

Capital Budget Set To Grow

City plans to increase capital spending over next five years

The City's five-year capital plan (FY08-FY12) totals \$1.517B, an increase of \$198.7M or 15.1% over the prior budget. Upkeep and upgrade of Boston's capital infrastructure constitutes 64% of the total budget with new or major renovations making up 34% of the total. Planning or matching costs make up the balance. Sale of General Obligation (GO) bonds will fund 62% of all project costs with state and federal programs providing 30% and other sources the rest. School building assistance is an important state source.

This year's capital plan identifies 426 new and continuing projects and proposes \$137.3M in new project authorizations. A review of expected capital spending of \$1M or more in FY08 identified 41 projects totaling \$105.1M. The five capital projects with the largest expenditures in FY08 are listed below.

Top Five Projects in FY08		
\$ in millions		
Department	Project	Cost
Police	Charlestown Station	\$7.5
School	Burke High	\$6.0
Library	Mattapan Branch	\$5.5
Prop.Const.	Rivermoor Bldg.	\$5.5
BCYF	Hyde Park Com.Cntr.	\$5.4

The budget anticipates an increase in the amount of GO bonds that will be issued over the next five years. In FY07, Boston sold GO bonds of \$100M, up from \$80M in FY06. The City plans to increase its annual GO bond sale to \$120M for each of the next five years for a total of \$600M. Noteworthy is the fact that the City has authorized but unissued debt of \$640.9M as of March 1, 2007.

The City has adhered to a conservative debt management policy with two main components.

- Limit annual gross debt service costs to 7% of general fund spending.
- Rapid repayment of at least 40% of the overall debt in 5 years and 70% within 10 years.

The City has kept debt service at or below 6% for the last three years which should allow it to increase annual borrowing in FY08 by \$20M and still keep debt service below 7%.

Debt Service as % of Total Expenditures				
Year	FY05	FY06	FY07 Budget	FY08 Budget
Percent	6.0%	5.4%	5.4%	5.3%

Boston's demonstrated prudent fiscal management and diverse economy has resulted in an Aa1 bond rating from Moody's Investors Service and an AA+ rating from Standard & Poor's, the highest AA rating for both rating services. Boston is rated AA by Fitch Ratings.

As expected, only a few departments account for the bulk of actual capital spending as shown below based on a five-year history.

Capital Expenditures FY02-FY06		
\$ in millions		
Department	Expend.	% of Total
School	\$258.5	42.9%
Public Works	\$116.1	19.3%
Property Mngt.	\$60.3	10.0%
Parks	\$51.1	8.5%