 | 18,340 | | |
| February 1, 2002 | 100,000 | 28,670 | 14,479 | 23,645 | 8,972 | 19,560 | 3,802 | 3,765 | 188 | 75,640 | 27,441 | | |
| April 1, 2001 R | 52,025 | 21,600 | 8,106 | 21,200 | 2,252 | 0 | 0 | 0 | 0 | 42,800 | 10,358 | | |
| February 1, 2001 | 120,000 | 34,450 | 14,861 | 23,275 | 8,357 | 20,475 | 3,067 | 0 | 0 | 78,200 | 26,285 | | |
| February 1, 2000 | 120,000 | 24,100 | 3,284 | 0 | 0 | 0 | 0 | 0 | 0 | 24,100 | 3,284 | | |
| MWPAT - October 15, 1999 | 13,389 | 3,139 | 2,212 | 3,615 | 1,339 | 3,300 | 335 | 0 | 0 | 10,054 | 3,886 | | |
| October 15, 1998 | 120,000 | 20,055 | 5,327 | 0 | 3,019 | 13,935 | 894 | 0 | 0 | 33,990 | 9,240 | | |
| April 15, 1998 | 15,000 | 2,385 | 225 | 0 | 0 | 0 | 0 | 0 | 0 | 2,385 | 225 | | |
| 35,900.00 R | 62,855 | 16,120 | 7,365 | 17,355 | 2,005 | 0 | 0 | 0 | 0 | 33,475 | 9,370 | | |
| January 15, 1998 | 90,000 | 9,245 | 2,384 | 2,605 | 1,760 | 5,215 | 352 | 0 | 0 | 17,065 | 4,496 | | |
| November 15, 1996 | 90,000 | 5,400 | 270 | 0 | 0 | 0 | 0 | 0 | 0 | 5,400 | 270 | | |
| October 15, 1995 | 75,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| | | 376,304 | 160,667 | 265,815 | 82,577 | 158,445 | 30,453 | 48,615 | 4,521 | 849,179 | 278,218 | | |
| | | | 536,971 | | 348,392 | | 188,898 | | 53,136 | | 1,127,397 | | |

@ 4/ 1/06:

% of Total Principal and

Interest Retired in 5 Years: 44.3%

% of Total Principal and

Interest Retired in 10 Years: 75.6%

% of Total Principal and

Interest Retired in 15 Years: 87.4%

% of Total Principal and

Interest Retired in 20 Years: 94.3%

% of Total Principal and

Interest Retired in 25 Years: 100.0%

Note: R = General Obligation Refunding Issuance

Outstanding Debt by Purpose as of April 1, 2006

| | Outstanding @ April 1, 2006 | Percent of Total Outstanding Debt |
|--|--------------------------------|--|
| General Purpose: | | |
| <u>Acquisition of Land, Parks and Recreation/</u> | | |
| Outdoor Facilities/Cemeteries/LandFill Areas | 72,305,225.14 | 8.51 |
| Departmental Equipment | 15,090,241.13 | 1.78 |
| Departmental Equipment/Fire Boat Acquisition | 92,016.90 | 0.01 |
| Computer Hardware/Software | 14,997,992.46 | 1.77 |
| Remodeling & Extraordinary Repairs | 305,154,272.19 | 35.93 |
| Constr/Re-Constr Surface Drains, Sewers, etc. | 1,001,878.52 | 0.12 |
| Reservoir Constr/Enlrg/Water Treatment Bldgs | 130,965.56 | 0.02 |
| Engineering and Architectural Services | 1,215,363.48 | 0.14 |
| | 409,987,955.38 | 48.28 |
| Urban Development: | | |
| <u>Economic Development and Industrial Corporation</u> | | |
| Urban Redevelopment and Renewal | 3,879,354.62 | 0.46 |
| | 22,823,886.85 | 2.68 |
| | 26,703,241.47 | 3.14 |
| Schools: | | |
| <u>Capital Improvements, Act of 1966</u> | | |
| Capital Improvements, Act of 1973 | 0.00 | 0.00 |
| Capital Improvements, Act of 1973 | 215,732.07 | 0.03 |
| Capital Improvements, Act of 1991 | 23,326,375.46 | 2.75 |
| Capital Improvements, Act of 1996 | 28,703,645.99 | 3.38 |
| Construction of Buildings | 21,200,000.00 | 2.50 |
| School Project Loan, Chapter 70B | 56,522,985.86 | 6.65 |
| | 129,968,739.38 | 15.31 |
| Public Buildings: | | |
| <u>Capital Improvements, Act of 1966</u> | | |
| Capital Improvements, Act of 1973 | 139,156.39 | 0.02 |
| Capital Improvements, Act of 1973 | 7,178,798.04 | 0.85 |
| Capital Improvements, Act of 1991 | 52,360,195.77 | 6.17 |
| Capital Improvements, Act of 1996 | 34,712,137.38 | 4.09 |
| Construction of Buildings | 93,095,351.19 | 10.95 |
| | 187,485,638.77 | 22.08 |
| Public Works: | | |
| <u>Construction of Bridges</u> | | |
| Construction of Bridges | 24,898,115.91 | 2.93 |
| Construction of Public Ways | 43,943,374.58 | 5.17 |
| Construction of Sidewalks | 12,048,083.40 | 1.42 |
| Traffic Signals, Public/Street Lighting, Fire Alarms | 14,143,804.76 | 1.67 |
| | 95,033,378.65 | 11.19 |
| GRAND TOTAL = | 849,178,953.65 | 100.00 % |

| |
|--|
| RATE of PRINCIPAL RETIREMENT on GENERAL OBLIGATION BONDS: |
|--|

Fiscal Years Ending June 30, 2006 - 2026

@ April 1, 2006

| <u>Fiscal Year Ended June 30,</u> | <u>Amount</u> | <u>Percentage of Total Principal Amount Retired:</u> |
|-----------------------------------|----------------|--|
| @ 4/1/06: | | |
| 2006 - 2011 | 376,303,954.00 | 44.31 % |
| 2012 - 2016 | 265,815,000.00 | 31.30 % |
| 2017 - 2021 | 158,445,000.00 | 18.66 % |
| 2022 - 2026 | 48,615,000.00 | 5.73 % |
| | 849,178,954.00 | 100.00 % |

Figure 4

CAPITAL FUND DEBT SERVICE REQUIREMENTS - FISCAL YEARS 2005 to 2011

| | Actual FY05 | Projected FY06 | Projected FY07 | Projected FY08 | Projected FY09 | Projected FY10 | Projected FY11 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gross Debt Service Requirements -- Bonded Debt: | | | | | | | |
| Total Principal: | 85,425,488 | 77,146,592 | 82,875,539 | 86,052,086 | 91,942,660 | 96,313,669 | 99,120,000 |
| Total Interest: | 37,933,693 | 38,004,780 | 41,676,230 | 44,186,602 | 45,827,994 | 47,426,004 | 48,411,409 |
| (1) Total | \$123,359,181 | \$115,151,372 | \$124,551,769 | \$130,238,688 | \$137,770,654 | \$143,739,673 | \$147,531,409 |
| Less Revenue Deemed Available from Related Sources: | | | | | | | |
| Boston Medical Center | 1,766,791 | 918,855 | 773,544 | 631,895 | 752,601 | 735,912 | 721,834 |
| Boston Public Health Commission | 1,156,990 | 731,770 | 709,398 | 553,771 | 681,246 | 673,203 | 670,790 |
| Water and Sewer Payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gardner Street Landfill Subsidy | 554,594 | 542,030 | 524,894 | 516,522 | 492,351 | 483,701 | 439,687 |
| (2) Irrigation Project | 278,102 | 273,154 | 267,875 | 317,909 | 307,981 | 299,071 | 290,160 |
| (3) 1010 Massachusetts Avenue Project | 1,486,053 | 1,532,226 | 1,622,576 | 1,673,937 | 1,723,878 | 1,776,615 | 1,829,787 |
| Accrued Interest | 335,939 | 0 | 472,340 | 100,000 | 100,000 | 100,000 | 100,000 |
| Premium | 3,879,494 | 0 | 4,045,723 | 3,795,492 | 100,000 | 100,000 | 100,000 |
| Total | \$118,402,769 | \$116,969,439 | \$119,635,420 | \$126,149,162 | \$137,112,597 | \$143,071,171 | \$146,879,150 |
| Plus: Interest on Temporary Loan Notes and Other Items: | | | | | | | |
| Revenue Anticipation | 1,536,750 | 2,423,602 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Cost of Issuance | 72,301 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| (4) School B.A.N.'s | 2,892,500 | 2,892,500 | 0 | 0 | 0 | 0 | 0 |
| Total Debt Service/Budget Summary: | \$118,402,769 | \$116,969,439 | \$119,635,420 | \$126,149,162 | \$137,112,597 | \$143,071,171 | \$146,879,150 |
| Additional Adjustments: | | | | | | | |
| Less: | | | | | | | |
| (4) School Construction Assistance | 16,144,882 | 109,153,226 | 15,136,370 | 15,020,329 | 14,507,239 | 14,264,780 | 12,466,104 |
| (5) Room Occupancy Excise Fund | 8,272,150 | 8,268,150 | 8,270,113 | 8,268,938 | 8,269,363 | 8,270,863 | 8,272,663 |
| Plus: | | | | | | | |
| (5) Convention Center Special Obligation Bonds | 8,272,150 | 8,268,150 | 8,270,113 | 8,268,938 | 8,269,363 | 8,270,863 | 8,272,663 |
| Total Net Debt Service Requirements: | \$102,257,887 | \$7,816,213 | \$104,499,051 | \$111,128,833 | \$122,605,358 | \$128,806,391 | \$134,413,046 |

NOTES:

- (1) FY06 - On January 1, 2006, the City issued \$80 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.53%.
Assumptions:
FY07 - Assumes General Obligation debt issuance of \$100 million per year, with a 20 year maturity and average interest rate of 5.5%.
FY08 through FY11 - Assumes General Obligation debt issuance of \$100 million per year, each with a 20 year maturity and 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) On February 1, 2002, the City issued \$62 million in Bond Anticipation Notes with a 4 year maturity and an interest rate of 3.5%.
On February 1, 2003, the City issued \$34 million in Bond Anticipation Notes with a 3 year maturity and an interest rate of 2.125%.
The BANs were issued to finance the construction costs of three schools: Orchard Gardens K-8, New Boston Pilot/Middle and Mildred Avenue Middle schools; both BAN's matured on February 1, 2006.
On January 30, 2006, the Massachusetts School Building Authority awarded the City \$93,689,541 to offset the payment of the BAN's debt service due on February 1, 2006.
- (5) 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.