

The North Andover Finance Committee has prepared this forecast to aid the town in evaluating our forward looking budget choices. This tool has been reviewed by the Town Manager and The Town Accountant to ensure structural consistency of the model.

The Finance Committee has two models shown each with the same base assumptions but varying on one point. They show the difference in financial projections if all debt used to buy town buildings were funded outside the general budget ("Fin Com with New FY09 Debt" vs "Fin Com No Bldg Debt").

The Town Manager and the Town Accountant have prepared an alternative model using different projection assumptions and have included several future debt items not included in the Fin Com's model. All major assumptions are explained below.

Line Item	Assumptions
Property Taxes	<p>Fin Com: 4.0% represents an average of the last three years increases excluding the override with .5% subtracted given concerns with the economy.</p> <p>TM: 5.3% represents a full average increase in tax rates from 2001 through 2008 including the override.</p>
Local Receipts	Fin Com agrees with the TM's estimate.
State Aid	Fin Com agrees with the TM's estimate.
Interfund Transfers	Fin Com agrees with the TM's estimate.
Projection of Free Cash	<p>Fin Com: Free cash is made up of unspent monies from the prior fiscal year. This comes from two categories: Unanticipated revenue and/or unspent budget dollars. Since free cash is fundamentally unpredictable the Fin Com has chosen not to rely on projections of Free Cash.</p> <p>TM: The \$1MM figure is based on the average free cash from 2001-2008.</p>
Overlay surplus	<p>Fin Com: Overlay surplus comes from surplus monies set aside by the town to accrue for possible challenges to tax bills by residents and businesses in town. Overlay surplus has been running at an average of \$300k for several years</p> <p>TM: Includes \$300K for overlay and \$200K per year in misc other one time income.</p>
Interest Income	<p>Fin Com: The Fin Com has a practice of projecting interest rates 1% less than the Fed Funds rate as of the meeting when we vote on the town's fiscal year budget. We use this rate because the town uses compensating balances to allow fees to be waived. These funds do not earn interest and as such the effective interest rate that we earn against all funds is lower. The town's goal is to save more than this difference in</p> <p>Interest income projected into the future is simply equal to the FY09 budget fiscal year since any other number has no firm basis.</p> <p>TM: Uses the 7 year average interest earned and includes it in the Local receipts line item</p>

Proposed FY09 Capital Improvement Plan Debt Analysis  
 Purpose - to see the impact of the proposed debt funding to the General Fund  
 Prepared by Mark Rodgers  
 For Discussion Purposes only

Estimated Debt interest Rates

10 Year:	3.30%
20 Year:	4.00%

**FY 09 and Beyond Debt Analysis**

Source: 2/2/08 Revised Capital Improvement Plan

		Fiscal Year						
		2008	2009	2010	2011	2012	2013	
Revenues:	Property Taxes	<b>4.00%</b>	49,863,338	51,718,368	53,787,103	55,938,587	58,176,130	60,503,176
	Debt Exclusions		3,097,824	3,446,944	3,191,405	3,123,358	3,055,744	1,793,348
	Tax Title		-	-	-	-	-	-
	Local Receipts	<b>4.56%</b>	8,909,675	8,889,587	9,294,952	9,718,802	10,161,979	10,625,366
	Interest Earned		1,000,000	350,000	350,000	350,000	350,000	350,000
	State Aid	<b>2.02%</b>	10,112,968	10,249,226	10,249,226	10,456,260	10,667,476	10,882,959
	Interfund	<b>4.13%</b>	931,091	1,004,266	1,045,742	1,088,931	1,133,904	1,180,734
	Reserves/One Time Rev. (overlay)		200,000	300,000	300,000	300,000	300,000	300,000
	Free Cash		1,290,844	983,278				
	Net Revenues		<b>75,405,740</b>	<b>76,941,669</b>	<b>78,218,428</b>	<b>80,975,938</b>	<b>83,845,234</b>	<b>85,635,583</b>
Less:	Debt Exclusions		4,805,433	4,630,086	4,374,547	4,306,500	4,238,886	2,976,490
Less:	Free Cash		1,290,844	983,278				
<b>Total Revenues Available</b>			<b>69,309,463</b>	<b>71,328,305</b>	<b>73,843,881</b>	<b>76,669,438</b>	<b>79,606,348</b>	<b>82,659,093</b>

Net Rev. Inc/(Dec) from Pr. Yr.	\$	1,535,929	1,276,759	2,757,510	2,869,296	1,790,349
	%	2.04%	1.66%	3.53%	3.54%	2.14%

Debt Service:	General Fund Obligations	8,719,462	8,008,064	6,894,346	6,608,667	6,357,832	5,049,479
	P/Y Authorizations	57,293	344,126	579,618	560,880	542,143	523,406
	Police Station			428,670	419,144	409,618	400,092
	Annual GLSD payment			(125,000)	(128,125)	(131,328)	(134,611)
	Pre-School			186,300	182,160	178,020	173,880
	FY09 Other New Non-Excluded CIP			104,485	101,892	99,300	96,707
	FY10 Other New Non-Excluded CIP				223,972	218,415	212,858
	FY11 Other New Non-Excluded CIP					571,619	241,475
	FY12 Other New Non-Excluded CIP						804,345
	FY13 Other New Non-Excluded CIP						
	Subtotal New Debt			594,455	799,043	1,345,644	1,794,746
	Total	8,776,755	8,352,190	8,068,419	7,968,590	8,245,619	7,367,631
Less:	Debt Exclusions	4,805,433	4,630,086	4,374,547	4,306,500	4,238,886	2,976,490
<b>Net Debt Service</b>		<b>3,971,322</b>	<b>3,722,104</b>	<b>3,693,872</b>	<b>3,662,090</b>	<b>4,006,733</b>	<b>4,391,141</b>
Debt Service Ratio		<b>5.73%</b>	<b>5.22%</b>	<b>5.00%</b>	<b>4.78%</b>	<b>5.03%</b>	<b>5.31%</b>

Inc/(Dec) in Net Debt Service:	\$	(249,218)	(28,232)	(31,782)	344,643	384,408
	%	-6.28%	-0.76%	-0.86%	9.41%	9.59%

<b>Revenues Available for Operations</b>	75,405,740	76,941,669	78,218,428	80,975,938	83,845,234	85,635,583
Less: Non Debt Exclusion	(3,971,322)	(3,722,104)	(3,693,872)	(3,662,090)	(4,006,733)	(4,391,141)
Less: Debt Exclusions	(4,805,433)	(4,630,086)	(4,374,547)	(4,306,500)	(4,238,886)	(2,976,490)
<b>Net Revenues for Ops.</b>	<b>66,628,985</b>	<b>68,589,479</b>	<b>70,150,009</b>	<b>73,007,348</b>	<b>75,599,615</b>	<b>78,267,952</b>

**FinCom/BoS Budget**

Other Non-Department Fixed Cost:	<b>7.68%</b>	14,568,992	15,248,475	16,871,711	18,346,207	19,963,308	21,737,511
Escalation Assumption	<b>3.6%</b>	52,051,560	53,338,387	55,258,569	57,247,877	59,308,801	61,443,918

Estimated Operating Expenses	66,620,552	68,586,862	72,130,280	75,594,085	79,272,109	83,181,429
		2.95%	5.17%	4.80%	4.87%	4.93%
<b>(Shortfall)/Gain</b>	<b>8,433</b>	<b>2,617</b>	<b>(1,980,271)</b>	<b>(2,586,737)</b>	<b>(3,672,494)</b>	<b>(4,913,477)</b>

Note: Town Hall Debt paid in 2015  
 Sargent School Debt paid in 2016

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			Fiscal Year					
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Revenues:	Property Taxes	4.00%	49,863,338	51,718,368	53,787,103	55,938,587	58,176,130	60,503,176
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	Tax Title		-	-	-	-	-	-
	Local Receipts	4.56%	8,909,675	8,889,587	9,294,952	9,718,802	10,161,979	10,625,366
	Interest Earned		1,000,000	350,000	350,000	350,000	350,000	350,000
	State Aid	2.02%	10,112,968	10,249,226	10,249,226	10,456,260	10,667,476	10,882,959
	Interfund	4.13%	931,091	1,004,266	1,045,742	1,088,931	1,133,904	1,180,734
	Reserves/One Time Rev. (overlay)		200,000	300,000	300,000	300,000	300,000	300,000
	Free Cash		1,290,844	983,278				
	Net Revenues		<b>75,405,740</b>	<b>76,941,669</b>	<b>78,218,428</b>	<b>80,975,938</b>	<b>83,845,234</b>	<b>85,635,583</b>
Less:	Debt Exclusions		4,805,433	4,630,086	4,374,547	4,306,500	4,238,886	2,976,490
Less:	Free Cash		1,290,844	983,278				
<b>Total Revenues Available</b>			<b>69,309,463</b>	<b>71,328,305</b>	<b>73,843,881</b>	<b>76,669,438</b>	<b>79,606,348</b>	<b>82,659,093</b>

Net Rev. Inc/(Dec) from Pr. Yr.	\$		1,535,929	1,276,759	2,757,510	2,869,296	1,790,349
	%		2.04%	1.66%	3.53%	3.54%	2.14%

Debt Service:	General Fund Obligations		8,719,462	8,008,064	6,894,346	6,608,667	6,357,832	5,049,479
	P/Y Authorizations		57,293	344,126	579,618	560,880	542,143	523,406
	Police Station							
	Annual GLSD payment				(125,000)	(128,125)	(131,328)	(134,611)
	Pre-School							
	FY09 Other New Non-Excluded CIP				128,193	124,370	120,546	116,723
	FY10 Other New Non-Excluded CIP					181,973	176,545	171,118
	FY11 Other New Non-Excluded CIP						212,154	205,827
	FY12 Other New Non-Excluded CIP							334,946
	FY13 Other New Non-Excluded CIP							113,952
	Subtotal New Debt				3,193	178,217	377,918	807,955
	Total		8,776,755	8,352,190	7,477,157	7,347,764	7,277,893	6,380,840
Less:	Debt Exclusions		4,805,433	4,630,086	4,374,547	4,306,500	4,238,886	2,976,490
<b>Net Debt Service</b>			<b>3,971,322</b>	<b>3,722,104</b>	<b>3,102,610</b>	<b>3,041,264</b>	<b>3,039,006</b>	<b>3,404,350</b>
<b>Debt Service Ratio</b>			<b>5.73%</b>	<b>5.22%</b>	<b>4.20%</b>	<b>3.97%</b>	<b>3.82%</b>	<b>4.12%</b>

Inc/(Dec) in Net Debt Service:	\$		(249,218)	(619,494)	(61,345)	(2,258)	365,343
	%		-6.28%	-16.64%	-1.98%	-0.07%	12.02%

<b>Revenues Available for Operations</b>		75,405,740	76,941,669	78,218,428	80,975,938	83,845,234	85,635,583
Less: Non Debt Exclusion		(3,971,322)	(3,722,104)	(3,102,610)	(3,041,264)	(3,039,006)	(3,404,350)
Less: Debt Exclusions		(4,805,433)	(4,630,086)	(4,374,547)	(4,306,500)	(4,238,886)	(2,976,490)
<b>Net Revenues for Ops.</b>		<b>66,628,985</b>	<b>68,589,479</b>	<b>70,741,271</b>	<b>73,628,174</b>	<b>76,567,341</b>	<b>79,254,743</b>

**FinCom/BoS Budget**

Other Non-Department Fixed Cost:	7.68%	14,568,992	15,248,475	16,871,711	18,346,207	19,963,308	21,737,511
Escalation Assumption	3.6%	52,051,560	53,338,387	55,258,569	57,247,877	59,308,801	61,443,918

Estimated Operating Expenses		66,620,552	68,586,862	72,130,280	75,594,085	79,272,109	83,181,429
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<b>(Shortfall)/Gain</b>		<b>8,433</b>	<b>2,617</b>	<b>(1,389,009)</b>	<b>(1,965,911)</b>	<b>(2,704,767)</b>	<b>(3,926,686)</b>
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 Sargent School Debt paid in 2016