

NEW ISSUE

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

CITY OF BOSTON, MASSACHUSETTS**\$145,130,000****GENERAL OBLIGATION BONDS
2019 SERIES A****Dated: Date of Delivery****Due: March 1, as shown below**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*	Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2020	\$ 9,225,000	5.00%	1.51%	100853YQ7	2030	\$ 5,295,000	5.00%	2.21%**	100853ZA1
2021	9,320,000	5.00	1.52	100853YR5	2031	5,560,000	5.00	2.34**	100853ZB9
2022	9,795,000	5.00	1.53	100853YS3	2032	5,835,000	5.00	2.43**	100853ZC7
2023	10,285,000	5.00	1.56	100853YT1	2033	6,125,000	5.00	2.52**	100853ZD5
2024	10,795,000	5.00	1.62	100853YU8	2034	6,435,000	5.00	2.56**	100853ZE3
2025	6,690,000	5.00	1.71	100853YV6	2035	5,340,000	5.00	2.62**	100853ZF0
2026	7,020,000	5.00	1.78	100853YW4	2036	5,605,000	5.00	2.68**	100853ZG8
2027	7,375,000	5.00	1.87	100853YX2	2037	5,885,000	5.00	2.74**	100853ZH6
2028	7,745,000	5.00	1.98	100853YY0	2038	6,180,000	5.00	2.80**	100853ZJ2
2029	8,130,000	5.00	2.10	100853YZ7	2039	6,490,000	5.00	2.86**	100853ZK9

The Bonds will be issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are set forth in this Official Statement. Interest on the Bonds will be payable on September 1, 2019 and semiannually on each March 1 and September 1 thereafter until maturity or redemption prior to maturity. The Bonds will be subject to redemption prior to maturity as more fully described herein.

The Bonds will be valid general obligations of the City for the payment of the principal of and interest on which all taxable property in the City is subject to the levy of ad valorem taxes without limit as to rate or amount as more fully described herein under "Security for the Bonds."

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the original purchasers thereof and subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described herein and in the Official Notice of Sale. PFM Financial Advisors LLC. (See "Municipal Advisor" herein), Boston, Massachusetts, serves as Municipal Advisor to the City. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about March 19, 2019.

March 5, 2019

† See "Credit Ratings."

* Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

** Priced at the stated yield to the first optional redemption date. See "the Bonds-Redemption Prior to Maturity-Optional Redemption."

No dealer, broker, salesperson or other person has been authorized by the City of Boston or the original purchasers of the Bonds to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained herein has been furnished by the City and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the underwriter of the Bonds or, as to information from other sources, of the City. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof, except as expressly set forth herein. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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OFFICIAL STATEMENT
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
\$145,130,000
GENERAL OBLIGATION BONDS, 2019 SERIES A

This Official Statement (which includes the cover page and Appendices hereto) provides information concerning the City of Boston, Massachusetts (the “City”) and the \$145,130,000 General Obligation Bonds, 2019 Series A (the “Bonds”), to be issued by the City as described herein. Certain credit factors concerning the Bonds are described throughout this Official Statement, which should be read in its entirety. This Official Statement speaks only as of its date and the information contained herein is subject to change after this date.

THE CITY

The City of Boston, incorporated as a town in 1630 and as a city in 1822, is the largest city in Massachusetts and the capital of The Commonwealth of Massachusetts (the “Commonwealth”). The City and its component governmental units are responsible for the provision of a wide range of government services, including education, public safety, public health, urban planning and development and the maintenance of the City’s infrastructure, and for funding certain employee benefits, state authority assessments and debt service requirements. Its primary sources of revenue are property taxes, state aid and certain excises. Management of the City’s finances includes preparation of annual operating and capital budgets, the exercise of expenditure controls and cash management. For a full discussion concerning the City, and its finances, see “Appendix A—City of Boston, Massachusetts, Information Statement dated February 26, 2019 (the “Information Statement”).”

As the economic hub of New England, Boston is a center for professional, financial, higher educational and medical services, and the focus of tourist and convention travel in New England. For a description of certain demographic and economic information about the City, see “Appendix A—Exhibit III—City of Boston—Selected Demographic and Economic Information.”

SECURITY FOR THE BONDS

The Bonds will be valid general obligations of the City, for the payment of the principal of and interest on which the full faith and credit of the City will be pledged. To the extent not paid from other legally available revenues of the City, the Bonds are payable from ad valorem taxes which may be levied upon all taxable property in the City without limit as to rate or amount.

Chapter 643 of the Acts of 1983 of the Commonwealth, as amended (the “Bond Procedure Act of 1983”), requires that the debt and interest charges on all general obligation indebtedness of the City (including the Bonds), if not otherwise provided for, be included in the City’s annual tax levy. The Bond Procedure Act of 1983 also mandates assessment of taxes in excess of the levy limits imposed by the statewide property tax limit (“Proposition 2½”) to the extent that the debt service on City obligations is not otherwise provided for in the tax levy or from other sources, with no allowance made for any other expenditures of the City. See “City Revenues—Property Taxes—Proposition 2½” in the Information Statement. Holders of City obligations do not have a statutory priority with respect to or a security interest in the portion of the tax levy attributable to such obligations. See “City Indebtedness—Classification of City Debt” in the Information Statement.

In the opinion of Bond Counsel, the City is subject to suit on the Bonds, and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the Bonds from available funds or, in the absence of available funds, to order the inclusion of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of property of any inhabitant. There has been no judicial determination, however, as to whether the remedy is constitutional under current due process and equal protection standards.

Payment of the principal of and interest on the Bonds is not secured by or limited to a pledge of any particular revenue source of the City. Chapter 190 of the Acts of 1982 of the Commonwealth (the “1982 Funding Loan Act”) and the Bond Procedure Act of 1983 authorize the City to pledge to the payment of any of its general obligation notes or bonds all or any part of the revenues of the City derived from any tax, fee, distribution or reimbursement payable to the City (except distributions and reimbursements required by law to be specifically used for statutorily defined purposes), including state aid distributions and the proceeds of the City’s annual property tax levy. No obligations are currently outstanding which are secured by such a pledge. The Bond Procedure Act of 1983 also authorizes the City to issue special obligation bonds payable solely from the revenues of a revenue-producing facility, and Chapter 152 of the Acts of 1997, as amended (the “Convention Center Act”), authorized the City to pledge certain excise receipts and other revenues of the City to the payment of bonds of the City issued under the authority of the Convention Center Act. As of the date of this Official Statement, the City is not authorized to issue any additional bonds under the Convention Center Act and no special obligation indebtedness of the City remains outstanding. See “City Indebtedness—Special Obligation Debt” in the Information Statement. To the extent required for the payment of any such secured indebtedness, the revenues pledged to their payment would not be available to pay the Bonds.

Except to the extent specifically pledged to the payment of certain indebtedness, state aid distributions to the City are generally available for the payment of bonds or notes of the City, but, under certain circumstances, they may be unavailable to the extent such distributions are applied to the payment of “qualified bonds” issued by the City (none of which bonds have been issued), or to the extent that such distributions may be applied under state law to the satisfaction of unpaid assessments due the Commonwealth from the City for debt issued by the Massachusetts Bay Transportation Authority, or for obligations of the City or of the Boston Water and Sewer Commission issued to the Massachusetts Clean Water Trust, formerly known as Massachusetts Water Pollution Abatement Trust. See “City Indebtedness—Classification of City Debt” in the Information Statement.

State statutes also provide that certain parking meter receipts may be used only for parking and related purposes and, accordingly, monies derived from this source may be unavailable to pay general obligation bonds and notes issued for other purposes. In addition, subject to certain limits, the City may annually authorize the establishment of one or more revolving funds in connection with the use of certain revenues for programs that produce those revenues. If it accepts certain statutory provisions, the City may also establish enterprise funds for certain purposes, including for a health care, solid waste, recreational or transportation facility, and for police or fire services. Under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. The City has not established any such enterprise funds.

Section 19A of Chapter 44 of the General Laws provides, in part, that if the City is or is likely to be unable to pay principal of or interest on any of its bonds or notes when due, it shall notify the state Commissioner of Revenue. The Commissioner shall certify such inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount by the later of three days after the certification or one business day prior to the due date. This payment is limited, however, to the estimated amounts distributable by the Commonwealth to the City during the remainder of the fiscal year. If, for any reason, any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for such fiscal year. The sums so paid shall be charged with interest and administrative costs against the distributions to the City. The foregoing provisions are not a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the law requiring the Commonwealth to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the state’s annual appropriation act is often delayed beyond the beginning of the fiscal year, and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

The rights of the holders of the Bonds and the enforceability of payment of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws.

THE BONDS

Description

The Bonds will be dated the date of delivery thereof, expected to be March 19, 2019, and will mature on March 1 of the years, and in the amounts, and will bear interest calculated on the basis of 30-day months and a 360-day year at the rates, shown on the cover of this Official Statement. Interest on the Bonds will be payable on September 1, 2019 and semiannually thereafter on each March 1 and September 1 until maturity or redemption prior to maturity, provided that if such day is not a business day, interest will be payable on the next business day.

The Bonds will be issued by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”). Bond certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest on the Bonds will be paid on the interest payment dates or upon redemption, and principal of the Bonds will be paid at maturity or upon redemption, to DTC or its nominee as registered owner of the Bonds. Transfer of principal or redemption price and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal or redemption price and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal or redemption price and interest payments will be the fifteenth day of the month next preceding a debt service payment date or, if such day is not a business day, the next succeeding business day. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

U.S. Bank National Association, Boston, Massachusetts, will act as paying agent for the Bonds (the “Paying Agent”).

Authorization and Purpose

The Bonds will be issued pursuant to the Bond Procedures Act of 1983 and various loan orders of the City Council approved by the Mayor. The Bonds will be issued to finance various capital projects of the City.

Redemption Prior To Maturity

Optional Redemption

The Bonds maturing on or before March 1, 2029 will not be subject to redemption prior to maturity. The Bonds maturing after March 1, 2029 will be subject to redemption prior to maturity at the option of the City, on or after March 1, 2029, as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected by DTC and its participants, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption

Notice of redemption of Bonds, specifying the numbers, series and maturities of the Bonds or portions thereof to be redeemed and the redemption date, will be given by the Paying Agent not more than 60 days nor less than 30 days prior to the redemption date by notice mailed to DTC or its nominee, or in such other manner acceptable to DTC, as registered owner of the Bonds to be redeemed. The City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. Notice having been given, the Bonds or portions thereof called for redemption will become due and payable on the designated redemption date. If on the redemption date monies are available for the redemption of the Bonds or portions thereof to be redeemed, together with interest accrued to the redemption date, then interest on such Bonds or portions thereof shall thereafter cease to accrue.

The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the City for such purpose no later than the redemption date, or that the City may rescind such notice at any time prior to the scheduled redemption date if the City’s Chief Financial Officer and Collector-Treasurer delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the City to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and the amount necessary to effect the redemption having been so deposited, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

Book-Entry Transfer System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National, and Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the

responsibility of such Participant and not of DTC or, its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

DEBT SERVICE REQUIREMENTS

The following table sets forth the gross debt service requirements for the City's outstanding general obligation bonds as of March 1, 2019, the gross debt service requirements on the Bonds and the resulting net gross debt service requirements on the general obligation bonds of the City following the issuance of the Bonds.

Schedule of Debt Service Payments (\$ in thousands)*

Fiscal	Bonds Outstanding As of March 1, 2019		The Bonds		QSCB 2009A Sinking Fund ⁽¹⁾	Total Principal and Interest
	Principal	Interest	Principal	Interest		
2019	\$ 76,600	\$ 18,189	-	-	-	\$ 94,789
2020	116,120	50,943	\$ 9,225	\$ 6,894	-	183,181
2021	113,564	45,352	9,320	6,795	-	175,031
2022	117,888	39,810	9,795	6,329	-	173,822
2023	106,868	34,787	10,285	5,840	-	157,779
2024	94,113	29,789	10,795	5,325	-	140,022
2025	111,788	25,327	6,690	4,786	\$ (20,000)	128,590
2026	88,759	21,115	7,020	4,451	-	121,345
2027	71,520	17,195	7,375	4,100	-	100,190
2028	60,156	14,375	7,745	3,731	-	86,007
2029	52,493	11,838	8,130	3,344	-	75,805
2030	48,310	9,796	5,295	2,938	-	66,338
2031	45,217	7,953	5,560	2,673	-	61,403
2032	42,740	6,245	5,835	2,395	-	57,214
2033	38,858	4,746	6,125	2,103	-	51,831
2034	29,936	3,411	6,435	1,797	-	41,579
2035	23,500	2,322	5,340	1,475	-	32,638
2036	17,170	1,479	5,605	1,208	-	25,461
2037	11,750	836	5,885	928	-	19,399
2038	6,815	341	6,180	634	-	13,969
2039	-	-	6,490	325	-	6,815
Totals	\$ 1,274,163	\$ 345,847	\$ 145,130	\$ 68,068	\$ (20,000)	\$ 1,813,209

* Rows and columns may not add due to rounding.

(1) Quarterly payments of principal in the amount of \$363,636.36 are currently being made to the paying agent with respect to the City's outstanding \$20,000,000 general obligation Qualified School Construction Bonds, 2009, Series A, which were issued as tax credit bonds that do not earn interest. These funds are kept in escrow until the bonds mature on September 15, 2024.

Source: City of Boston Auditing Department.

Rate of Principal Retirement

The City will retire the following amounts of its outstanding general obligation bonds over the following respective periods. This table is stated in two ways, with scheduled principal retirement prior to the issuance of the Bonds, and then subsequent to the issuance of the Bonds.

Term of Retirement	Debt Outstanding as of March 1, 2019 to be Retired (in thousands)	Percentage of Debt Outstanding as of March 1, 2019 to be Retired	Debt Outstanding After Issuance of the Bonds to be Retired (in thousands)	Percentage of Debt Outstanding After Issuance of the Bonds to be Retired
Fiscal 2019-2024	\$ 625,153	49.1%	\$ 674,573	47.5%
Fiscal 2025-2029	384,715	30.2	421,675	29.7
Fiscal 2030-2034	205,061	16.1	234,311	16.5
Fiscal 2035-2039	59,235	4.6	88,735	6.3
Total	\$1,274,163	100.0%	\$1,419,293	100.0%

Source: City of Boston Auditing Department.

LITIGATION

No litigation is pending or, to the knowledge of the City’s Corporation Counsel, threatened (a) seeking to restrain or enjoin the issuance or delivery of the Bonds, (b) contesting or affecting any authority for or the validity of the Bonds, (c) contesting the power of the City to issue the Bonds or the power of the City to offer and sell the Bonds to the purchaser(s) thereof, (d) contesting the power of the City to levy and collect taxes to pay the Bonds, (e) contesting the corporate existence or boundaries of the City, or (f) contesting the title of officials of the City who have acted with respect to the proceedings for the issuance and sale of the Bonds to their respective offices.

There are pending in courts within the Commonwealth various suits in which the City is a defendant. No litigation is pending or, to the knowledge of the City’s Corporation Counsel, threatened which is likely to have a material adverse impact on its ability to pay the principal of and interest on the Bonds when due or the City’s long-term financial condition. While the ultimate outcome and fiscal impact, if any, on the City of pending and threatened proceedings and claims are not currently predictable, adverse determinations in certain of them could have a programmatic or budgetary impact on the City.

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

A complete copy of the proposed form of the opinion of Bond Counsel with respect to the Bonds is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition

(including sale, redemption, or payment on maturity) of such Bonds. Bondowners should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondowners should be aware that certain requirements and procedures contained or referred to in the relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondowners should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondowners to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds. Prospective Bondowners are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences and Bondholders should consult with their own tax advisors with respect to such consequences.

CREDIT RATINGS

Moody’s Investors Service Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York, and S&P Global Ratings, 55 Water Street, New York, New York, have assigned the ratings of “Aaa” and “AAA,” respectively, to the Bonds, reflecting the City’s capacity to pay debt service. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the

rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale by competitive bidding on March 5, 2019, in accordance with the Official Notice of Sale dated February 26, 2019 (the “Official Notice of Sale”) attached hereto as Appendix D. J.P. Morgan Securities LLC was the successful bidder for the Bonds. Information provided by J.P. Morgan Securities LLC regarding the interest rates and reoffering yields of the Bonds is set forth on the front cover of this Official Statement. The Bonds are being purchased from the City by J.P. Morgan Securities LLC at an aggregate price of \$170,818,196.88, reflecting the principal amount of \$145,130,000.00, plus net original issue premium of \$25,798,052.45, less underwriter’s discount of \$109,855.57.

J.P. Morgan Securities LLC and any of their respective associates underwriting the Bonds may offer to sell the bonds to certain dealers and others at prices other than the initial offering prices, and the public offering prices may be changed from time to time by the underwriters.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds are subject to the approval of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the City. Reference should be made to the form of opinion of Bond Counsel set forth in Appendix B for the matters to be covered therein. In addition, Corporation Counsel of the City will certify as to the accuracy of the statements contained in the first paragraph under the caption “Litigation.”

INDEPENDENT AUDITORS

The financial statements of the City of Boston included as Exhibit I to Appendix A of this Official Statement have been audited by KPMG LLP, independent auditors, to the extent and for the period indicated in their report thereon.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (“PFM”), Boston, Massachusetts, serves as municipal advisor to the City in connection with the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the “Annual Report”), and to provide notices of occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C (the “Certificate”). The Certificate will be executed on the delivery date of the Bonds and incorporated by reference in the Bonds. The City has executed previous undertakings to provide annual reports or notices of material events in accordance with the Rule and to the best of its knowledge has never failed to comply in all material respects with any such undertaking within the previous five years. The City has implemented procedures to ensure timely filing of annual reports and notices of certain enumerated events required under its continuing disclosure undertakings.

In order to assist the City in carrying out its obligations under the Certificate and under its other continuing disclosure undertakings, the City has entered into an agreement with Digital Assurance Certification, LLC (“DAC”) pursuant to which DAC serves as dissemination agent for the City with respect to the continuing disclosure filings required to satisfy such obligations.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth of Massachusetts, of all general and special laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the City and the Commonwealth of Massachusetts, receipt of state aid and federal grants, litigation, arbitration, cybersecurity threats, terrorist events, force majeure events, changes in law, and various other factors that are beyond the control of the

City and its various departments and agencies. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its departments or agencies since the date of this Official Statement, except as expressly stated.

CITY OF BOSTON, MASSACHUSETTS

By: /s/ Emme Handy
Chief Financial Officer and Collector-Treasurer

Dated: March 5, 2019

CITY OF
BOSTON, MASSACHUSETTS



INFORMATION STATEMENT
Dated February 26, 2019

This Information Statement contains certain general and financial information concerning the City of Boston, Massachusetts (the “City”). The information is authorized by the City to be distributed to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System (“EMMA”) for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission. This Information Statement may not be reproduced or used in whole or in part for any other purpose without the express written consent of Emme Handy, Chief Financial Officer and Collector-Treasurer, Boston, Massachusetts.

Any statements in this Information Statement involving matters of opinion, whether or not expressly so stated are intended merely as opinion and not as representations of fact. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Information Statement nor any sale made pursuant to any official statement or offering memorandum to which it is appended, in which it is included by reference or with which it is distributed shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

This Information Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions of the City, the inclusion in this Information Statement of such forecasts, projections and estimates should not be regarded as a representation of the City that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Information Statement, the word “expects,” “forecasts,” “projects,” “plans,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Information Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the City’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Information Statement.

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THE CITY

The City, incorporated as a town in 1630 and as a city in 1822, exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of The Commonwealth of Massachusetts (the “Commonwealth”) which, as amended, constitute the City’s Charter.

The Mayor is the chief executive officer of the City. Martin J. Walsh, the Mayor of the City, was elected to serve his first four-year term, beginning in January 2014, and was re-elected to serve a second term that began in January 2018. The Mayor has general supervision of and control over the City’s boards, commissions, officers, and departments. The portion of the City budget covering appropriations for all departments and operations of the City, except the School Department and the Boston Public Health Commission, is prepared under the direction of the Mayor. Prior to his service as Mayor, Mayor Walsh was a member of the Massachusetts House of Representatives, serving as the State Representative from the Thirteenth Suffolk District from 1997 through 2013.

The legislative body of the City is the thirteen-member City Council. The City Council enacts ordinances and adopts orders, which the Mayor may either approve or veto. Ordinances and orders, except orders for the borrowing or appropriation of money and the reorganization of City departments, may be enacted by the City Council over the Mayor’s veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but the City Council may not increase a budget. For a description of the budget process, see “Financial Operations—Budget Process” herein.

The current members of the City Council, all of whose terms will end in January 2020, are set forth below.

Andrea Campbell (President).....	District 4
Michael F. Flaherty.....	At Large
Althea Garrison.....	At Large
Annissa Essaibi George.....	At Large
Michelle Wu.....	At Large
Lydia Edwards.....	District 1
Edward Flynn.....	District 2
Frank Baker.....	District 3
Timothy McCarthy.....	District 5
Matthew J. O’Malley.....	District 6
Kim Janey.....	District 7
Josh Zakim.....	District 8
Mark B. Ciommo.....	District 9

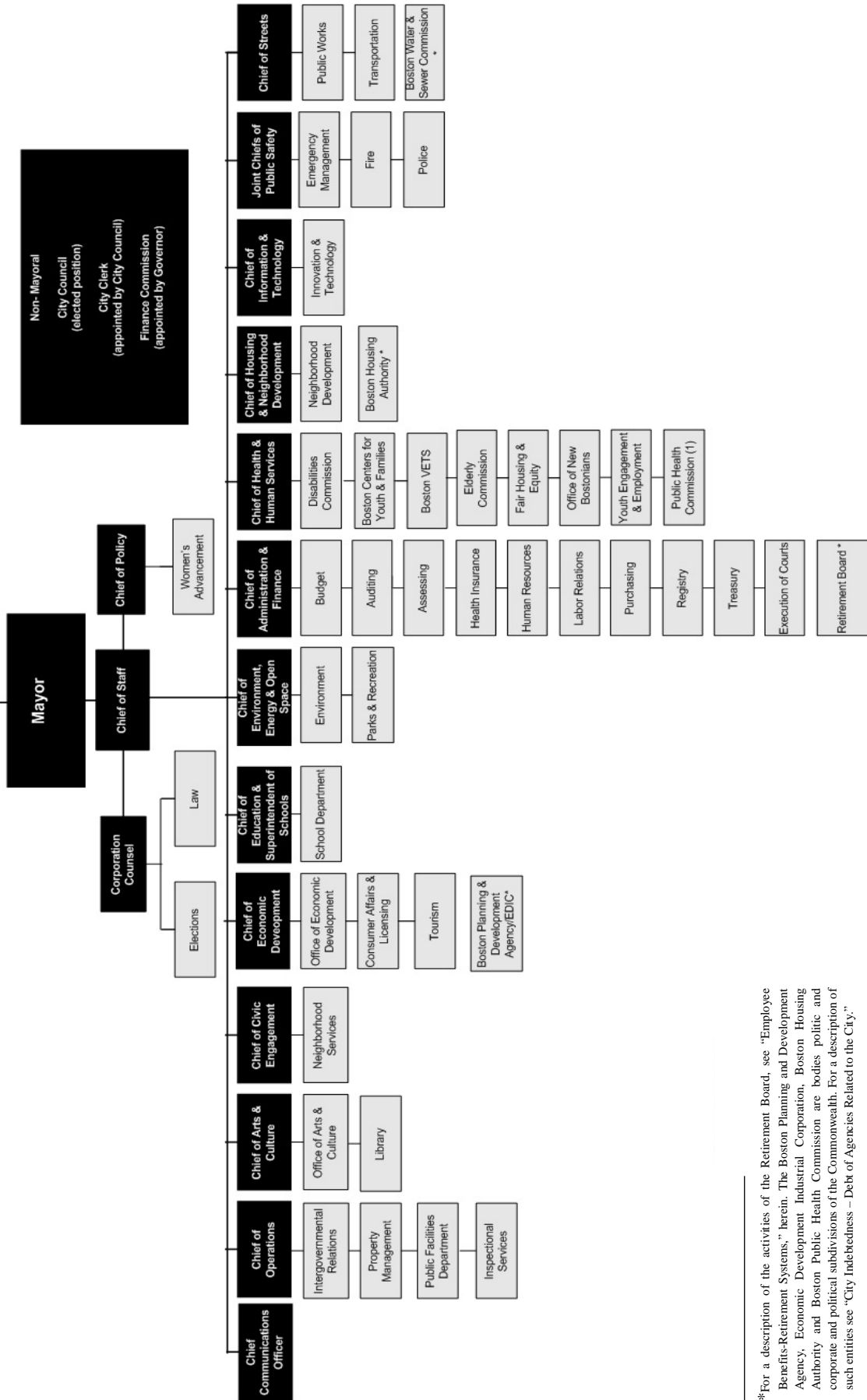
Organization of City Government

The City of Boston operates under a cabinet form of government to recognize the major functional responsibilities of City government, to facilitate improvements in the conduct of the executive and administrative business of the City, and to eliminate duplication and waste.

The structure of the Mayor’s cabinet is set forth in the organizational chart on the following page.

ORGANIZATION OF CITY GOVERNMENT

CITIZENS OF BOSTON



*For a description of the activities of the Retirement Board, see "Employee Benefits-Retirement Systems," herein. The Boston Planning and Development Agency, Economic Development Industrial Corporation, Boston Housing Authority and Boston Public Health Commission are bodies politic and corporate and political subdivisions of the Commonwealth. For a description of such entities see "City Indebtedness - Debt of Agencies Related to the City."

With the exception of the Police Commissioner, who serves a term of five years, and the Superintendent of Schools, the City officials profiled below serve at the pleasure of the Mayor.

Chief of Staff

David Sweeney was appointed Chief of Staff in September 2017. Previously he served as Chief Financial Officer, Collector-Treasurer and Chief of Administration and Finance for the City of Boston from 2014 to 2017. Prior to his appointment as CFO, Mr. Sweeney served as CFO and Assistant Executive Director of the Massachusetts State Lottery Commission. He also worked for the Massachusetts House of Representatives and in various budgeting roles, including Chief Fiscal Policy Advisor to the Speaker of the House and Budget Director for the House Committee on Ways and Means. The Chief of Staff is charged with supervising and directing the operations of the Mayor's Office, including but not limited to scheduling, security, policy and planning, press, constituent services and intergovernmental relations.

Chief of Policy

Joyce Linehan was appointed Chief of Policy in February 2014. From 2000 to 2013, she owned and operated Ashmont Media, a public relations company serving not-for-profit arts organizations. From 1992 to 1999, she was the Senior Director of Artists & Repertoire for Sub Pop Records. The Chief of Policy is responsible for the development and implementation of all policy initiatives for the City and oversees the Office of Women's Advancement.

Chief of Operations

Patrick Brophy was appointed Chief of Operations in April 2015. Prior to his appointment, Mr. Brophy served as the Assistant Director of Government and Community Affairs at Harvard University. Prior to his employment at Harvard, Mr. Brophy worked for the City of Boston for twenty years as the Assistant Director of Operations in the Capital Construction Division of the Property & Construction Management Department. As Chief of Operations, Mr. Brophy oversees the development and maintenance of internal and external relationships, procedures and strategic operations necessary to implement the Mayor's goals and priorities for his Administration. The Chief of Operations also supervises the Property Management Department, the Public Facilities Department, and the Inspectional Services Department.

Corporation Counsel

Eugene L. O'Flaherty was appointed Corporation Counsel in January 2014. Prior to his appointment, Mr. O'Flaherty served in the Massachusetts House of Representatives for seventeen years. Elected to the Massachusetts Legislature in 1996, Mr. O'Flaherty served on the Education, Arts and Humanities Committee and as Vice-Chairman of the Banks and Banking Committee before being appointed to serve as the Judiciary Chair in 2002. The Corporation Counsel has supervisory authority over all City attorneys and legal affairs. The Law Department provides a comprehensive array of legal services including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee and other officials in matters relating to their official duties, and also represents all of the foregoing entities and individuals in litigation of all types. In addition, the Law Department reviews all City contracts, pursues claims on behalf of the City through affirmative litigation, and pursues foreclosure proceedings on tax delinquent property.

Chief Communications Officer

Laura Oggeri was appointed Chief Communications Officer in January 2015. As a member of the Mayor's Cabinet, she oversees all press activity and serves as an advisor on all overall communications and media relations strategy. Prior to joining the City of Boston, Ms. Oggeri served as Director of Communications and Senior Policy Advisor for Senate President Therese Murray. She also previously worked at the public affairs firm MSLGROUP in Boston as a member of its corporate and public affairs teams.

Chief of Information and Technology

David Elges was appointed Chief Information Officer in November 2018. The Chief Information Officer oversees the Department of Innovation and Technology ("DoIT"). DoIT is responsible for supporting and expanding the use of technology to improve the business of government and delivery of service. Prior to joining the City of Boston, Mr. Elges served as Chief Information Officer for the District of Columbia. He also previously served as Director of IT Operations and Chief Data Officer at Strayer Education, Inc.

Chief Financial Officer and Collector-Treasurer

Emme Handy was appointed Chief Financial Officer, Collector-Treasurer and Chief of Administration and Finance in January 2018. Prior to her appointment, Ms. Handy served as the Senior Director of Financial Planning and Analysis for the Broad Institute of MIT and Harvard. She also previously worked for the Commonwealth of Massachusetts Executive Office for Administration and Finance, where she served in several administration and finance roles, including Assistant Secretary for Budget and Fiscal Operations and Budget Director, and for the Massachusetts Senate Committee on Ways and Means as a Fiscal Policy Manager and Analyst. As a member of the Mayor's Cabinet, Ms. Handy is responsible for the City's human and financial resources, including Human Resources, Labor Relations, Treasury, Collecting, Assessing, Auditing, Budget, Registry, Purchasing and the Boston Retirement Board. The Collector-Treasurer is also the custodian of over 300 City trust funds and is an *ex-officio* member of the Massachusetts Convention Center Authority Board.

The City officials with principal responsibility for the City's finances are as follows:

Budget Director

Justin Sterritt was appointed Budget Director in September 2017. Prior to his appointment, Mr. Sterritt most recently served as Budget Director for the Massachusetts House Committee on Ways and Means. Mr. Sterritt also served in a variety of policy and finance roles for the Commonwealth at the Executive Office for Administration and Finance and the Executive Office of Housing and Economic Development. The Budget Director is responsible for the supervision of the Office of Budget Management ("OBM"), which develops and oversees the operating budget for all departments and operations of the City except the School Department. OBM is also responsible for the City's Capital Plan. OBM prepares and monitors the City's capital budget and coordinates strategic and long-range capital planning for City departments.

City Auditor

Sally D. Glora was appointed Acting City Auditor in March 1990 and City Auditor in December 1990. Prior to her appointment as Acting City Auditor, Ms. Glora served as the Deputy City Auditor. The Auditor is responsible for monitoring the internal controls, managing grant funds, providing financial reports, maintaining the books and records for the City, and for approving all payments made by the City. Ms. Glora is an *ex-officio* member of the Boston Retirement System Board.

Commissioner of Assessing

Gayle Willett was appointed Commissioner of Assessing in March 2018. Prior to her appointment, Ms. Willett served as the Director of Valuation beginning June 2010. Previously, Ms. Willett served as an assistant assessor in the Assessing Department beginning in 2005. The Commissioner of Assessing is responsible for supervision of the City's Assessing Department and the valuation for purposes of the tax levy of real and personal property located in the City.

Chief of Economic Development

John Barros was appointed Chief of Economic Development in February 2014. Most recently, Mr. Barros served as the Executive Director of the Dudley Street Neighborhood Initiative. He also has experience in the private sector, including supporting a dot.com start-up and opening his own small business. The Chief of Economic Development is responsible for planning, zoning, and economic development for the City. The Economic Development Cabinet is comprised of the Boston Redevelopment Authority ("BRA") d/b/a Boston Planning & Development Agency ("BPDA"), the Economic Development and Industrial Corporation ("EDIC"), including the EDIC's Office of Jobs and Community Services, the Office of Consumer Affairs & Licensing, Tourism & Special Events, and the Office of Small and Local Business Enterprises & Boston Resident Jobs Policy.

Chief of Education

Mayor Walsh created the Chief of Education position early in his Administration as part of his vision to implement a long-term strategy based on equity, access, accountability, transparency, and collaboration among all educational platforms in the City of Boston. While the Chief of Education position is presently vacant, the Education Cabinet continues to work to advance the Mayor's education priorities.

Superintendent of Schools

The Boston School Committee appointed Laura Perille as Interim Superintendent of Schools effective in July 2018. Prior to this role since 2002, Ms. Perille served as President & CEO of EdVestors, a school

improvement nonprofit with the mission of increasing the number of schools in Boston delivering dramatically improved education outcomes for all students. Prior to her time at EdVestors, Ms. Perille led Perille Consulting Group, and previously served as Director of Education for Crittenton Hastings House, Policy Analyst for Community Catalyst/Families USA, and Director of Programs for the Greater Boston Food Bank. Ms. Perille is a graduate of Brown University. For an organizational description of the School Department, see “The City—Principal Government Services—Schools” below.

Joint Chiefs of Public Safety

William G. Gross was appointed as the 42nd Police Commissioner of the City of Boston in August 2018. A member of the Boston Police Department for over 30 years, Commissioner Gross rose through the ranks achieving the ranks of Sergeant and Sergeant Detective. In 2008 he was appointed Deputy Superintendent, where he was responsible for serving as Commander of Zone 2. In 2010, he became commander of the Field Support Division. In 2012, he was promoted to Superintendent, Night Commander, and was responsible for oversight of all police responses to incidents on a citywide basis in the evening hours. Prior to being appointed Commissioner, he served as Superintendent-in-Chief of the Boston Police Department.

Joseph E. Finn was appointed Fire Commissioner/Chief of the Boston Fire Department in July 2014. Commissioner Finn has been a member of the Boston Fire Department since 1984, and rose through the ranks of the Department. From 2005, until his appointment as Fire Commissioner, he served as Deputy Chief and Division Commander, in charge of all administrative functions, fire ground operations, hazardous materials, and technical rescue responses.

Shumeane Benford was appointed Chief of the Office of Emergency Management in November 2018. The Office of Emergency Management has oversight of the City of Boston’s emergency planning, training and exercise programs and manages relationships with regional, state and federal homeland security partners. Mr. Benford is a veteran of the Boston Police Department with nearly 25 years of law enforcement experience. Prior to his appointment, Mr. Benford served as Deputy Chief of the Boston Public Health Commission Police.

The City’s Police and Fire Departments provide and promote public safety and protection services, firefighting and fire prevention services. The Office of Emergency Management is responsible for obtaining, allocating and managing state and federal funds designated for homeland security initiatives, and to facilitate communication and cooperation across towns and cities in specific disciplines, such as law enforcement, fire service, emergency management, emergency medical services, public health, healthcare, and government administration. For a description of Police and Fire Department resources and personnel see “The City—Principal Governmental Services—Public Safety” below.

Chief of Environment, Energy and Open Space

Christopher Cook was appointed Chief of Environment, Energy and Open Space in June 2018. In addition he has held the position of Commissioner of the Parks & Recreation Department since 2014. The Chief of Environment, Energy and Open Space is responsible for environmental and energy policy. He oversees the Environment Department, the Parks & Recreation Department, and the Boston Landmarks Commission. Mr. Cook also serves as the liaison to Boston’s utility companies and the Boston Water and Sewer Commission (“BWSC”), and as a board member of the Massachusetts Water Resources Authority, the Boston Groundwater Trust, the Boston Harbor Islands Partnership, and is co-chair of the Groundwater Working Group.

Chief of Housing and Neighborhood Development

Sheila Dillon was appointed Chief of Housing and Neighborhood Development in September 2012. Prior to her appointment, Ms. Dillon served as Director of the Rental Assistance Bureau at the Massachusetts Department of Housing and Community Development. Ms. Dillon previously held housing-related positions at the City of Boston, including Mayor’s housing advisor and Deputy Director of Housing at the Department of Neighborhood Development, where she oversaw both affordable housing development and homeless programs. The Chief of Housing and Neighborhood Development is responsible for housing policy. Ms. Dillon also serves as Director of the Department of Neighborhood Development which is responsible for business development, homeowner/homebuyer programs, housing development, surplus land and building management and disposition, certain City capital construction projects, and rental housing assistance to tenants and owners.

Chief of Health and Human Services

Marty Martinez was appointed Chief of Health and Human Services in January 2018. Prior to his appointment, Mr. Martinez served as the President and Chief Executive Officer for the Mass Mentoring Partnership. Prior to his work with Mass Mentoring, Mr. Martinez held senior positions at the Boston AIDS Consortium, the Regional Center for Healthy Communities at Mount Auburn Hospital, and the City of Somerville, where he led youth services. Health and Human Services is responsible for providing human services and other support services for all of Boston's residents through its departments: Boston Public Health Commission, including the Emergency Shelter Commission and Emergency Medical Services, Boston Centers for Youth and Families, Youth Engagement & Employment, the Veteran's Services Department, Fair Housing & Equity, the Commission for Persons with Disabilities, and the Office of Immigrant Advancement. For additional information concerning the Boston Public Health Commission see "The City—Principal Government Services—Public Health" below.

Chief of Arts and Culture

Kara Elliott-Ortega was appointed Boston's Chief of Arts and Culture in August 2018. Prior to her appointment, she served as Director of Policy and Planning for the Office. Prior to joining the City of Boston, Ms. Elliott-Ortega worked with MIT's Community Innovators Lab and served as the Media & Communications Editor for the Society of Architectural Historians. Ms. Elliott-Ortega is responsible for supporting and promoting the arts community in Boston, and works with the Boston Public Library, the Arts Commission, and the Boston Cultural Council to bring the arts to the forefront of City life.

Chief of the Streets, Transportation and Sanitation

Chris Osgood was appointed Chief of the Streets, Transportation and Sanitation in August 2015. As a member of the Mayor's Cabinet, he works with the Public Works and Transportation Departments to deliver exceptional City services, build great streets, and implement a transportation plan that works for everyone. Prior to serving in this role, Mr. Osgood co-founded, in 2010, the Mayor's Office of New Urban Mechanics, a nationally replicated civic innovation group that experiments with new ways of using technology to improve the constituent experience. He joined the City of Boston in 2006, serving as a Policy Advisor.

Chief of Civic Engagement

Jerome Smith was appointed Chief of Civic Engagement in September 2014. As a member of the Mayor's Cabinet, Mr. Smith works to improve the efficiency and effectiveness of City Services, preserve and enhance the quality of services delivered to Boston residents, and create opportunities for residents to participate with local government. In this role, Mr. Smith oversees the Office of Neighborhood Services, Boston 311, the Elderly Commission, and Spark Boston. Prior to serving in this role, Mr. Smith was Chief of Staff to Senate President Therese Murray. He also previously served as a neighborhood liaison to the LGBT community under Mayor Thomas M. Menino and Chief of Staff to City Councilor Michael P. Ross.

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Principal Government Services

The following table shows the distribution of the City’s fiscal 2019 appropriations by primary government functions and departments.

Purposes of City Appropriations—Fiscal 2019 ⁽¹⁾
(Budgetary Accounting Basis) ⁽²⁾
(\$ in thousands)

	<u>Amount</u>	<u>Percent of Total Appropriations</u>
General Government	\$ 132,262	4.0%
Public Safety	719,514	21.7
Public Works	115,001	3.5
Property and Development	41,829	1.3
Parks and Recreation	26,508	0.8
Library	36,846	1.1
Human Services	35,721	1.1
Schools	1,113,279	33.6
Boston Public Health Commission	85,889	2.6
Judgments and Claims	5,000	0.2
Employee Benefits	275,419	8.3
Current Period Retirement Contributions	246,285	7.3
Debt Requirements	189,751	5.7
State and District Assessments	<u>292,097</u>	<u>8.8</u>
Total	<u>\$3,315,401</u>	<u>100.0%</u>

(1) Represents the fiscal 2019 Budget amended by Mayoral Reallocations through January 16, 2019. Totals may not add due to rounding.

(2) See “Financial Operations–Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2015 to 2018 Actual Results and Fiscal 2019 Budget” below for a definition of budgetary accounting basis.

Source: City of Boston Auditing Department and Office of Budget Management.

A description of certain City principal governmental services follows:

Schools

The City’s School Department provides both basic education and college preparatory curricula as well as specialized vocational educational programs. The school system enrolled approximately 54,300 students for the 2018-2019 school year, which is a decrease from the previous year. There are 125 schools in the Boston Public Schools, including: 7 schools for early learners, 40 elementary schools (K-5), 33 elementary & middle schools (K-8), 6 middle schools (6-8), 4 middle & high schools (6-12), 1 K-12 school, 20 high schools (9-12), 3 exam schools (7-12), 6 special education schools, and 5 alternative (at-risk) schools and programs.

Pursuant to Chapter 108 of the Acts of 1992, the City’s public schools are under the control of a School Committee, which consists of seven members appointed by the Mayor. Members of the School Committee have staggered four-year terms. In addition to appointing the Superintendent of Schools, the Boston School Committee approves the School Department budget for submission to the Mayor, and by and through the Superintendent, determines educational policy, makes all contracts for the purchase of materials for the operations of the schools, and maintains and operates school properties. The Superintendent of Schools has exclusive authority to make appointments and promotions for all teachers and other School Department personnel except for the positions of Community Superintendent, Chairman, Secretary, or Treasurer of the School Committee, and School Committee Administrative Assistants. The School Committee appoints these excepted positions.

Following the departure of the Superintendent, in July 2018 the Boston School Committee appointed an interim superintendent until such time that a permanent superintendent could be found. The School Committee has engaged a search firm and is in the midst of a nationwide search for a permanent superintendent. Additional information on the search process and any updates are available on the Boston Public Schools’ website at <https://www.bostonpublicschools.org/superintendentsearch>.

Public Safety

Public Safety is continuing to improve citywide service-delivery through consolidated and shared resources to provide more effective and efficient public safety services to Boston’s communities.

The Boston Police Department maintains 11 neighborhood police stations and one headquarters building. The Department also maintains 12 support locations, consisting of the Charlestown Neighborhood Sub-Station, Police Academy, Firearms Training Range, Harbor Patrol Unit, Fleet Management Division, Telecommunications Division, Evidence and Property Management Division, Special Operations Division, Stress Support Unit, Recruit Investigation Unit, Field Support Division, and the K-9 unit.

The Fire Department maintains 40 facilities consisting of 34 neighborhood fire stations, one marine unit, a training academy, a fire alarm division, a headquarters including a maintenance division, a fire investigation building including a fire prevention division, and a high-pressure pumping station.

The Mayor's Office of Emergency Management coordinates and directs Boston's interdepartmental and multi-jurisdictional homeland security activities by advising the Mayor on issues and obtaining and managing outside funding.

Public Health

The Boston Public Health Commission ("BPHC"), successor to the City's Department of Health and Hospitals, is a body politic and corporate separate from the City created in 1996 when the operations of the City's former acute-care hospital, Boston City Hospital, were consolidated with the operations of Boston University Medical Center Hospital under the control of the Boston Medical Center Corporation ("BMCC"), a private, Massachusetts non-profit corporation. The BPHC is governed by a seven-member board, six of whom are appointed by the Mayor, subject to confirmation by the City Council, and one of whom, as the chief executive officer of BMCC, serves *ex-officio*. The BPHC functions as the City's board of health and operates a wide range of public health programs throughout the City funded from public and private grants and City appropriations. The BPHC is a discretely presented component unit for GAAP reporting purposes in the City's annual audited financial statements. See "City Indebtedness—Debt of Agencies Related to the City—Boston Public Health Commission" and "Employee Benefits."

Public Works

The Public Works Department constructs and maintains highways, sidewalks, street lighting and bridges, and oversees snow removal, street cleaning, refuse removal and recycling.

The Boston Water and Sewer Commission, is an independent body politic and corporate and a political subdivision of the Commonwealth created in July 1977, and is responsible for the operation and maintenance of the City's water, sewer, and storm water drainage systems, the construction of improvements to those systems, and the collection of user charges for its services. See "City Indebtedness—Debt of Agencies Related to the City—Boston Water and Sewer Commission" below.

Other Services

The Boston Public Library system is made up of the Central Library in Copley Square, which includes the Leventhal Map Center and Kirstein Business Library, 25 neighborhood branches throughout the City, and online services including digital content, access to the catalog, and education. The Parks and Recreation Department manages approximately 2,200 acres of active, passive and historic parkland. The 2,200 acres of land include 272 parks, playgrounds, squares, malls, plazas, and other miscellaneous sites; 16 historic and three active cemeteries; one greenhouse facility; and approximately 35,000 street trees.

Suffolk County

While existing state law provides that the Mayor and City Council serve as the Commissioners of Suffolk County, which includes the cities of Boston, Chelsea, Revere and the Town of Winthrop, all of the functions and costs of county government (including the county courts, registry of deeds and the Office of the Suffolk County Sheriff) have been assumed by the Commonwealth, except for an annual assessment by the Commonwealth for the purpose of funding the unfunded portion of pension liability for retirees of the Office of the Suffolk County Sheriff who retired prior to January 1, 2010. This annual assessment can be no greater than the City's fiscal 2009 appropriation to support the Office of the Suffolk County Sheriff of approximately \$4.0 million, and will terminate when the pension liability of these retirees is fully funded.

City Employees

The following table shows the number of full-time equivalent City employees by department as of January 1 of each of the indicated years.

Full-Time Equivalent City Employees by Department ⁽¹⁾			
	2017	2018	2019
<i>City Funded:</i>			
Public Safety ⁽²⁾	4,501	4,442	4,476
Public Works.....	373	362	357
Other City Departments ⁽³⁾	2,688	2,730	2,708
Boston Public Health Commission	<u>827</u>	<u>845</u>	<u>832</u>
Subtotal	<u>8,389</u>	<u>8,379</u>	<u>8,373</u>
Schools.....	<u>8,782</u>	<u>9,005</u>	<u>9,249</u>
Total City Funded	<u>17,171</u>	<u>17,384</u>	<u>17,622</u>
<i>Grant Funded:</i>			
Schools	610	595	636
All Others ⁽⁴⁾	<u>385</u>	<u>358</u>	<u>270</u>
Total.....	<u>18,166</u>	<u>18,337</u>	<u>18,527</u>

- (1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.
- (2) Includes the Police Department, the Fire Department, and the Office of Emergency Management.
- (3) Includes Boston Retirement System employees. Since the publication of the fiscal 2018 CAFR, the 2018 number for this category has been adjusted to increase the total by 1 full-time equivalent employee.
- (4) Since the publication of the fiscal 2018 CAFR, the 2018 number for this category has been adjusted to decrease the total by 75 full-time equivalent employees.

Source: City of Boston Office of Budget Management.

Employee Relations

Under Massachusetts General Laws Chapter 150E, most municipal employees in the Commonwealth enjoy the right to join labor unions and bargain collectively over wages and other terms and conditions of employment. The Office of Labor Relations represents the Mayor and the City in all collective bargaining matters with all unions that represent City employees except School Department employees. The School Department’s labor relations personnel similarly represent the School Committee and consult with the Office of Labor Relations regarding contract negotiations and other general labor matters concerning the unions that represent School Department employees. Additionally, the Office of Labor Relations has actively assisted the Boston Public Health Commission in collective bargaining negotiations with its 9 bargaining units and regularly interfaces with the Boston Public Health Commission on labor and employment matters.

Nearly all of the City’s non-school department employees are organized into bargaining units represented by various unions. Most of these unions are affiliated with the AFL-CIO. Three large unions, the American Federation of State, County, and Municipal Employees (“AFSCME”) Council 93 (laborer employees), the Service Employees International Union (“SEIU”) Local 285 (clerical employees), and the Salaried Employees of North America (“SENA”) Local 9158 (middle manager employees) represent the majority of the City’s non-public safety employees.

Police officers are represented by four distinct unions: 1) the Boston Police Patrolmen’s Association; 2) the Boston Police Superior Officers Federation; 3) the Boston Police Detectives Benevolent Society; and 4) the Boston Police Detectives Benevolent Society, Superior Officers Unit. Firefighters and Fire Chiefs are divided into two bargaining units represented by a single union: the International Association of Firefighters Local 718.

Boston teachers, teacher aides, school nurses, and substitutes are in a collective bargaining unit represented by the Boston Teachers Union, an affiliate of the AFL-CIO.

The Boston Public Schools and the City of Boston maintain a contract with a private vendor to provide bus transportation for City of Boston students who require transportation. The personnel costs

under this contract are passed through to the City and the City participates in the collective bargaining negotiations between the vendor and its employees.

The table below represents a summary of the bargaining units representing City employees, the number of City employees represented by each bargaining unit, and the status of the City's contract with each bargaining unit.

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Collective Bargaining Units (City and Schools)

Union	Department	Number of Employees Represented ⁽¹⁾	Contract Expiration Date
Boston Police Patrolmen’s Association	Police	1,542	6/30/20
Boston Police Superior Officers Federation	Police	262	6/30/20
Boston Police Detectives Benevolent Society	Police	280	6/30/20
Superior Detective Benevolent Society	Police	133	6/30/20
Forensic Group	Police	28	9/30/20
Police Cadet Association	Police	35	9/30/19
School Traffic Supervisors Assoc`	Police	187	8/31/19
International Association of Firefighters, Local 718	Fire	1,525	6/30/21
Municipal Police Patrolmen’s Association	Property & Construction Mgmt	56	6/30/20
Municipal Police Superior Officers Association	Property & Construction Mgmt	7	6/30/20
SEIU, Local 888	Citywide	959	9/30/20
SENA, Locals 9158 and 9158E	Citywide	680	9/30/20
AFSCME C93 (Citywide & various locals)	Citywide	1,098	6/30/20
AFSCME Local 1526	Library	214	9/30/20
Professional Staff Association	Library	160	9/30/16
Park Rangers	Parks	15	6/30/20
Typographical Union ⁽²⁾	Police	3	9/30/20
OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	29	6/30/20
IBEW, Local 103	Inspectional Services	9	6/30/20
Teamsters Local 2	Property & Construction Mgmt	5	6/30/20
Boston Teachers Union	School	8,450	8/31/18
BASAS (School Administrators & Supervisors)	School	231	8/31/16
Administrative Guild	School	283	8/31/20
Planning & Engineering	School	29	8/31/16
Boston School Police	School	56	8/31/20
School Police Superior Officers Assoc.	School	18	6/30/20
School Custodians Local 1952, Painters & Allied			
Trades District Council #35	School	527	8/31/20
Plant Administrators Association	School	12	8/31/20
School Bus Monitors USWA Local 8751	School	637	6/30/16
Lunch Hour Monitors Association	School	343	8/31/20
AFSCME C93, Local 230 Cafeteria Workers/Mgrs	School	472	8/31/20
AFSCME C93, Storekeepers & Deliverymen	School	<u>5</u>	8/31/20
		<u>18,290</u>	

(1) Number of bargaining unit members (not Full-Time Equivalents) as of January 1, 2019.

(2) Agreement has been ratified but is subject to appropriation by City Council.

Source: City of Boston Office of Budget Management, Boston Administrative Information Systems/Human Capital Management (BAIS/HCM) and Boston School Department.

The City and Boston Public Schools have settled multi-year agreements with 84% of unions, placing approximately 8,800 employees under contract. The City has settled contracts with all four sworn police unions, the firefighters’ union, AFSCME, SEIU, and SENA. Those contracts are four years in duration and include wage increases of 2% each year and other benefits. The agreement with the Boston Teachers Union was for two years and expired in August 2018. The City continues discussions and negotiations with the unions without settled agreements. The City expects to cover the costs of settled contracts through the budgeted collective bargaining reserve.

FINANCIAL OPERATIONS

Budget Process

Operating Budget

The City's fiscal year begins July 1 and ends on June 30 of the following calendar year. Pursuant to state law, the Mayor must submit an operating budget to the City Council by the second Wednesday in April for its review and approval. Proposed appropriations for all departments and operations of the City (except for the public schools and public health services) are prepared under the direction of the Mayor in the Office of Budget Management ("OBM"). The Superintendent of Schools must submit a budget to the School Committee by the first Wednesday in February. The School Committee must approve a budget by the fourth Wednesday in March and forward this budget to the Mayor who may approve or reduce the total recommended budget. The Mayor then submits the school budget to the City Council for appropriation by the second Wednesday in May. In practice, the School Department appropriation request has been presented to the City Council in coordination with the Mayor's operating budget request in April. The BPHC must submit to the Mayor a revenue and expenditure budget for public health services by the second Wednesday in March. If the proposed budget provides for expenditures in excess of the BPHC's projected revenues from non-City sources, the Mayor may either approve or reject the budget. If the Mayor accepts the budget, the amount required to fund the revenue deficiency (the "net cost of public health services") is included in the annual budget for the City submitted to the City Council in April of each year. The BPHC must adopt its public health services budget by the second Wednesday in June.

The City Council may reduce or reject any item in the Mayor's budget but may not, except upon the recommendation of the Mayor, increase or add an item. The City, Boston Public Health Commission and School Department operating budgets for fiscal 2019 were approved by the City Council on June 27, 2018. See "Financial Operations—Fiscal 2019 Budget." After approval of the budget and until the property tax rate is officially determined in mid-December, the Mayor may submit to the City Council such supplementary appropriation requests as are deemed necessary, including supplemental amounts for the School Department and the Boston Public Health Commission. The Mayor may also submit to the City Council supplementary appropriation requests subsequent to the setting of the property tax rate provided that an available source of revenue is identified. Under certain circumstances, the Mayor may, by executive order, require expenditures to be limited to an amount less than the appropriated level.

In the event that the City enters a fiscal year without an approved operating budget, the City continues departmental operations on a "one-twelfth" budget, as provided in the City Charter. Under the one-twelfth budget process, (a) payrolls for regular employees cannot exceed the average monthly expenditure of the last three months of the preceding fiscal year, (b) total liabilities incurred in any month cannot exceed amounts spent for similar purposes during any one month of the preceding fiscal year, and (c) monthly expenditures for new departments cannot exceed one-twelfth of their current fiscal year's estimated costs.

By law, the City must establish its property tax rate each year so that the resulting property tax levy complies with the requirements of Proposition 2½. (For a discussion of Proposition 2½, see "City Revenues—Property Taxes—Proposition 2½.") The amount raised in the tax levy equals the sum of (a) the aggregate of all amounts appropriated, granted or lawfully expended since the last annual tax levy and not provided for, plus (b) all debt and interest charges on general obligation debt of the City maturing during the fiscal year and not otherwise provided for, plus (c) all amounts necessary to satisfy final judgments, plus (d) provision for certain prior years' deficits, less (e) the aggregate of all non-property tax revenues projected to be received in the City's General Fund in amounts certified or approved by the Commonwealth for tax rate purposes. In general, the City is required to raise in the tax levy a deficit incurred on a statutory accounting basis in the prior year's operating budget, or a deficit incurred in the property tax abatement reserves.

The City of Boston maintains a program-based budgeting system to track expenditures and service levels by major functions or "programs." This budgeting system complies with the standards of the Government Finance Officers Association, which has consistently recognized the City's efforts with its Distinguished Budget Presentation Award.

Capital Budget

The Office of Budget Management manages the City's capital plan, including evaluating the condition of the City's capital assets, forecasting the timing and financial requirements of new construction and rehabilitation, and assessing the allocation of current and future resources to meet the City's infrastructure needs. Through an annually updated five-year capital plan, the City refines its capital needs

and resources each fiscal year. In April 2018, the Mayor released the fiscal 2019-2023 capital plan and initiated loan orders for City Council consideration. See “City Indebtedness – Capital Planning and Borrowing Program - Current Capital Investment Plans” below for additional information. There is no statutory time frame for requesting or approving such orders. All fiscal 2019 capital authorizations have been approved by the City Council.

OBM also provides ongoing project oversight during the implementation phase of capital projects. The City reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources in accordance with the capital plan.

Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2015 to 2018 Actual Results and Fiscal 2019 Budget

The following table shows the City’s General Fund budget for fiscal 2019, together with budgetary actual results for fiscal 2015 through 2018. In accordance with state law and regulations, the City’s General Fund budget as shown below is prepared on the “budgetary basis” instead of accounting principles generally accepted in the United States of America (“GAAP”). Among the key differences between these two sets of accounting principles are that “budgetary” records property tax as it is levied while GAAP records it as it becomes susceptible to accrual, “budgetary” records certain activities and transactions in the General Fund that GAAP records in separate funds, “budgetary” records as an expenditure any amount raised to cover a prior year deficit, and as a revenue any available funds drawn from accumulated prior year surpluses, while GAAP ignores these impacts from prior years. “Budgetary” records encumbrances and continuing appropriations as the equivalent of expenditures but has no effect on GAAP expenditures. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures.

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**Summary and Comparison of Operating Results
Fiscal 2015 to 2018 Actual Results and Fiscal 2019 Budget
General Fund—Budgetary Basis**

(\$ in millions)*

	Fiscal 2015 Actual Results	Fiscal 2016 Actual Results	Fiscal 2017 Actual Results	Fiscal 2018 Actual Results	Fiscal 2019 Budget (1)
Revenues:					
Recurring Revenue:					
Property Taxes	\$ 1,875.1	\$ 1,963.1	\$ 2,092.1	\$ 2,222.6	\$ 2,349.9
Overlay Reserve ⁽²⁾	(35.9)	(38.0)	(38.7)	(30.6)	(33.3)
Excises	192.6	223.8	190.5	223.2	190.8
Fines	60.7	60.9	63.3	63.6	68.9
Interest on Investments	0.1	0.2	2.3	15.4	5.0
Payments in Lieu of Taxes	49.4	51.2	53.6	52.7	46.0
Urban Redevelopment Chapter 121A	55.6	48.1	47.5	72.5	27.5
Misc. Department Revenue	64.7	63.2	66.4	68.3	59.9
Licenses and Permits	72.5	74.4	84.1	74.6	66.3
Penalties & Interest	13.1	14.5	10.8	11.4	9.0
Available Funds ⁽³⁾	19.0	-	-	-	23.5
State Aid	413.4	421.6	424.9	439.7	447.0
Total Recurring Revenue	\$ 2,780.4	\$ 2,883.0	\$ 2,996.8	\$ 3,213.3	\$ 3,260.4
Budgetary Fund Balance	-	-	-	-	40.0
Sale of Surplus Property	-	-	-	-	15.0
Non-Recurring Revenues ⁽⁴⁾	-	-	-	-	55.0
Sale	-	-	-	-	-
Total Revenues	\$ 2,780.4	\$ 2,883.0	\$ 2,996.8	\$ 3,213.3	\$ 3,315.4
Expenditures:					
Total Departmental Expenditures					
City Departments	\$ 1,139.5	\$ 1,159.0	\$ 1,200.7	\$ 1,291.6	\$ 1,315.6
Boston Public Health Commission	73.8	76.2	77.3	79.6	85.6
School Department	974.9	1,016.3	1,031.6	1,093.3	1,112.3
Collective Bargaining Reserve	10.8	-	28.0	15.5	37.5
OPEB Trust Fund ⁽⁵⁾	40.0	40.0	40.0	40.0	40.0
Total Department Expenditures	\$ 2,239.0	\$ 2,291.5	\$ 2,377.6	\$ 2,519.9	\$ 2,591.0
Fixed Costs					
Pensions ⁽⁶⁾	169.6	196.5	199.3	\$233.3	\$242.1
Debt Service ⁽⁷⁾	147.9	157.6	165.3	170.9	190.3
State Assessments	211.7	230.6	240.4	264.1	288.2
Suffolk County Sheriff Reserve	3.9	3.9	3.9	3.9	3.9
Reserve	0.9	1.0	3.8	-	-
Total Fixed Costs	\$ 534.1	\$ 589.6	\$ 612.7	\$ 672.2	\$ 724.4
Total Expenditures	\$ 2,773.1	\$ 2,881.1	\$ 2,990.1	\$ 3,192.1	\$ 3,315.4
Excess of Revenues Over Expenditures	\$ 7.4	\$ 1.9	\$ 6.7	\$ 21.2	\$ -

* Columns may not add due to rounding.

- (1) Represents the budget at the time of the approval of the City's tax rate by the Massachusetts Department of Revenue on December 20, 2018 plus any supplemental appropriations or transfers since that date as of February 1, 2019.
- (2) If the City's reserves for abatements prove at the end of the fiscal year to be insufficient to cover the City's abatement liability, the City is required to raise in the following year's tax rate an amount sufficient to generate additional reserves to cover the shortfall. In fiscal 2019, the City has reserved 1.4% of the gross levy for abatements.
- (3) Available Funds is comprised of appropriations from the Parking Meter Fund and the Cemetery Trust Fund. Appropriations from these funds are restricted to specific uses.
- (4) Non-recurring revenue represents the use of available Budgetary Fund Balance of \$40.0 million in fiscal 2019 and Sale of Surplus Property of \$15.0 million in fiscal 2019.
- (5) The City's appropriation to the OPEB Trust Fund is currently not mandated by statute. However, the liability it addresses is substantial and recognized by the City. Fiscal 2019 represents the twelfth consecutive year that the City has made a substantial appropriation for the OPEB Trust Fund. See "Employee Benefits-Other Post Employment Benefits."
- (6) Excludes noncontributory pensions and annuities included in City Departments with expenditures of \$3.3 million in fiscal 2015, \$4.1 million in fiscal 2016, \$3.6 million in fiscal 2017, and \$3.7 million in fiscal 2018 and budgeted expenditures of \$4.2 million in fiscal 2019. In addition, the Boston Public Health Commission's funding supports the general fund portion of their pension obligation. Such amounts are \$15.0 million in fiscal 2015, \$16.2 million in fiscal 2016, \$17.9 million in fiscal 2017, \$18.6 million in fiscal 2018 and \$20.0 million is budgeted in fiscal 2019.

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- (7) The debt service amount is derived from principal and interest, less certain offsetting revenues. The revenues utilized to offset debt for budgetary and tax rate setting purposes vary from those used in the table “Debt Service Requirements-Fiscal 2015-2018 See “City Indebtedness-Debt Service Requirements.”

Source: City of Boston Office of Budget Management and Auditing Department.

Fiscal 2015-2017 Actual Results

During the fiscal 2015 to 2017 period, the City continued its pattern of producing annual budget surpluses as shown in the prior table. During this period the City’s property tax base experienced notable growth as commercial construction projects came online in fiscal 2016, combined with an increase in residential development linked to Mayor Walsh’s housing production goals. More detail on these efforts can be found in the *Imagine Boston 2030* plan at <https://www.imagine.boston.gov>. *Boston 2030* is a strategic roadmap that focuses on housing affordability, new development, and the preservation of existing housing units. Several properties also moved from tax-exempt to taxable status during this time period. In addition, growth in local revenue was mainly driven by increases in local option taxes, i.e. room occupancy tax and restaurant meal tax, motor vehicle excise tax, as well as growth in building permit revenue and payments in lieu of taxes.

In fiscal 2015, the City’s expenditures totaled \$2.77 billion including direct expenditures for departmental services and fixed costs, which increased \$128.2 million or 4.8% from fiscal 2014 expenditures. Within the category of City Departments the Snow Removal budget deficit totaled \$19.9 million with snow costs higher than estimated in the budget due to unprecedented snowfall. Total revenues equaled \$2.78 billion.

In fiscal 2016, the City’s expenditures totaled \$2.88 billion including direct expenditures for departmental services and fixed costs, which increased \$108.0 million or 3.9% from fiscal 2015 expenditures.

Within the category of City Departments, items to note are the Police and Fire appropriation deficits totaling \$19.5 million which were offset by a revenue surplus. These deficits are mainly the result of higher than budgeted overtime expenses. Fiscal 2016 actual expenditures also reflect a deficit of approximately \$7 million in the Execution of Courts account, resulting from a reserve set aside to pay for possible adverse legal rulings. Total revenues equaled \$2.88 billion.

In fiscal 2017, the City’s expenditures totaled \$2.99 billion including direct expenditures for departmental services and fixed costs, which increased \$109.0 million or 3.8% from fiscal 2016 expenditures. Fiscal 2017 actual expenditures compared with actual fiscal 2016 expenditures as follows: City Departments increased \$41.5 million or 3.6%; the Public Health Commission increased \$1.1 million or 1.4%; the School Department increased \$15.3 million or 1.5%. Actual fixed costs for fiscal 2017 compared with actual fiscal 2016 fixed costs as follows: Pensions increased \$2.8 million or 1.4%; Debt Service increased \$7.7 million or 4.9%; State Assessments increased \$9.8 million or 4.2%; and Suffolk County Sheriff was level with the prior year.

The fiscal 2017 budget included increased public safety overtime budgets resulting in a more moderate overtime deficit of \$4.6 million in the Police Department overtime budget, and a budget surplus in the Fire Department budget for the first time in several years. The right-sizing of the public safety overtime budget in fiscal 2017 reversed a pattern of large public safety overtime deficits that occurred in fiscal 2016 and prior years.

Fiscal 2018 Actual Results

The following is a summary of the City’s fiscal 2018 actual results on a budgetary accounting basis.

Expenditures

Fiscal 2018 ended with a \$21.2 million general fund budget surplus. While there was an appropriations deficit of \$34.5 million driven by deficits in public safety, snow removal and a reserve established for legal judgements and settlements, these deficits were sufficiently covered by a \$55.7 million revenue surplus. In fiscal 2018, the City’s expenditures totaled \$3.19 billion including direct expenditures for departmental services and fixed costs, which increased \$202.0 million or 6.8% from fiscal 2017 expenditures. Fiscal 2018 actual expenditures compared with actual fiscal 2017 expenditures are as follows: City Departments increased \$91.1 million or 7.6%; the Public Health Commission increased \$2.3 million or 3.0%; the School Department increased \$61.7 million or 6.0%. Actual fixed costs for fiscal 2018 compared with actual fiscal 2017 fixed costs are as follows: Pensions increased \$34.0 million or 17.1%;

Debt Service increased \$5.6 million or 3.4%; and State Assessments increased \$23.7 million or 9.8%. The larger increase in pension expenditures for fiscal 2018 as compared to fiscal 2017 is a result, in part, from a \$12 million additional payment having been made in fiscal 2018 above the scheduled payments.

The fiscal 2018 budget ended with deficits for public safety departments with the Police Department having a \$14.4 million deficit and Fire having a \$1 million deficit. These deficits were primarily related to overtime spending, but also reflect decisions made at year end to accelerate equipment purchases. Additionally, there were deficits related to Snow Removal account at \$5.6 million and Execution of Courts account at \$14.5 million resulting from a reserve set aside to pay for possible adverse legal rulings.

Revenues

Actual revenues for fiscal 2018 totaled \$3.21 billion, an increase from fiscal 2017 actual revenues of \$216.5 million or 7.2%. Selected fiscal 2018 actual revenues compared with fiscal 2017 actual revenues as follows: The Gross Property Tax Levy (including new growth) increased \$130.5 million or 6.2%; Excises increased \$32.7 million or 17.2%; Chapter 121A revenues increased \$25 million or 52.6%; Fines increased by \$300 thousand or 0.5%; Interest on Investments increased \$13.1 million or 569.6%; voluntary Payment In Lieu of Taxes (“PILOT”) revenues decreased \$900 thousand or -1.7%; Licenses and Permits decreased by \$9.5 million or -11.3 %; and State Revenue increased \$14.8 million or 3.5%. Non-recurring revenue was not utilized in 2018.

The increase in Interest on Investments was a result of the continued movement of significant assets out of non-interest bearing accounts associated with compensating balance agreements between the City and its primary bank and into interest-bearing accounts. The increase in State Revenue was due to increases in unrestricted general government aid and education aid. For more detailed information regarding State Revenue, see “City Revenues—State Revenue.”

In both fiscal 2017 and 2018, the City was able to fund the appropriation to the Other Post Employment Benefits (“OPEB”) Trust Fund using recurring revenue sources instead of Budgetary Fund Balance, which is available for appropriation only after certification of its value by the Massachusetts Department of Revenue.

Fiscal 2019 Budget

The following is a summary of expectations regarding the City’s fiscal 2019 budget on a budgetary accounting basis. The figures cited below are comparisons to fiscal 2018 actual figures.

Expenditures

In fiscal 2019, the City’s budgeted expenditures total \$3.32 billion including direct expenditures for departmental services and fixed expenses, representing an increase of \$123.3 million or 3.9% from fiscal 2018 actual expenditures. Budgeted fiscal 2019 departmental expenditures compare with fiscal 2018 expenditures are as follows: City Departments increase \$42.2 million or 3.3%. In fiscal 2019 the growth in City Departments is based on several factors including the settlement of several outstanding collective bargaining agreements with budgetary transfers from the collective bargaining reserve. The cost growth for employee benefits like health insurance and Medicare contributions are reflected in City Departments in fiscal 2019.

School Department budgeted expenditures increase \$20.0 million or 1.8%. This growth currently does not include the costs of a successor collective bargaining agreement with the Boston Teachers Union that expired in August 2018. The School Department continues to experience expenditure pressure particularly in the area of student transportation and the increasing costs related to a high needs student population but will continue to explore cost reduction measures. The School Department is not currently anticipating a budget deficit in fiscal 2019.

The Collective Bargaining Reserve increases by \$2.5 million which reflects funding of outstanding successor union contracts for City Departments, the Boston Public Health Commission, and the School Department.

The appropriation to the OPEB Trust Fund is level-funded at \$40.0 million. Budgeted fixed expenses for fiscal 2019 compares with fiscal 2018 actual expenditures as follows: Pensions increase \$8.8 million or 3.8%; Debt Service increases \$19.4 million or 11.4%; and State Assessments increase \$24.1 million or 9.1%. The smaller increase in pension expenditures for fiscal 2019 as compared to the fiscal 2018 is a result of an additional pension payment of \$12 million made in fiscal 2018 in excess of the amount required by the schedule approved by the Boston Retirement Board.

Pension expenses are mandated by the City's pension funding schedule and are a legal obligation of the City. For more on Pensions, see "Employee Benefits—Retirement Systems." State assessments are also mandatory; the amounts are determined by the Commonwealth. Most of the increase in State Assessments is for charter school tuition totaling \$24.1 million, followed by the assessment to the City for Massachusetts Bay Transportation Authority ("MBTA") service increasing by \$2.4 million.

Revenues

Budgeted revenues for fiscal 2019 are expected to total \$3.32 billion, an increase of \$102.1 million or 3.2% from fiscal 2018 actual revenues.

Selected fiscal 2019 budgeted revenues compare with fiscal 2018 actual revenues as follows: The budgeted Gross Property Tax Levy (including new growth) increases \$127.3 million or 5.7%; in fiscal 2019, the City has reserved 1.4% of the gross levy for abatements, the same percentage as in fiscal 2018. Fines increase \$5.3 million or 8.3%; Interest decreases \$10.4 million or -67.5%; Payments in Lieu of Taxes decrease \$6.7 million or -12.7%; Chapter 121A revenues decrease \$45 million or -62.1%; Misc. Department Revenues decrease by \$8.3 million or -12.3%; Licenses and Permits decrease \$8.3 million or -11.1%; Penalties and Interest decrease by \$2.4 million or -21.0%; State Aid increases by \$7.3 million or 1.7% and Non-Recurring Revenue increases by \$55 million to fund the OPEB Trust Fund and to provide one-time funding from the sale of a former City-owned parking garage to establish maintenance trusts for the Boston Common, Franklin Park and the Emerald Necklace.

The growth in budgeted Property Tax is due to the allowable increase of the City's levy by 2.5% and strong new growth that is excluded from the levy limit. New growth is projected at \$77.3 million in fiscal 2019. The Property Tax, the City's largest source of revenue, has become increasingly important to the City's revenue growth given the recent fluctuations in state aid from the Commonwealth—the City's second largest single source of revenue, see "City Revenues—State Aid." The City has always increased the Property Tax levy annually by the maximum amount allowed under statutory limits.

The decrease in budgeted Excises, Interest, Payments in Lieu of Taxes, Penalties and Interest and Misc. Department Revenue is largely due to conservative revenue estimates across all categories. Chapter 121A revenue declined as expiring 121A projects converted to property taxes. The decrease in Licenses and Permits is due to a conservative estimate of building permit revenue. The increase in Fines is due to increases in parking fines. The increase in State Aid is due to increases in the Unrestricted General Government Aid and Chapter 70 Education Aid. For more detailed information regarding State Aid, see "City Revenues—State Aid."

It is expected that in fiscal 2019 the City of Boston will meet its revenue budget in the aggregate and will have sufficient revenue to support emergency spending for snow removal and other public safety costs.

Federal Sequestration

Certain federal funding received by the City has been and is expected to be adversely affected by continued implementation of sequestration, which began on March 1, 2013.

The City has issued general obligation bonds in the form of Build America Bonds ("BABs"), Qualified School Construction Bonds ("QSCBs"), and Recovery Zone Economic Development Bonds ("RZEDBs") (collectively, the "Tax Benefited Bonds"), under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Pursuant to ARRA, the City is entitled to receive cash subsidy payments from the federal government, provided the City makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the City to the federal government or its agencies. The City has issued approximately \$126.6 million aggregate principal amount of Tax Benefited Bonds, of which \$118.0 million is currently outstanding.

The Internal Revenue Service, under the Budget Control Act of 2011, has released notifications to the City since March 2013, stating that such interest subsidy payments are affected by sequestration reduction rates for fiscal 2013 through 2019; the projected loss in cash subsidy payments in fiscal 2019 is expected to be approximately \$210,000. The City is obligated to make payments of principal and interest on the Tax Benefited Bonds whether or not it receives interest subsidy payments and is able to adjust for federal reductions under sequestration with available funding in debt service accounts. The City does not currently believe that any reduction of cash subsidy payments will have a material adverse effect on its financial condition or its ability to pay debt service on its Tax Benefited Bonds. All subsidy payments are expected to be subject to sequestration reductions through federal fiscal 2025, the rates to be set from time to time.

Fiscal 2020 and 2021 Forecasts

At the time of publishing of fiscal 2019 adopted budget, the City projected budget deficits in fiscal 2020 and fiscal 2021 of \$12.4 million in fiscal 2020 and \$30.5 million in fiscal 2021. These projected shortfalls in fiscal 2020 and fiscal 2021 are driven in large part by growth in fixed costs, which are expected to increase by approximately 6.1% in fiscal 2020, and costs related to collective bargaining agreements. Within the City's fixed costs, the Office of Budget Management continues to project increasing Charter School tuition assessment, moderately growing debt service, and scheduled pension cost increases. The forecast projected conservative revenue growth in fiscal 2020 and 2021, with strong property tax, moderate local receipts and stagnant local aid growth.

Since the publication of the forecasts, the fiscal 2019 property tax new growth revenue was certified higher than projected, which will assist in closing the gaps for fiscal 2020 and fiscal 2021. Through the fiscal 2020 budget process, the City will update revenue and fixed costs assumptions with new information and will take steps to reduce department costs.

While the City will be making a fiscal 2020 revenue assumptions related to the marijuana local option tax that was passed in December 2017 and state legislation approved in December 2018 related to short-term rentals impacting the hotel rooms occupancy excise, such assumptions have not yet been finalized and have not been confirmed as material sources of revenue for fiscal 2020.

The City has given guidance to Boston Public Schools that it can expect to see a fiscal 2020 appropriation totaling \$1,138.5 billion which is approximately \$26.2 million or 2.4% more than the current fiscal 2019 appropriation. The City is actively working with the Boston Public Schools on developing the final Fiscal 2020 appropriation. The City expects to establish a collective bargaining reserve in fiscal 2020 that would include estimates for contract settlements for Boston Public School unions including the Boston Teachers Union. The costs associated with the union contract settlements will eventually be transferred to the Boston Public Schools' budget as the union contracts are settled. Boston Public Schools submitted a balanced budget proposal for fiscal 2020 to the School Committee for its review in early February 2019 for adoption by the end of March 2019.

The City will also continue to pursue opportunities to maximize increases to state education aid revenue, and achieve savings initiatives uncovered through departmental operational audits.

Financial Statements

The City engages independent certified public accountants to audit and report on its financial statements in accordance with auditing standards generally accepted in the United States of America. An external Audit Committee, appointed by the Mayor, monitors the progress of the annual audit, reviews the recommendations of the accounting firm and reports the Committee's activities and recommendations to the Mayor and the City Council.

The City's audited financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"). The accounts of the City are organized on the basis of funds. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses. For a discussion of the significant accounting policies employed in preparing the City's fiscal 2018 audited financial statements, see Note 2 to such audited financial statements, which are attached hereto as Exhibit I. The City's fiscal 2018 financial statements received an unmodified opinion.

GAAP accounting differs from the "statutory" accounting or "budgetary" accounting basis prescribed by the Bureau of Accounts of the Commonwealth, for the annual budget and property tax certification process. The major differences are explained in Note 4 to the fiscal 2018 audited financial statements, attached hereto as Exhibit I.

Attached hereto as Exhibit II are Schedules of Comparative Financial Statements for the fiscal years ended June 30, 2018, 2017, 2016, 2015, and 2014, which have been prepared by the City's Auditing Department based on information taken from the City's audited financial statements for those fiscal years.

Summary and Comparison of Operating Results (GAAP Basis)—Fiscal 2014-2018

The following table is a summary of the City’s General Fund operating results as derived from the City’s audited financial statements for fiscal 2014 through 2018, which were prepared in accordance with the GAAP basis of accounting by the City and audited by KPMG LLP, as independent auditor.

**Summary of General Fund Statements of Revenues, Expenditures, Other Financing Sources
and Changes in Fund Equity Fiscal Years 2014-2018 (GAAP Basis)
(\$ in millions)***

	2014	2015	2016	2017	2018
Total revenues	\$2,780.0	\$2,916.5	\$3,055.8	\$3,165.5	\$3,372.2
Total expenditures.....	<u>2,745.7</u>	<u>2,856.2</u>	<u>2,967.5</u>	<u>3,119.7</u>	<u>3,274.0</u>
Excess of revenues over expenditures	34.3	60.3	88.3	45.7	98.2
Total other financing (uses) sources	<u>(1.5)</u>	<u>17.6</u>	<u>(1.5)</u>	<u>9.5</u>	<u>(1.5)</u>
Excess of revenues and other financing sources over expenditures and other financing uses.....	<u>32.9</u>	<u>77.9</u>	<u>86.8</u>	<u>36.3</u>	<u>96.8</u>
Fund balance, beginning of year.....	<u>751.4</u>	<u>784.3</u>	<u>862.2</u>	<u>949.0</u>	<u>985.3</u>
Fund balance, end of year ⁽¹⁾	<u>\$ 784.3</u>	<u>\$ 862.2</u>	<u>\$ 949.0</u>	<u>\$ 985.3</u>	<u>\$1,082.1</u>

* Columns may not add due to rounding.

(1) The unassigned fund balances for the General Fund for fiscal 2014, 2015, 2016, 2017, and 2018 were \$533.0 million, \$633.9 million, \$682.8 million, \$702.1 million, and \$781.4 million, respectively.

Source: City of Boston Auditing Department.

The following is a summary analysis of the City’s financial operations on a GAAP basis over the period fiscal 2014 through fiscal 2018. The figures appearing in this section for the period are derived from the City’s audited annual financial statements. The analyses of revenues and expenditures in the text that follows are stated using data derived from the audited financial statements. For an explanation of the differences between the GAAP basis and budgetary basis of accounting, see the audited financial statements at Exhibit I, Note 4, “Budgetary Data.”

The City’s major recurring revenue sources during this period were real and personal property taxes, state revenue, Payments In Lieu Of Taxes (“PILOTs”), local excise taxes and departmental revenues, and other intergovernmental sources. The principal expenditures were for public safety, debt service requirements, retirement costs, employee benefits, state and district assessments, and the School Department. Reference is made to Exhibits I and II attached hereto for a detailed presentation of the City’s financial operations.

Fiscal 2014

During fiscal 2014, General Fund revenue increased by \$110.4 million or 4.1% from fiscal 2013. The City’s largest sources of revenues were property taxes, excise taxes and payments in lieu of taxes totaling \$2.06 billion or 74.25% of total revenue. Property taxes increased \$90.2 million, representing a positive change of 5.4% from fiscal 2013. Licenses and permits increased by \$15.0 million or 31.8%. Departmental and other revenue decreased by \$3.2 million or -3.7% since fiscal 2013.

Fiscal 2014 General Fund expenditures increased by \$161.3 million, or 6.2% from fiscal 2013. The City’s largest expenditures were for schools (\$940.3 million), public safety (\$558.8 million), other employee benefits (\$234.4 million), retirement costs (\$255.6 million), and state and district assessments (\$197.9 million). Schools experienced an increase in expenditures of \$60.4 million (6.9%), while public safety saw a \$5.0 million increase (0.9%) in expenditures. Other employee benefits experienced an increase of \$1.6 million (0.7%), while state and district assessments increased \$21.6 million (12.3%). Retirement costs increased by \$20.6 million in 2014.

The General Fund’s equity balance as of June 30, 2014 was \$784.3 million, an increase of \$32.9 million from fiscal 2013.

Fiscal 2015

During fiscal 2015, General Fund revenue increased by 4.9% from fiscal year 2014. The City’s largest sources of revenues were property taxes, excise taxes and payments in lieu of taxes totaling \$2.18 billion or 74.6% of total revenue, an increase of \$111.2 million, representing a positive change of 5.4% from fiscal 2014. Licenses and permits increased by \$8.9 million or 14.4%. Departmental and other revenue increased by \$2.0 million or 2.4% since fiscal year 2014.

Fiscal 2015 General Fund expenditures increased by \$110.5 million, or 4.0% from fiscal 2014. The City's largest expenditures were for schools (\$960.2 million), public safety (\$633.5 million), other employee benefits (\$230.1 million), retirement costs (\$282.7 million), and state and district assessments (\$215.5 million). Schools experienced an increase in expenditures of \$20.0 million (2.1%), while public safety saw a \$74.7 million increase (13.4%) in expenditures. Other employee benefits experienced a decrease of \$4.3 million (-1.8%), while state and district assessments increased \$17.6 million (8.9%). Retirement costs increased by \$27.0 million in 2015.

The General Fund's equity balance as of June 30, 2015 was \$862.2 million, an increase of \$77.9 million from fiscal year 2014.

Fiscal 2016

During fiscal 2016, General Fund revenue increased by 4.8% from fiscal 2015. The City's largest sources of revenues were property taxes, excise taxes and payments in lieu of taxes totaling \$2.30 billion or 75.1% of total revenue. Property taxes increased \$100.4 million, representing a positive change of 5.4% from fiscal 2015. Licenses and permits decreased by \$1.2 million or -1.7%. Departmental revenue increased by \$0.4 million or 0.5% since fiscal year 2015.

Fiscal 2016 General Fund expenditures increased by \$111.3 million, or 3.9% from fiscal 2015. The City's largest expenditures were for schools (\$1.02 billion), public safety (\$610.2 million), other employee benefits (\$236.7 million), retirement costs (\$309.1 million), and state and district assessments (\$234.5 million). Schools experienced an increase in expenditures of \$56.2 million (5.9%), while public safety saw a \$23.2 million decrease (-3.7%) in expenditures. Other employee benefits experienced an increase of \$6.6 million (2.9%), while state and district assessments increased \$18.9 million (8.8%). Retirement costs increased by \$26.4 million (9.4%) in 2016.

The General Fund's equity balance as of June 30, 2016 was \$949.0 million, an increase of \$86.8 million from fiscal year 2015.

Fiscal 2017

General Fund revenue increased by \$109.7 million, or 3.6%, from fiscal 2016. Property taxes, excise taxes, and payments in lieu of taxes totaled \$2.37 billion or 75.0% of total revenue. Property taxes increased \$112.0 million, representing a positive change of 5.7% from fiscal 2016. Licenses and permits increased by \$14.5 million or 20.7%. Departmental revenue increased \$1.2 million or 1.4% since fiscal year 2016.

Fiscal 2017 expenditures increased \$152.2 million or 5.1% from fiscal 2016. The City's largest expenditures were for schools (\$1.05 billion), public safety (\$643.1 million), retirement costs (\$347.4 million), other employee benefits (\$248.0 million), and state and district assessments (\$244.3 million). School expenditures increased from fiscal year 2016 by \$32.6 million or 3.2%, public safety increased by \$32.9 million or 5.4%, other employee benefits increased by \$11.3 million or 4.8%, and retirement costs increased by \$38.3 million or 12.4%.

The General Fund's equity balance as of June 30, 2017 was \$985.3 million, an increase of \$36.3 million from fiscal 2016.

Fiscal 2018

General Fund revenue increased by \$206.7 million, or 6.5%, from fiscal 2017. Property taxes, excise taxes, and payments in lieu of taxes totaled \$2.55 billion or 75.6% of total revenue. Property taxes increased \$142.2 million, representing a positive change of 6.8% from fiscal 2017. Licenses and permits decreased by \$10.4 million or 12.3%. Departmental revenue increased \$10.3 million or 11.7% in fiscal 2018.

Fiscal 2018 expenditures increased \$154.3 million or 5% from fiscal 2017. The City's largest expenditures were for schools (\$1.09 billion), public safety (\$689.9 million), retirement costs (\$356.3 million), state and district assessments (\$267.2 million), and other employee benefits (\$261.4 million). School expenditures increased from fiscal year 2017 by \$38.2 million or 3.6%, public safety increased by \$46.8 million or 7.3%, retirement costs increased by \$8.9 million or 2.6%, state and district assessments by \$22.9 million or 9.37%, and other employee benefits increased by \$13.4 million or 5.4%.

The General Fund's equity balance as of June 30, 2018 was \$1,082.1 million, an increase of \$96.8 million from fiscal 2017.

Cash Balances

The following table represents the end-of-month unaudited cash balances for the City’s General Fund and Special Revenue Accounts, commencing with July of fiscal 2016 and ending with January of fiscal 2019, the most recent month for which data is available.

The cash balances presented do not necessarily reconcile with revenue and expenditures for similar accounts calculated on a budgetary accounting basis or on a GAAP basis.

End-of-Month Cash Balances for Fiscal 2016-2019 (\$ in thousands)

	2016	2017	2018	2019
July	\$1,171,874	\$1,231,543	\$1,371,088	\$1,459,003
August	1,197,121	1,286,992	1,339,057	1,502,184
September.....	1,131,156	1,159,502	1,276,378	1,508,589
October	1,250,407	1,299,211	1,458,190	1,660,396
November.....	1,286,956	1,413,658	1,480,931	1,626,104
December	1,126,992	1,246,005	1,344,866	1,501,307
January	1,302,755	1,452,366	1,612,102	1,782,185
February	1,318,626	1,486,261	1,652,745	
March.....	1,242,696	1,258,562	1,435,067	
April.....	1,376,167	1,500,346	1,554,515	
May.....	1,405,632	1,539,766	1,665,526	
June.....	1,379,410	1,458,886	1,637,437	

Source: City of Boston Treasury Department.

Financial Administration

Pursuant to state law mandates and policy initiatives, the City has established a system of internal management controls. These controls are designed to maximize revenue collections, monitor operating and capital spending, evaluate infrastructure needs, and enhance the City’s internal control in business procedures. Major components of the City’s system of financial management controls include:

Revenue Collections

The City has implemented a comprehensive accounts receivable management program that coordinates the collection of departmental revenues. The City has afforded taxpayers the ability to remit payment for licenses, permits, fees, and fines with credit and debit cards and has given taxpayers an alternative choice in paying real estate taxes by use of online direct debit or credit card payments. The City secures its statutory lien for delinquent real estate taxes with instruments recorded at the Suffolk County Registry of Deeds (“tax takings”). For more information concerning tax takings and collection of delinquent real estate taxes, see “City Revenues—Property Taxes—Delinquent Taxes and Tax Title.”

Debt Management

The Treasury Department manages all City borrowings. The Treasury Department focuses on the timing of borrowings to take advantage of favorable market conditions and manages the City’s cash flows to help obviate the need for short-term borrowings for operating purposes. The Treasury Department has established a series of debt management guidelines and has instituted a debt policy that directs the City’s approach toward its debt management activities, including rapid debt repayment, the use of a debt capacity model for establishing debt affordability, limitations on the level of variable rate debt the City will employ, if any, maintenance of the relationship between debt and repayment sources, and responding to and communicating with the financial community and the rating agencies. The City has no outstanding variable rate debt.

Financial Management

Financial management is supported through the use of the Boston Administrative Information Systems (“BAIS”). BAIS is an integrated financial and human capital management system that is designed to track and control daily activities and report the financial position of the City. BAIS performs the specialized functions of encumbrance control, budget control, position management, payroll allotment reporting, fund accounting, and capital project and grant management. Real time edits prohibit excessive commitments and overspending, while on-line access to information, including monthly revenue and expenditure reports, allows department managers to evaluate directly the financial status of individual

programs and the entire department. The utilization of these systems supports the rigorous monitoring and reporting requirements enforced by the City.

The City of Boston has consistently received unmodified opinions on the audit of its Basic Financial Statements and has been presented with a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its Comprehensive Annual Financial Report (“CAFR”) since fiscal 1995. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable state and local legal requirements.

Investment Policy

The City has adopted and annually reviews and updates its investment policy statement that dictates the types of investments made by the City Treasury of City funds, trust funds and other special funds for which the City Treasury is responsible. In February 2019, the City adopted an updated policy governing its investment of operating and reserve cash. The adopted investment policy continues to focus on the balance of safety, liquidity, and yield determined most appropriate for the particular invested funds. Bond proceeds, in conformance with the City’s policy, are invested in liquid, high-quality fixed-income investments.

Performance Management and Program Evaluation

Boston’s performance management efforts, driven in partnership between the Citywide Analytics Team and the Budget Office, exist to ensure that the City delivers the most effective and efficient services possible. Building the tools to understand how well the City is performing, helping identify obstacles to success, and developing immediate and potential long-term performance and process improvements create lasting improvements for the City.

These efforts are summarized in CityScore and are designed to inform the Mayor, City managers, and the public about the quality of life and the performance of City government by aggregating key performance metrics into one number.

Boston About Results continues to be the City’s sustainable and reliable performance management system which captures the core functions of City departments and citywide strategic goals, assists in the decision-making process, identifies areas of improvement, and effectively communicates performance results to a broad range of stakeholders.

Risk Management

The City’s Risk Management strategy focuses on reducing the costs of third party liabilities, worker injuries, employee health care costs, and property damages, through internal claims management, department accountability, and a structured self-insurance program.

Tort liabilities are capped per M.G.L. Chapter 258, and Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations. Civilian workplace injuries are managed through the City’s Workers’ Compensation Program. Police and Fire Departments manage their uniformed injury programs under M.G.L. Chapter 42 Section 111F. These costs are budgeted and funded through the General Fund. Departments are charged for their share of costs in order to promote awareness and prevention efforts. Effective February 2019 the City, consistent with amendments to M.G.L. Chapter 149 Section 6 ½, will be required to maintain workplace safety standards consistent with those set by the Occupational Safety and Health Administration.

Health benefits for over 30,000 City employees and retirees are managed by the Health Benefits Program. 100% of the City’s share of health benefit costs are self-insured through internal service funds established in compliance with M.G.L. Chapter 32B Section 3A. Actuarially determined reserves are maintained in the Funds to stabilize rate increases and protect against large claims or cost increases.

Building damages are managed by individual departments, assisted by the Public Facilities Department. Large damages are insured through a catastrophic property insurance policy, which provides \$100.0 million for all risk protection after a \$10.0 million deductible, with a lower \$1,000 deductible for fine arts. An additional boiler and machinery insurance policy provides up to \$25.0 million per incident.

For unexpected large costs in all categories just described, the City maintains a catastrophic risk reserve, which had an available balance of \$26.1 million at the end of fiscal 2018.

Energy Management

The Chief of Environment, Energy and Open Space and Chief Financial Officer are charged with making decisions regarding the City’s procurement, use, and conservation of energy. In addition, the Chief of Environment, Energy and Open Space monitors the City’s progress in meeting the greenhouse gas

reduction goals required by the City's Climate Action Plan. The Municipal Energy Unit housed within the Environment, Energy and Open Space Cabinet works with City departments and the Office of Budget Management to develop design standards and implement measures that enhance the energy efficiency of the City's new construction and capital improvement projects.

The City has achieved operational savings through the conversion of street lights to newer fixtures using Light Emitting Diode ("LED") technology.

In fiscal 2019, the City began implementing improvements which will result in utility cost savings for City facilities, under an initiative entitled "Renew Boston Trust." This initiative is not a trust in the traditional sense, but a program to bundle municipal utility cost savings projects. The initial step of having an Energy Service Company ("ESCO") conduct an Investment Grade Audit ("IGA") of the City's facilities portfolio to identify projects with significant utility savings potential has been completed. The City selected projects based upon the IGA analysis and is implementing the program through a contract with the ESCO that provides long-term financial guarantees on the net savings for such projects. The budget for a second phase of RBT has been authorized and work on planning the second phase is beginning. The City plans to finance the program with general obligation bonds with debt service expected to be offset by the long-term energy savings guaranteed by the ESCO.

To improve the tracking and control of energy use, the City has re-procured services to support an Enterprise Energy Management System ("EEMS"). The current EEMS enables the City to monitor and report on the energy consumed by its 314 buildings and other fixed assets, and its vehicle fleet, and is used by the City to meet its public reporting obligation under the Building Energy Reporting and Disclosure Ordinance. The EEMS has enabled the identification of energy efficiency projects through the Renew Boston Trust program that are expected to generate approximately \$780,000 in savings in the first year after implementation is complete. The EEMS has also resulted in the identification and recovery of utility billing errors credited back to the City in excess of \$1.3 million over the term of the contract.

The City's electricity requirements have been met by third-party commodity supply contractors since March 2005. To date, the amounts the City has paid to its third-party electricity suppliers have been less than the amounts it would have paid if it had continued to accept default electric service from its local distribution company.

Other Matters

Cyber Threats

As is the case with many organizations, the City of Boston faces continuing exposure to cyber risk with respect to its information technology infrastructure. These cyber threats come in a number of forms but most commonly present themselves as denial of service attacks, phishing and spear phishing attempts, ransomware attacks and malware. While the City has not yet experienced any attacks that have impacted liquidity or affected its business operations in any extended, meaningful way, it continues to take steps to attempt to protect itself against what are expected to be continued threats. These steps include employee trainings focused on how to identify spear phishing and phishing emails, the importance of protecting and creating strong passwords, and the protection and storing of sensitive data. The City also applies a multi-layered security approach, including two factor authentication in which it maintains multiple lines of defense in each layer of its technology architecture and has adopted best practices such as those recommended by the National Institute of Standards and Technology Cyber Security Framework and the Center for Internet Security 20 Critical Controls. In the event of an attack, the City has an incident response policy in place. Further, the City maintains an incident response retainer with cyber security third parties and remains in contact with federal, state and local agencies to provide best practices and support in the case of a serious cyber attack. Nonetheless, the City cannot assure that future incidents or possible unknown prior events will not have a material impact on the City's operations or financial condition.

The Opioid Epidemic

The opioid epidemic has impacted every region of the United States and in recent years has grown worse in the City of Boston. In cases handled by the City's Emergency Medical Services ("EMS"), deaths from opioid overdoses increased 54% in calendar year 2017 as compared with calendar year 2016, and the total number of cases involving opioids handled by EMS increased from 2,879 in 2016 to 3,619 in 2017. The City of Boston is investigating the impact that the recent opioid epidemic has had on (i) direct costs incurred by the City, such as police, fire and emergency medical services, (ii) indirect costs such as increased homelessness, underemployment and SF-8 unemployment (resulting in the payment of unemployment benefits), and increased crime and (iii) potential lost revenue to the City. The total cost to the City is substantial and appears to be rising. At this time the cost is not anticipated to affect materially

the City's financial condition. The City has filed suit in Suffolk Superior Court against various manufacturers, distributors, and prescribers to recover damages and to enjoin their actions which have led to the present crisis.

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CITY REVENUES

The principal sources of City revenue available to meet operating expenditures are property taxes, state revenue, excise revenues, departmental revenues, and federal and state grants, all of which are described below. Except as specifically noted, all amounts are stated on a budgetary accounting basis.

Property Taxes

Real and personal property taxes are the largest single source of the City's revenue. The City's gross property tax levy for fiscal 2019 equals \$2.35 billion, or 70.8% of City General Fund revenues of \$3.32 billion budgeted for such period. Certain properties are subject to arrangements that suspend the imposition of real property taxes at normal rates in order to encourage development. See "City Revenues—Property Taxes—Revenues from Chapter 121A Corporations" below.

As discussed below, Proposition 2½ limits the level of property taxation in the City. In fiscal 2019, the City has again levied taxes below the 2.5% ceiling on the overall effective tax rate. The City is not expected to reach the levy ceiling in the foreseeable future due to previous growth in the real estate market.

Proposition 2½

Proposition 2½ is a statewide tax limitation subject to amendment or repeal by the legislature that imposes two separate limits on the annual tax levy of a city or town. The primary limitation of Proposition 2½ is that the property tax levy in any city or town in the Commonwealth cannot exceed 2.5% of the full and fair cash valuation of the taxable real estate and personal property in that city or town (the "2½ ceiling"). The only exception is the temporary exclusion of debt service or capital costs from the levy ceiling restrictions, as described below.

Within the limits of the 2½ ceiling, the Growth Levy Limit is a secondary limitation imposed by Proposition 2½. The Growth Levy Limit prohibits the levy in a fiscal year from exceeding an amount equal to 102.5% of the maximum allowable limit for the preceding year, subject to exceptions for the following: property newly added to the tax rolls and valuation increases other than as a result of a general revaluation ("new growth"); temporary exclusions from the tax levy limitation to pay for capital costs or debt service on indebtedness; and "overrides," which are permanent increases in the tax levy for general expenditures of the city or town. Exclusions and overrides must be approved by a referendum of the voters of the city or town. The levy is permanently increased by the addition of new growth and overrides, except that any override to fund a stabilization fund will not be taken into account in calculating the maximum levy limit in subsequent fiscal years unless the City Council votes to appropriate such increased amount in such subsequent year to the stabilization fund. The exclusion of debt service by referendum temporarily increases the levy amount and the duration of the specific debt excluded. The Growth Levy Limit may be exceeded by an override in any year by a majority vote of the voters. An increase in the Growth Levy Limit under this procedure, however, does not permit a tax levy in excess of the 2½ ceiling since the two limitations apply independently. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The City's gross levy in fiscal 2019 equals \$2.35 billion. In fiscal 2019, the allowable 2.5% increase is \$55.5 million, and "new growth" is \$77.3 million.

In order to mitigate its adverse impact on local government revenues, Proposition 2½ limits the annual rate of increase of aggregate, statewide assessments made upon cities and towns by the Commonwealth and certain of its governmental entities, such as assessments made upon the City and certain other cities and towns for the MBTA, to 2.5% of the prior year's assessment. Proposition 2½ also limits the motor vehicle excise tax rate to 2.5%.

Notwithstanding the provisions of Proposition 2½ described above, the City's Bond Procedure Act of 1983 mandates assessment of taxes in excess of the Proposition 2½ levy limits to the extent that the debt service on City obligations is not otherwise provided for in the tax levy or from other sources, with no allowance made for any other expenditures of the City. See "City Indebtedness—Classification of City Debt."

Proposition 2½ Property Tax Levy Limits, Fiscal 2015-2019 ⁽¹⁾
(\$ in thousands)

	2015	2016	2017	2018	2019
Total Assessed Valuation	\$110,736,862	\$128,047,081	\$143,941,946	\$153,925,958	\$164,514,121
Growth Levy Limit ⁽²⁾	1,867,957	1,962,274	2,086,847	2,216,601	2,350,783
Levy Ceiling ⁽³⁾	2,768,422	3,201,177	3,598,549	3,848,149	4,112,853
Tax Levy ⁽⁴⁾	1,867,767	1,961,477	2,086,676	2,216,491	2,349,909
Under Levy Ceiling	900,655	1,239,700	1,511,873	1,631,548	1,762,944

- (1) Represents amounts assessed on January 1, and subsequently certified by the Massachusetts Department of Revenue in December of each fiscal year and does not include omitted assessments.
- (2) The Growth Levy Limit is the maximum allowable annual levy as determined by Proposition 2½.
- (3) 2.5% of Total Assessed Valuation.
- (4) For each fiscal year, the amount of the actual Tax Levy is the largest amount possible. The Growth Levy Limit would be exceeded if the tax rate were raised an additional cent (\$0.01).

Source: City of Boston Assessing Department.

Revaluation

Previously, state law mandated a revaluation of all taxable property every three years. The Municipal Modernization Act was signed into law on August 9, 2016 which changed the revaluation schedule to every five years, after an initial “ramp-up” period. The next revaluation is scheduled for fiscal 2020. These revaluations are reviewed and certified by the Commonwealth. In the years between revaluations, the Commonwealth requires municipalities to establish new values on the basis of market changes, using the most recent revaluation as a basis. The City has adjusted certified property values in accordance with this procedure in years when market conditions indicated such adjustment was necessary.

In November 2015, the City concluded work on its last scheduled revaluation for fiscal 2016, with an assessment date of January 1, 2015. The next revaluation is scheduled for fiscal 2020. For fiscal 2019, assessments are based on market activity leading up to the assessment date of January 1, 2018. Fiscal 2019 assessments reflected an active real estate market with assessed values in most neighborhoods having increased over the prior year.

Taxation by Use; Tax Rates

The property tax base in the City consists of personal property and classes of real estate. The following table shows the classes of taxable real property assessed as of January 1, 2018. The fiscal 2019 tax rates were applied to the January 1, 2018 valuation to determine levy and tax liability for fiscal 2019.

**Assessed Valuation of Taxable Real Property by
Real Estate Classes, Assessment Dated January 1, 2018**

Real Estate Classes	Parcel Count	Residential Valuation	Commercial Valuation	Industrial Valuation	Total Valuation
1-Family (101)	30,568	\$18,239,864,218	-	-	\$18,239,864,218
Residential Condominium (102)	63,896	43,305,503,281	-	-	43,305,503,281
Misc. (103,108,109,110)	6,206	484,363,584	-	-	484,363,584
2-Family (104)	17,212	11,324,976,143	-	-	11,324,976,143
3-Family (105)	13,632	10,373,246,387	-	-	10,373,246,387
4-Family & Apartments (111-125)	5,062	12,098,922,969	-	-	12,098,922,969
Residential Land & Accessory (130-132, 106)	6,587	384,907,408	-	-	384,907,408
Commercial (300-393)	7,742	-	\$46,107,968,657	-	46,107,968,657
Industrial (400-452)	657	-	-	\$1,206,341,032	1,206,341,032
Agricultural	3	-	399,093	-	399,093
Residential & Commercial (012-043)	2,857	11,416,814,340	2,926,933,552	-	14,343,747,892
Total	154,422	\$107,628,598,330	\$49,035,301,302	\$1,206,341,032	\$157,870,240,664

Source: City of Boston Assessing Department.

Tax Rates, Fiscal 2015-2019
(per \$1,000 of assessed value)

<u>Fiscal Year</u>	Commercial, Industrial and Personal Property	Residential Property
2019	\$25.00	\$10.54
2018	25.20	10.48
2017	25.37	10.59
2016	26.81	11.00
2015	29.52	12.11

Source: City of Boston Assessing Department.

The City utilizes five classes of property for taxation purposes: (i) residential, (ii) open space land, (iii) commercial, (iv) industrial, and (v) personal property. Within limits under state law, the City may determine the share of the annual levy to be borne by each of the categories. Under these statutory limits, the residential tax rate cannot be given a discount greater than 50%, while the tax rate on the remaining business classes of property cannot exceed 175% of the overall effective tax rate.

The City may also exempt a portion of the assessed valuation of residential real property when used as the taxpayer’s principal residence. A change in state law allowed the City to increase the amount of the residential exemption from up to 30% to 35% of the average assessed value of all residential property starting in fiscal 2018. This larger residential exemption is expected to continue to be applied to all fiscal years in the future. For fiscal 2019, each qualifying resident who receives the residential exemption has their taxable assessed value reduced by \$257,978. The residential exemption only has an impact on the residential rate.

Tax Base

The following table shows the assessed valuations of all property in the City subject to taxation.

Assessed Valuations—Fiscal Years 2015-2019⁽¹⁾
(\$ in thousands)*

Fiscal Year	Residential Valuation	Commercial Valuation	Industrial Valuation	Personal Property Valuation	Total Valuation
2019	\$107,628,598	\$49,035,301	\$1,206,341	\$6,643,880	\$164,514,121
2018	99,885,328	46,615,297	1,187,339	6,237,993	153,925,958
2017	93,462,191	43,571,094	1,103,888	5,804,774	143,941,946
2016	83,719,422	38,031,833	908,352	5,387,473	128,047,081
2015	72,346,068	32,451,521	785,062	5,154,211	110,736,862

* Rows may not add due to rounding.

(1) Represents assessed values determined as of January 1 prior to the start of the fiscal year. For example, fiscal 2019 assessed values are as of January 1, 2018.

Source: City of Boston Assessing Department.

The City of Boston’s Assessing Department is responsible for the generation of revenue for the City through the valuation of personal and real property. To that end, the Assessing Department uses a number of systems to assist with the acquisition, disposition, and assessment of property records.

The Assessing department has executed a contract with Patriot Properties (“Patriot”) for a new computer-assisted mass appraisal (“CAMA”) system. Collaborative work with Patriot is ongoing for the conversion of existing data and to simulate current valuation functions. The Assessing department expects to bill the first quarter of Fiscal Year 2020 from the Patriot CAMA system.

Although there is a potential for disruption during the migration of valuation data from the legacy system to the new Patriot system, the department is taking steps to mitigate any issues. The Assessing department has hired a project manager to help manage this process and ensure that there is a smooth transfer of data. Patriot is the department's current vendor for the existing personal property system. It is expected that the department will gain greater efficiencies by merging what are currently two separate systems into one. The department will run a dual system entry for a period of time to ensure that data is accurately translating to the new CAMA system before full transition occurs. Additionally, the Massachusetts Department of Revenue requires a comprehensive review of records during a CAMA conversion process to ensure data accuracy. While methodically working to prevent such an occurrence, associated risks include the department's continuing to bill the fiscal 2020 property values out of the legacy system, and pushing the conversion into fiscal 2021.

The following table is a list of all of the taxpayers in the City that had an aggregate tax liability in excess of \$15.0 million for fiscal 2019. Assessed valuations and fiscal 2019 taxes reflect the valuation of property as of January 1, 2018 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2019 ⁽¹⁾⁽²⁾

Owner Name	Personal Property Value	Real Property Value	Total Assessed Value	Fiscal 2019 Tax Liability
Boston Properties	\$5,605,570	\$4,102,284,850	\$4,107,890,420	\$100,119,669
NSTAR / Boston Edison Company	2,374,665,000	136,406,400	2,511,071,400	62,776,785
Oxford Properties	164,850	1,875,946,500	1,876,111,350	46,902,784
Tishman Speyer Properties	966,000	1,419,238,000	1,420,204,000	34,047,952
Teachers Insurance and Annuity Association		1,353,685,000	1,353,685,000	33,842,125
Fort Hill Associates		1,154,332,500	1,154,332,500	28,858,313
MetLife Real Estate Investments	338,050	1,089,904,000	1,090,242,050	27,256,051
Rockpoint Group		1,010,561,000	1,010,561,000	24,236,017
Morgan Stanley	4,301,810	858,267,500	862,569,310	21,564,233
John Hancock Financial	834,250	935,603,000	936,437,250	21,400,739
Senior Housing Properties Trust		818,997,500	818,997,500	20,474,938
National Grid	724,067,000	32,085,000	756,152,000	18,903,800
TOTAL	\$3,110,942,530	\$14,787,311,250	\$17,898,253,780	\$440,383,404

- (1) The Largest Taxpayers table includes entities with a fiscal year 2019 tax liability greater than \$15.0 million. The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in a particular parcel.
- (2) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. There are three general types of personal property that are taxable: business and professional furnishings, machinery used in the conduct of business, and personal property of public utilities.

Source: City of Boston Assessing and Treasury Departments.

Real Estate Tax Levies and Collections

The following table shows the level of property tax levies, tax levies net of budgeted reserves for abatements (“Net % Gross”), the gross amount and proportion of each levy collected during the year of levy, the cumulative amount (net of refunds) and proportion of each levy collected as of June 30, 2018 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 2014 through 2018. Excluded from the following table are receipts from PILOTs and receipts on account of Chapter 121A corporations.

Tax Collections In Relation To Property Tax Levies Fiscal 2014-2018 (Statutory Accounting Basis) (\$ in millions)

Fiscal Year	Tax Levy			Tax Levy Collected Within Year of Levy			Tax Levy Net of Refunds Collected as of June 30		
	Gross ⁽¹⁾	Net	Net % Gross	Gross Amount	% Gross Levy	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2018	\$2,223.2	\$2,192.6	98.6%	\$2,216.2	99.7%	101.1%	\$2,207.1	99.3%	100.7%
2017	2,093.9	2,055.2	98.2	2,083.3	99.5	101.4	2,075.4	99.1	101.0
2016	1,963.1	1,924.8	98.0	1,958.4	99.8	101.7	1,949.3	99.3	101.3
2015	1,869.0	1,833.1	98.1	1,865.6	99.8	101.8	1,853.6	99.2	101.1
2014	1,779.8	1,744.9	98.0	1,784.7	100.3	102.3	1,765.8	99.2	101.2

(1) Includes additional assessments billed in June of each fiscal year, as well as subsequently deducted residential exemptions.

Source: City of Boston Auditing Department.

The City’s property tax bills are mailed quarterly in July, October, December, and April. The bills mailed in July and October represent preliminary tax bills each equal to one quarter of the previous fiscal year’s liability. The fair cash value of the property or assessment for the purpose of determining the new fiscal year tax liability is reflected in the third and fourth quarter bills, which are mailed in December and April. See “City Revenues—Property Taxes—Taxation by Use; Tax Rates.”

Delinquent Taxes and Tax Titles

Real and personal property taxes (not including motor vehicle, the room occupancy and the aircraft fuel excises) are based on values established by the Assessing Department as of each January 1, and are due in quarterly payments every August, November, February and May. Delinquent real estate and personal property taxes are subject to a 14% per annum interest charge. Subsequent to the end of the fiscal year in which real estate taxes become delinquent, the City secures its lien for such taxes by taking legal title to all delinquent properties, subject to the owners’ right of redemption. After this process, known as a “tax taking,” is complete, interest accrues on outstanding amounts of delinquent real estate taxes at the rate of 16% per annum. If the taxes remain unpaid for a period of six months from the tax taking, the City may petition the Land Court to foreclose the equity owner’s right of redemption. Upon foreclosure, the City may then sell the property in order to liquidate the tax liability. The City estimates that the value of the properties to which such tax titles are attached is substantially less than the amount of delinquent taxes, charges, and interest owed.

Tax title receipts were \$21.0 million, \$17.9 million, and \$11.3 million in fiscal 2016, 2017, and 2018, respectively.

Revenues from Chapter 121A Corporations

A local government in cooperation with its redevelopment authorities may suspend the imposition of real property taxes at normal levels on properties determined to be “blighted” in order to encourage redevelopment of such properties by special corporations organized under Chapter 121A (“Chapter 121A Corporations”). The City receives two principal sources of revenue from Chapter 121A Corporations. The first consists of Section 10 Excise for each Chapter 121A Corporation that are collected by the Commonwealth and distributed to the City. The second form of revenue is 6A contract payments resulting from agreements that may be entered into between the Chapter 121A Corporation and the City relating to City services available to the development.

Revenues received by the City from Chapter 121A Corporations for the last five fiscal years are shown in the following table.

In August 2015, The Governmental Accounting Standards Board (GASB) issued Statement No. 77 “Tax Abatement Disclosures.” The objective of this Statement is to make the nature and magnitude of a government’s tax abatement transactions more transparent to a user of the financial statements. The City

enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77. The GASB No. 77 standard went into effect in fiscal 2017. See Note 7 to the City’s fiscal 2018 audited financial statements attached hereto as Exhibit I.

Revenues to the City from Chapter 121A Corporations
(\$ in thousands)

Fiscal Year Ended June 30	Excise Payments In Lieu of Taxes (Section 10)	Contracts Payments (Section 6A)⁽¹⁾	Total*
2018	\$41,576	\$30,889	\$72,465
2017	18,949	28,562	47,512
2016	10,422	37,691	48,113
2015	26,198	29,417	55,615
2014	31,634	30,423	62,058

* Totals may not add due to rounding.

(1) Contract Payments (Section 6A) include Chapter 121B, Section 16 payments, and Tax Increment Financing (TIF) agreements.
Source: City of Boston Office of Budget Management.

Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits municipalities that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the municipality at an election after such provisions have first been accepted by either a vote of the legislative body of the municipality or an initiative petition signed by 5% of its registered voters.

A municipality may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in municipalities with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Proposition 2½” above). A municipality may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any municipality that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to municipalities that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those municipalities that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any municipality may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each municipality that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the municipality regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the municipality may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes municipalities that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the

provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the municipality and are payable from amounts on deposit in the community preservation fund. In the event that a municipality revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the municipality prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City accepted the CPA in November 2016 and set the rate at 1%. The City is utilizing CPA revenues to help achieve its housing and economic goals of creating affordable housing units, restoring parks and recreational open space, and preserving historical sites. The City collected \$18.9 million in revenues in fiscal year 2018. For fiscal 2019, the City estimates that it will receive approximately \$19.5 million attributable to this surcharge with state matching funds in the amount of \$3.6 million. In June 2018 the City appropriated \$8 million to 35 projects including: 12 Historic Preservation projects, 3 Affordable Housing projects, 13 Recreational Use and Open Space projects and 7 blended Historical Preservation and Open Space Projects. In fiscal 2019 the City plans to appropriate approximately \$34 million to additional projects, most notably affordable housing projects.

State Revenue

State revenue from the Commonwealth comprises the second largest single revenue source to the City's General Fund after the Property Tax. Over the course of the previous decade, support to municipalities from the Commonwealth has been consistently reduced.

The City experienced reductions in actual state revenue totaling \$102.9 million or -20.8% between fiscal 2008 and fiscal 2012. While state revenue began to recover in fiscal 2013 and 2014, state revenue declined again in fiscal 2015 by \$9 million due to the Commonwealth underfunding the charter school reimbursement account. Since fiscal 2016 state revenue has again increased annually, driven by increases in Unrestricted General Government Aid. However, net state aid – defined by total state revenue net of state assessments including charter school assessment, MBTA, and others has continued to decline in fiscal years 2016, 2017 and 2018 by \$10.7 million, \$6.5 million and \$8.9 million, respectively. The City is expecting another net state aid decline of \$16.9 million in fiscal year 2019.

Distributions from the Commonwealth charter school reimbursement account are based on a formula to provide transitional dollars to municipalities when a student leaves a district school for a charter school, but this account is subject to appropriation. For the past four years the Commonwealth has underfunded the charter school reimbursement account, which has resulted in approximately \$12 million less in fiscal 2015, approximately \$17 million less in fiscal 2016, approximately \$19 million less in fiscal 2017, approximately \$25 million in fiscal 2018 and a projected \$28 million less in fiscal 2019 for Boston than full funding of the formula would have provided.

In fiscal 2018, state revenue increased by \$14.8 million, and it is budgeted to rise again by \$7.2 million in fiscal 2019. Adjusting for these changes, the total loss in state revenue between fiscal 2008 and fiscal 2019 (budgeted) amounts to \$46.4 million or -9.4%.

The State Treasurer is empowered to deduct "assessments" from state revenue amounts appropriated to the City. The largest of these assessments is now that for Charter School Tuition followed by that for MBTA. Charter Schools are public schools, open to all students that apply, that are funded by "tuition," 100% of which is paid by the students' home or "sending" school district. A 2010 increase in the legislatively imposed cap on charter school enrollments has caused this cost to grow rapidly. Under the 2010 legislation, the cap ceased increasing in 2017, and now Boston's charter school assessment is capped at 18% of net school spending. In 2016, a proposed ballot initiative to further increase the Commonwealth charter school cap was not approved by voters.

Assessments also include smaller charges for various state-provided services, which may include debt service paid by the Commonwealth on "qualified bonds" and any sums allocable to the Boston Water and Sewer Commission or the City that are due and unpaid on debt issued to the Massachusetts Clean Water Trust ("MCWT"), formerly the Massachusetts Water Pollution Abatement Trust. The City has no "qualified bonds" outstanding and has never had an unpaid amount due to the MCWT.

"Net state aid" or total state revenue net of "assessments," has declined more than state revenue due to the rapidly increasing assessment for charter school tuition mentioned above. Between fiscal 2008 and fiscal 2018, net state aid declined by \$189 million or -51.9%. State Assessments are expected to increase to \$288.2 million in fiscal 2019, compared to \$264.1 million in fiscal 2018.

Under the Massachusetts Constitution and state finance law, the State Treasurer has the authority to delay the allotment of state revenue appropriations under certain circumstances. In addition, the statute

governing the distribution of school aid provides that such payments are due only to the extent that sufficient funds are available.

State School Building Assistance

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project.

Due to demand for school building assistance grants far exceeding available funds, the state legislature created the Massachusetts School Building Authority (“MSBA”) in 2004 to finance and administer the school building assistance program. The MSBA has assumed all powers and obligations of the State Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. As of February 1, 2019, the City expects to receive \$7.6 million in grant payments to offset its outstanding debt service on school projects approved for grants under the prior law at a reimbursement rate of 90% of approved project costs. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the City to finance such projects. In fiscal 2020, the City will receive its final reimbursement payments for projects approved prior to the creation of the MSBA.

In 2008, the MSBA promulgated regulations with respect to the application and approval process for new projects. The reimbursement ranges between 40% and 80% of approved project costs. The MSBA pays its share of approved project costs pursuant to a project funding agreement between the MSBA and the municipality. The MSBA operates two main programs: the Core Program, which can include extensive repairs, renovations, additions, and new school construction; and the Accelerated Repair Program (“ARP”) which funds boiler, roof, and window/door replacement projects with a focus on the preservation of existing assets through energy-efficient and cost-saving upgrades, which will result in direct operational savings for school districts.

Currently, one City school project is in construction under the Core Program, two others are in early stages of the Core Program process, and one project was recently completed. In 2018, the City entered into a Project Funding Agreement (“PFA”) for the construction of a new facility for the Boston Arts Academy. Through the PFA, the City will receive a grant totaling 70.36% of eligible project costs with a maximum grant totaling \$48.9 million. The new Boston Arts Academy building is expected to open for students in September 2021. In September 2018, the new Dearborn STEM Academy in Roxbury opened for students, and the City expects to receive a grant totaling 75.34% of eligible project costs up to a maximum amount of \$37.4 million for this project.

Since 2015, the MSBA Board has selected and the City has moved forward on 24 projects in the ARP program. Thirteen projects are complete. Construction will begin on five projects in summer 2019; design is underway on six other projects. Construction on these six projects is planned for summer 2020. All together the ARP project budgets total \$55.3 million of which up to \$32.4 million may be eligible for reimbursement by the MSBA. The City’s share of total project costs is approximately \$22.9 million.

Excise Revenues

In addition to the major sources of revenue described above, the City receives various other types of revenues. See “Financial Operations—Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2015 to 2018 Actual Results and Fiscal 2019 Budget.” The following is a description of those and other significant excise revenue sources of the City.

Room Occupancy Excise

As is its option under state law approved in 1985, the City imposed a 4.0% local room occupancy excise upon the transfer of occupancy of any room in a hotel, lodging house or motel. The Commonwealth granted authority to municipalities in 2009 to increase the local option room occupancy excise up to 6.0%. The City increased the local option room occupancy excise to 6.0%, effective October 1, 2009. The Massachusetts Department of Revenue is responsible for collecting and remitting local option room

occupancy excise receipts to the City in arrears. The City's room occupancy excise receipts totaled \$89.1 million, \$91.3 million, and \$94.0 million in fiscal 2016, 2017, and 2018, respectively.

Aircraft Fuel Excise

The City also assesses an aircraft fuel excise upon the sale of jet fuel. The Commonwealth collects this tax and distributes it to the City. The City's aircraft fuel excise receipts totaled \$36.8 million, \$15.9 million, and \$28.8 million in fiscal 2016, 2017, and 2018, respectively. A late payment for aircraft fuel excise in the amount of \$8.2 million was received in fiscal 2016 rather than when due in fiscal 2015, an early payment in the amount of \$3.8 million was received in fiscal 2016 rather than when due in fiscal 2017, and a late payment in the amount of \$4.5 million was received in fiscal 2018 rather than when due in fiscal 2017. Payments for fiscal year 2018 were all received on time.

Motor Vehicle Excise

The Commonwealth assesses an excise on the registration of motor vehicles, the proceeds of which are received by the municipality where the vehicle is principally garaged. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. The City's annual motor vehicle excise receipts totaled \$67.7 million, \$52.1 million, and \$66.9 million in fiscal 2016, 2017, and 2018, respectively. The majority of the increase in fiscal 2018 over fiscal 2017 was attributable to late billing for the fiscal 2017 motor vehicle excise due to the implementation of a new software system; this resulted in an increase in prior year receipts accounted for as fiscal 2018 revenue.

Meals Excise

In 2009, the Commonwealth granted the option to municipalities to levy a 0.75% excise on locally sold prepared food and beverages. The Massachusetts Department of Revenue is responsible for collecting and remitting meals excise receipts to the City. The City's annual meals excise receipts totaled \$28.0 million, \$29.2 million, and \$30.9 million in fiscal 2016, 2017, and 2018, respectively.

Vehicular Rental Surcharge

The Commonwealth imposes a \$10 surcharge on each vehicular rental transaction contract in the City. The City's annual share of vehicular rental surcharges totaled \$1.6 million in each of the fiscal years 2016, 2017, and 2018.

Departmental Revenues

Several City departments generate significant revenues from fines, fees, charges and reimbursements.

Parking Fines

The City's annual parking fine receipts totaled \$57.8 million, \$60.5 million, and \$60.7 million in fiscal 2016, 2017, and 2018, respectively. As of July 1, 2018 the City has increased some of its parking fines, aiming to produce positive results by changing driver behavior and reducing congestion in high traffic areas. Additional information on these efforts can be found in the Go Boston 2030 plan (see "City Indebtedness—Capital Planning and Borrowing Program—Capital Investment Plans) as well as the Carbon Free Boston report available at <https://www.boston.gov/departments/environment/carbon-free-boston>.

Building Permit Fees

The Inspectional Services Department performs a variety of functions for which fees are imposed such as the granting of building permits. The City's annual building permit fees totaled \$52.3 million, \$62.0 million, and \$52.8 million in fiscal 2016, 2017, and 2018 respectively.

Municipal Medicaid Reimbursement

The Office of Budget Management oversees a vendor contract to collect federal reimbursements for Medicaid eligible services provided through the Boston Public Schools. The City's annual municipal Medicaid reimbursement revenue totaled \$8.2 million, \$9.2 million, and \$8.1 million in fiscal 2016, 2017, and 2018, respectively.

Other Available Revenues

Under state law, proceeds of the sale of City facilities must be applied to the Surplus Property Disposition Fund to be used to finance capital projects, unless the City Council, with the approval of the Mayor, votes to credit to the General Fund the difference between the sale proceeds and the amount of debt (both principal and interest) incurred in acquiring or improving the sold facility. As of June 30, 2018, there was \$29.7 million remaining in the Surplus Property Disposition Fund.

Grants

The City receives both federal and state grant funds, some of which are determined according to formulas, and others that are awarded competitively. These monies are recorded in special revenue funds.

Federal Grants

Some major sources of federal grant funds in fiscal 2018 included: a Community Development Block Grant (“CDBG”) Entitlement Program award of \$25.4 million; a Home Investment Partnership Program (“HOME”) award of \$5.5 million; a Housing Opportunities for Persons with AIDS Program (“HOPWA”) award of \$2.3 million and an Emergency Services Grant award of \$2.0 million. The Department of Neighborhood Development received an additional \$26.4 million in federal competitive grants, mainly related to the Continuum of Care Program.

Major sources of federal grant funds for programs of the Boston Public Schools included: a Title I Elementary & Secondary Education Act of 1965 award of \$38.1 million; Special Education Entitlement Grant awards of \$18.4 million; School Lunch Program and Summer Food Program awards of \$34.3 million; and Title II teacher quality award of \$3.9 million. The Boston Public Schools were also awarded \$16.2 million from a variety of other federal grant sources during the 2018 fiscal year. Total federal aid to Boston Public Schools in fiscal 2018 was \$110.9 million compared to \$104.2 million in fiscal 2017.

The City received a five year \$15.5 million award from the US Federal Highway Administration National Infrastructure Investments Program for the Connect Historic Boston project.

State Grants

In addition to State Revenue, the City also receives state grants. In fiscal 2018, the Boston Police Department received Community Services grant awards that totaled \$7.9 million from the Massachusetts Executive Office of Public Safety and Security.

Boston Public Schools were awarded approximately \$1.9 million for early childhood, elementary and secondary, and adult education. In addition, the state paid \$25.0 million in Special Education Reimbursement to the Boston School Department.

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CITY INDEBTEDNESS

Classification of City Debt

Direct general obligation debt of the City is debt for which the City's full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount. General obligation bonds of the City may also be secured in certain circumstances by a pledge of specific City revenues. The special obligation debt of the City is debt which may be secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City or for the payment of which the City's obligation is subject to annual appropriation.

General Obligation Debt

On June 30, 2018, the City had outstanding approximately \$1.32 billion of general obligation long-term bonds, all of which bear fixed rates of interest. On February 1, 2019, the City had approximately \$1.31 billion of general obligation long-term bonds outstanding.

The City is authorized to secure any of its general obligation indebtedness by a pledge of all or any part of any revenues of the City including, without limitation, any tax, such as real property taxes, any fees payable to or for the account of the City, and certain receipts, distributions and reimbursements held or to be received by the City from the Commonwealth. The City currently has no general obligation bonds or notes outstanding secured by such a pledge.

Debt Limits

All debt of the City requires the authorization of the City Council and approval of the Mayor. If the Mayor vetoes a loan order passed by the City Council, the charter of the City provides that the loan order is void and may not be passed over the Mayor's veto. Authorization of bonds under a loan order of the City Council includes, unless otherwise provided, the authorization to issue temporary notes in anticipation of such bonds.

The statutory debt limit for the City consists of a debt limit and a double debt limit. The debt limit is 5%, and the double debt limit is 10%, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Biennially, prior to January 31st, the Commissioner of Revenue establishes a final equalized valuation which is the basis for determining the debt limit for the following two-year period or until another equalization has been established. The equalized valuation of taxable property in the City established by the Commissioner of Revenue in January 2019 equals \$179.79 billion. Based on the current equalized valuation, the City's debt limit equals approximately \$8.99 billion, and its double debt limit equals \$17.98 billion as of February 1, 2019.

The City may authorize debt up to its debt limit without state approval. The City may authorize debt over the debt limit up to the double debt limit with the approval of the Municipal Finance Oversight Board, composed of the State Treasurer and Receiver-General, the State Auditor, the Attorney General and the Director of Accounts. As of June 30, 2018, the City had outstanding debt of \$1.23 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$896.9 million. As of February 1, 2019, the City had outstanding debt of \$1.22 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$1.19 billion. Based on the City's current debt limit of \$8.99 billion, the City had the statutory capacity to authorize an additional \$6.58 billion of debt as of February 1, 2019.

In addition to statutory constraints, the City has imposed certain policy constraints on its issuance of general obligation debt. Reviewed annually and subject to change, the City's debt management policies currently require the repayment of 40% of principal within five years and 70% of principal within 10 years. Additionally, annual debt service may not exceed 7% of general fund expenditures and variable rate debt outstanding may not comprise more than 20% of the City's total debt portfolio. As of February 1, 2019, City has no variable rate debt outstanding.

**Debt Incurring Capacity
As of February 1, 2019**

	<u>Debt Limit</u>
Normal Debt Limit as of June 30, 2018	\$ 7,178,810,475
Debt Outstanding as of June 30, 2018.....	(1,225,941,772)
Debt Authorized but Unissued as of June 30, 2018	<u>(896,881,722)</u>
Available Debt Incurring Capacity under the Debt Limit as of June 30, 2018.....	<u>\$ 5,055,986,981</u>
Increase in Debt Limit based on new EQV effective on January 31, 2019	\$ 1,810,841,560
Authorization Adjustments approved through February 1, 2019	(261,523)
New Authorizations approved through February 1, 2019	(293,699,700)
Principal Outstanding Adjustment	(1,041,511)
Premium Adjustment	(331,146)
Principal paid through February 1, 2019.....	<u>7,541,860</u>
Available Debt Incurring Capacity under the Debt Limit as of February 1, 2019.....	<u>\$ 6,579,036,521</u>

Source: City of Boston Office of Budget Management.

There are many categories of general obligation debt which are not subject to the debt limit and are therefore not included in the Debt Incurring Capacity table above. Some such debt is, however, subject to other debt limits, dollar limitations or state approval. As of February 1, 2019, the City had a total of \$1.31 billion in long-term debt outstanding, of which \$88.4 million was exempt from the debt limit. As of that date the City also had \$76.3 million of long-term debt that was authorized but unissued and exempt from the debt limit.

**Summary of Authorized but Unissued Debt – Within and Outside Debt Limit
As of June 30, 2018 and February 1, 2019***

	<u>Authorized/ Unissued 6/30/18</u>	<u>New Authorizations and Adjustments 7/1/18 to 2/1/19</u>	<u>Authorized/ Unissued 2/1/19</u>
“Within” Debt Limit	\$896,881,722	\$293,961,223	\$1,190,842,945
“Outside” Debt Limit	<u>76,556,173</u>	<u>(261,523)</u>	<u>76,294,650</u>
TOTAL:	<u>\$973,437,895</u>	<u>\$293,699,700</u>	<u>\$1,267,137,595</u>

* Some columns may not add due to rounding.

Source: City of Boston Office of Budget Management.

Debt Statement

The following table sets forth the City’s outstanding general obligation debt as of February 1, 2019.

**Debt Statement as of February 1, 2019
General Obligation Debt ***

<u>Purpose for Which Issued</u>	<u>Principal Outstanding as of 6/30/18</u>	<u>Issued in Fiscal 2019 as of 2/1/19</u>	<u>Retired in Fiscal 2019 as of 2/1/19</u>	<u>Principal Outstanding as of 2/1/19</u>	<u>Deemed Payable from Related Revenues ⁽¹⁾</u>	<u>Net Principal Amount</u>
General Purpose	\$ 852,009,460	\$ –	\$(10,849,198)	\$ 841,160,262	\$ (8,798)	\$ 841,151,465
MCWT	15,419,492	–	(1,471,183)	13,948,310	(251,635)	13,696,675
Economic Development State Urban Development	8,660,528	–	(22,078)	8,638,450	–	8,638,450
Relocation	5,852,349	–	(149,735)	5,702,614	–	5,720,614
Schools	15,184,332	–	(941,338)	14,242,995	(7,981,525)	6,261,470
Public Buildings	227,082,418	–	(1,722,246)	225,360,173	(8,373,788)	216,986,385
Public Works	194,518,679	–	(375,407)	194,143,273	–	194,143,273
Cemeteries	<u>4,667,223</u>	–	<u>(0)</u>	<u>4,667,233</u>	–	<u>4,667,233</u>
TOTAL.....	<u>\$ 1,323,394,492</u>	<u>\$ –</u>	<u>\$(15,531,183)</u>	<u>\$1,307,863,310</u>	<u>\$(16,615,745)</u>	<u>\$ 1,291,247,565</u>

* Columns may not add due to rounding.

- (1) Includes revenues related to, or derived from facilities for which the debt was incurred. Such revenues include:
- Receipts from the Fund for Parks and Recreation and rental income from a City-owned building at 1010 Massachusetts Avenue;
 - Debt service subsidies on City debt issued to the MCWT; and
 - Grants from the MSBA for school construction projects.

Source: City of Boston Auditing Department.

Debt Service Requirements

The following table sets forth the City’s debt service requirements for general obligation debt for each fiscal year 2016 through 2019. The debt service requirements table shows the gross Debt Service Requirements, offset by revenues received from related sources.

Debt Service Requirements—Fiscal 2016-2019 *

Gross Debt Service Requirements Bonded Debt:	2016	2017	2018	2019 (Proj)
Principal.....	\$110,590,000	\$116,976,541	\$121,490,057	\$125,831,183
Interest.....	52,522,598	53,603,802	54,200,835	66,233,125
Total.....	<u>163,112,598</u>	<u>170,580,343</u>	<u>175,690,892</u>	<u>192,054,308</u>
Less Revenue Deemed Available From Related Sources: ⁽¹⁾				
Boston Medical Center and Public Health Commission.....	-	-	-	-
Fund for Parks & Recreation/Irrigation Project.....	199,023	190,285	116,365	70,681
1010 Massachusetts Ave Project.....	2,265,029	2,220,937	2,123,404	1,954,914
Interest on Loans to BOA Fund and BOA Dudley Fund.....	-	-	-	-
Pension Management System.....	1,904,612	1,904,553	1,903,326	1,902,668
Room Occupancy Excise Fund	-	-	-	-
Premium and Subsidies	4,084,904	3,598,172	3,526,669	3,455,802
Plus Interest On Temporary Loan Notes and Additional Items:				
Revenue Anticipation	-	-	0	3,000,000
Cost of Issuance.....	64,524	953,750	233,475	500,000
QSCB of 11/09 Sinking Fund	1,454,545	1,454,545	1,454,545	1,454,545
Dudley Square Site/Sec. 108	505,000	505,000	505,000	-
COB Lease Payment – Bolling Municipal Building.....	943,000	551,000	551,000	551,000
Total Debt Service/Budget Summary	<u>\$157,626,100</u>	<u>\$166,130,691</u>	<u>\$170,765,140</u>	<u>\$190,175,788</u>
Additional Adjustments:				
Less:				
School Construction Assistance ⁽¹⁾	<u>7,344,337</u>	<u>6,720,152</u>	<u>6,720,147</u>	<u>5,107,351</u>
Total Net Debt Service Requirements	<u>\$150,281,763</u>	<u>\$159,410,539</u>	<u>\$164,045,001</u>	<u>\$185,068,437</u>

* Columns may not add due to rounding.

(1) Includes revenues related to, or derived from facilities for which the debt was incurred. Such revenues include: the Fund for Parks and Recreation; rental income from a City-owned building at 1010 Massachusetts Avenue; the Retirement Board; Debt Service Subsidies relative to prior City issuances; and grants from the MSBA for school construction projects.

Source: City of Boston Auditing Department and Office of Budget Management.

The related revenues shown in the foregoing Debt Statement and table of Debt Service Requirements are not pledged to the payment of specific indebtedness. However, such revenues may substantially reduce the amount of tax or other revenues of the City that must be raised to pay debt service on the related debt. The increase in gross debt service from fiscal 2018 to fiscal 2019 is a result of conservative budgeting assumptions.

Certain Debt Ratios

The following table sets forth information as of February 1, 2019 with respect to the approximate ratio of the City’s long-term general obligation debt to certain economic factors.

**Debt Ratios
As of February 1, 2019**

	<u>Amount</u>	<u>Per Capita ⁽¹⁾</u>	<u>Ratio to Assessed Property Value ⁽²⁾</u>	<u>Debt Per Capita as a % of Personal Income Per Capita ⁽³⁾</u>
Gross General Obligation Long-Term Debt	\$1,307,863,310	\$1,914.84	0.85%	2.59%
Net General Obligation Long-Term Debt ⁽⁴⁾	1,291,247,565	1,890.51	0.84%	2.56%

- (1) U.S. Census Bureau as of January 2019—Boston’s Estimated 2017 Population equaled 683,015.
- (2) Assessed Property Value equaled \$153.93 billion as of January 1, 2018. State law requires that property be assessed at fair cash value. See “City Revenues—Property Taxes—Revaluation.”
- (3) U.S. Department of Commerce, Bureau of Economic Analysis, November, 2018, Suffolk County’s 2017 Per Capita Personal Income = \$73,909.
- (4) As represented in “Debt Statement as of February 1, 2019.”

Source: City of Boston Auditing Department and Boston Redevelopment Authority.

Three-Year Debt Summary

The following table sets forth a three-year summary of the status of the City’s outstanding general obligation debt as of June 30th of each respective fiscal year and certain information concerning the City’s debt service requirements for such fiscal periods.

**Debt Summary, Fiscal 2016 - 2018
(\$ in thousands)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Outstanding General Obligation Debt	\$1,267,325	\$1,295,269	\$1,323,394
Authorized But Unissued Debt, Budgetary Basis.....	<u>\$ 756,470</u>	<u>\$ 808,553</u>	<u>\$ 973,438</u>
Debt Service, Budgetary Basis.....	\$ 157,626	\$ 165,160	\$ 170,514
Debt Service as a % of Total General Fund Revenues, and Other Available Funds, Budgetary Basis.....	5.5%	5.5%	5.3%
Debt Service as a % of Total General Fund Expenditures, Budgetary Basis	5.5%	5.5%	5.3%
Debt Service as a % of Total Net Tax Levy, Budgetary Basis	8.2%	8.0%	7.8%
Bonds Issued:			
General Obligation – New Money	\$ 140,000	\$ 150,000	\$ 150,000
General Obligation – Refunding Bonds	<u>8,100</u>	<u>58,370</u>	<u>0</u>
Total Bonds Issued.....	<u>\$ 148,100</u>	<u>\$ 208,370</u>	<u>\$ 150,000</u>

Source: City of Boston Auditing Department.

Short-Term Borrowings

Although the City is authorized to borrow for operating purposes through the issuance of short-term notes in anticipation of revenue receipts, it has not done so in several years. In addition, the City is authorized to issue short-term debt obligations or Bond Anticipation Notes (“BANs”) in anticipation of the issuance of long-term bonds. Currently, no BANs are outstanding.

Special Obligation Debt

In addition to general obligation indebtedness, the Bond Procedure Act of 1983 and various other special acts authorize the City to incur indebtedness which is secured by and payable solely from certain revenues of the City which are pledged for the payment of such indebtedness or which are subject to annual appropriation by the City for such purpose. As of February 1, 2019, the City has no special obligation debt.

Debt of Agencies Related to the City

In addition to general obligation and special obligation indebtedness of the City, the City and certain agencies related to the City are authorized to issue debt which is solely an obligation of the agency or which, although issued by the City, are payable solely from revenues derived from projects financed by such debt. Except as indicated below, such obligations do not constitute a debt of the City.

Boston Water and Sewer Commission

The Boston Water and Sewer Commission (“BWSC”) is an independent body politic and corporate and a political subdivision of the Commonwealth created in July 1977. The BWSC, among its other powers, is authorized to operate and maintain the water and sewer systems of the City, construct improvements to the systems, collect user charges for its services, and finance its activities and its borrowing through its revenues. The City is not obligated on debt issued by the BWSC. The BWSC’s user charges, as required by statute, are designed to produce revenues to the BWSC sufficient to pay all of its current operating and capital expenses. These user charges are anticipated to increase moderately. The City’s property tax base is not used to subsidize water and sewer services.

Economic Development and Industrial Corporation of Boston

The Economic Development and Industrial Corporation of Boston (“EDIC”) is a body politic and corporate and an instrumentality of the Commonwealth with a board of five members, also appointed as the members of the Boston Planning & Development Agency (“BPDA”). EDIC has a variety of powers to assist industrial development projects in the City including the power to issue special obligation revenue bonds to finance economic development projects in the City, which are solely the obligation of EDIC, or the owner or lessee of the financed project. The City is also authorized to appropriate or borrow monies in aid of EDIC development projects within certain urban renewal debt limitations.

Boston Planning and Development Agency

The Boston Redevelopment Authority (“BRA”) d/b/a Boston Planning and Development Agency (“BPDA”) is a public body politic and corporate constituting the City’s redevelopment authority. It acts as the City’s planning board and exercises certain powers of the state Department of Housing and Community Development. The BPDA board consists of four members appointed by the Mayor, subject to confirmation by the City Council, and one appointed by the state Department of Housing and Community Development. The staff includes architects, economists, engineers, lawyers and urban planners, as well as management personnel and administrative support. The BPDA provides the planning support for major construction, development and redevelopment activity in the City. Although the BPDA is authorized to issue revenue bonds and notes which would not constitute indebtedness of the City, BPDA projects have traditionally been financed through a combination of federal and state grants, the proceeds of general obligation bonds issued by the City and revenues from the lease or sale of land.

Boston Public Health Commission

The Boston Public Health Commission is a body politic and corporate and a political subdivision of the Commonwealth created in June 1996 as the successor to the City’s Department of Health and Hospitals. See “The City—Principal Government Services—Public Health.” The BPHC is responsible for the implementation of public health programs in the City and serves as the board of health of the City. In addition to its other powers, the BPHC is authorized by its enabling act, with the approval of the City Council and the Mayor, to borrow money for any of its corporate purposes from the City or from the Massachusetts Health and Educational Facilities Authority. Debt of the BPHC is not a debt or other obligation of the City. The BPHC has no debt currently outstanding.

The BPHC is also obligated to reimburse the City for debt service paid on all outstanding general obligation bonds of the City issued for public health and hospital purposes, which was paid in full in prior fiscal years. The BPHC has required, and can be expected to continue to require, substantial financial support from the City to maintain its public health mission and programs, including satisfaction of its obligations described above.

Other Agencies and Corporations

Two other public bodies are empowered, either by themselves or through the City, to issue special obligation revenue bonds. The Boston Housing Authority (“BHA”) is responsible for the construction, financing and operation of residential housing for low-income persons. While the City provides certain municipal services to BHA developments, and capital expenditures for City infrastructure related to those developments, the City is not directly or indirectly liable for operating or debt service expenses of the BHA. The City, acting by and through the Boston Industrial Development Financing Authority, is authorized to issue revenue bonds to finance the construction of industrial, commercial and pollution-control facilities. The City has also traditionally provided financial assistance to a number of nonprofit corporations organized to provide and conduct civic and charitable functions for residents and visitors to the City and to stimulate the economic development of the City.

In addition, two nonprofit corporations, the Dudley Square Realty Corporation (“DSRC”) and the Ferdinand Building Development Corporation (“FBDC”), were formed by the City in October 2011 in order to make the Dudley Municipal Building Project — now named the Bruce C. Bolling Building — eligible for New Market Tax Credit (“NMTC”) financing. DSRC and FBDC are under the control of the City. The City’s capital budget and general obligation bond proceeds were the primary project funding source, but in order to reduce City general obligation funding for the building by approximately \$8 million, all funding flowed through the NMTC financing structure and until the time of retirement of NMTC loans, ownership of the building is retained by DSRC, with FBDC as sublandlord to the City (for the BPS occupied space) and to the limited amount of commercially leased space. Lease payments due by the City for the BPS occupied space flow to DSRC, which utilizes the payments to pay for the project’s NMTC qualified low-income community investment loans. The annual lease payment is reflected in the City’s general obligation debt service requirements.

Major Contractual Obligations

In addition to its debt obligations, the City has substantial contractual obligations. Included in this category are the City’s obligation for pension benefit payments to its contributory retirement system for City employees and other post employment benefits which are included in the annual tax levy (see “Employee Benefits”); agreements for the provision of sanitation, solid waste collection and disposal services (see “The City—Principal Government Services—Public Works”); and agreements with BMCC for the provision of operating assistance (see “City Indebtedness—Special Obligation Debt” and “Debt of Agencies Related to the City—Boston Public Health Commission” above). The City has also executed several equipment lease agreements in order to finance the acquisition of departmental equipment. As of February 1, 2019, the amount outstanding under the lease agreements equals \$54.0 million. Lease payments are subject to annual appropriation and are not included in the City’s debt statement and other related debt tables shown above.

The City has also entered into transactions for three development programs under the Commonwealth’s Infrastructure Investment Incentive (“I-Cubed”) program. See Note 16 to the City’s audited financial statements for the fiscal year ended June 30, 2018, which are attached as Exhibit I to this Appendix A, for information regarding this program and the City’s contingent obligations under it.

Capital Planning and Borrowing Program

Capital Planning Process

The capital planning process coincides with the annual budget cycle and provides an opportunity for City departments to identify their facility, equipment, infrastructure, technology and planning needs in a systematic manner and to forward their proposals to the Office of Budget Management (“OBM”) for funding consideration. The first phase concludes with the release of an updated five-year capital plan published as part of the City’s annual budget document. The process allows for a continuing reassessment of capital needs. On April 11, 2018, the Mayor submitted his fiscal 2019 budget to the City Council and filed \$291.3 million in new capital authorizations which were subsequently approved by the City Council.

Capital Funding Plan

The City funds its capital plan primarily through general obligation bonds, other City sources such as appropriations from the Surplus Property Fund and the Parking Meter Fund, and external grants. This year’s plan assumes \$1.01 billion in new general obligation borrowings over the next five years, including an estimated \$150.0 million in fiscal 2019. The City awards construction contracts and incurs capital outlay costs based upon appropriations to be funded from bond proceeds and grant receipts. In circumstances where project expenditures occur prior to the receipt of bond proceeds or grant reimbursements, the City temporarily pays such costs from available funds.

Current Capital Investment Plans

The fiscal 2019-2023 capital plan makes critical investments in the City’s infrastructure in every neighborhood, guided by *Imagine Boston 2030*, the City’s master plan, and the schools, streets, arts, climate and resilience plans under its umbrella. The City is investing in the core goals of *BuildBPS* (which can be found at <https://www.bostonpublicschools.org/buildbps>), *Go Boston 2030* (which can be found at <https://www.boston.gov/departments/transportation/go-boston-2030>), *Boston Creates* (which can be found at <http://plan.bostoncreates.org/>), and *Climate Ready Boston* (which can be found at <https://www.boston.gov/departments/environment/climate-ready-boston>). An estimated 85% of the investment detailed in the fiscal 2019-2023 capital plan is aligned with the City’s long-term planning

efforts, with the remainder of such investment focused primarily on addressing deferred maintenance for City-owned assets.

The City is committed to investing \$1.0 billion over the next ten years to bring Boston's school buildings into the 21st century. In September 2018, the new Dearborn STEM Academy building opened for students. It is the City's first school building specifically designed to support STEM-based education. Construction began in October 2018 on a new \$124 million facility for the Boston Arts Academy. The City continues to make investments in existing school buildings including major renovations, capital maintenance, and technology.

Major investments are underway in the City's parks system including a \$1.9 million restoration of the Paul Revere Mall in the North End, pathway improvements around Jamaica Pond totaling \$4.8 million, and a \$4.8 million renovation of Noyes Park. The City also expects to spend approximately \$96 million over the next five years renovating or replacing branch libraries.

The City's investments in its roads and sidewalks reflect the core initiatives outlined in *Go Boston 2030* by building roads and sidewalks that are safer for all users, particularly pedestrians and cyclists; travel that is more reliable, and quality transportation choices that improve access. The capital plan focuses on roadway corridors, safe crossings, and traffic calming measures on residential streets and in small-business districts, roadway resurfacing and reconstruction, sidewalk repairs, pedestrian ramp installations and other work needed to work towards maintaining a state of good repair. Rehabilitation or replacement of bridges is another area where the City is making substantial infrastructure investments.

The City is making progress in advancing its *Climate Ready Boston* plan, a strategic roadmap to reduce the City's risk to short-term and long-term climate change impacts including sea level rise, increased precipitation, and extreme temperatures. The plan was released in December 2016 and features four components: updated climate projections, vulnerability assessments, focus areas, and climate resilience initiatives. The challenges from climate change are substantial and complex but can be addressed through actions that support the City's vitality and livability. Leveraging outside funding, the Capital Plan supports the development of more detailed climate plans for Boston neighborhoods, especially those most at risk for coastal flooding, such as Charlestown, East Boston, and certain other neighborhoods. These plans are essential for protecting the safety of existing residents, businesses, and institutions, and for ensuring the implementation of continued growth and development. Early action items have emerged from these studies including a removable floodwall to protect the East Boston Greenway and the planned elevation of Main Street by two feet in Charlestown which is expected to block the main flood pathway across the community.

The City has followed this work with similar, ongoing efforts in South Boston and Moakley Park, in partnership with the Boston Planning and Development Agency. The Boston Planning and Development Agency also asks all large, new developments to plan for at least 40 inches of sea level rise as part of the Climate Change Preparedness and Resilience Checklist under the Article 80 review process. This level of protection is consistent with *Climate Ready Boston* sea level rise projections through the end of the century. The City plans to update these projections and standards regularly to make its building stock more resilient and reduce risk.

In fiscal year 2019, the City released resilient infrastructure design standards through its Public Works Department that provide consistent guidelines for enhancing the resilience of construction and capital improvement projects, especially those in the public right-of-way. The City will extend neighborhood-scale climate resilience planning to an additional neighborhood identified as a "critical resilience focus area."

In addition to the initiatives described above, the Boston Housing Authority (the "BHA") is planning to undertake a major rehabilitation of its largest housing project in Charlestown. The current proposal would redevelop over 1,100 units of public housing with an estimated cost of approximately \$1.2 billion. The project would be a multi-year effort and would utilize state and federal funds, private funding and, if authorized, some City funding. However, the City has made no decision yet on the amount or timing of any support for this project.

In view of the economic and social benefits of consistent, long-range capital planning, the City remains committed to implementing its capital program, subject to available resources, including maximizing funding from state and federal sources and where appropriate, private funding sources, and an on-going assessment of the City's needs and priorities.

EMPLOYEE BENEFITS

Retirement Systems

Employees of the City of Boston are not participants in the federal social security system; instead, the City participates in a contributory defined benefit retirement system that is administered by the Boston Retirement System (“BRS” or “System”). The BRS is a cost sharing multiple-employer qualified defined benefit governmental pension plan as defined by federal law and is governed by the provisions of Massachusetts General Law Chapter 32. The BRS is administered by a five member board: the City Auditor, who serves *ex-officio*; two individuals elected by members of the System; an individual chosen by the Mayor; and an individual chosen by the other four members or appointed by the Mayor if the other four members do not agree on a selection within 30 days of a vacancy. Retirement payments are issued on a monthly basis and payments are funded through a combination of mandatory deductions from current employees, employer contributions, Commonwealth appropriations and investment earnings.

In addition to appropriation payments to cover current and future benefit payments of City employees covered by the BRS, the City funds the benefit provisions of Massachusetts General Laws Chapter 32 as applied to non-contributory retirees and beneficiaries whose employment predates the BRS; Section 100 death benefit recipients; and the provisions of applicable Massachusetts Special Acts. These retirees and beneficiaries receive benefits for their lifetime.

The City implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB No. 68*, which extends the financial reporting requirements to pension benefits provided outside a trust or equivalent agreement. The Accounting Valuation Report for the City’s Non-contributory and Special Legislation Retirees as of June 30, 2018 reports that the City is providing such benefits to 71 pensioners as of July 1, 2016. These benefits are funded on a pay-as-you-go basis with annual benefits of approximately \$4.0 million. Since the benefits of these pensioners and beneficiaries are not pre-funded, the Plan’s fiduciary net position is \$0, and therefore the net pension liability is equal to the total pension liability. The City’s net pension liability for the noncontributory retirees and beneficiaries is \$85.9 million, as of June 30, 2018. As of January 1, 2019, the City is providing such benefits to 57 pensioners; these benefits are funded on a pay as you go basis with monthly pension payments of approximately \$318,400.

On December 4, 2008, the City, the BRS, the Public Employee Retirement Administration Commission (“PERAC”), and the Commonwealth entered into a memorandum of agreement to transfer the direct responsibility for funding the liability of Boston teachers’ pensions to the Commonwealth effective fiscal 2010; legislation mirroring this agreement was signed into law on May 22, 2010. Among the significant transactions which took place shortly after passage of the legislation were: a) the BRS transferred 27% of the market value of its assets to the Pension Reserve Investment Trust (“PRIT”) Fund as the portion of the BRS assets related to Boston teacher pension liability according to a valuation accepted by all parties in the aforementioned memorandum of agreement, and b) the last reimbursement originally scheduled to go to the City’s General Fund, \$126.9 million, was directly deposited with the BRS to reduce the BRS—Excluding Teachers unfunded liability. The BRS continues to administer pension services for all Boston teacher employees, retirees and beneficiaries. The legislation eliminated the three-party (BRS/Commonwealth/City of Boston) transaction, based partly on outdated pay-as-you-go methodology, and replaced it with a more financially sound two party (BRS/Commonwealth) transaction that clarifies ownership of the liability and is based upon current year, actuarially calculated funding.

Chapter 61 of the Acts of 2009, as amended, transferred approximately 1,000 employees of the Suffolk County Sheriff’s Department to the Commonwealth effective January 1, 2010. All current and future Suffolk County Sheriff employees became members of the State Retirement System and are now the fiscal responsibility of the Commonwealth. Former employees of the Suffolk County Sheriff’s Department, who retired prior to January 1, 2010, remain members of the BRS and their respective pension liability remains the obligation of the City.

The following table reflects amounts expended or budgeted by the City for pension payments for fiscal 2015 through fiscal 2019. These numbers include contributions for both contributory and non-contributory members. The contributory numbers are primarily driven by amortization of the BRS unfunded liability, which is on a schedule that targets reducing this liability to zero by fiscal 2025, 15 years earlier than the statutory deadline at the end of fiscal 2040.

City of Boston Pensions and Annuities Costs
(Budgetary Accounting Basis)
(\$ in millions)

Fiscal Year Ending June 30	BRS Contributory System	Predecessor/ Noncontributory System	Net Pension Cost	Percentage of Total General Fund Expenditures
2019 Budgeted.....	\$242.0	\$4.2	\$246.2	7.4%
2018	233.3	3.7	237.0	7.4
2017	199.3	5.3	204.6	6.8
2016	196.5	4.1	200.6	7.0
2015	169.6	3.3	172.9	6.1

Source: City of Boston Office of Budget Management

The City’s 2019 budgeted contribution of \$242.0 million includes \$230.3 million allocable to City employees, other than teachers, \$11.4 million allocable to the Boston Water and Sewer Commission (BWSC) of which approximately \$5.3 million will be reimbursed to the City for employee service accrued after BWSC became an independent commission, and \$0.4 million allocable to the Boston Public Health Commission (BPHC). BPHC’s contribution towards their pension obligation in fiscal 2019 totals \$20 million. BPHC’s fiscal 2019 pension obligation is paid in large part from BPHC’s fiscal 2019 general fund appropriation in the amount of \$15.8 million while the remainder is funded by grant resources.

The actuarial accrued liability of the BRS exceeds the actuarial value of the assets of the BRS as of the most recent valuation dated January 1, 2018. The following table summarizes the results of the last four actuarial valuations for BRS—Excluding Teachers.

Summary of Actuarial Valuation—BRS, Excluding Teachers
(\$ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
January 1, 2018	\$5,038,742	\$6,550,967	\$1,512,225	76.92%	\$978,060	154.6%
January 1, 2016	4,440,480	5,924,067	1,483,587	74.96	909,133	163.2
January 1, 2014	3,989,922	5,682,673	1,692,751	70.20	869,004	194.8
January 1, 2012	3,575,387	5,060,071	1,484,684	70.70	802,948	184.9

Source: Boston Retirement System.

The most recent actuarial valuation is as of January 1, 2018 (the “2018 Valuation”) and is available at <https://www.boston.gov/departments/retirement>. The January 1, 2018 valuation assumes a long-term rate of return of 7.5% for BRS—Excluding Teachers assets. The long-term rate of return assumption was lowered from 7.75% to 7.5% beginning with the 2018 Valuation. The actuarial valuation of assets is determined annually by recognizing 20% of gains or losses, and to the extent necessary, by also recognizing any additional portion of gains or losses, which keeps the actuarial valuation of assets between 80% and 120% of market value. The net effect is a smoother trend of annual pension funding during volatile short-term periods of asset gains or losses. The following table shows the market and actuarial value of the plan’s non-teacher assets.

Value of Plan Assets – BRS, Excluding Teachers
(\$ in thousands)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Value as Percentage of Market Value
January 1, 2018	\$5,072,440	\$5,038,742	99.3%
January 1, 2016	4,108,995	4,440,480	108.1
January 1, 2014	4,044,721	3,989,922	98.6
January 1, 2012	3,260,503	3,575,387	109.7

Source: Boston Retirement System.

As of December 31, 2018, the estimated market value of assets not held for teacher benefit payments was approximately \$4.58 billion. This amount is an estimate based upon then current market values of certain assets held by the BRS and prior period values for certain other assets for which the current market value is not readily ascertainable. This amount is unaudited and subject to change. It should be noted that the annual required contribution of the City is based, in part, upon the actuarial value of assets, not market

values. This is commonly done in computing annual funding requirements in order to prevent extreme fluctuations that might otherwise arise from temporary or cyclical economic and market conditions.

In accordance with Chapter 68 of the Acts of 2007, the state regulatory agency for pensions, PERAC, annually reviews the investment performance and funded ratio of systems as of January 1st. If a system is: (i) less than 65% funded, and (ii) has trailed the investment performance of the PRIT fund by 2% or more on an average annualized basis over the previous ten year period, PERAC will declare the system underperforming and the system shall transfer its assets to the PRIT fund. For reasons unrelated to Chapter 68, the BRS–Teachers assets are invested in the PRIT fund; the BRS–Excluding Teachers is currently funded at 76.92% based on the actuarial value of assets.

For additional information concerning a comparison of the market value of assets and investment return to the actuarial value of assets and investment return for the period 2006 through 2017, see Exhibit G in Section 4 of the 2018 Valuation referenced above. The City is currently committed to a funding schedule for fiscal 2019 and 2020 that is based on the most recent actuarial valuation, incorporating asset and liability data as of January 1, 2018. The funding schedule is calculated in accordance with the entry age actuarial cost method and includes paying the current year’s present value of benefits earned during the year (“normal cost”) and an annual contribution toward eliminating the unfunded liability of the BRS by 2025, 15 years ahead of the statutory deadline at the end of fiscal 2040.

Many variables are in play with each new valuation, and the actuary’s recommendations and consultation with the City are part of a careful planning process that precedes the BRS final approval of the valuation and funding schedule. In the 2018 Valuation, salary increase assumptions for all employee groups for the BRS, excluding teachers, did not change, and the mortality tables were adjusted to better reflect longer life expectancies. Beginning in 2018, the BRS lowered the investment long-term rate of return assumption from 7.75% to 7.5%. In the 2018 Valuation, assumptions were adjusted to reflect an increase to the retiree Cost of Living Adjustment (“COLA”) base from \$13,000 to \$14,000 as of July 1, 2017. The changes in assumptions increased the unfunded liability by \$200.4 million and increased the normal cost by \$8.4 million for the BRS excluding teachers.

The City currently expects to fully amortize the unfunded actuarial accrued liability by June 30, 2025. Page 30 of the 2018 Valuation sets forth the aggregate funding schedule from 2019 through 2025 for the BRS, excluding teachers. The City’s contributions for the amortization of the unfunded liability are estimated to increase from the \$242.0 million budgeted amount in fiscal 2019 to \$382.2 million in fiscal 2024 and then would decrease to \$215.8 million in fiscal 2025. The City’s total employer contributions each year will also include the normal costs for each year and will also reflect certain annual savings from prior year additional payments. This schedule is illustrative only. The actual annual contributions will differ due to the actual circumstances that will occur in the future and that will likely vary from the assumptions used in the 2018 Valuation. For example, the actual rate of return on assets for the year ended December 31, 2017, approximately 17.9%, was above the assumed rate of return (and is reflected in the 2018 Valuation), but the actual rate of return for the year ended December 31, 2018, currently estimated at -5.6%, is below the 7.5% assumed rate of return currently in effect. The negative return as of December 31, 2018 would require significantly higher annual contributions than shown in the current funding schedule even if actual future results match actuarial assumptions, although as noted above, actual future contributions will be based on future valuations and will likely vary from the current schedule in any event. The City believes that its current pension funding schedule, with its conservative salary growth assumptions, is sufficient to absorb the long term impacts of collective bargaining awards. The funding schedule assumes a 4.0% salary growth assumption for general service employees, a 4.25% salary growth assumption for certain employees with hazardous occupations, and a 4.50% salary growth assumption for public safety officers. The City’s pension liability is reevaluated every two years and adjustments are made to the funding schedule, as needed.

In June 2012, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which sets forth new standards that modifies the accounting and financial reporting of the City’s pension obligations. The new standard for governments that provide employee pension benefits requires the City to report in its statement of net position a net pension liability (“NPL”), defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the fiduciary net position of the Plan determined based on U.S. Generally Accepted Accounting Principles set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be

invested using a strategy to achieve that return and (b) a yield or index rate based on tax-exempt 20-year AA or higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a “crossover date.”

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* standard was effective commencing with the City’s fiscal 2015. The Total Pension Liability (“TPL”) and plan’s fiduciary net position as of December 31, 2017 for the BRS, including teachers were approximately \$10.79 billion and \$6.77 billion, respectively, which results in a Net Pension Liability (“NPL”) of approximately \$4.02 billion as of December 31, 2017, as compared to an NPL of \$4.16 billion as of December 31, 2016. The portion of the BRS NPL allocable to the City reported at June 30, 2018 is approximately \$1.29 billion, which amount includes the NPL associated with City employees, excluding teachers. The BRS did not experience a “crossover date” in connection with determination of the NPL and accordingly, the measurement of the City’s NPL for fiscal 2018 assumes a 7.5% discount rate which is the same as the expected rate of return of Plan investments for the BRS, excluding teachers. The annual money-weighted rate of return, net of investment expense for the BRS for the year ended December 31, 2017 was 17.7%. The comparable rate of return for the year ended December 31, 2018 is currently estimated at -5.6%.

Implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* also requires setting forth the sensitivity of the City’s net pension liability using an assumed discount rate that is one percentage point lower and one percentage point higher than the current rate. A 1% decrease would increase the City’s net pension liability to approximately \$1.90 billion and a 1% increase would lower it to approximately \$767.2 million.

While GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* changes the way state and local governments report pension benefits in their financial statements it does not impact pension funding requirements or contribution amounts. To date, the City has contributed to the BRS 100% of the amounts required to be so contributed, as determined in accordance with actuarial valuations and a funding schedule established pursuant to state law, which are approved by PERAC, and the City expects to continue to do so. As noted above, the City currently intends to fully fund its unfunded actuarial accrued liability by June 30, 2025.

In connection with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the BRS prepared a document called “Schedules of Employer Allocations and Pension Amounts by Employers,” which was audited by Ernst & Young LLP, independent auditors for the BRS. These schedules are based on financial information pertaining to the BRS as of December 31, 2017.

The schedules are available at <https://www.boston.gov/departments/retirement>, along with the most recent actuarial valuation reports and audited financial statements of the BRS. See also Note 11 to the City’s fiscal 2018 audited financial statements attached hereto as Exhibit I.

Other Post Employment Benefits

In addition to the pension benefits described above, the City provides post-employment health care and life insurance benefits on a pay-as-you-go basis to approximately 15,000 City (including teachers) and Boston Public Health Commission participating retirees and their beneficiaries.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities to the extent applicable. This Statement is effective for fiscal years beginning after June 15, 2017. In February 2016, the City began to take steps to review this standard and worked with Segal Consulting (City’s OPEB actuary) to develop a plan to provide the necessary information in a timely manner to the City and to discuss what changes were expected for the June 30, 2017 valuation. The City also began to evaluate the effect on its financial statements and began educating significant stakeholders within the organization on these changes. Thus, the City was positioned to meet the required reporting for fiscal 2018. The new GASB 75 standard was effective commencing with fiscal 2018 for both the City and BPHC.

The Total OPEB Liability (“TOL”) and plan’s fiduciary net position as of June 30, 2017 (the measurement date) for the City were approximately \$2.7 billion and \$453.0 million, respectively, which results in a Net OPEB Liability (“NOL”) for the City of approximately \$2.29 billion as of June 30, 2018, as compared to an NOL of \$2.25 billion as of June 30, 2017. The measurement of the City’s NOL for fiscal 2018 assumes a 6.75% discount rate. The annual money-weighted rate of return, net of investment expense for the City for the year ended June 30, 2018 was 5.6%.

The Total OPEB Liability (“TOL”) and plan’s fiduciary net position as of June 30, 2017 (the measurement date) for BPHC were approximately \$129.4 million and \$17.3 million, respectively, which results in a Net OPEB Liability (“NOL”) for BPHC of approximately \$112.1 million as of June 30, 2018, as compared to an NOL of \$119.3 million as of June 30, 2017. The measurement of the BPHC’s NOL for fiscal 2018 assumes a 4.65% discount rate. Similarly, the annual money-weighted rate of return, net of investment expense for BPHC for the year ended June 30, 2018 was 5.6%.

Implementation of GASB 75 requires setting forth the sensitivity of the net OPEB liability using an assumed discount rate that is one percentage point lower and one percentage point higher than the current rate. A 1% decrease would increase the City’s net OPEB liability to approximately \$2.68 billion and a 1% increase would lower it to approximately \$1.9 billion. A 1% decrease would increase the BPHC’s net OPEB liability to approximately \$135.4 million and a 1% increase would decrease it to approximately \$93.5 million.

In addition, implementation of GASB 75 also requires setting forth the sensitivity of the net OPEB liability using an assumed health care cost trend rate that is one percentage point lower and one percentage point higher than the current rate. A 1% decrease would decrease the City’s net OPEB liability to approximately \$1.9 billion and a 1% increase would increase it to approximately \$2.7 billion. A 1% decrease would decrease the BPHC’s net OPEB liability to approximately \$90.2 million and a 1% increase would increase it to approximately \$140.8 million.

As a result of the implementation of GASB 75, the net position of the governmental activities as of July 1, 2017 was restated by \$(1.4) billion, which resulted in a net deficit position as of June 30, 2017 of \$(1.9) billion, as compared to a previously determined net deficit position as of June 30, 2017 of \$(504.9) million. The net position of the BPHC as of July 1, 2017 was restated by \$(20.8) million, which resulted in a net deficit position as of June 30, 2017 of \$(190.8) million, as compared to a previously determined net deficit position as of June 30, 2017 of \$(170.0) million.

While GASB 75 changes the way state and local governments report other post-employment benefits in their financial statements it does not impact OPEB funding requirements or contribution amounts. In fiscal 2008, the City began voluntary annual appropriations to reduce its OPEB liability. Aggregate City appropriations since that time through fiscal 2018 total \$375.0 million. The City appropriated an additional \$40.0 million in fiscal 2019. Annual appropriations are retained in an irrevocable trust fund, which is authorized through the City’s acceptance of M.G.L. Chapter 32B Section 20, and is established under a trust agreement between the City and the City’s Collector-Treasurer as trustee and custodian. A separate OPEB trust fund has also been established by the BPHC and \$13.75 million has been deposited through fiscal 2018. The BPHC deposited an additional \$2.25 million in fiscal 2019. The City has procured investment consulting services in order to optimize investment of the OPEB Trust Funds. The aggregate amount on deposit in the OPEB Trust Funds as of December 31, 2018 was \$557.1 million.

The increase in the UAAL was due to the net effect of a number of factors. The UAAL had been expected to increase by approximately \$128 million due to normal plan operations. An actuarial loss increased obligations by approximately \$18 million while valuation assumption changes decreased obligations by approximately \$44 million, including a decrease in the discount rate from 7% to 6.75% for the City. The BPHC discount rate was increased from 5.5% to 6.75%.

If the City and the BPHC were to fund the actuarially determined contribution rather than the pay-as-you go amounts described in the next paragraph, the required funding for fiscal 2018 would have been \$199.6 million, of which \$71.9 million represents the normal cost and \$127.7 million represents amortization of the unfunded actuarial determined liability.

The June 30, 2017 valuation projects that the City and the BPHC (the funding for which is appropriated by the City to the BPHC as part of its overall departmental budget) will pay benefits (net of retiree contributions) on behalf of current retired employees of approximately \$121.8 million in fiscal 2018, on a pay-as-you-go basis (as compared to \$121.5 million in fiscal 2017). Along with the previously mentioned additional appropriation to the trust funds mentioned above from both the City and the BPHC totaling \$42.25 million in fiscal 2018, the City and the BPHC were projected to fund 82% of the actuarially determined contribution in fiscal 2018.

The June 30, 2017 actuarial valuation projects pay-as-you-go benefit payments to increase to approximately \$411.7 million in fiscal 2042, as compared to an actuarially determined contribution of \$294.2 million in fiscal 2042. If the City continues to make an annual additional appropriation of \$40.0 million through fiscal 2025 and \$100.0 million annually thereafter, the obligations are predicted to be fully funded in fiscal 2043. When the obligations are fully funded, the City expects to continue to fund the normal cost into the trust fund and pay the projected benefits (net retiree contributions) on behalf of current

retired employees from the trust fund.

The funding schedule for BPHC reflects their policy to contribute an additional annual amount of \$2.25 million. This projected contribution will not fully fund the obligation over a 30-year period. This is illustrative only of the currently expected funding schedule. The actual funding schedule will be different due to the actual circumstances that will occur and that will likely vary from the assumptions used in the June 30, 2017 valuation.

The Trust Fund Financial Statements for the OPEB plan for the fiscal year ended June 30, 2018 may be found in the “Other Post Employment Liability Trust Fund (“OPEB”)” available at <https://www.boston.gov/departments/auditing>. Additional information regarding the City’s OPEB obligations as of June 30, 2017 may be found in the “Actuarial Valuation Reports,” available at <https://www.boston.gov/departments/auditing>. For additional information related to OPEB, also see Note 12 to the City’s fiscal 2018 audited financial statements attached hereto as Exhibit I.

AVAILABILITY OF OTHER INFORMATION

The City’s Auditing Department prepares a Comprehensive Annual Financial Report (“CAFR”) with respect to each fiscal year ended June 30 which generally becomes available in December of the following fiscal year. The CAFR is presented in three sections: (1) an Introductory Section which includes general information about the City and summarizes financial activity for the fiscal year; (2) a Financial Section which includes the Independent Auditors’ Report on the City’s Basic Financial Statements for the fiscal year, Management’s Discussion and Analysis, the Basic Financial Statements for the fiscal year and the Combining and Individual Fund Financial Statements and Schedules for the various funds of the City, including required supplemental information; and (3) a Statistical Section which includes financial data, debt computations, and a variety of demographic, economic and supplemental statistical information concerning the City. Specific reference is made to the City’s CAFR for the year ended June 30, 2018, which is available from the City. A copy of the CAFR has been filed with the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access System (“EMMA”) and is also posted at the City’s internet site at <https://www.boston.gov/departments/auditing>.

Questions regarding this Information Statement and requests for additional financial information concerning the City of Boston should be directed to Sally D. Glora, City Auditor, Boston City Hall, Room M-4, One City Hall Square, Boston, Massachusetts 02201-1020, telephone (617) 635-4671. Questions regarding legal matters relating to this Information Statement should be directed to Walter J. St. Onge III, Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0389.



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**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS: AUDITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 201:**



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City of Boston
Massachusetts



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2018

Martin J. Walsh, Mayor

Emme Handy, Chief of Administration and Finance & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



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Auditing Department

Martin J. Walsh, Mayor

December 24, 2018

*The Honorable Mayor,
Members of the City Council,
and Citizens of Boston:*

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Boston (City) for the fiscal year ended June 30, 2018. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. Management is also responsible for establishing and maintaining internal accounting controls designed to provide reasonable, but not absolute, assurance that these financial statements are complete and accurate in their presentation.

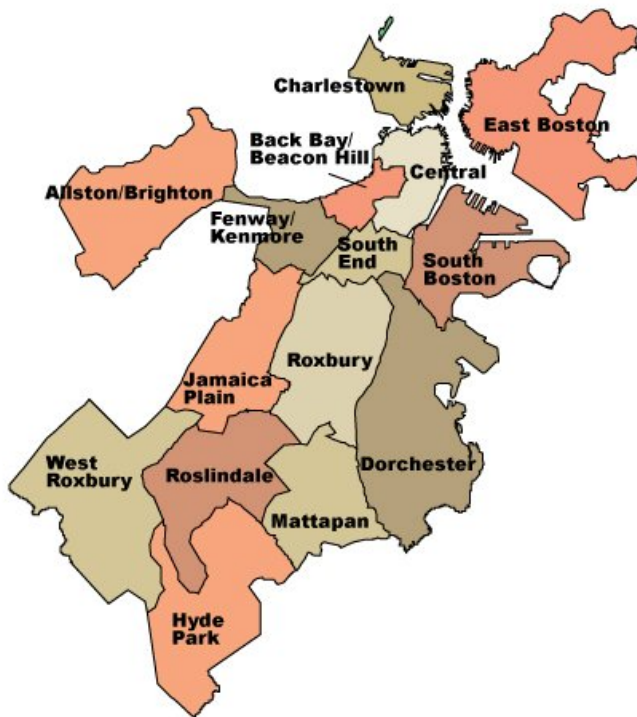
The Auditing Department uses an integrated financial and human resources management system referred to as the Boston Administrative Information System (BAIS). The system is designed to track and control daily activities and report the financial position of the City. This cutting edge software allows management to directly evaluate the financial status of individual programs as well as the entire department, and also supports the rigorous monitoring and reporting requirements enforced by the City.

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected KPMG LLP to perform the June 30, 2018 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review to help assure a fair presentation of the City's financial position and results of operations.

The City also undergoes an annual audit of its federal grant funds as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). KPMG LLP issues separate reports on the City's internal control systems and compliance with applicable laws and regulations that meet the requirements

of the Uniform Guidance. A substantial focus of the Single Audit is to evaluate the City’s internal control structure. The evaluation includes testing a significant number of the major federal program transactions that occurred during the fiscal year. The Single Audit also requires that the auditors determine whether the organization has complied with laws and regulations that may have a material effect on each of its major federal financial assistance programs. All of the City’s major federal programs are evaluated for the adequacy of internal controls and compliance with laws and regulations. The report is publicly issued under a separate cover.

Management’s Discussion and Analysis (MD&A) follows the independent auditors’ report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.



Boston: A City of Neighborhoods

"Boston is like no other city in the way we combine global leadership with local pride. Boston’s resilience is rooted in our neighborhoods, where community ties sustain us and cultural diversity enriches us."

-Mayor Martin J. Walsh

Profile of the Government

The City of Boston, incorporated as a town in 1630 and as a City in 1822, is located on the Shawmut Peninsula, at the confluence of the Charles and Mystic Rivers. The City lies adjacent to Boston Harbor, which is a part of Massachusetts Bay and leads ultimately to the North Atlantic Ocean. The Charles River separates Boston from Cambridge and Watertown, while the Mystic River determines the boundaries between Chelsea and Everett. The Neponset River separates the southern neighborhoods of Boston from the Town of Milton and City of Quincy.

The City of Boston exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts, which, as amended, constitute the City’s Charter. The Mayor is

elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers and departments. The legislative body of the City is the City Council, which consists of 13 elected members serving two-year terms.

Mayor Martin J. Walsh, the City's 54th Mayor was re-elected to a second-term that began in January 2018 and runs through January 2022. Prior to his service as Mayor, Mayor Walsh was a member of the Massachusetts House of Representatives, serving as the State Representative from the Thirteenth Suffolk District from 1997 through 2013. Mayor Walsh continues to work tirelessly towards making Boston a city where everyone has the opportunity to succeed. His vision, shaped by thousands of Boston voices, envisions a city that will expand opportunity for all, support a dynamic economy, enhance quality of life, and prepare for climate changes. Through Imagine Boston 2030, the Mayor has identified key areas where Boston can take action to enhance neighborhoods' vitality: encourage mixed-use job centers; provide spaces for new housing and jobs; create a waterfront for future generations; and connect historically underserved neighborhoods to more opportunities. The \$2.4 billion fiscal year 2019-2023 Capital Plan is discussed in more detail in the Long-Term Financial Planning section.

The City budgets and maintains its books and records on a statutory basis of accounting prescribed by the Massachusetts Division of Local Services, Bureau of Accounts. This basis of accounting differs from GAAP. The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues, and expenses.

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. Departmental budgets are established at the account level and so voted by the City Council. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3.0 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year.

Included in the basic financial statements, which are prepared on the GAAP basis of accounting, are governmental activities, each major fund, the aggregate discretely presented component units, and aggregate remaining fund information. Discretely presented component units are reported in a separate column to emphasize their operational and/or financial relationship with the City. The Boston Retirement System (BRS) has been presented as a blended component unit because it provides services almost exclusively to the primary government. The Dudley Square Realty Corporation (DSRC) and the Ferdinand Building Development Corporation (FBDC) are also presented as blended component units for the same reason. The Notes to the Financial Statements further discuss the City's financial reporting entity.

Local Economy

Boston is the twenty-second largest City, in terms of population, in the United States and is the economic hub of the Commonwealth of Massachusetts (the “Commonwealth”). It is a center for professional services, business, finance, technology, research and development, higher education and health care, as well as for transportation, exports, communications, culture and entertainment. Under the leadership of Mayor Walsh, the City is vigorously pursuing economic opportunities to ensure Boston will continue to be a global leader in the twenty-first century.

The City is the capital of the Commonwealth and is host to several other governmental agencies. Using the employment data from Bureau of Economic Analysis (BEA) and Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research estimated that the government employment in the City of Boston is 75,807 in 2017. Large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions such as the Massachusetts Port Authority and the Boston Water and Sewer Commission, and the City’s local government agencies and departments are all located within the City.

Healthcare, higher education and financial services play major roles in Boston's economy. The health care and social assistance industry employs the largest number of people in Boston, 18% of total jobs. Twenty-five community-based health centers and twenty-one inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel Deaconess Medical Center, Boston Children’s Hospital, Tufts New England Medical Center, Dana-Farber Cancer Institute and Boston Medical Center. Thirty-five colleges and universities reside in Boston, accounting for just under 150,000 full and part-time students. Included among the City's colleges and universities are some of the finest institutions in the country. The City is the home of the medical, dental and public health schools of Harvard, Boston College, Tufts, Northeastern and Boston University. Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, John Hancock/ManuLife Financial, State Street Corporation, and Wellington Management. In 2017, there were over 120,000 people employed in the finance, insurance and real estate industries in Boston.

Boston's economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2006 through 2016. During that period Boston's annual job growth was 1.7%. Financial markets have continued to express confidence in Boston’s fiscal health during the past year. In May 2018, the rating service bureaus Moody’s Investors Service and Standard and Poor’s reaffirmed the City’s bond ratings at Aaa and AAA, respectively, reflecting the City’s capacity to pay debt service. The credit reports from both agencies highlighted Boston’s strong management throughout economic cycles as well as having historically strong reserves while exhibiting positive financial performance.

Boston’s economic growth continues, with low unemployment, the arrival of high profile firms, and a real estate market still in the midst of an historic building boom. The continued economic growth has enabled the City to invest in key initiatives in the areas of affordable housing, public safety and the future of transportation.

Financial Overview

The City is required to have a balanced budget in accordance with Massachusetts General Laws (M.G.L.), Chapter 59, Section 23. As part of the State Department of Revenue's tax rate certification process, the City must balance all appropriations, fixed costs, and prior year deficits with the approved property tax levy, estimated local revenues, and available prior year surpluses in order to obtain authorization to issue property tax bills. Over two-thirds of the City's revenues come from the property tax levy; however, the increase in the levy from year to year is limited by state law. In fiscal year 2018, the net property tax levy (levy less a reserve for abatements) totaled \$2.19 billion.

State aid from the Commonwealth comprises the second largest single revenue source to the City's General Fund budget after the Property Tax. Since 2016 gross state aid has continued to increase. However, net state aid continues to decrease. In fiscal year 2018, net state aid, decreased by \$8.9 million. In fiscal year 2019, net state aid is expected to decrease to \$159.1 million. Please see the Management's Discussion and Analysis Section for additional information on financial trends.

In fiscal year 2018, in order to partially fund the annual required contribution associated with the other postemployment benefits (OPEB) liability, the City appropriated \$40.0 million from the General Fund into the OPEB Liability Trust Fund. The City's OPEB financing plan balances the duty to deliver valuable public services while acknowledging the cost of providing health benefits for our employees, both now and when they retire. More details and information on the OPEB liability can be found in note 12 to the Financial Statements.

In November 2016, Boston voters approved the adoption of the Massachusetts Community Preservation Act (CPA). By adopting the CPA, the City has created a Community Preservation Fund. The City finances this fund in part by a 1% property tax-based surcharge on residential and business property tax bills, which began in July 2017. The City will use this revenue to fund the following types of initiatives consistent with the CPA guidelines: the creation and acquisition of affordable housing, historic preservation, open space and public recreation.

Health, dental and life insurance costs and Medicare taxes continue to increase over the years. Health benefits for over 29,000 City employees and retirees are managed by the Health Benefits Program. Over 95% of the City's share of health benefits costs are self-insured through Internal Service Fund. Actuarially determined reserves are maintained in the Fund to stabilize rate increases and protect against large claims or cost increases.

Most of the City's workforce is represented by one of 41 different unions. Collectively, these unions represent approximately 19,000 employees. As of October 2018, 31 of these unions (or 76%) reached multi-year contracts beginning in 2016. The agreement with the Boston Teacher's Union, which has over 8,000 members, was for two years and expired in August 2018. Unions with currently settled contracts, including all four sworn police unions, AFSCME, SEIU and SENA, represent in total over 7,000 bargaining unit members. Those seven contracts are four years in duration and include wage increases of 2% each year and other benefits. The City continues to negotiate with the unions without settled agreements.

In fiscal year 2018, the GAAP General Fund equity increased to \$1.1 billion, thus allowing the City to preserve its policy of maintaining a GAAP unassigned fund balance in the General Fund that is 15% or higher

than the current fiscal year's GAAP General Fund operating expenditures. The GAAP unassigned fund balance at the end of fiscal year 2018 was \$781.40 million and \$300.65 million was assigned. The unassigned fund balance represents approximately 23.9% of GAAP General Fund operating expenditures.

Mayor Walsh's fiscal year 2019 budget affirms a commitment to progress, opportunity and innovation by investing in Boston Neighborhoods while maintaining the Mayor's strong record of fiscal management. The \$3.29 billion plan is balanced, sustainable, and accelerates progress across public policy areas. The budget contains historic levels of funding for public education, new investments for public safety, continued efforts to create affordable and middle income housing, expanded services for residents struggling with substance disorders and addiction, and new initiatives that will transform the future of transportation in Boston.

Long Term Financial Planning

Imagine Boston 2030, the City's first comprehensive planning process in fifty years, is underway. Boston's five-year \$2.4 billion Capital Plan, is an investment program for the City's future. An ambitious set of initiatives form the foundation of the Imagine Boston 2030 plan. Taken together, these initiatives will support Boston's dynamic economy and improve quality of life for residents by encouraging affordability, increasing access to opportunity, promoting a healthy environment, and guiding investment in the public realm. Last year, Mayor Walsh launched the Imagine Boston Capital Plan to move Boston Residents' priorities from idea to action, and invest in creating the City Bostonians imagine for the future. This year, under Imagine Boston 2030 umbrella, the City is investing deeply in the core goals of BuildBPS, Go Boston 2030, Boston Creates, and Climate Ready Boston. The City's capital plan is an important tool in realizing the goals and vision of Boston 2030. All projects in the Capital Plan are categorized as Upkeep, New/Major Renovation, Upgrade, and Planning or Matching Funds. The Capital Budgeting Program of the Office of Budget Management (OBM) tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the expansion or introduction of new ones. The distribution of allocations for fiscal year 2019 are 34.0% for New/Major Renovations, 38.0% for Upgrades, 22.0% for Upkeep, 1.0% for Planning or Matching fund requirements and 5% for the City's contributions to MassDOT and MBTA construction projects.

Financing for the fiscal year 2019-2023 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 61.1% of all project funding. The capital plan assumes \$1.01 billion in new G.O. borrowings over the next five years to support ongoing capital needs, a 6.8% increase over last year's plan. Effective debt management ensures that the City can meet its capital infrastructure and facility needs. 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. More details and information on the Long-Term Obligations can be found in note 10 to the Financial Statements.

State and federal funds in the five-year Capital Plan are currently estimated at \$353.2 million and \$349.8 million, respectively. One federal program is the Connect Historic Boston Project. Two of the state financing programs include the School Building Assistance (SBA) program and the Massachusetts

Department of Transportation's Highway Division's Chapter 90 funds. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. Annually, the MSBA accepts new project requests from cities, towns, and school districts, and if a project is ultimately approved, the MSBA will pay 40% to 80% of eligible project costs. The MSBA funded a grant totaling \$37.4 million for the new Dearborn Stem Academy which opened in September 2018. In addition, the City has three projects underway through the MSBA Accelerated Repair Program for window and door replacement projects at seven schools with a maximum grant of \$16.4 million; a grant for up to \$6.4 million for roof and boiler projects at five schools; and the MSBA approved a maximum project grant totaling \$48.9 million for a project at the Boston Arts Academy. For fiscal year 2019 to 2023, the total payments are estimated at \$7.6 million. Chapter 90 allocates funds by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. The City uses Chapter 90 funds to support its roadway resurfacing and reconstruction programs. Based on recent allocations, the City expects an estimated \$14.4 million in Chapter 90 funds to be provided in fiscal year 2019.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds, 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.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boston for its CAFR for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable state and local legal requirements. A Certificate of Achievement is valid for a period of only one year. We believe that our current report meets the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.


In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Budget document for the fiscal year beginning July 1, 2017. The City's budget document was judged to be proficient in several categories including policy documentation and financial planning.

Acknowledgements

We would like to express our appreciation to the staff of the Accounting Program and all the members of the Auditing Department whose professionalism and dedication made the timely preparation of the CAFR possible. We also wish to thank the professional staff of KPMG LLP for their counsel, technical assistance, and continued support in the preparation of this CAFR. Several other City departments and agencies provided additional information and assisted in the CAFR preparation. We gratefully acknowledge their efforts and contributions to this report. Finally, we wish to thank you for your continued interest in the financial operations of the City.

The CAFR for fiscal year 2014 through fiscal year 2018 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora

City Auditor



Emme Handy

Chief of Administration and Finance &
Collector Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Boston
Massachusetts

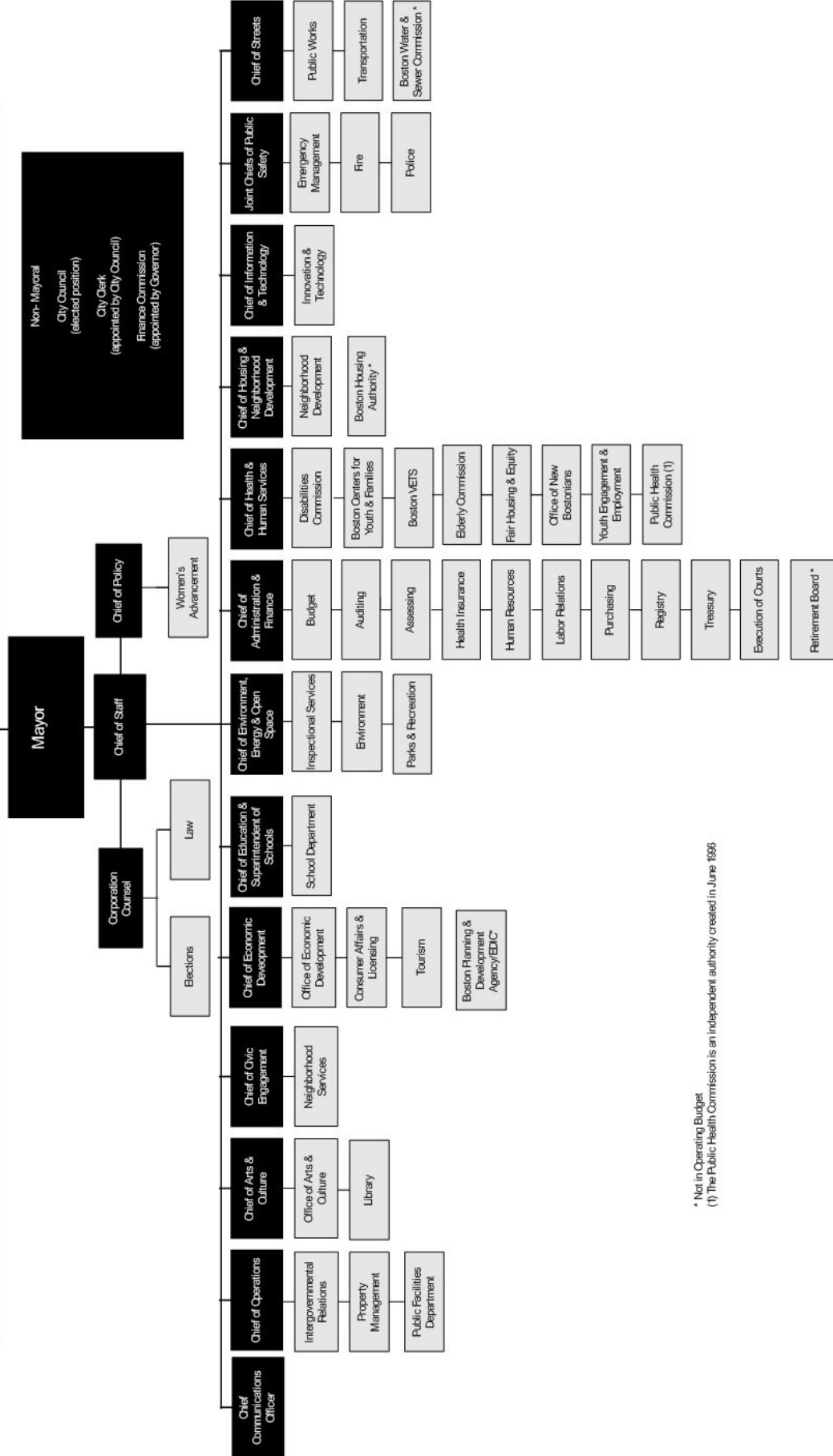
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

ORGANIZATION OF CITY GOVERNMENT
CITIZENS OF BOSTON



* Not in Operating Budget
(1) The Public Health Commission is an independent authority created in June 1995

LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2018)

Mayor

Martin J. Walsh

City Council Members

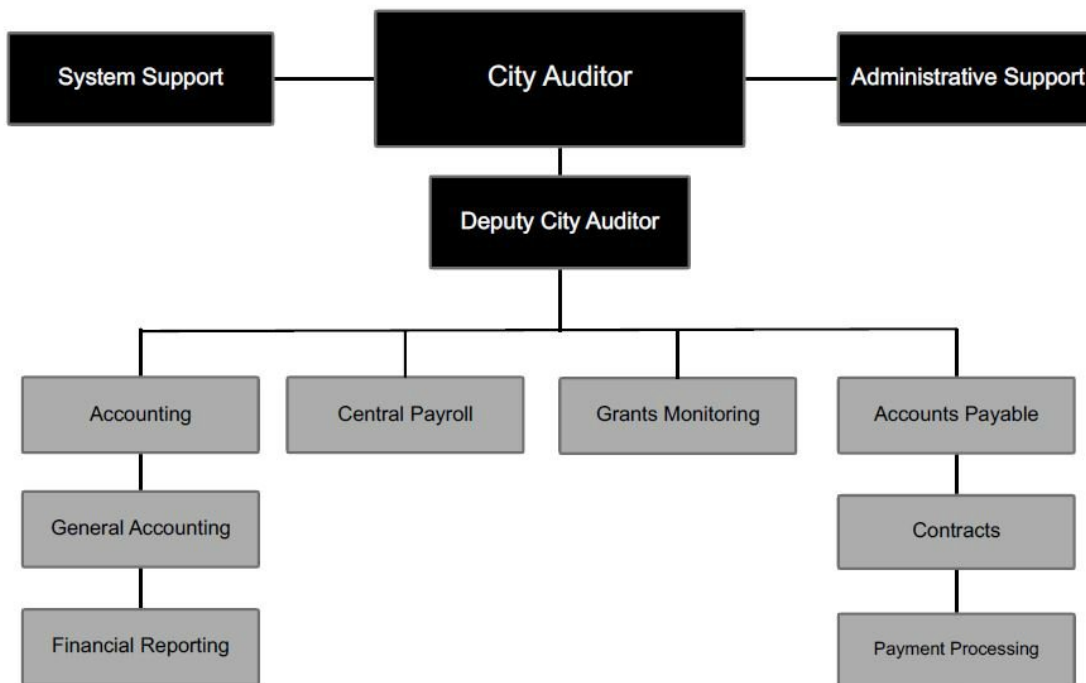
Andrea Campbell (President)	District 4
Michael F. Flaherty	At-Large
Annissa Essaibi-George	At-Large
Ayanna Pressley	At-Large
Michelle Wu	At-Large
Lydia Edwards	District 1
Ed Flynn	District 2
Frank Baker	District 3
Timothy McCarthy	District 5
Matthew J. O'Malley	District 6
Kim Janey	District 7
Josh Zakim	District 8
Mark B. Ciommo	District 9

Appointed City Executive Branch Members

David Sweeney	Chief of Staff
Joyce Linehan	Chief of Policy
Patrick Brophy	Chief of Operations
Eugene L. O'Flaherty	Corporation Counselor
Laura Oggeri	Chief Communication Officer
Patricia Boyle-McKenna	Interim Chief of Information & Technology
Emme Handy	Chief of Administration and Finance & Collector Treasurer
John Barros	Chief of Economic Development
Turahn Dorsey	Chief of Education
Tommy Chang	Superintendent of Boston Public Schools
William B. Evans	Chief of Public Safety and Police Commissioner
Joseph E. Finn	Chief of Public Safety and Fire Commissioner
Rene Fielding	Director of the Office of Emergency Management
Austin Blackmon	Chief of Environment, Energy and Open Space
Sheila Dillon	Chief of Housing and Neighborhood Development
Marty Martinez	Chief of Health and Human Services
William McGonagle	Director of Public Housing
Jerome Smith	Chief of Civic Engagement and Neighborhood Services Director
Julie Burros	Chief of Arts & Culture
Christopher Osgood	Chief of Streets, Transportation and Sanitation
Brian Golden	Director Boston Planning & Development Agency

Auditing Department

Organizational Chart



Auditing Department Personnel

Sally D. Glora, *City Auditor*

Prema Andrew
Kerry Byrne
Domencia Cabral
Michelle E. Castillo-Reid
Mattie Crouse
Patricia Downs
Scott Finn
Nadane Flemming
Michael Gee
Christina Gendrolius
Veronica Hodges
Allen Hurley
Sinthia Johnson
James Kelley
Kelli Lazar
Traci Lee

Licia Lima-Pires
Nelly Lopez
Medina Lucien
Mary Ann Mason
Mark MacDonnell
Michael O'Keefe
Robert Powers
Magnolia Rojas
Raoul Romain
Debra A. Rufo
Lisa Stone
Ming C. Su
Julie A. Tippet
Stanley J. Wallace
Teki Way
Nadia Williams



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Boston, Massachusetts:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, and the City's Permanent Funds, which represent 4.9% and 0.3% of the assets and revenues of the governmental activities, respectively, and 1.3% and 0.6% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the Boston Retirement System and the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 97.2% and 87.4% of the assets and revenues of the aggregate remaining fund information, respectively. Further, we did not audit the financial statements of the Boston Public Health Commission, Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 58.2% and 88.0% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's



internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncements

As discussed in Note 2q to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information related to the budgetary comparison for the City's General Fund. Such information does not include all of the information required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2017, from which such partial information was derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules listed under Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining, individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit



of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the City's basic financial statements as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated December 27, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, based on our audit and the reports of other auditors. The 2017 combining, individual fund statements and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The 2017 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the 2017 combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The City of Boston (the City) provides this Management's Discussion and Analysis to present additional information to the readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2018. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information regarding historical pension information and other postemployment benefit (OPEB) plan information. The components of the financial statements are described in the following sections.

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the City – the *Government-wide Financial Statements* and the *Fund Financial Statements*. The *Notes to the Basic Financial Statements* supplement the financial statement information and clarify line items that are part of the financial statements.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad view of the City's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

- The *Statement of Net Position* presents all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both the above financial statements present two separate sections as described below.

- *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with city government fall into this category, including general government, human services, public safety, public works, property and development, parks and recreation, library, schools, public health programs, state and district assessments, and debt service.

- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses. The City’s four discretely presented component units are the Boston Public Health Commission, the Boston Development & Planning Agency, the Economic Development Industrial Corporation, and the Trustees of the Boston Public Library.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Additional information about the City’s component units is presented in the Notes to the Financial Statements.

The Government-wide Financial Statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The *Fund Financial Statements* focus on individual parts of the City government, reporting the City’s operations in more detail than the Government-wide Financial Statements. All of the funds of the City can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on near term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government’s near term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual (i.e., measurable and available to liquidate liabilities of the current period). Expenditures are generally recorded when liabilities are incurred, except for those related to long-term liabilities, which are recorded when due and payable. These statements provide a detailed short term view of the City’s finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long term impact of the government’s near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City presents four columns in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City’s three major governmental funds are the General Fund, the Special Revenue Fund, and the Capital Projects Fund. All non-major governmental funds are combined in the “Other Governmental Funds” column on these statements. The Governmental Fund Financial Statements can be found immediately following the Government-wide Financial Statements.

Of the City's governmental funds, the General Fund is the only fund for which a budget is legally adopted. The *Statement of Revenues and Expenditures – Budgetary Basis* is presented after the governmental fund financial statements. This statement provides a comparison of the General Fund original and final budget and the actual expenditures for the current and prior year on a budgetary basis.

In accordance with state law and regulations, the City's legally adopted General Fund budget is prepared on a "budgetary" basis instead of U.S. generally accepted accounting principles (GAAP). Among the key differences between these two sets of accounting principles are that "budgetary" records property tax as it is levied, while GAAP records it as it becomes susceptible to accrual, "budgetary" records certain activities and transactions in the General Fund that GAAP records in separate funds, and "budgetary" records any amount raised to cover a prior year deficit as an expenditure and any available funds raised from prior year surpluses as a revenue, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. Additional information and a reconciliation of "budgetary" to GAAP statements is provided in note 4 to the Financial Statements.

Proprietary Funds – These funds are used to show activities that operate more like those of commercial enterprises. Like the Government-wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds charge fees for services provided to outside customers including local governments. Enterprise Funds provide the same type of information as the business-type activities of the Government-wide Financial Statements within governmental activities, only in more detail. Currently, the City does not have any enterprise funds. The Internal Service Fund provides health insurance services predominantly to other funds, departments or agencies of the City. Therefore, its activities are included in the Government-wide financial statements within governmental activities.

The Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the economic resources measurement focus and accrual basis of accounting.

The City's fiduciary funds are the Employee Retirement Fund (the Boston Retirement System), which accounts for the transactions, assets, liabilities, and net position of the City employees' pension plan; the Other Postemployment Benefits (OPEB) Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the liability associated with the City's obligation for other postemployment benefits; and the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties.

The Fiduciary Funds Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following the Fiduciary Funds Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of funding progress and a schedule of employer contributions for the OPEB Trust Fund, a schedule of changes in net OPEB

liability and related ratios, a schedule of the City's proportionate share of the net pension liability of the Boston Retirement System, and a schedule of the City's contributions to the Boston Retirement System.

CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the Government-wide financial results. In fiscal year 2018, The City implemented GASB 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions." The most recent valuation of the City's OPEB obligation as of June 30, 2017, estimated that the total OPEB liability of the City increased by \$36.0 million to \$2.3 billion. This increase was largely as a result of increasing costs.
- In fiscal year 2018, the City's contribution to the OPEB Trust Fund (\$164.6 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the OPEB liability. The ADC was not met in 2018 resulting in an increase in the net OPEB obligation. In fiscal year 2019, the City has also appropriated \$40.0 million in advance funding toward reducing the OPEB liability.
- With the implementation of GASB Statement No. 75, the City is required to report a net OPEB liability and OPEB expense as it relates to the benefits provisions of Massachusetts General Law Chapter 32B. As a result of the implementation of GASB Statement No. 75, beginning net position of the governmental activities as of July 1, 2017 was restated (reduced) by approximately \$1.4 billion.
- The City of Boston's net pension liability significantly impacts the Government-wide financial results. With the implementation of GASB Statement No. 68 in fiscal year 2015, the City is required to report its proportionate share of the Boston Retirement System's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. In addition, the City is also required to report a net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense related to its non-contributory retirement plan. Based on the measurement of the Boston Retirement System's net pension liability as of December 31, 2017, the City's proportionate share of that net pension liability decreased by \$196 million and the net pension liability for the City's non contributory plan decreased by \$4.3 million resulting on a total net pension liability of \$1.37 billion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis is based on the Statement of Net Position and the Statement of Activities found directly after Management's Discussion and Analysis.

Government-wide Highlights

Net Position – Primary Government – The total liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at fiscal year ended June 30, 2018 resulting in a net deficit of \$1.74 billion (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$2.45 billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$135.0 million from the amount reported in fiscal year 2017.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net deficit totaled \$1.74 billion at the end of 2018, compared to a net deficit of \$1.88 billion, (restated) reported at the end of the previous year.

The components of net position comprise the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding – this amount is \$685.0 million indicating that the net book value of the City's capital assets exceeds the amount of related capital debt outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's governmental activities net position, \$75.1 million, represents restricted net position, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The unrestricted net position increased by \$76.4 million from the 2017 restated amount of \$2.6 billion.

Net Position – Primary Government*(In thousands)*

	Governmental Activities	
	Total Primary Government	
	2018	2017⁽¹⁾
ASSETS:		
Current assets	\$ 1,924,930	\$ 1,683,091
Capital assets	2,142,789	2,091,030
Other assets	198,906	226,147
Total assets	4,266,625	4,000,268
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	340,804	291,681
Liabilities:		
Current liabilities	689,530	634,777
Noncurrent liabilities	5,414,072	3,990,579
Total liabilities	6,103,602	4,625,356
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	245,463	171,549
NET POSITION:		
Net investment in capital assets	685,036	648,786
Restricted	75,098	52,746
Unrestricted	(2,501,770)	(2,578,157)
Total net position	\$ (1,741,636)	\$ (1,876,625)

(1) The 2017 amounts in the tables above have not been restated to reflect the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.", as described in note 2q to the Financial Statements.

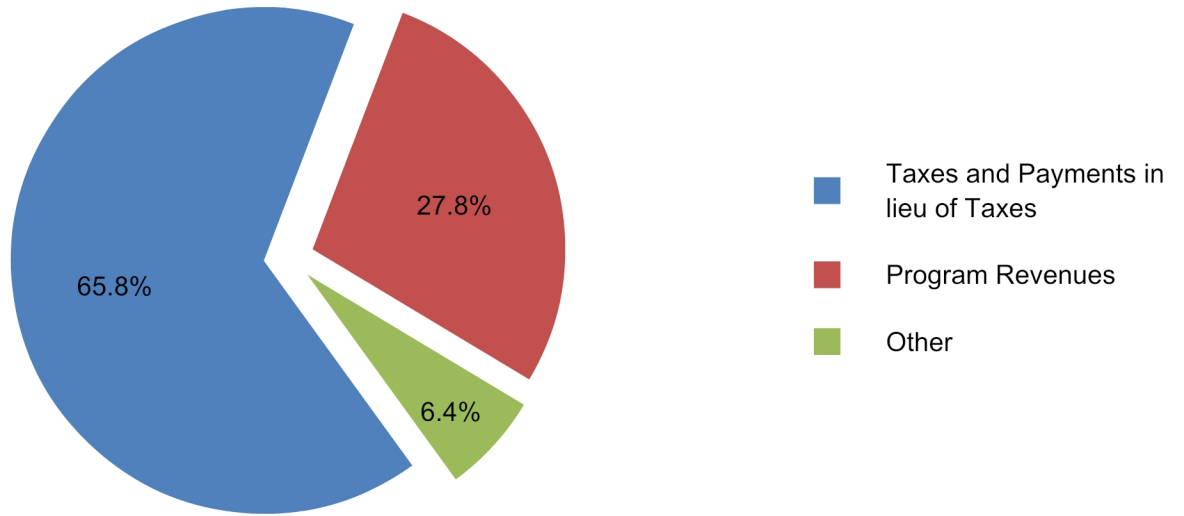
Changes in Net Position – Primary Government

(In thousands)

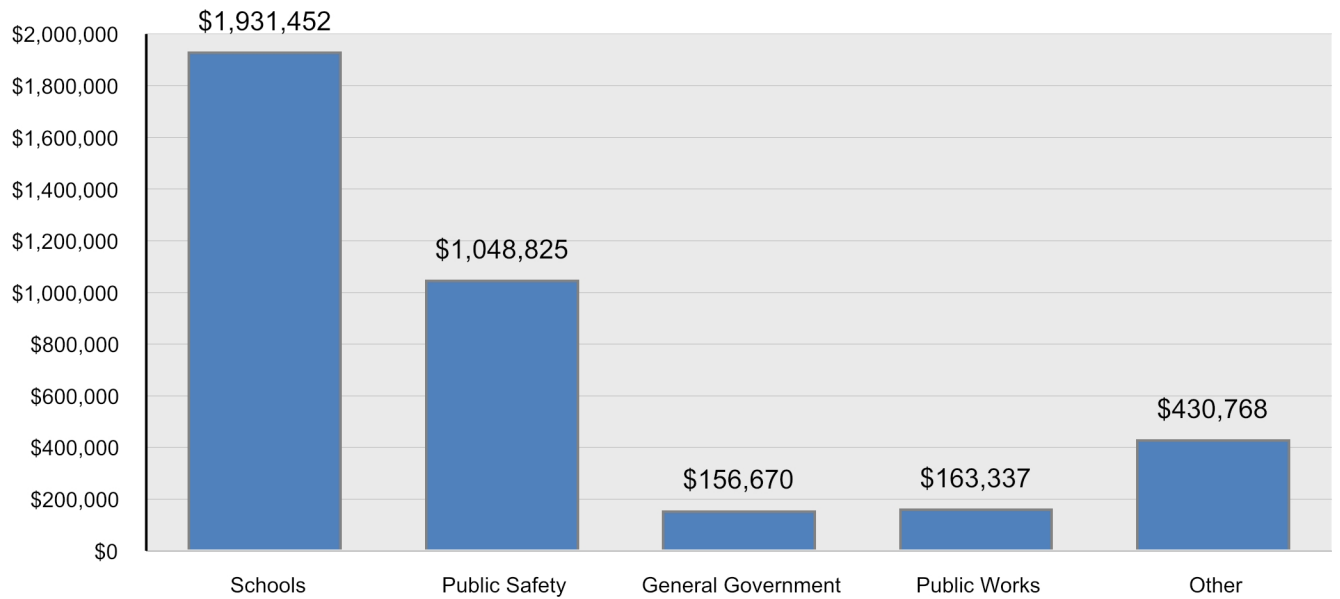
	Governmental Activities	
	Total Primary Government	
	2018	2017 ⁽¹⁾
Revenues:		
Program revenues:		
Charges for services	\$ 221,538	\$ 217,549
Operating grants and contributions	788,666	760,230
Capital grants and contributions	64,548	52,348
General revenues:		
Taxes	2,543,645	2,381,358
Grants and contributions not restricted	214,106	201,013
Investment income	31,417	19,588
Miscellaneous	2,121	3,738
Total revenues	3,866,041	3,635,824
Program expenses:		
General government	156,670	128,465
Human services	58,494	49,974
Public safety	1,048,825	962,654
Public works	163,337	130,182
Property and development	137,296	168,276
Parks and recreation	48,861	41,236
Library	55,626	51,397
Schools	1,931,452	1,833,105
Public health programs	86,228	81,859
Interest on long-term debt	44,263	42,321
Total program expenses	3,731,052	3,489,469
Change in net position	134,989	146,355
Net position - beginning of year, as restated (note 2q)	(1,876,625)	(2,022,980)
Net position-end of year	\$ (1,741,636)	\$ (1,876,625)

(1) The 2017 amounts in the tables above have not been restated to reflect the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.", as described in note 2q to the Financial Statements.

Revenues - Governmental Activities Fiscal Year 2018



Expenses - Governmental Activities FY18 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$135.0 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2018. In the assets accounts, cash and investments increased by \$241.8 million, receivables decreased by \$33.2 million, and capital assets increased by \$51.8 million. In the liability accounts, there was an increase in warrants and accounts payable of \$16.7 million and an increase in accrued liabilities of \$62.2 million. Additionally, an increase of \$36.0 million was recorded relative to the City's other postemployment benefit obligation and a decrease of \$195.7 million was recorded relative to the City's net pension liability in 2018.

During fiscal year 2018, the City's revenues increased by 6.3%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.54 billion (65.8% of total revenues) and \$1.07 billion of program revenues (27.6% of total revenues). Taxes increased by \$162.3 million from the previous year. Program revenues increased by \$44.6 million for fiscal year 2018. This is largely due to increases in operating grants and contributions. The City's expenses cover a range of services. The largest expenses were for schools (\$1.93 billion), public safety (\$1.05 billion), general government (\$156.7 million), public works (\$163.3 million), and property and development (\$137.3 million). In 2018, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.66 billion. This shortfall was covered primarily through taxes (\$2.54 billion) and unrestricted grants and contributions (\$214.1 million).

Comparative data on these revenues and expenses is itemized in the reporting of the Changes in Net Position – Primary Government earlier in this Management Discussion and Analysis.

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

This analysis is based on the Governmental and Proprietary Fund Financial Statements. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund Highlights

Governmental Funds – Fund Balances – as of the close of fiscal year 2018, the City's governmental funds reported a combined ending fund balance of \$1.61 billion, an increase of \$158.7 million from the prior year. Of this total amount, \$781.4 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes and intergovernmental revenue.

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the fiscal year.

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 15%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2018 was \$781.4 million, which represents approximately 23.9% of GAAP General Fund operating expenditures.

However, because the City is required to follow the statutory basis of accounting rather than GAAP for determining the amount of unassigned fund balance that can be appropriated, it is the statutory (not the GAAP) fund balance that is used to calculate "free cash". Free cash is the amount of statutory fund balance in the General Fund, as certified by the Commonwealth of Massachusetts' Department of Revenue, which is available for appropriation and is generated when actual revenues, on a cash basis, exceed budgeted amounts and encumbrances are less than appropriations, or both.

The City has established the General Fund-Fund Balance Policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e., revenue shortfalls and unanticipated expenditures). The policy in full states that the City shall maintain a GAAP Unassigned Fund Balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund Operating Expenditures. The City shall only consider the certification of Free Cash (as defined by the Commonwealth of Massachusetts' Department of Revenue) in years where the appropriation of Free Cash shall not cause the fiscal year's GAAP Unassigned Fund Balance to go below 15% of the fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Unassigned Fund Balance at 10% or higher of Budgetary Operating Expenditures. The City shall only consider the appropriation of Certified Free Cash to offset: (1) certain fixed costs such as pension contributions and related post-retirement health benefits; and/or (2) to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

Special Revenue Fund – Fund Balance – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal year 2018 Special Revenue Fund balance is reported at \$247.4 million, a \$8.0 million decrease from fiscal year 2017.

Capital Projects Fund – Fund Balance – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The fiscal year 2018 Capital Projects Fund balance is \$183.3 million, a \$62.0 million increase from fiscal year 2017 due to the issuance of bonds in the current year.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds, as well as the activities related to DSRC and FBDC. The fiscal year 2018 Other Governmental Funds fund balance is \$101.9 million, a \$7.9 million increase from fiscal year 2017.

Internal Service Fund

The City's Internal Service Fund accounts for the City's self-insurance program for health benefits provided by Blue Cross Blue Shield, Harvard Pilgrim Health Care, and Tufts for City employees and their dependents. The Internal Service Fund is included as part of the governmental activities in the government-wide financial statements.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2018 with a \$21.2 million surplus. There were no material variances between the original budget and final budget amounts. Unfavorable variances from the final budget to actual results occurred in public safety, judgments and claims, and public works.

Favorable results were reported for General Fund revenue sources, including \$15.6 million in payments in lieu of taxes, \$11.5 million in departmental and other revenue, \$66.2 million in excises and \$13.4 million in investment income. Other available funds shows a revenue deficit of \$63.5 million, however, this is a result of not transferring \$22.5 million of parking meter funds and \$40.95 million of free cash from the general fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2018, has a net book value of \$2.14 billion, made up of costs totaling \$4.23 billion less accumulated depreciation of \$2.09 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and have value only to the City, such as roads, bridges, streets, sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the City's investment in capital assets for the current fiscal year was approximately \$51.8 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$201.9 million for the fiscal year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements and infrastructure. Depreciation charges for the year totaled \$150.1 million. Additional information on the City's capital assets can be found in note 8 to the Financial Statements.

Long Term Obligations

Debt Administration – The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt. At year end, the City had \$1.31 billion in General Obligations Bonds principal outstanding – an increase of \$30.0 million over last year.

On May 30, 2018, the City issued \$150.0 million in Series A general obligation bonds to finance various capital projects in the City. In conjunction with the City's annual bond offering, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa and the rating service bureau Standard & Poor's reaffirmed the bond rating to AAA. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Notes and Leases Payable and Other Long Term Obligations – The City's general long term notes and leases and other long term obligations decreased \$141.2 million, or 3.22%, during the current fiscal year. Key factors for this decrease are a decrease in the net pension liability of \$200.4 million and an increase in the net OPEB obligation of \$36.0 million.

Additional information on the City's long term debt obligations can be found in note 10 to the Financial Statements.

NEW ACCOUNTING STANDARDS

The GASB has issued GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended"*, and No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."* This Statement was implemented in fiscal 2018.

The GASB has issued Statement No. 85 *"Omnibus 2017."* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement was implemented in fiscal 2018 without any material impact.

The GASB has issued Statement No. 86 "*Certain Debt Extinguishment Issues*." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was implemented in fiscal 2018 without any material impact.

FUTURE PRONOUNCEMENTS

The GASB has issued Statement No. 83 "*Certain Asset Retirement Obligations*." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

The GASB has issued Statement No. 84 "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The GASB has issued Statement No. 87 "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The GASB has issued Statement No. 88 "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

The GASB has issued Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The GASB has issued GASB Statement No. 90, "*Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*". The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of the City's citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Boston, Auditing Department, Boston City Hall, Room M 4, Boston, MA 02201. Alternatively, these requests may also be made through email, by contacting the Auditing Department at CityAuditor@boston.gov.

Statement of Net Position

June 30, 2018

(Amounts in thousands)

	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Governmental</u>	<u>Component Units</u>
	<u>Activities</u>	
ASSETS:		
Current Assets:		
Cash and investments	\$ 1,855,633	\$ 83,544
Cash and investments held by trustees	69,298	13,262
Receivables, net:		
Property and other taxes	20,749	—
Intergovernmental	75,705	—
Other	19,231	47,093
Other assets	11,988	2,358
Due from primary government	—	2,413
Due from component units	1,509	—
Total current assets	<u>2,054,113</u>	<u>148,670</u>
Noncurrent Assets:		
Intergovernmental receivables	2,461	—
Cash and investments held by trustee	—	61,926
Notes and other receivables	61,537	179,702
Capital assets:		
Nondepreciable assets	81,535	29,419
Depreciable, net	2,061,254	56,985
Due from component units	5,725	—
Total noncurrent assets	<u>2,212,512</u>	<u>328,032</u>
Total assets	<u>4,266,625</u>	<u>476,702</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	177,033	16,789
Deferred amount from OPEB	159,966	6,536
Deferred amount from debt refunding	3,805	—
Total deferred outflows of resources	<u>340,804</u>	<u>23,325</u>

LIABILITIES:

Current Liabilities:

Warrants and accounts payable	120,045	30,253
Accrued liabilities - current:		
Compensated absences	61,572	—
Judgments and claims	78,095	—
Payroll and related costs	173,037	—
Deposits and other	104,356	3,386
Unearned revenue	—	4,894
Current portion of long-term bonds, notes and leases	150,012	4,426
Due to component units	2,413	—
Due to primary government	—	1,509
Total current liabilities	<u>689,530</u>	<u>44,468</u>

Noncurrent Liabilities:

Bonds due in more than one year	1,333,090	17,369
Notes and leases payable due in more than one year	111,372	—
Other noncurrent liabilities	307,765	147,078
Net pension liability	1,373,685	131,227
Other postemployment benefits obligation	2,288,160	143,781
Unearned revenue	—	65,475
Due to primary government	—	5,725
Total noncurrent liabilities	<u>5,414,072</u>	<u>510,655</u>
Total liabilities	<u>6,103,602</u>	<u>555,123</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred amount for pension costs	225,746	33,313
Deferred amount for OPEB	18,363	20,055
Deferred amount from debt refunding	1,354	—
Total deferred inflows of resources	<u>245,463</u>	<u>53,368</u>

NET POSITION:

Net investment in capital assets	685,036	66,598
Restricted for:		
Nonexpendable trust	10,041	75,187
Expendable trust	53,223	—
Capital projects	11,834	—
Unrestricted deficit	(2,501,770)	(250,249)
Total net position	<u>\$ (1,741,636)</u>	<u>\$ (108,464)</u>

Statement of Activities

Year Ended June 30, 2018

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 156,670	\$ 31,196	\$ 27,499	\$ 8,653
Human services	58,494	5	13,423	—
Public safety	1,048,825	139,793	57,612	—
Public works	163,337	31,120	—	21,905
Property and development	137,296	13,867	78,128	50
Parks and recreation	48,861	957	4,564	—
Library	55,626	325	2,442	—
Schools	1,931,452	4,275	604,998	33,940
Public health programs	86,228	—	—	—
Interest on long-term debt	44,263	—	—	—
Total primary government	\$ 3,731,052	\$ 221,538	\$ 788,666	\$ 64,548
Component Units:				
Boston Public Health Commission	\$ 173,752	\$ 43,168	\$ 45,831	\$ —
Boston Planning & Development Agency	22,598	10,221	13,965	—
Trustees of the Public Library of the City of Boston	9,106	2,825	7,569	—
Economic Development and Industrial Corporation of Boston	39,673	26,962	12,913	—
Total component units	\$ 245,129	\$ 83,176	\$ 80,278	\$ —

General Revenues:

Taxes:

Property taxes, levied for general purposes

Excises

Payments in lieu of taxes

Grants and contributions not restricted

Investment income

City appropriation

Miscellaneous

Special item - gain on sale of land

Total general revenues

Change in net position

Net position - beginning of year, as restated (note 2q)

Net position - end of year

Net (Expense) Revenue and Changes in
Net Position

Governmental Activities	Component Units
\$ (89,322)	\$ —
(45,066)	—
(851,420)	—
(110,312)	—
(45,251)	—
(43,340)	—
(52,859)	—
(1,288,239)	—
(86,228)	—
(44,263)	—
\$ (2,656,300)	\$ —
\$ —	\$ (84,753)
—	1,588
—	1,288
—	202
\$ —	\$ (81,675)
\$ 2,219,700	\$ —
239,005	—
84,940	—
214,106	—
31,417	207
—	79,563
2,121	1,714
—	5,848
2,791,289	87,332
134,989	5,657
(1,876,625)	(114,121)
\$ (1,741,636)	\$ (108,464)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2018
(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,309,193	\$ 247,631	\$ 198,417	\$ 11,012	\$ 1,766,253
Cash and investments held by trustees	364	—	10,185	58,749	69,298
Receivables, net:					
Property and other taxes	20,749	—	—	—	20,749
Intergovernmental	10,525	54,583	13,058	—	78,166
Departmental and other	19,003	29,215	—	32,552	80,770
Total receivables	<u>50,277</u>	<u>83,798</u>	<u>13,058</u>	<u>32,552</u>	<u>179,685</u>
Due from other funds	1,860	211	—	7,696	9,767
Due from component units	7,234	—	—	—	7,234
Total assets	<u>\$ 1,368,928</u>	<u>\$ 331,640</u>	<u>\$ 221,660</u>	<u>\$ 110,009</u>	<u>\$ 2,032,237</u>
LIABILITIES					
Warrants and accounts payable	\$ 57,050	\$ 24,382	\$ 26,081	\$ 449	\$ 107,962
Accrued liabilities:					
Payroll and related costs	172,942	95	—	—	173,037
Deposits and other	25,429	57,673	—	—	83,102
Due to other funds	168	1,899	—	7,700	9,767
Due to component unit	2,413	—	—	—	2,413
Total liabilities	<u>\$ 258,002</u>	<u>\$ 84,049</u>	<u>\$ 26,081</u>	<u>\$ 8,149</u>	<u>\$ 376,281</u>
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available	28,872	200	12,302	—	41,374
Total deferred inflows of resources	<u>\$ 28,872</u>	<u>\$ 200</u>	<u>\$ 12,302</u>	<u>\$ —</u>	<u>\$ 41,374</u>
FUND BALANCES					
Nonspendable	—	—	—	10,041	10,041
Restricted	—	47,854	183,277	91,819	322,950
Assigned	300,652	199,537	—	—	500,189
Unassigned	781,402	—	—	—	781,402
Total fund balances	<u>1,082,054</u>	<u>247,391</u>	<u>183,277</u>	<u>101,860</u>	<u>1,614,582</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,368,928</u>	<u>\$ 331,640</u>	<u>\$ 221,660</u>	<u>\$ 110,009</u>	<u>\$ 2,032,237</u>

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2018

(Amounts in thousands)

Total fund balance - governmental funds	\$ 1,614,582
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements	2,142,789
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	41,374
Internal service funds are included in the government-wide financial statements	81,393
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(1,375,373)
Capital leases	(69,626)
Bond issue premiums/discounts, net	(149,475)
Deferred bond refunding losses/gain, net	2,451
Accrued interest on bonds	(21,254)
Compensated absences	(227,695)
Landfill	(6,957)
Judgments and claims	(192,390)
Other postemployment benefits, net of deferred amounts	(2,146,557)
Net pension liability, net of deferred amounts	(1,434,398)
Pollution remediation	(500)
Net position of governmental activities	<u>\$ (1,741,636)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 2,221,877	\$ —	\$ —	\$ —	\$ 2,221,877
Excises	243,581	—	—	—	243,581
Payments in lieu of taxes	84,940	—	—	—	84,940
Fines	63,206	73	—	—	63,279
Investment income	15,390	213	—	5,931	21,534
Licenses and permits	74,144	212	—	—	74,356
Departmental and other	98,287	71,385	—	7,059	176,731
Intergovernmental	570,753	265,723	38,261	—	874,737
Total revenues	3,372,178	337,606	38,261	12,990	3,761,035
EXPENDITURES:					
Current:					
General government	90,076	9,472	—	6,500	106,048
Human services	35,023	8,953	—	—	43,976
Public safety	689,929	21,692	—	—	711,621
Public works	111,772	10,062	—	—	121,834
Property and development	39,022	88,005	—	—	127,027
Parks and recreation	25,285	4,845	—	—	30,130
Library	36,025	2,452	—	—	38,477
Schools	1,087,192	150,198	—	—	1,237,390
Public health programs	81,129	2,140	—	—	83,269
Judgments and claims	7,693	—	—	—	7,693
Retirement costs	356,251	—	—	—	356,251
Other employee benefits	261,377	—	—	—	261,377
State and district assessments	267,205	—	—	—	267,205
Capital outlays	9,738	1,659	222,598	—	233,995
Debt service	176,240	—	—	—	176,240
Total expenditures	3,273,957	299,478	222,598	6,500	3,802,533
Excess (deficiency) of revenues over (under) expenditures	98,221	38,128	(184,337)	6,490	(41,498)
OTHER FINANCING SOURCES (USES):					
Long-term debt, notes and capital leases issued	—	—	176,698	—	176,698
Premiums on long-term debt issued	—	233	23,289	—	23,522
Transfers in	—	—	46,385	1,455	47,840
Transfers out	(1,455)	(46,385)	—	—	(47,840)
Total other financing sources (uses)	(1,455)	(46,152)	246,372	1,455	200,220
Net change in fund balances	96,766	(8,024)	62,035	7,945	158,722
Fund balance - beginning of year	985,288	255,415	121,242	93,915	1,455,860
Fund balance - end of year	\$ 1,082,054	\$ 247,391	\$ 183,277	\$ 101,860	\$ 1,614,582

See accompanying notes to the basic financial statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds to the Statement of Activities Year Ended June 30, 2018

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 158,722
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays and contributions of capital assets (\$ 201,938) exceeded depreciation expense (\$ 150,085) and loss on disposals (\$ 94)	51,758
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available	(1,151)
Issuances of long-term debt (\$ 176,698) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bonds, notes and lease principal (\$ 153,445) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position. This is the amount by which issuances exceed repayments	(23,253)
Decreases in bond premiums net (\$ 10,519) decrease the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Decreases in deferred loss on refunding, net (\$ 978) decrease deferred outflows, net on the statement of net position, but are included in the operating statement of governmental funds	(11,497)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the increase in liabilities for other postemployment benefits \$51,832, workers compensation \$1,296, interest payable \$1,649, compensated absences \$31,139, judgments and claims \$1,833 and a decrease in landfill closure and post-closure costs (\$407,000) and net pension liability, net of deferred amounts (\$22,935)	(64,407)
Net operating income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds	24,817
Change in net position of governmental activities	\$ 134,989

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2018 (with comparative actual amounts for 2017)

(Amounts in thousands)

	2018				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2017 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net	\$ 2,185,887	\$ 2,185,887	\$ 2,191,992	\$ 6,105	\$ 2,053,396
Excises	198,591	198,591	264,814	66,223	209,498
Commonwealth of Massachusetts	440,583	440,583	439,708	(875)	424,933
Departmental and other revenue	68,064	68,064	79,590	11,526	77,082
Fines	63,721	63,721	63,389	(332)	63,082
Payments in lieu of taxes	67,998	67,998	83,634	15,636	82,132
Investment income	2,000	2,000	15,390	13,390	2,329
Licenses and permits	67,056	67,056	74,508	7,452	84,093
Miscellaneous	267	267	267	—	267
Other available funds	63,450	63,450	—	(63,450)	—
Total revenues and other available funds	3,157,617	3,157,617	3,213,292	55,675	2,996,814
EXPENDITURES:					
General government	111,265	111,557	111,283	274	121,507
Human services	35,824	36,051	35,954	97	32,521
Public safety	673,913	679,127	694,457	(15,330)	641,567
Public works	111,951	110,254	115,758	(5,504)	109,478
Property and development	38,513	39,476	39,402	74	45,295
Parks and recreation	25,049	28,811	28,793	18	24,451
Library	36,031	35,760	35,758	2	34,775
Schools	1,092,056	1,093,311	1,093,290	21	1,031,628
Boston Public Health Commission	79,513	79,563	79,563	—	77,267
Judgments and claims	5,000	5,000	19,513	(14,513)	3,188
Other employee benefits	270,551	263,157	262,902	255	256,044
Retirement costs	225,502	237,034	236,968	66	202,925
Debt requirements	184,130	170,538	170,514	24	165,160
State and district assessments	268,319	267,978	267,949	29	244,320
Total expenditures	3,157,617	3,157,617	3,192,104	(34,487)	2,990,127
Excess of revenues and other available funds over expenditures	\$ —	\$ —	\$ 21,188	\$ 21,188	\$ 6,687

See accompanying notes to the basic financial statements

Statement of Net Position

Proprietary Fund

June 30, 2018

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 89,380
Total current assets	<u>89,380</u>
Noncurrent assets:	
Other assets	11,988
Total noncurrent assets	<u>11,988</u>
Total assets	<u>\$ 101,368</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	19,975
Total current liabilities	<u>\$ 19,975</u>
NET POSITION:	
Unrestricted	81,393
Total net position	<u>\$ 81,393</u>

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2018

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 68,905
Employer contributions	172,640
Total operating revenues	<u>241,545</u>
OPERATING EXPENSES:	
Health benefits	216,728
Total operating expenses	<u>216,728</u>
Operating Income	<u>24,817</u>
Net position - beginning of year	<u>56,576</u>
Net position - end of year	<u><u>\$ 81,393</u></u>

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2018

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 241,545
Cash paid to vendors	(226,081)
Net cash provided by operating activities	<u>15,464</u>
Cash and cash equivalents- beginning of year	73,916
Cash and cash equivalents- end of year	<u>\$ 89,380</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH	
USED IN OPERATING ACTIVITIES:	
Operating Income	\$ 24,817
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other assets	(5,447)
Accounts payable and accrued liabilities	(3,906)
Net cash provided by operating activities	<u>\$ 15,464</u>

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

(Except Employee Retirement Plan, which is as of December 31, 2017)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 791,514	\$ 113,042	\$ 9,115
Receivables:			
Interest and dividends	7,294	—	—
Securities sold	130,646	—	—
Employer contributions	16,709	—	—
Other	5,313	99	—
Total receivables	159,962	99	—
Prepaid Expenses	28	—	—
Investments, at fair value:			
Short term:			
Domestic	59,258	—	—
International	7,333	—	—
Equity:			
Domestic	1,374,977	—	—
International	1,372,795	—	—
Fixed-income:			
Domestic	763,822	—	—
International	331,347	—	—
PRIT Pooled Fund	1,572,852	—	—
Real estate	429,435	—	—
Alternative	491,835	—	—
Total investments	6,403,654	—	—
Securities lending short-term collateral investment pool	173,640	—	—
Total assets	7,528,798	113,141	9,115
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	16,835	2,230	9,115
Securities purchased	30,714	—	—
Collateral held on securities lending	173,522	—	—
Total liabilities	221,071	2,230	9,115
NET POSITION RESTRICTED FOR PENSIONS:			
Held in trust for pension, OPEB benefits and other purposes	\$ 7,307,727	\$ 110,911	\$ —

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2018

(Except Employee Retirement Plan, which is year ended December 31, 2017)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts
ADDITIONS:		
Contributions:		
Employers	\$ 424,756	\$ —
Commonwealth of Massachusetts (nonemployer)	131,298	—
Employees	154,955	—
Donations and other	—	5,627
Total contributions	711,009	5,627
Investment earnings:		
Realized and unrealized gains on investments	920,993	17,056
Investment income	125,120	3,881
Less investment expenses	(31,032)	—
Net investment earnings	1,015,081	20,937
Securities lending activities:		
Securities lending income	3,026	—
Less borrower rebates and fees	(1,828)	—
Net income from securities lending activities	1,198	—
Total net investment income (loss)	1,016,279	20,937
Intergovernmental	8,961	—
Miscellaneous income	213	—
Total additions	1,736,462	26,564
DEDUCTIONS:		
Benefits	709,648	—
Reimbursements	12,515	—
Refunds of contributions	20,439	—
Administrative expenses and other	7,478	25,909
Total deductions	750,080	25,909
Change in net position	986,382	655
Net position - beginning of year	6,321,345	110,256
Net position - end of year	\$ 7,307,727	\$ 110,911

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

1. The Financial Reporting Entity

a. Primary Government

The City of Boston (the City), incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Act of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts (the Commonwealth), which, as amended, constitute the City's Charter. The Mayor is elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The legislative body of the City is the City Council, which consists of 13 elected members serving two-year terms.

The accompanying basic financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

b. Blended Component Units Disclosure

- i. **Boston Retirement System (BRS)** is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprising five members: the City Auditor, who serves *ex officio*; two individuals elected by participants in the system; a fourth member appointed by the Mayor; and a fifth member chosen by the other members. BRS provides pension benefits to retired City, Boston Planning & Development Agency, Boston Housing Authority, Boston Water and Sewer Commission, and Boston Public Health Commission employees. Although legally separate, BRS provides services entirely, or almost entirely, to the City and thus has been reported as a blended component unit among the City's fiduciary funds. The financial statements of BRS are included for its fiscal year end which is December 31, 2017.
- ii. **Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)** – The DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. FBDC leases the property from DSRC and the City subleases the property from FBDC. The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Both entities are instrumentalities of the City, as the Mayor has full control of appointments to their boards of directors. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. These funds are presented as non-major funds within the other governmental funds as of their fiscal year end, which is June 30, 2018.

c. Discretely Presented Component Units Disclosure

These component units are reported in a separate column to emphasize that they are legally separate from the City but are included because the City is financially accountable for the organizations, meaning it appoints, at a minimum, a voting majority of the board of directors of the organization and is able to impose its will on the organizations or has a financial benefit or burden relationship with the organizations. Unless otherwise indicated, the Notes to the Financial Statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary government. A description of the component units, criteria for inclusion, and their relationship with the City are as follows:

- i. Boston Planning & Development Agency (BPDA)** – The BPDA is legally separate from the City and a body politic and corporate constituting the City’s redevelopment authority and exercising the powers of a planning board for the City. The BPDA is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the EDIC). The BPDA receives a significant amount of intergovernmental revenue, which is used solely for capital projects that are under the oversight of the BPDA. In accordance with GASB Statement No. 61, the BPDA is presented as a discrete component unit of the City.
- ii. Economic Development and Industrial Corporation of Boston (EDIC)** – The EDIC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The EDIC is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the BPDA). The EDIC receives a significant amount of intergovernmental revenue, including grants and contracts with the City for jobs and community service activities. In accordance with GASB Statement No. 61, the EDIC is presented as a discrete component unit of the City.
- iii. Boston Public Health Commission (BPHC)** – The BPHC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The BPHC is governed by a seven-member board, six of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is the chief executive officer of the Boston Medical Center. The BPHC receives the majority of its funding from a City appropriation, EMS and other third party billings, and federal and state grants. The BPHC expects that the City will continue to provide support for the public health programs of the BPHC. In accordance with GASB Statement No. 61, the BPHC is presented as a discrete component unit of the City.
- iv. Trustees of the Public Library of the City of Boston (TPL)** – The TPL is legally separate from the City of Boston and is a non-profit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The trustees of the TPL are appointed by the Mayor and the TPL places substantial reliance upon the City to fund its daily operations. In addition, the Library receives significant support through state and federal government appropriations and private sources. In accordance with GASB Statement No. 61, the TPL is presented as a discrete component unit of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2018.

Complete financial statements of these discretely presented component units can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201. In addition, condensed financial statements for the discretely presented component units are included in note 20.

d. Related Organizations

The Mayor is also responsible for appointing members of the governing bodies of the Boston Housing Authority, Boston Industrial Development Finance Authority, and Boston Water and Sewer Commission; however, the City's accountability for these organizations does not extend beyond making these appointments.

2. Summary of Significant Accounting Policies

The accounting policies of the City conform to U.S. generally accepted accounting principles as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies followed by the City:

a. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from any business-type activities, which rely to a significant extent on fees and charges for support. The City currently reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual Governmental Funds are reported as separate columns in the Fund Financial Statements.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

i. Government-wide Financial Statements

The Government-wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund Financial Statements. The Agency Fund within the Fiduciary Fund Financial Statements has no measurement of results. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements for recognition have been met.

ii. **Governmental Fund Financial Statements**

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are “susceptible to accrual” (i.e., both measurable and available). Revenues not considered to be available are recorded as deferred inflows of resources.

The City applies the susceptible to accrual criteria to property and other taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred subject to availability requirements. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Property and other taxes are recognized as revenue in the year for which taxes have been levied or earned, provided they are collected within 60 days after year-end. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except for Massachusetts School Building Authority (MSBA) and Chapter 90 receivables which are considered available when received.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to long-term liabilities including compensated absences, other postemployment benefits, workers’ compensation and judgments and claims, are recorded only when payment is mature and due.

iii. **Proprietary Fund Financial Statements**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the provision of services. The principal operating revenues of the City’s Internal Service Funds are receipts from employer and employees for health insurance premiums. Operating expenses for the Internal Service Fund include administrative expenses, vendor payments, and health benefits. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

iv. **Description of Major Funds**

Governmental funds – The City reports the following major governmental funds:

1. The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Special Revenue Fund* accounts for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted or assigned to expenditures for various general governmental functions. Revenue sources include grant funding for education, housing, and public safety and 1% surcharge on the newly adopted Community Preservation Act.
3. The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City’s capital facilities.

Proprietary fund –The City reports the following proprietary fund:

4. The City uses an internal service fund to account for its self-insured health costs. Although the fund is presented in a separate column in the accompanying proprietary fund financial statements, it is not considered a major fund.

Fiduciary Funds – The City reports the following fiduciary fund types:

5. The *Private Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments. The City operates four pools used for the improvement of the City's parks and cemeteries, educational scholarships and sporting equipment, creation of public utility and beauty, and co-mingled nontestamentary trusts.
6. The *Pension Trust Fund* accounts principally for the activities of the Boston Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired employees of the City and other entities.
7. The *OPEB Trust Fund* is an irrevocable trust fund established for other postemployment benefits. The assets are appropriated from the General Fund and accumulate to reduce the City's total OPEB liability. The assets of the trust are currently not used for direct payments of benefits.
8. The *Agency Funds* are used to report funds held by the City in a purely custodial capacity. The City currently operates a drug evidence account for proceeds of property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

c. Cash Equivalents

For purposes of the statement of cash flows, investments with original maturities of three months or less when purchased are considered to be cash equivalents.

d. Basis of Investment Valuation

Investments generally are presented in the accompanying basic financial statements at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments of BRS, which are described in notes 5 and 11. Further, income from investments is recognized in the same fund as the related investments.

The City invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, which is an external investment pool and is not SEC-registered. The fund is state-regulated and is valued at amortized cost.

e. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

f. Uncollectible Tax and Other Receivables

All receivables are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

g. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements, land use rights, computer software, trademarks and patents. Capital assets are reported in the governmental activities column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Any significant construction commitments are encumbered at year-end in the City's Capital Projects Fund.

The costs of normal maintenance and repairs that do not add to the capacity or efficiency of the asset or materially extend assets' useful lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	30
Infrastructure	30
Land improvements - major	30
Land improvements - playgrounds	15
Computer upgrades	10
Equipment and machinery	10
Intangible assets, computer software and licenses	5
Computers and related equipment	3
Furniture and fixtures	3
Motor vehicles	3

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. Public Safety employees are compensated for unused personal leave in addition to sick and vacation leave. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2018 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

i. Long-Term Obligations and Related Costs

Long-term debt and other long-term obligations are reported as liabilities in the Government-wide Statement of Net Position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the Government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred.

The Governmental Fund Financial Statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

k. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Trust Fund (the Plan) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

l. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources increase net position, similar to assets, and inflows or resources decrease net position, similar to liabilities.

m. Net Position and Fund Balance

In the Government-wide and Proprietary Fund Financial Statements, net position is reported in the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Net position the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net position not considered net investment in capital assets or restricted.

For purposes of net position classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the Governmental Fund Financial Statements, fund balance is reported in the following categories:

Nonspendable: Amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

Restricted: Amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.

Assigned: Amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted or committed. Under M.G.L. Chapter 190, Acts of 1982, the City Auditor has the authority to assign amounts to be used for specific purposes on behalf of the City.

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City. The City maintains a formal policy that unassigned fund balance in the General Fund be at least 15 percent of the current year's General Fund GAAP basis operating expenditures.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

n. Tax Abatement Refunds

Matured tax abatement refunds that are due and payable at June 30 have been recorded as a liability in the General Fund. A liability for estimated future tax abatement refunds has been recorded in the Government-wide Statement of Net Position.

o. Landfill Closure and Postclosure Care Costs

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2018, 100% of the Gardner Street landfill had been capped.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Position. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2018 were \$407 thousand.

p. Use of Estimates

The preparation of the accompanying basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

q. *Adoption of Accounting Pronouncements*

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended", and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." As a result of the implementation of Statement No. 75, beginning net position of the governmental activities was restated as follows (in thousands):

<u>Governmental Activities</u>	
Beginning Net Position as previously reported	\$ (504,956)
Implementation of GASB Statement No. 75	(1,371,669)
Beginning Net Position, as restated	\$ <u><u>(1,876,625)</u></u>

3. Short-Term Debt

During fiscal year 2018, the City had no short-term debt issued or outstanding.

4. Budgetary Data

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee.

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3.0 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the City Auditor may, with the approval of the Mayor, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year.

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 6). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years' deficits, if any; less (d) the aggregate of all non-property tax revenues projected to be received by the City, including available funds, in amounts certified or approved by the Commonwealth for tax rate purposes.

In accordance with the 1986 amendments to the Funding Loan Act of 1982, the City has established two reserve funds. The first is a budget reserve fund, which is required to be funded in stages to a final level of 2-1/2% of the prior year's overall departmental appropriations, except the School Department, by the beginning of fiscal year 1990. It is available to be applied to extraordinary and unforeseen expenditures. The second is a separate

reserve fund of 1% to 2-1/2% of the current year appropriation of the School Department to be applied to over-expenditures in that department.

The City's General Fund budget is prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column in the Statement of Revenues and Expenditures – Budgetary Basis – General Fund is presented on a "budgetary basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- i. Revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- ii. Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) but have no effect on GAAP expenditures.
- iii. Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the General Fund (budget).
- iv. Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures, and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2018 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 3,213,292	\$ 3,192,104	\$ —	\$ 21,188
Adjustments:				
Revenues to modified accrual basis	27,589	—	—	27,589
Expenditures, encumbrances, and accruals, net	—	(47,989)	—	47,989
On-behalf contribution for teachers pension	131,297	131,297	—	—
Reclassifications:				
Other transfers	—	(1,455)	1,455	—
As reported on a GAAP basis	<u>\$ 3,372,178</u>	<u>\$ 3,273,957</u>	<u>\$ 1,455</u>	<u>\$ 96,766</u>

5. Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, and certificates of deposit in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the financial institution involved. Investments from operating cash in the general fund may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the MMDT. MMDT, which is an external investment pool that is overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, "*Certain External Investment Pools and Pool Participants*", to report its investments at amortized cost; therefore the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated. The three highest commercial paper classifications for Moody's and Standard & Poor's (S&P) are as follows:

Commercial Paper Credit Ratings		
	Moody's	S&P
Superior	P1	A1+ or A1
Satisfactory	P2	A2
Adequate	P3	A3

Primary Government (except the pension trust fund)

a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits or investments may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized in the City's name. All of the City's investments are held by third parties in the City's name. As of June 30, 2018, the City of Boston Trust Funds had uninsured and uncollateralized deposits and investments of \$79.28 million.

b. Investment Policy

The City's primary concern in connection with its investment activities is a concern shared by all municipal governments: the preservation of capital. The City's investment policy establishes a discipline in which all of the City's investment activities may be safely conducted while it strives to use its capital resources as efficiently as possible. The foundation of that discipline is fixed by Massachusetts General Laws (M.G.L.) c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limits the amount of the City's bank deposits in any one financial institution; and establishes qualifying criteria for banking institutions. Further, all investments held by third parties are to be held in the City's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to seven years. The following is a listing of the City of Boston Trust Funds' fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2018:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 199,320	\$ 199,320	\$ —	\$ —	\$ —
Institutional and mutual funds	72,592	—	72,592	—	—
U.S. Treasury and agency securities	96,944	1,541	13,835	10,916	70,651
State and local municipal obligations	3,929	647	294	589	2,400
Corporate debt instruments	121,267	8,630	19,110	24,032	69,495
Certificate of deposits	25,423	25,423	—	—	—
	<u>\$ 519,475</u>	<u>\$ 235,561</u>	<u>\$ 105,831</u>	<u>\$ 35,537</u>	<u>\$ 142,546</u>

d. Credit Risk

It is the City of Boston Trust Funds' policy that there shall be no specific limitation in regard to credit worthiness of securities, except the overall average quality of each fixed income portfolio shall be AA or better. The City of Boston Trust Funds' fixed income investments as of June 30, 2018 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

Investment type	Fair Value	Rating
Money market mutual funds	\$ 199,320	Unrated
Institutional and mutual funds	72,592	AAA to A3
U.S. treasury and agency securities	92,302	AAA to A3
U.S. treasury and agency securities	2,640	Baa1 to B3
U.S. treasury and agency securities	2,002	Unrated
State and local municipal obligations	2,157	AAA to A3
State and local municipal obligations	773	Baa1 to B3
State and local municipal obligations	201	Caa1 to C
State and local municipal obligations	798	Unrated
Corporate debt instruments	72,820	AAA to A3
Corporate debt instruments	31,438	Baa1 to B3
Corporate debt instruments	296	Caa1 to C
Corporate debt instruments	16,713	Unrated
Certificate of deposits	25,423	Not Rated
	<u>\$ 519,475</u>	

e. Concentration Risk

The City adheres to the provisions of M.G.L. c. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the City may deposit its funds. No investments in a single issuer exceeded 5% of the City's investment portfolio.

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2018, the City of Boston Trust Funds held international equity mutual funds valued at \$102.3 million. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

g. Fair Value Hierarchy

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical

assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds held by the Pool of the money market fund and the City are open-end money market funds that are registered with the Securities and Exchange Commission. The money market funds held by the City and classified as Level 1 are deemed to be actively traded.

Institutional and mutual funds: Valued at the daily closing price as reported by the fund. Institutional and mutual funds held by the City are open-end funds that are registered with the Securities and Exchange Commission. The institutional and mutual funds held by the Pool and classified as Level 1 are deemed to be actively traded. If market quotations are not readily available, the funds are valued by the pricing method determined by investment managers which determines valuations using methods based upon market transactions for comparable securities.

Equity securities: Consist primarily of corporate stocks traded on U.S. and non-U.S. active security exchanges. Stocks traded on active exchanges and valued at quoted market prices and documented trade history for identical assets are categorized within Level 1 of the fair value hierarchy. If market quotations are not readily available, the stocks may be valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

US. Treasury and agency securities: Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate debt instruments: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The City of Boston Trust Funds have the following recurring fair value measurements as of June 30, 2018 (in thousands):

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Money market funds	\$ 199,320	\$ —	\$ —	\$ 199,320
Institutional and mutual funds	74,987	—	—	74,987
Equity securities	52,283	271,314	—	323,597
US Treasury & agency securities	2,309	94,635	—	96,944
State and Local municipal obligations	18	3,911	—	3,929
Corporate debt instruments	47,483	73,784	—	121,267
Total Investments:	\$ 376,400	\$ 443,644	\$ —	\$ 820,044

Boston Retirement System

a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the System or the System's agent in the System's name. As of December 31, 2017, all of the System's deposits were insured or collateralized.

b. Investment Policy

The provisions of M.G.L. C. 32, Sec 23(2); 840 C.M.R. 16-19, 21, 23, 26; and, the Plan's own investment regulations (stated at <http://www.mass.gov/perac/board-info/profiles/investment/bostonintsup.html>) govern the System's investment practice. Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. C. 32, Sec. 3(3), the "Prudent Person" rule.

The System has retained an investment consultant to work with The Boston Retirement Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The System is currently invested in stocks (domestic and foreign), fixed income securities (domestic and foreign), real estate, private equity, PRIT and hedge funds.

c. Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2017:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury notes and bonds	\$ 189,398	\$ 2,785	\$ 92,240	\$ 79,392	\$ 14,981
U.S. agencies	53,581	—	457	372	52,752
Domestic corporate	762,627	1,462	93,404	168,222	499,539
Municipal	2,689	—	1,750	—	939
International corporate	31,214	459	8,072	17,466	5,217
International government	11,242	176	3,540	4,382	3,144
Asset-backed:					
CMOs	14,851	11	—	658	14,182
Other	29,567	—	7,625	5,386	16,556
	<u>\$ 1,095,169</u>	<u>\$ 4,893</u>	<u>\$ 207,088</u>	<u>\$ 275,878</u>	<u>\$ 607,310</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

The collateralized mortgage obligations (CMOs) held by the System as of December 31, 2017 are highly sensitive to changes in interest rates.

d. Credit Risk

The System allows investment managers to apply discretion under the "Prudent Person" rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2017 were rated by S & P and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the S & P rating scale:

Investment type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not rated
U.S. agencies	\$ 53,581	\$ —	\$ 265	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 53,316
Domestic corporate	762,627	1,051	3,318	13,636	39,111	33,635	50,312	46,774	574,790
Municipal	2,689	—	2,328	123	238	—	—	—	—
International corporate	31,214	149	525	2,579	7,198	12,159	7,799	375	430
International government	11,242	721	1,324	908	602	464	—	—	7,223
Asset-backed:									
CMOs	14,851	1,185	—	28	—	—	—	—	13,638
Other	29,567	10,902	3,424	1,046	355	—	—	—	13,840
	<u>\$ 905,771</u>	<u>\$ 14,008</u>	<u>\$ 11,184</u>	<u>\$ 18,320</u>	<u>\$ 47,504</u>	<u>\$ 46,258</u>	<u>\$ 58,111</u>	<u>\$ 47,149</u>	<u>\$ 663,237</u>

In addition to the above schedule, the System has approximately \$189.4 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

e. Concentration Risk

Other than the Pension Reserves Investment Trust (PRIT) fund, The System has no investments, at fair value, except for pooled funds, that exceed 5% of the System's total investments as of December 31, 2017.

The System adheres to the provisions of M.G.L. c. 32, sec. 23(2); 840 C.M.R. 16-19, 21, 23, 26; and the Plan's own investment regulations when managing concentration risk.

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies.

Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk is presented on the following table (in thousands):

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Argentina	\$ 10	\$ 95	\$ —	\$ —	\$ 105
Australian dollar	78	716	30,649	—	31,443
Austria	—	—	1,829	—	1,829
Belgium	—	—	7,727	—	7,727
Brazilian real	10	208	—	—	218
Canadian dollar	107	696	299	—	1,102
Chile	2	—	—	—	2
Columbian Peso	7	102	—	—	109
Danish krone	35	169	14,566	—	14,770
Euro currency	980	—	—	1,612	2,592
Finland	—	227	5,684	—	5,911
France	—	711	66,647	—	67,358
Germany	—	1,051	52,309	—	53,360
Hong Kong dollar	9	—	22,388	—	22,397
Indonesian rupiah	8	358	264	—	630
Ireland	—	129	—	—	129
Israel	5	—	523	—	528
Italy	—	588	19,484	—	20,072
Japanese yen	30	2,384	99,694	—	102,108
Korea	54	—	7,700	—	7,754
Luxembourg	—	—	724	—	724
Malaysian ringgit	6	71	—	—	77
Mexican peso	24	239	—	—	263
Netherlands	—	259	31,175	—	31,434
New Zealand dollar	15	223	1,319	—	1,557
Norwegian krone	10	216	1,199	—	1,425
Polish zloty	12	44	—	—	56
Portugal	—	—	1,982	—	1,982
Pound sterling	293	1,866	71,310	19,131	92,600
Romania	—	25	—	—	25
Singapore dollar	22	160	1,445	—	1,627
South African rand	11	256	—	—	267
Spain	—	535	20,290	—	20,825
Swedish krona	12	92	9,461	—	9,565
Swiss franc	70	149	36,322	—	36,541
Thailand Baht	33	121	—	—	154
Uruguay	—	62	—	—	62
Total securities subject to foreign currency risk	\$ 1,843	\$ 11,752	\$ 504,990	\$ 20,743	\$ 539,328
U.S. dollars (securities held by international investment managers)	—	32,386	207,552	—	239,938
Total international investment securities	\$ 1,843	\$ 44,138	\$ 712,542	\$ 20,743	\$ 779,266

g. PRIT External Investment Pooled Fund

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the PRIT fund. The PRIT pooled fund is an external investment pool that is not registered with the Securities Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund.

The fair value of the PRIT pooled fund is based on unit value as reported by management of the PRIT pooled fund. The PRIT pooled fund issues separately available audited financial statements with a year-end of June 30.

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT pooled fund. As of December 31, 2017, the System had the following amounts invested in the PRIT fund (in thousands):

General allocation account	\$	1,572,852
Cash fund		131,350
Total PRIT pooled funds	\$	<u>1,704,202</u>

h. Derivatives

The System trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. The System uses forward foreign currency contracts to hedge against the risk of future foreign currency fluctuations. As of December 31, 2017, the System had 24 forward foreign currency contracts with a net notional amount of \$6,077,144 and fair value of \$(19,305).

i. Securities Lending

The Public Employment Retirement Administration Commission of Massachusetts (PERAC) has issued supplemental regulations that permit the System to engage in securities lending transactions. Securities lending is an investment management enhancement that utilizes certain existing securities of the Plan to earn additional income. These transactions are conducted by the System's custodian, which lends certain securities owned by the System to other broker dealers and banks pursuant to a form of loan agreement. The System and the borrowers maintain the right to terminate all securities lending transactions on demand.

Securities lending involves the loaning of securities to approved banks and broker-dealers. In return for the loaned securities, the custodian, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash (including both U.S. and foreign currency) or U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral to serve as a safeguard against possible default of any borrower on the return of the loan. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver collateral in the amounts equal to not less than 100% of the market value of the loaned securities. The collateral is marked to market on a daily basis. In the event the counterparty is unable to meet its contractual obligation under the securities lending arrangement, the Plan may incur losses equal to the amount by which the market value of the securities differs from the amount of collateral held. The Plan mitigates credit risk associated with securities lending arrangements by monitoring the fair value of the securities loaned on a daily basis, with additional collateral obtained or refunded as necessary. At December 31, 2017, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System.

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2017. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine.

The Plan maintains full ownership rights to the securities loaned and, accordingly, classifies loaned securities as investments. At December 31, 2017, the fair value of securities loaned by the System amounted to \$291.3 million, against which was held collateral of \$306.4 million as follows (in thousands):

Short-term collateral investment pool	\$	173,522
Noncash collateral		132,858
Total	\$	<u>306,380</u>

j. Commitments

At December 31, 2017, the System had contractual commitments to provide \$204 million of additional funding to private equity funds, and \$84 million to real estate funds.

k. Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2017 (in thousands):

	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Total at December 31, 2017	(Level 1)	(Level 2)
Short-term:			
Domestic	\$ 59,258	\$ 59,258	\$ —
International	7,333	7,333	—
Total short-term	<u>66,591</u>	<u>66,591</u>	<u>—</u>
U.S. equities:			
Large cap core	773,900	773,900	—
Large cap growth	135,436	135,436	—
Large cap value	128,001	128,001	—
Small cap core	99,597	99,597	—
Small cap growth	137,660	137,660	—
Small cap value	100,383	100,383	—
Total U.S. equities	<u>1,374,977</u>	<u>1,374,977</u>	<u>—</u>
International equities	1,372,795	1,372,795	—
Fixed income securities:			
U.S. treasury securities	189,398	189,398	—
Corporate debt securities	762,627	451,816	310,811
Global multi-sector fixed income	42,456	—	42,456
Municipal	2,689	—	2,689
Collateralized mortgage obligations	14,851	—	14,851
Other asset backed securities	29,567	—	29,567
U.S. Agencies	53,581	—	53,581
Total fixed income securities	<u>1,095,169</u>	<u>641,214</u>	<u>453,955</u>
Total investments by fair value level	<u>3,909,532</u>	<u>\$ 3,455,577</u>	<u>\$ 453,955</u>
Government external investment pool:			
PRIT fund	1,572,852		
Investments measured at the net asset value (NAV):			
Hedge fund of funds	223,180		
Private equity funds	268,655		
Private real estate funds	429,435		
Total investments measured at the NAV	<u>921,270</u>		
Total investments at fair value	<u>\$ 6,403,654</u>		

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The PRIT pooled fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund. The fair value of the PRIT pooled fund is based on unit value as reported by management of the PRIT pooled fund. The PRIT fund issues separately available audited financial statements with a year-end of June 30. The Plan is required to provide a 30-day redemption notice for this investment.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	Investments Measured at the NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global multi-strategy hedge fund of funds ¹	\$ 223,180	\$ —	Quarterly	60-90 days
Real estate funds ²	429,435	84,007	—	—
Private equity funds ³	268,655	203,735	—	—

1. Global Multi-strategy Hedge Fund of Funds. This type includes investments in 5 hedge funds that invest in other hedge fund managers. Management of each hedge fund is given full discretion to invest with direct hedge fund managers. The fair value of the investments in this type has been determined using the NAV per share of the investments.
2. Real Estate Funds. This type includes 29 real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.
3. Private Equity Funds. This type includes 60 private equity funds that invest primarily in U.S. companies. These investments can never be redeemed with the funds; instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

6. Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting as described in note 2.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On December 19, 2017, all properties with unpaid fiscal year 2017 property taxes were liened. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2-1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2-1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a citywide referendum.

7. Receivables

Receivables as of year-end for the City's individual major governmental funds and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	General	Special revenue	Capital projects	Other nonmajor funds	Total
Receivables:					
Property taxes, current	\$ 13,881	\$ —	\$ —	\$ —	\$ 13,881
Other taxes	88,695	—	—	—	88,695
Intergovernmental	10,525	54,583	13,058	—	78,166
Other	19,003	29,215	—	32,552	80,770
Gross receivables	132,104	83,798	13,058	32,552	261,512
Less allowance for uncollectibles	(81,827)	—	—	—	(81,827)
Net total receivables	<u>\$ 50,277</u>	<u>\$ 83,798</u>	<u>\$ 13,058</u>	<u>\$ 32,552</u>	<u>\$ 179,685</u>

a. Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the MSBA. The MSBA provides financial assistance (up to 80% of total costs) to the City to build and/or renovate schools. As of June 30, 2018, under this program, the City was due funds totaling \$11.8 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The following is a schedule of the three-year paydown (in thousands) as of June 30, 2019 through 2020:

Fiscal year(s):	<u>Anticipated revenue</u>
2019	\$ 5,108
2020	2,461
Total	<u>\$ 7,569</u>

Notes Receivable

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Housing and Urban Development (HUD) provides grants or loans to local governments, which in turn provides loans to developers. As of June 30, 2018, under this program, the City determined that \$29 million was collectible. This amount is recorded in the City's Special Revenue fund.

b. Tax Abatement Programs

The City enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77 "Tax Abatement Disclosures". Below are descriptions of the tax abatement programs and the amount of real estate taxes that were abated for each program during the fiscal year.

Chapter 121A

Chapter 121A of the Massachusetts General Laws authorizes a local government in cooperation with its redevelopment authorities to suspend the imposition of real and personal property taxes, betterments and special assessments on properties determined to be "blighted" in order to encourage the redevelopment of residential, commercial, civic, recreational, historic or industrial projects by Chapter 121A Corporations. The City receives two principal sources of revenue from Chapter 121A Corporations. The first consists of an excise, as determined under Section 10 of Chapter 121A, that each Chapter 121A Corporation must pay to the Commonwealth that is then distributed to the City. The second form of revenue consists of payments as required by a contract between the City and Chapter 121A Corporations as authorized by Chapter 121A, Section 6A that provide for additional revenue beyond the excise provided under Section 10 of Chapter 121A.

Chapter 121B

Chapter 121B of the Massachusetts General Laws authorizes a local government, at their option and through their redevelopment authorities, to undertake public actions to address substandard or blighted open areas for residential, commercial, industrial, business, government, recreational, educational, hospital or other uses. Chapter 121B project owners may be exempted from property taxes. In these cases, an agreement to make annual in lieu of tax payments to the City is required.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a property tax incentive authorized under the Economic Development Incentive Program pursuant to Massachusetts General Laws Chapter 40, Section 59 and administered by the Commonwealth's Economic Assistance Coordinating Council. In return for substantial job creation, a local government may provide businesses with tax relief on the incremental growth in their property's value for up to 20 years. In Boston, TIF projects must be approved by the Mayor and City Council.

The following are estimated taxes abated for the year ended June 30, 2018 by tax abatement program (in thousands):

Tax Abatement Program (1)	Estimated Tax Amount	In Lieu of Tax Payments	Estimated Taxes Abated
121A Urban Redevelopment	\$ 47,861	\$ 46,232	\$ 1,629
121B Urban Redevelopment	16,733	13,645	3,088
Tax Increment Financing	31,561	27,212	4,349
Total	\$ 96,155	\$ 87,089	\$ 9,066

(1) Individual tax abatement agreements are available upon request or through the City of Boston Assessing Department website at boston.gov/assessing

8. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2018 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,349	\$ —	\$ —	\$ 29,349
Construction in progress	113,732	140,508	(202,054)	52,186
Total capital assets not being depreciated	143,081	140,508	(202,054)	81,535
Capital assets being depreciated:				
Land improvements	275,360	12,309	—	287,669
Buildings and improvements	2,324,468	130,953	—	2,455,421
Furniture and equipment	457,356	35,156	(11,004)	481,508
Infrastructure	843,740	85,066	—	928,806
Total capital assets being depreciated	3,900,924	263,484	(11,004)	4,153,404
Less accumulated depreciation for:				
Land improvements	111,220	16,171	—	127,391
Buildings and improvements	1,216,286	56,027	—	1,272,313
Furniture and equipment	329,080	49,210	(10,910)	367,380
Infrastructure	296,389	28,677	—	325,066
Total accumulated depreciation	1,952,975	150,085	(10,910)	2,092,150
Total capital assets being depreciated, net	1,947,949	113,399	(94)	2,061,254
Governmental activities capital assets, net	\$ 2,091,030	\$ 253,907	\$ (202,148)	\$ 2,142,789

Depreciation expense was charged to functions of the governmental activities as follows (in thousands):

General government	\$	18,261
Human services		3,780
Public safety		27,003
Public works, including depreciation of general infrastructure assets		29,123
Property and development		10,423
Parks and recreation		14,064
Library		7,003
Schools		40,149
Public health		279
Total depreciation expense - governmental activities	\$	<u>150,085</u>

9. Interfund Balances and Amounts Due To and From Component Units

Individual fund receivable and payable balances at June 30, 2018 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,860	\$ 168
Special revenue	211	1,899
Non-major governmental funds	7,696	7,700
Balances at June 30, 2018	<u>\$ 9,767</u>	<u>\$ 9,767</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements and to record amounts owed for rent related to the Dudley Municipal Center property.

Amounts due to and from discretely presented component units at June 30, 2018 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 7,234	\$ 2,413
Balances at June 30, 2018	<u>7,234</u>	<u>2,413</u>
Discretely presented component units:		
TPL	—	578
BPHC	2,413	931
BPDA	—	5,725
Balances at June 30, 2018	<u>2,413</u>	<u>7,234</u>
Balances at June 30, 2018	<u>\$ 9,647</u>	<u>\$ 9,647</u>

10. Long-Term Obligations

Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2018 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds, Notes, Leases and Other long-term obligations:						
General Obligation Bonds	0 - 6.05%	\$ 1,278,015	\$ 150,000	\$ 120,040	\$ 1,307,975	\$ 124,360
Add (deduct):						
					149,475	
					(124,360)	
					<u>1,333,090</u>	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes payable	2.10-7.18%	\$ 74,266	\$ —	\$ 6,868	\$ 67,398	\$ 1,569
Leases payable		69,465	26,698	26,537	69,626	24,083
Judgments and claims		5,551	7,233	7,700	5,084	3,221
Tax abatements		15,000	2,300	—	17,300	5,500
Workers' compensation		168,710	15,170	13,874	170,006	49,134
Health and life claims		23,881	224,951	228,942	19,890	19,890
Compensated absences		196,556	109,152	78,013	227,695	61,572
Landfill closure and postclosure care costs		7,364	—	407	6,957	350
Pollution remediation		500	—	—	500	—
Other postemployment benefits*		2,252,189	242,308	206,337	2,288,160	—
Net pension liability		1,574,036	—	200,351	1,373,685	—
Total bonds, notes, leases, and other long-term obligations		<u>\$ 4,387,518</u>	<u>\$ 627,812</u>	<u>\$ 769,029</u>	<u>\$ 4,246,301</u>	<u>\$ 165,319</u>

*As restated in note 2q

The payment of long-term obligations of the governmental activities, except for health and life claims, is the responsibility of the City's General Fund. Health and life claims are the responsibility of the City's Internal Service Fund.

The annual debt service requirements of the City's general obligation bonds, notes and leases payable as of June 30, 2018, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General Obligation Bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2019	\$ 124,360	\$ 55,917	\$ (3,150)	\$ 177,127
2020	114,620	50,657	(3,070)	162,207
2021	112,905	45,103	(2,986)	155,022
2022	117,215	39,574	(2,887)	153,902
2023	106,180	34,565	(2,397)	138,348
2024-2028	422,665	106,902	(4,681)	524,886
2029-2033	223,530	40,061	(214)	263,377
2034-2038	86,500	8,281	—	94,781
	<u>\$ 1,307,975</u>	<u>\$ 381,060</u>	<u>\$ (19,385)</u>	<u>\$ 1,669,650</u>
Notes Payable:				
Year(s) ending June 30:				
2019	\$ 1,569	\$ 1,066	\$ —	\$ 2,635
2020	1,708	1,040	—	2,748
2021	1,584	1,000	—	2,584
2022	1,438	947	—	2,385
2023	2,955	869	—	3,824
2024-2028	12,812	3,632	—	16,444
2029-2033	16,532	2,418	—	18,950
2034-2038	12,728	638	—	13,366
Thereafter	16,072	1,125	—	17,197
	<u>\$ 67,398</u>	<u>\$ 12,735</u>	<u>\$ —</u>	<u>\$ 80,133</u>
Leases Payable:				
Year(s) ending June 30:				
2019	\$ 24,083	\$ 955	\$ —	\$ 25,038
2020	17,745	632	—	18,377
2021	12,006	390	—	12,396
2022	7,497	224	—	7,721
2023	5,306	112	—	5,418
2024-2025	2,989	45	—	3,034
	<u>\$ 69,626</u>	<u>\$ 2,358</u>	<u>\$ —</u>	<u>\$ 71,984</u>

On May 30, 2018, the City issued \$150.0 million of general obligation bonds for various municipal capital projects. Interest on the bonds are payable semiannually each May 1 and November 1 until maturity in fiscal year 2038.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. The gross amount of assets acquired under the equipment lease agreements totals \$69.6 million as of June 30, 2018. The City's operating lease with DSRC is described in note 19.

No Obligation Debt

The City has outstanding industrial, commercial, and housing development bonds payable solely from revenues of the respective enterprises that do not constitute an indebtedness of the City and are not charged against its general credit. This aggregate amount is immaterial to the financial statements.

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions for governmental activities and still outstanding at June 30, 2018 was approximately \$57.6 million.

Debt Capacity

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the Massachusetts Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Secretary of Administration and Finance. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2018, the City may issue \$5.03 billion of additional general obligation debt under the debt limit. General obligation debt of \$896.9 million, subject to the debt limit, and \$76.6 million, exempt from the debt limit, are authorized but unissued as of June 30, 2018.

11. Retirement Plans

a. Plan Description

The City contributes to the BRS, a cost-sharing, multiple-employer qualified defined benefit governmental pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries of the following government units:

- (1) City of Boston
- (2) Boston Planning & Development Agency
- (3) Boston Housing Authority
- (4) Boston Water and Sewer Commission
- (5) Boston Public Health Commission
- (6) Sheriff of Suffolk County (Retirees as of December 31, 2009, funded by the City)

The Commonwealth of Massachusetts also is another contributing entity and makes contributions to BRS related to City of Boston teachers.

The System is administered by a five person Board of Retirement consisting of the City Auditor, who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor, and a fifth member chosen by the other members. A complete set of financial statements for BRS for the fiscal year ended December 31, 2017 can be obtained through the BRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website www.cityofboston.gov/retirement/investment.asp.

Participation in the System is mandatory for all permanent, full time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment, or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants who resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2017).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 20 years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2012). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigned the authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to the Boston Retirement Board.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits.

Accidental disability is provided to members with incapacitation resulting from a work-related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation a member earned while an active employee on date of injury or average annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work-related and has attained ten years of creditable service. Such benefits are provided as if the member had attained the age of 55 (or actual age if over 55) based on the amount of creditable service actually earned. Limits are placed on how much a disability employee can earn from other sources while collecting a disability retirement pension.

The City is legally responsible for funding the employer portion of all pensions associated with certain retirees from the Suffolk County Sheriff's Department (SCSD), which became part of the Commonwealth of Massachusetts in 2010, pursuant to a cooperation agreement (the Agreement) dated June 28, 2011. According to the Agreement, all employees of the SCSD, or its predecessor department, who retired prior to January 1, 2010 remained retirees of the BRS. In addition, members of AFSCME Local 419 who retired between January 1, 2010 and October 31, 2010, remained retirees of the BRS. Employer contributions related to these retirees are the responsibility of the City under the Agreement.

Special Funding Situations

The City is party to a special funding situation with the Commonwealth of Massachusetts with respect to City of Boston Teachers. The Commonwealth is responsible for funding the employer portion of all teacher pensions in the Commonwealth. All teachers in the Commonwealth are members of the Massachusetts Teachers Retirement System, with the exception of teachers employed by the City, who are members of BRS. Although Boston Teachers are members of BRS, the Commonwealth is the responsible contributing entity as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

The Commonwealth is also legally responsible for reimbursing BRS for a portion of the benefits payments for cost of living increases granted before July 1997 as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

b. BRS Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. The following is a description of the valuation techniques and inputs used for each major class of assets and liabilities measured at fair value:

(1) Short-term, Equity and Fixed Income Investments - Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Certain fixed income securities not traded on an exchange are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(2) Pooled funds - the fair value of shares in managed investment pools is based on unit values reported by the funds.

(3) Alternative investments include hedge funds, holding through commingled limited partnerships of venture capital funds, including equity interests in early, middle, and later stage companies, as well as debt and equity interests in buyouts, acquisitions, restructurings, mezzanine structures and special situations, such as litigation or spin-off activities. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

(4) Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on the net asset values of the entities, which are estimated using third-party appraisals and other information provided by property managers.

c. Membership

Membership in the System consisted of the following at December 31, 2015:

Active plan members	20,498
Retirees and beneficiaries receiving benefits	14,485
Inactive members entitled to a return of contributions	8,690
Inactive members entitled to, but not yet receiving benefits	1,050
Total membership	44,723
Total number of participating employers	6

d. Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 11% of their regular gross compensation. Non-teacher members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on an actuarial computation. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended December 31, 2017, the System was due \$391.5 million from all employers and the Commonwealth and received \$391.5 million in these contributions. For the year ended June 30, 2018, inclusive of contributions related to SCSD, and exclusive of contributions related to the City's teachers, the City's required and actual contribution was \$214.2 million. For the year ended June 30, 2018, the Commonwealth's required and actual contribution related to City Teachers was

\$131.3 million. The amount is reported as intergovernmental revenue and retirement cost expenditures in the General Fund.

e. Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2017 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,763,239	Active members' contribution balance
Annuity reserve fund	440,791	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	4,431,640	Amounts appropriated to fund future retirement benefits
Pension fund	130,771	Remaining net position
	<u>\$ 6,766,491</u>	

All reserve accounts are funded at levels required by state statute.

f. City Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability of \$1.29 billion for its proportionate share of the BRS net pension liability measured as of December 31, 2017. This net pension liability includes amounts related to SCSD retirees and reflects a reduction for the special funding situations with the Commonwealth. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situations, and the total portion of the net pension liability associated with the City measured at December 31, 2017 were as follows (in thousands):

City's proportionate share of net pension liability	\$ 1,287,747
Commonwealth's proportionate share of net pension liability associated with the City	2,451,454
Total	<u>\$ 3,739,201</u>

To determine employers' proportionate share of the net pension liability, separate calculations of net pension liability were performed for each of the Commonwealth special funding situations, SCSD retirees, and the remaining non-teacher group. At December 31, 2017, the City was allocated 100% of the net pension liability for SCSD retirees and 82.1% of the remaining non-teacher group based on its proportion of 2015 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2017 was 32.04% compared to 35.66% at December 31, 2016.

For the year ended June 30, 2018, in the Government-wide financial statements, the City recognized pension expense of \$444.3 million and revenue of \$248.7 million related to the Commonwealth special funding situations. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings	\$ —	\$ 91,651
Difference between expected and actual experience	—	96,383
Changes in assumptions	144,786	37,712
Changes in employer proportion	20,247	—
Employer contributions made subsequent to the measurement date	12,000	—
	<u>\$ 177,033</u>	<u>\$ 225,746</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2019	\$ 25,338
2020	3,278
2021	(58,708)
2022	(60,110)
2023	29,489
	<u>\$ (60,713)</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS's fiduciary net position have been determined on the same basis as they are reported for the BRS.

g. Actuarial Assumptions

The total pension liability for the December 31, 2017 measurement date was determined by using an actuarial valuation as of December 31, 2015, with updated procedures used to roll forward the total pension liability to December 31, 2017. The measurement of the total pension liability at December 31, 2017 applied the following actuarial assumptions:

Inflation	3.25%
Salary Scale	7.5% to 4% percent, indexed by year of service, for teachers and 4.5% to 4% for non-teachers
Investment rate of return, including inflation	7.50% for BRS excluding teachers and 7.35% for teachers, net of expenses, including inflation
Cost of living adjustments	3% of first \$14,000 (\$13,000 at December 31, 2016)
Mortality	RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward 1 year for female participants projected generationally using Scale MP-2017 for BRS excluding Teachers and RP-2014 White Collar Employee and Healthy Annuitant Mortality Tables projected generationally with Scale MP-2016 for Teachers

The investment rate of return of 7.5% for non-teachers and 7.35% for teachers, indicated above, was a reduction from the 7.75% and 7.5%, respectively, used in the measurement of the December 31, 2016 liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation date of December 31, 2017 for BRS, excluding Teachers, are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	25%	6.15%
International developed markets equity	16	7.11
International emerging markets equity	11	9.41
Core fixed income	11	1.68
High yield fixed income	13	4.13
Real estate	10	4.90
Hedge fund, GTAA, Risk parity	7	3.94
Private equity	7	10.28
	100%	

h. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for BRS excluding Teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employers and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the BRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

i. Sensitivity of the City's Proportionate Share of the BRS Net Pension Liability

The following presents the City's proportionate share of the BRS net pension liability calculated using the discount rate of 7.50% for the BRS excluding Teachers, as well as what the City's proportionate share of the BRS net pension liability would be if the liability was calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate for BRS excluding Teachers (in thousands):

		City's net pension liability		
		1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30, 2018	\$	1,903,685	\$ 1,287,747	\$ 767,146

j. Non-contributory retirees and beneficiaries

In addition to appropriation payments to cover current and future benefit payments of City employees covered by the BRS, the City funds noncontributory retirement benefits for pensioners whose employment predates the BRS, certain veterans who meet certain state law requirements, former employees retired under Massachusetts Special Acts and families receiving killed-in-the-line-of-duty benefits. These retirees and beneficiaries receive benefits for their lifetime. As of June 30, 2018, the date of the City's Actuarial Valuation for the City's Non-contributory and Special Legislation Retirees, the City is providing such benefits to 71 pensioners; these benefits are funded on a pay-as-you-go basis with annual benefits of approximately \$4.0 million. The City's net pension liability for the noncontributory retirees and beneficiaries is \$85.9 million, as of June 30, 2018.

The actuarial valuation as of June 30, 2016 was used to determine the City's pension liability and pension expense as of June 30, 2017 (in thousands):

Total Pension liability	\$	85,938
Plan fiduciary net position		—
Plan net pension liability	\$	85,938
Plan fiduciary net position as a percentage of the total pension liability		—%
Interest	\$	3,159
Recognized portion of current year assumption changes		(3,465)
Pension expense (income)	\$	(306)

The pension expense reflects immediate recognition of the change in assumptions because the group of retirees and beneficiaries is assumed to be closed.

There are no deferred outflows/inflows of resources related to these pensions. The discount rate used to determine the total pension liability was 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017, which was the high quality tax-exempt general obligation municipal bond rates (20-Bond GO Index) as published by The Bond Buyer for those dates. The mortality assumptions are the same as used in the Boston Retirement System Actuarial Valuation Report as noted in footnote 11(g).

12. Other Post Employment Benefits (OPEB)

Plan Description

The City sponsors and participates in the Other Postemployment Benefit Trust Plan (the Plan) an agent multi-employer defined benefit OPEB plan that provides healthcare and insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. The Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. City ordinance grants the authority to the City to establish a healthcare benefit trust fund for purposes of providing retiree healthcare benefits to employees of the City and the Boston Public Health Commission.

The OPEB plan is administered by the City and issues a standalone financial report that can be obtained from www.boston.gov/departments/auditing

a. Benefits Provided

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Neighborhood Health Plan. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan.

Groups 1 and 2 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on accidental disability retirement are eligible at any age, while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and post retirement death benefits, as well as medical and prescription drug coverage.

b. Employees Covered by the Benefit Terms

As of June 30, 2017, the most recent actuarial valuation date, the following employees meet the eligibility requirements as put forth in Chapter 32B of M.G.L.:

	<u>City</u>	<u>PHC</u>
Active Plan members	14,186	904
Inactive members receiving benefits	14,863	251
Inactive Plan members entitled to but not yet receiving benefits	—	—
Total membership	<u>29,049</u>	<u>1,155</u>

c. Contributions

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB Plan is currently funded on a pay-as-you-go basis plus periodic advance funding contributions as amounts are available. The employers and plan members share the cost of benefits. As of June 30, 2017, the valuation date, the plan members contribute 12.0% to 29.5% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

d. Basis of Accounting

The OPEB Trust Fund Financial Statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when made. Benefits are recognized when due and payable in accordance with the terms of each plan.

Investments are reported at fair value. Fair value of securities held directly are based on quotations from national securities exchanges.

e. Investment Policy

The provisions of Massachusetts General Laws (M.G.L) c. 44 sec 54 allows investment in securities listed on the Commonwealth's approved securities listing. The OPEB investment portfolio is managed by the City's Investment committee consisting of the City Auditor, the Assistant City Manager of Fiscal Affairs, Assistant Finance Director, and City Assessor. The investment strategy is to reduce risk through the prudent diversification of the portfolio across the distinct allowable asset classes. The Committee aims to remain consistent in the approach and refrain from dramatically shifting asset class allocation over a short period.

Actuarial Methods and Assumptions

The total OPEB liability at June 30, 2018 was based on a June 30, 2017 valuation using the following assumptions:

Salary Increase. Non-teachers: 4.0 to 4.5%. Teachers: 4.0 to 7.5%

Inflation Increase. 3.25%

Actuarial Cost Method. The entry age normal cost method based on level percentage of payroll.

Mortality. RP-2014 generational table using Scale MP-2017 for non-teachers and MP-2016 for teachers, applied on a gender-specific basis.

Healthcare cost trend rates. Trend rates begin with 7.0% and decrease 0.5% annually to an ultimate rate of 5.0% for non-medicare costs and 8.0%, decreasing by 0.5% annually to an ultimate rate of 5.0%.

Discount Rate. The discount rate used to measure the total OPEB liability is 6.75% per annum.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and

best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of return
Domestic equity	30%	6.44%
International developed markets equity	12%	7.40%
International emerging markets equity	3%	9.42%
Core Fixed Income	33%	2.02%
Hedge Fund, GTAA, Risk parity	22%	3.75%
Total	<u>100%</u>	

Net OPEB Liability

The components of the net OPEB liability for the Plan as of June 30, 2018, presented below on the June 30, 2017 measurement date and the actuarial assumptions are outlined above (in thousands):

Total OPEB Liability	\$ 2,874,860
Fiduciary net position	<u>(520,629)</u>
City's net OPEB liability	<u>\$ 2,354,231</u>
 Fiduciary net position as a percentage of the total OPEB liability	 <u>18.11%</u>

Change in the Net OPEB Liability

	Total OPEB liability	Plan Fiduciary Net Position	Net OPEB liability
Balances at June 30, 2016	<u>\$ 2,618,024</u>	<u>\$ 365,835</u>	<u>\$ 2,252,189</u>
Changes for the year:			
Service cost	65,146	—	65,146
Interest	177,157	—	177,157
Differences between expected and actual experience	(1,717)	—	(1,717)
Contributions - employer	—	157,464	(157,464)
Net investment income, net	—	47,156	(47,156)
Benefit payments	(117,464)	(117,464)	—
Administrative expenses	—	(5)	5
Net changes	<u>123,122</u>	<u>87,151</u>	<u>35,971</u>
Balances at June 30, 2017	<u>\$ 2,741,146</u>	<u>\$ 452,986</u>	<u>\$ 2,288,160</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rates disclosed as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as of June 30, 2017 (in thousands):

	Current Rate	1% Decrease in current rate	Current discount rate	1% Increase in current rate
Net OPEB liability	<u>6.75%</u>	<u>\$ 26,751,343</u>	<u>\$2,288,160</u>	<u>\$1,970,660</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease of current rate	Current discount rate	1% Increase of current rate
Net OPEB liability	<u>\$ 1,939,952</u>	<u>2,288,160</u>	<u>2,723,121</u>

Annual Money Weighted Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was 5.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Plan financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the City recognized OPEB expense of \$212 million.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension amounts from the following sources (in thousands):

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between projected and actual earnings	\$ —	\$ 16,891
Differences between expected and actual experience	—	1,472
Employer contributions made subsequent to the measurement date	159,966	—
Totals	<u>\$ 159,966</u>	<u>\$ 18,363</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ (4,468)
2020	(4,468)
2021	(4,468)
2022	(4,468)
2023	(245)
Thereafter	(246)
Total	<u>\$ (18,363)</u>

13. Transfers

Transfers and their purposes during the year ended June 30, 2018 were as follows (in thousands):

	Governmental funds			
	General	Special revenue	Capital projects	Other governmental
Primary government:				
Parking Meter Fees	\$ —	\$ (46,385)	\$ 46,385	\$ —
Debt Service	(1,455)	—	—	1,455
Total	<u>\$ (1,455)</u>	<u>\$ (46,385)</u>	<u>\$ 46,385</u>	<u>\$ 1,455</u>

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2018 in the following categories (in thousands):

Public Safety:	
Snow Removal	\$ 5,605
Police	14,361
Fire	980
Execution of Courts	14,513
	<u>\$ 35,459</u>

The excess expenditures reported above are allowed under the budgetary laws governing the City.

15. Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2018 are as follows (in thousands):

Fund Balances:	General	Special Revenue	Capital Projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ —	\$ —	\$ —	\$ 10,041
Subtotal	—	—	—	10,041
Restricted for:				
General government	—	—	31,402	3,622
Human services	—	—	1,398	—
Police	—	—	18,025	—
Fire	—	—	5,770	—
Other public safety	—	—	4,830	—
Public Works	—	—	51,657	—
Property and Development	—	38,447	16,051	34,974
Parks and recreation	—	—	14,873	41,644
Library	—	—	18,702	—
Schools	—	9,407	20,569	11,579
Subtotal	—	47,854	183,277	91,819
Assigned to:				
General government	3,144	2,022	—	—
Human services	351	4,049	—	—
Police	9,159	2,679	—	—
Fire	1,451	358	—	—
Other public safety	139	108,273	—	—
Public works	1,007	2,322	—	—
Property and development	2,116	71,424	—	—
Parks and recreation	72	2,856	—	—
Library	130	125	—	—
Schools	22,451	5,429	—	—
Judgments and claims	32,958	—	—	—
Catastrophic loss	26,072	—	—	—
Housing initiative	29,742	—	—	—
Debt service	7,162	—	—	—
Employee Related Costs	116,148	—	—	—
Designated for subsequent year expense	48,550	—	—	—
Subtotal	300,652	199,537	—	—
Unassigned	781,402	—	—	—
Total fund balances	\$ 1,082,054	\$ 247,391	\$ 183,277	\$ 101,860

16. Commitments and Contingencies

The City has assigned \$78.8 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$12.3 million in the Special Revenue Fund, \$22.8 million in the Capital Projects Fund, and \$262 thousand in Other Governmental Funds.

Infrastructure Investment Incentive Transactions

Infrastructure Investment Incentive transactions (I-Cubed) are governed by Chapter 293 of the Acts of 2006 (the Act). Under the Act, the funding for the projects associated with these transactions is provided through proceeds of bonds issued by the Massachusetts Development Finance Agency (MDFA) and is to be used for approved public infrastructure improvements undertaken by the developer. The debt service on these bonds will be paid by the Commonwealth through State Infrastructure Development Assistance to the extent that New State Tax Revenues generated once the project is operational offset the amounts paid to MDFA to cover the debt service. When this is not the case, the participating municipality or developer generally will be responsible for the shortfall depending on the transaction agreement. The Act provides for the establishment of a Municipal Liquidity Reserve (MLR) from which the participating municipality can draw to offset any required payments made to the Commonwealth. The MLR is generally funded by the developer either through cash or a direct pay letter of credit.

During fiscal year 2015, the City executed two Infrastructure Development Assistance Agreements (IDAA) for I-Cubed transactions. Under the first IDAA, \$32.4 million in bonds were issued by MDFA in September 2015. Also, an MLR of \$1.2 million was established at the time of the issuance of the bonds. This reserve is equal to twice the maximum annual debt service payable in any fiscal year on the bonds issued under the indenture. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2018. The City also recorded \$11.2 million in donated capital assets in fiscal year 2016 for improvements to City-owned infrastructure made by the developer. These assets have been recorded at acquisition value which has been defined as "the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date."

Under the second IDAA, \$10.0 million in bonds were issued by MDFA in fiscal year 2016. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for one-third of any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2018.

In connection with this second I-Cubed transaction, the City has a leasehold interest in a portion of the parking garage, which represents the public infrastructure improvements under the transaction, created under a master lease and its assignments and a sublease. With the execution of the master lease and sublease agreements, along with the assignment agreements transferring the interests of the owner of the parking garage to the City through the BPDA, the City essentially becomes the lessee on the master lease and the sub-landlord on the sublease. This results in the City having no responsibility for the operation of the parking garage and having the right to collect from the sub-lessee Section 121A PILOT payments from 2015 through 2036 and then base rent from 2036 through 2055, both of which are largely based on a percentage of gross revenues of the parking garage. The City has no obligation for any payments as lessee under the master lease.

17. Public Health System

Effective July 1, 1996, the City's Department of Health and Hospitals and Trustees of Health and Hospitals were abolished. Substantially all their assets and liabilities, including title to the City's two hospitals, BCH and Boston Specialty and Rehabilitation Hospital (BSRH), were transferred to and assumed by BPHC.

Also effective July 1, 1996, the operations of BCH and BSRH were consolidated with the operations of the Boston University Medical Center under the licensure and control of the BMC.

The BPHC receives the majority of its funding from federal and state grants, and a City appropriation. During fiscal year 2018, the City appropriated \$79.6 million to the BPHC. As described below, the BPHC uses the appropriation to pay debt service on certain general obligation bonds, for administrative purposes and to support the various public health programs run by the BPHC. The City has budgeted \$85.6 million for the BPHC for fiscal year 2019.

Due from BPHC/BMC

The BPHC is also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

18. Risk Management

The Risk Management Program focuses on a planned strategy of self-insurance, supported by strong prevention and cost reduction efforts, financial reserves and catastrophic insurance. The City is self-insured in most areas of risk including general liability, property and casualty, workers' compensation, certain employee health care costs and unemployment compensation.

The City's legal liabilities are capped per M.G.L. Chapter 258, and Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations. For workers' compensation, the City is exempt from state insurance requirements per M.G.L. Chapter 152 Section 25B. The City's Workers' Compensation Division as well as the Police and Fire Departments manage employee injury claims internally. The City budgets for and funds legal claims and employee injury costs through the General Fund, charging specific departments for their share of costs in order to promote awareness and prevention efforts.

The City provides health insurance coverage for employees and retirees through a variety of self-insured plans. The City budgets for and funds the premium costs for all plans through the General Fund. Self-insured plans are financially managed through the Internal Service Fund established in compliance with M.G.L. Chapter 32B, Section 3A. The guiding policy for the City of Boston Health Claims Trust Fund states that accounting for the fund will be in accordance with generally accepted accounting principles, and will ensure that all contributions and actual costs are shared between employers and their subscribers according to predetermined ratios.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$34.8 million at the end of fiscal 2018. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$25.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorneys' estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2018 and 2017 are as follows (in thousands):

	Internal service fund	
	2018	2017
Health and life claims, beginning of year	\$ 23,881	\$ 24,730
Incurred claims	222,090	212,853
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	\$ (226,081)	(213,702)
Health and life claims, end of year	<u>\$ 19,890</u>	<u>\$ 23,881</u>

	Government-wide statements	
	2018	2017
Judgments and claims, beginning of year	\$ 189,261	\$ 190,625
Incurring claims	24,703	17,018
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(13,874)	(13,223)
Tax abatement liability	—	(1,400)
Court judgments	(7,700)	(3,759)
Judgments and claims, end of year	<u>\$ 192,390</u>	<u>\$ 189,261</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys' estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

19. Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)

As described in note 1, the DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. As the project sponsor during fiscal year 2013, the City authorized and issued \$28.9 million in general obligation bonds and transferred proceeds to FBDC. FBDC, utilizing these bond proceeds, made loans totaling \$29.3 million to two investment funds. As of June 30, 2018, \$29.3 million is due to FBDC on such loans. The investment funds made these proceeds and funds from additional investments available to eight leverage lenders that made loans in the aggregate amount of \$40.8 million to DSRC to finance the Dudley Municipal Center project. This amount is recorded in the City's Notes and Leases Payable line of note 10. With the completion of the Dudley Municipal Center project, FBDC is the master tenant and leases the project from DSRC.

FBDC subleases the majority of space of the project to the City. The schedule of payments is the same in the lease and the sublease as follows (in thousands):

<u>Year(s) ending June 30:</u>	<u>Lease payments</u>
2019	\$ 595
2020	638
2021	638
2022	638
2023	1,334
2024-2028	10,150
2029-2033	10,150
2034-2038	10,150
2039-2043	10,150
2044-2048	9,135
Total	<u>\$ 53,578</u>

20. Discretely Presented Component Units

The following presents condensed financial statements for each of the discretely presented component units:

Condensed Statements of Net Position June 30, 2018 (In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 35,947	\$ 27,269	\$ 3,911	\$ 16,417	\$ 83,544
Cash and investments held by trustee	—	—	13,262	—	13,262
Receivables, net:					
Other	27,345	14,836	761	4,151	47,093
Other assets	186	—	9	2,163	2,358
Due from primary government	2,413	—	—	—	2,413
Total current assets	65,891	42,105	17,943	22,731	148,670
Noncurrent assets:					
Cash and investments held by trustee	—	—	61,926	—	61,926
Notes receivable	43,502	136,174	26	—	179,702
Capital assets:					
Nondepreciable	11,755	7,517	—	10,147	29,419
Depreciable	11,980	13,518	166	31,321	56,985
Total noncurrent assets	67,237	157,209	62,118	41,468	328,032
Total assets	133,128	199,314	80,061	64,199	476,702
Deferred outflows of resources:					
Deferred amount for pension costs	\$ 15,048	\$ 1,741	\$ —	\$ —	\$ 16,789
Deferred amount for other postemployment benefits costs	4,626	1,910	—	—	6,536
Total deferred outflows of resources	19,674	3,651	—	—	23,325

Condensed Statements of Net Position
June 30, 2018
(In thousands)

	<u>BPHC</u>	<u>BPDA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 20,637	\$ 2,013	\$ 720	\$ 6,883	\$ 30,253
Accrued liabilities:					
Other	799	541	478	1,568	3,386
Current portion of long-term debt and leases	1,704	1,910	—	812	4,426
Due to primary government	931	—	578	—	1,509
Unearned revenue	2,268	1,899	—	727	4,894
Total current liabilities	<u>26,339</u>	<u>6,363</u>	<u>1,776</u>	<u>9,990</u>	<u>44,468</u>
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	\$ 3,690	\$ 3,095	\$ —	\$ 10,584	\$ 17,369
Other noncurrent liabilities	1,575	144,433	—	1,070	147,078
Other postemployment benefits	112,125	31,656	—	—	143,781
Unearned revenue	44,510	20,965	—	—	65,475
Net pension liability	115,992	15,235	—	—	131,227
Due to primary government	—	5,725	—	—	5,725
Total noncurrent liabilities	<u>277,892</u>	<u>221,109</u>	<u>—</u>	<u>11,654</u>	<u>510,655</u>
Total liabilities	<u>304,231</u>	<u>227,472</u>	<u>1,776</u>	<u>21,644</u>	<u>555,123</u>
Deferred inflows of resources:					
Deferred amount for pension costs	\$ 29,209	\$ 4,104	—	—	\$ 33,313
Deferred amount for other postemployment benefits costs	14,877	5,178	—	—	20,055
Total deferred inflows of resources	<u>44,086</u>	<u>9,282</u>	<u>—</u>	<u>—</u>	<u>53,368</u>
Net position:					
Net investment in capital assets	18,341	18,020	166	30,071	66,598
Restricted	—	—	74,483	704	75,187
Unrestricted	(213,856)	(51,809)	3,636	11,780	(250,249)
Total net position	<u>\$ (195,515)</u>	<u>\$ (33,789)</u>	<u>\$ 78,285</u>	<u>\$ 42,555</u>	<u>\$ (108,464)</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2018
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 173,752	\$ 22,598	\$ 9,106	\$ 39,673	\$ 245,129
Program revenues:					
Charges for services	43,168	10,221	2,825	26,962	83,176
Operating grants and contributions	45,831	13,965	7,569	12,913	80,278
Capital grants and contributions	—	—	—	—	—
Total program revenues	88,999	24,186	10,394	39,875	163,454
Net program revenues (expenses)	(84,753)	1,588	1,288	202	(81,675)
General revenues:					
Investment income	66	77	64	—	207
Sale of property	—	5,848	—	—	5,848
City appropriation	79,563	—	—	—	79,563
Miscellaneous income	401	—	1,261	52	1,714
Total general revenues	80,030	5,925	1,325	52	87,332
Change in net position	(4,723)	7,513	2,613	254	5,657
Net position - beginning of year, restated	(190,792)	(41,302)	75,672	42,301	(114,121)
Net position - end of year	\$ (195,515)	\$ (33,789)	\$ 78,285	\$ 42,555	\$ (108,464)

Required Supplementary Information

(Unaudited)

Schedule of OPEB Contributions - OPEB

(Amounts in thousands)

	2017
Actuarially determined contribution	\$ 190,991
Contributions in relation to the actuarially determined contribution	157,464
Contribution surplus (deficiency)	<u>\$ (33,527)</u>
Covered payroll	<u>\$ 1,582,695</u>
Contributions as a percentage of covered-employee payroll	9.95%

Note: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Valuation date:

Actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. That is, the contribution for June 30, 2017 was determined with the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Projected Unit Credit
Amortization method:	Payments increasing at 4.5% per year
Remaining amortization:	30 years open
Asset valuation method:	Market Value
Inflation:	4.5%
Health care trend rates:	Non-Medicare costs 7% initial, decreasing 0.5% annually to an ultimate of 5%
	Medicare costs - 8% initial, decreasing 0.5% annually to an ultimate of 5%
	Medicare Part B premiums - 5%
Salary increases:	Non-teachers - 4% to 4.5%; Teachers 4% to 7.5%
Investment return:	7%
Mortality:	RP-2014 generational table using Scale MP-2017 for non-teachers and MP-2016 for teachers applied on a gender-specific basis.

Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2018
(Amounts in thousands)

Total OPEB Liability	2017
Service Cost	\$ 65,146
Interest	177,157
Differences between expected and actual experience	(1,717)
Change in assumption	—
Benefit payments, including refunds of employee contributions	(117,464)
Net Change in total OPEB liability	123,122
Total OPEB liability - beginning	2,618,024
Total OPEB liability - ending	2,741,146
Plan Fiduciary Net Position	
Contributions - employers	157,464
Contributions - employees	—
Net investment income, net	47,156
Benefit payments, including refunds of employee contributions	(117,464)
Administrative expenses	(5)
Net change in plan fiduciary net position	87,151
Plan fiduciary net position - beginning	365,835
Plan fiduciary net position - ending	452,986
Net OPEB liability	\$ 2,288,160
Plan fiduciary net position as a percentage of the total	
OPEB Liability	16.53%
Net OPEB liability as a percentage of the total covered payroll	144.57%
Covered payroll	1,582,695

Notes: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: None

Schedule of City's Proportionate Share of the Net Pension Liability - Boston Retirement System

(Amounts in millions)

	2018	2017	2016
City's proportion of the net pension liability	32.04%	35.66%	36.78%
City's proportionate share of the net pension liability	\$ 1,288	\$ 1,484	\$ 1,622
Commonwealth's proportionate share of net pension liability associated with the City	2,451	2,345	2,426
Total	<u>\$ 3,739</u>	<u>\$ 3,829</u>	<u>\$ 4,048</u>
City's covered payroll (for the period ended on the measurement date December 31, 2015 and 2014)	\$ 1,547	\$ 1,475	\$ 1,475
City's proportionate share of the net pension liability as a percentage of covered payroll	83.26%	100.61%	109.97%
BRS fiduciary net position as a percentage of the total pension liability	62.73%	58.44%	55.76%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

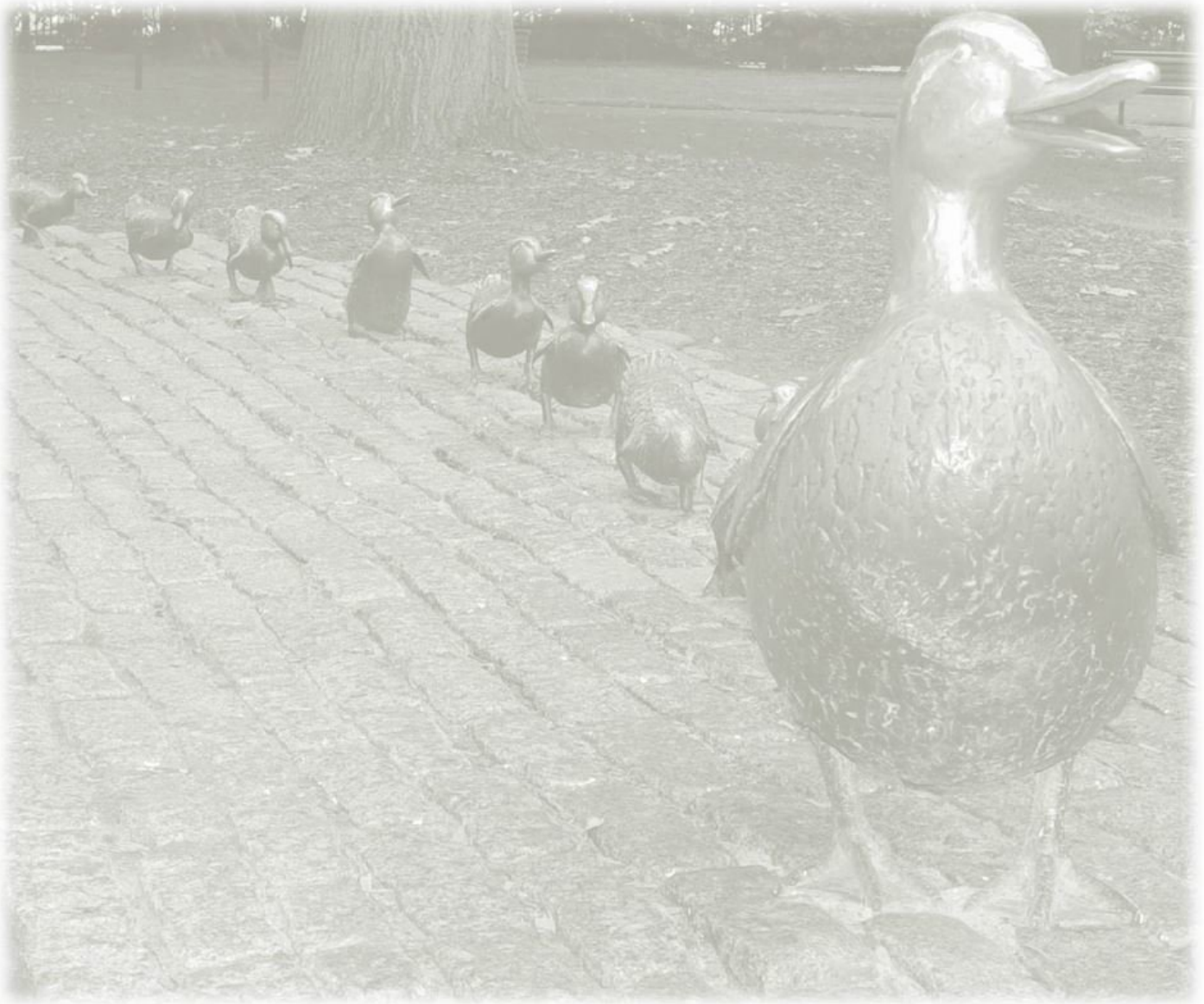
Schedule of City's Contributions - Boston Retirement System

(Amounts in millions)

	2018	2017	2016
Actuarially determined contribution	\$ 214	\$ 193	\$ 179
Contributions in relation to the actuarially determined contribution	214	193	179
Contribution surplus (deficiency)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll (for the fiscal year ended June 30, 2017, 2016 and 2015)	\$ 1,542	\$ 1,467	\$ 1,467
Contributions as a percentage of covered payroll	13.88%	13.16%	12.20%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

General Fund



“Make Way for Ducklings” – Boston Public Garden

The General Fund is the operating fund of the City. It is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.



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General Fund
Comparative Balance Sheets
June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and investments	\$ 1,309,557	\$ 1,153,840
Receivables:		
Property taxes	16,151	18,520
Motor vehicle / boat excise	24,594	26,650
Intergovernmental	10,525	38,483
Departmental and other	19,003	22,555
Tax title and possession	61,831	60,668
Total Receivables	<u>132,104</u>	<u>166,876</u>
Allowance:		
Motor vehicle / boat excise	(19,996)	(19,018)
Tax title and possession	(61,831)	(60,668)
Total Allowance	<u>(81,827)</u>	<u>(79,686)</u>
Net receivable	<u>50,277</u>	<u>87,190</u>
Due from other funds	1,860	1,868
Due from component units	7,234	6,709
Total assets	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>
LIABILITIES:		
Warrants and accounts payable	\$ 57,050	\$ 48,704
Accrued liabilities:		
Payroll and related costs	172,942	148,379
Deposits and other	24,674	26,032
Due to other funds	923	170
Due to component units	2,413	2,331
Total liabilities	<u>\$ 258,002</u>	<u>\$ 225,616</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>28,872</u>	<u>38,703</u>
FUND BALANCE:		
Assigned	300,652	283,208
Unassigned	781,402	702,080
Total fund balance	<u>1,082,054</u>	<u>985,288</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>

See accompanying independent auditor's report.

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

	2018	2017
REVENUES:		
Real and personal property taxes	\$ 2,221,877	\$ 2,079,693
Excises	243,581	212,797
Payments in lieu of taxes	84,940	80,501
Fines	63,206	63,046
Investment income	15,390	2,329
Licenses and permits	74,144	84,470
Departmental and other	98,287	87,985
Intergovernmental	570,753	554,661
Total Revenues	3,372,178	3,165,482
EXPENDITURES:		
Current:		
General government	90,076	85,855
Human services	35,023	31,422
Public safety	689,929	643,100
Public works	111,772	106,059
Property and development	39,022	42,460
Parks and recreation	25,285	23,447
Library	36,025	35,791
Schools	1,087,192	1,048,987
Public health programs	81,129	77,754
Judgments and claims	7,693	3,766
Retirement costs	356,251	347,402
Other employee benefits	261,377	247,965
State and district assessments	267,205	244,320
Total current expenditures	3,087,979	2,938,328
Capital outlays	9,738	10,283
Debt service	176,240	171,131
Total Expenditures	3,273,957	3,119,742
Excess of revenues over expenditures	98,221	45,740
OTHER FINANCING USES:		
Transfers out	(1,455)	(9,455)
Total other financing uses	(1,455)	(9,455)
Net change in fund balances	96,766	36,285
Fund balance - beginning	985,288	949,003
Fund balance - ending	\$ 1,082,054	\$ 985,288

See accompanying independent auditor's report.

General Fund**Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)**

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

Classification	2018				2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PROPERTY TAXES					
Real Estate Taxes	\$ 2,028,689	\$ 2,028,689	\$ 2,031,384	\$ 2,695	\$ 1,904,246
Real and Personal Property Taxes	157,198	157,198	160,608	3,410	149,150
Revenue class total	2,185,887	2,185,887	2,191,992	6,105	2,053,396
MOTOR VEHICLE EXCISE					
Motor Vehicle Excise - Current	52,000	52,000	39,440	(12,560)	36,049
Motor Vehicle Excise - Prior Years	—	—	27,443	27,443	16,012
Boat Excise - Current and Prior Years	40	40	57	17	62
Revenue class total	52,040	52,040	66,940	14,900	52,123
OTHER EXCISE TAXES					
Hotel / Motel Room Excise	88,051	88,051	94,010	5,959	91,306
Aircraft Fuel Excise	18,000	18,000	28,835	10,835	15,864
Condominium Conversion Excise	500	500	970	470	510
Meals Tax Excise	26,000	26,000	30,930	4,930	29,165
Urban Redevelopment Ch. 121A	10,500	10,500	41,576	31,076	18,949
Vehicle Rental Surcharge	1,500	1,500	1,553	53	1,581
TNC Surcharge	2,000	2,000	—	(2,000)	—
Revenue class total	146,551	146,551	197,874	51,323	157,375
COMMONWEALTH OF MASSACHUSETTS					
State Owned Lands	291	291	291	—	291
Exemption - Elderly	770	770	380	(390)	770
Exemption - Other	—	—	—	—	—
Lottery	—	—	—	—	—
Veterans Services - Local Aid	1,999	1,999	1,927	(72)	2,423
Police Career Incentive	—	—	—	—	—
Unrestricted General Government Aid	189,268	189,268	189,268	—	182,164
Local Share of Racing Taxes	314	314	443	129	348
School Construction	6,720	6,720	6,720	—	6,720
Charter School Reimbursement	23,155	23,155	22,613	(542)	16,089
Chapter 70 Education Aid	218,066	218,066	218,066	—	216,128
Revenue class total	440,583	440,583	439,708	(875)	424,933

(continued)

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

Classification	2018				2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes	\$ 2,500	\$ 2,500	\$ 2,911	\$ 411	\$ 2,569
Penalties & Interest - Motor Vehicle	2,500	2,500	3,069	569	2,913
Penalties & Interest - Tax Title	2,500	2,500	5,395	2,895	5,329
Penalties & Interest - Boat Excise	5	5	—	(5)	—
Sidewalk Paid in Advance	—	—	1	1	3
Unapportioned Assessments	—	—	2	2	13
Other Departmental Fees & Charges	2,000	2,000	2,289	289	2,066
Registry Division Fees	1,525	1,525	1,616	91	1,527
Liens	625	625	634	9	687
Other Departmental	2,000	2,000	3,200	1,200	2,323
City Clerk Fees	550	550	586	36	547
Muni Medicaid Reimbursement	7,250	7,250	8,115	865	9,162
Medicaid Part D	4,300	4,300	3,600	(700)	5,910
Police Services	500	500	765	265	769
Fire Services	6,500	6,500	7,322	822	6,461
Parking Facilities	1,900	1,900	2,956	1,056	2,268
Street Occupancy	8,500	8,500	8,873	373	6,022
Street and Sidewalk Permits	1,200	1,200	1,520	320	1,222
Demolition of Abandoned Structures	20	20	2	(18)	18
Property Mgmt - Building Rents	1,754	1,754	1,621	(133)	1,863
St. Furniture Program Fixed Fees	1,500	1,500	1,500	—	1,500
St. Furniture Program Adm Fees	1,100	1,100	1,251	151	1,340
DOIT E-Rate	800	800	1,284	484	1,392
Fiber Optics Access Fees	60	60	137	77	62
Tuition and Transportation - Schools	1,100	1,100	1,311	211	1,151
McKinney-Vento reimbursement	1,336	1,336	2,811	1,475	1,383
Library Fees	130	130	164	34	173
Cobra / Self-pay	468	468	287	(181)	392
Affirmative Recovery Unit	100	100	154	54	113
Fringe-Retirement	4,800	4,800	5,409	609	4,851
Pensions and Annuities	4,570	4,570	4,718	148	4,404
Indirect Costs Reimbursement	500	500	482	(18)	477
3rd Party Fringe Reimbursement	471	471	325	(147)	—
Third-Party Payments	—	—	—	—	1
Prior Year Reimbursements	—	—	149	149	2,964
Police Detail Payroll	—	—	9	9	49
Police Detail Administration Fee	4,600	4,600	4,684	84	4,637
Miscellaneous Collecting	—	—	8	8	11
Administrative Fee 3rd Party Payments	400	400	430	30	510
Revenue class total	68,064	68,064	79,590	11,526	77,082

(continued)

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Years Ended June 30, 2018 and 2017 (Amounts in thousands)

Classification	2018					2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
FINES						
Parking Fines	\$ 61,295	\$ 61,295	\$ 60,722	\$ (573)	\$ 60,472	
Court Fines	150	150	59	(91)	172	
Moving Violation Fines - Court	1,236	1,236	1,352	116	1,391	
Fire Safety Fines	40	40	52	12	36	
Code Enforcement	1,000	1,000	1,204	204	1,011	
Revenue class total	63,721	63,721	63,389	(332)	63,082	
PAYMENTS IN LIEU OF TAXES						
Massport	18,862	18,862	18,705	(157)	18,493	
Miscellaneous PILOT's	26,136	26,136	33,990	7,854	35,077	
Miscellaneous Ch 121B Section 16	8,000	8,000	9,542	1,542	6,464	
Miscellaneous Ch 121A Section 6A	15,000	15,000	21,347	6,347	22,098	
EDIC Chapter 121C PILOT	—	—	50	50	—	
Revenue class total	67,998	67,998	83,634	15,636	82,132	
INVESTMENT INCOME						
Interest on Investments	2,000	2,000	15,390	13,390	2,329	
Revenue class total	2,000	2,000	15,390	13,390	2,329	
LICENSES AND PERMITS						
Building Structures and Permits	46,123	46,123	52,818	6,695	61,954	
Weights and Measures	289	289	298	9	298	
Street and Curb Permits	3,500	3,500	3,660	160	3,650	
Pre-rental Inspections	1,800	1,800	1,322	(478)	1,955	
Other Departmental Licenses & Permits	700	700	562	(138)	642	
Health Inspections	1,800	1,800	1,871	71	1,864	
Alcoholic Beverages and Licenses	4,449	4,449	4,526	77	4,455	
Entertainment Licenses	1,700	1,700	1,902	202	1,816	
Police Firearm Permits	25	25	49	24	20	
Other Business Licenses and Permits	170	170	165	(5)	170	
Cable Television	6,500	6,500	7,335	835	7,269	
Revenue class total	67,056	67,056	74,508	7,452	84,093	
MISCELLANEOUS						
Air Rights	267	267	267	—	267	
Revenue class total	267	267	267	—	267	
TRANSFERS AND OTHER AVAILABLE FUNDS						
Surplus of Property	—	—	—	—	—	
Appropriated Cemetery Trustee	—	950	—	(950)	—	
Appropriated Parking Meter Receipts	22,500	22,500	—	(22,500)	—	
Appropriated Funds Balance	40,950	40,000	—	(40,000)	—	
Revenue class total	63,450	63,450	—	(63,450)	—	
Total Revenues and Other financing Sources	\$ 3,157,617	\$ 3,157,617	\$ 3,213,292	\$ 55,675	\$ 2,996,814	

See accompanying independent auditor's report.

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

Classification	2018					2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
GENERAL GOVERNMENT						
Costs of Issuance - RANS	\$ 500	\$ 400	\$ 400	\$ —	\$ 146	
Annual Audit Costs	750	981	980	1	779	
Mayor's Office	4,160	4,188	4,178	10	3,770	
City Council	5,341	5,256	5,248	8	5,084	
Office of New Bostonians	440	445	444	1	400	
Consumer Affairs and Licensing	1,121	1,152	1,152	—	1,059	
Election Department - Election Division	3,740	3,409	3,404	5	3,488	
Election Department - Listing Board	535	535	502	33	537	
Auditing Department	2,772	2,689	2,680	9	2,541	
Assessing Department	7,339	7,206	7,190	16	6,992	
Treasury Department - Collecting Division	3,038	3,290	3,287	3	2,557	
Treasury Department - Treasury Division	1,987	1,943	1,929	14	1,912	
Office of Budget Management	3,439	2,826	2,812	14	3,081	
Human Resources	3,640	3,541	3,537	4	2,877	
Purchasing Division	1,799	1,666	1,659	7	1,726	
Office of Administration & Finance	1,065	1,209	1,206	3	849	
Office of Labor Relations	1,439	1,269	1,250	19	1,356	
Department of Innovation & Technology	29,403	33,825	33,816	9	32,339	
Intergovernmental Relations	1,186	1,199	1,197	2	1,136	
Law Department	6,517	6,513	6,503	10	5,253	
Risk Retention Reserved	3,000	3,000	3,000	—	3,000	
Housing Trust Fund	441	482	472	10	280	
City Clerk	1,240	1,247	1,234	13	1,161	
Registry Division	1,025	969	958	11	966	
Finance Commission	271	278	271	7	264	
Tregor Reserve Fund	—	—	—	—	3,813	
Office of Civil Rights	279	284	259	25	258	
Commission for Persons with Disabilities	427	437	428	9	370	
Public Information	—	—	—	—	—	
Neighborhood Services	3,288	3,065	3,062	3	2,680	
Arts & Cultural Develop	1,334	1,366	1,347	19	1,247	
Arts, Tourism & Special Events	1,326	1,144	1,135	9	1,390	
Women's Commission	226	243	243	—	196	
Reserve for Collective Bargaining	18,199	15,500	15,500	—	28,000	
Function Total	111,267	111,557	111,283	274	121,507	
HUMAN SERVICES						
Boston Centers for Youth & Families	27,877	29,155	29,152	3	26,017	
Elderly Commission	3,227	3,596	3,568	28	3,221	
Veterans Services Department	4,720	3,300	3,234	66	3,283	
Function total	35,824	36,051	35,954	97	32,521	

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

Classification	2018				2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department	\$ 380,013	\$ 385,563	\$ 399,924	\$ (14,361)	\$ 364,595
Fire Department	232,440	232,440	233,420	(980)	219,083
Mayor's Office - Emergency Preparedness	637	652	651	1	643
Transportation - Traffic Division	26,538	26,908	26,905	3	25,146
Transportation - Parking Clerk	8,576	8,658	8,655	3	8,323
Inspection Services Department	19,378	18,570	18,566	4	18,555
Youth Fund	6,331	6,337	6,336	1	5,222
Function total	673,913	679,128	694,457	(15,329)	641,567
PUBLIC WORKS					
Public Works Department	86,558	84,861	84,760	101	80,648
Central Maintenance Facility	2,829	2,829	2,829	—	2,322
Snow Removal	22,564	22,564	28,169	(5,605)	24,875
Function total	111,951	110,254	115,758	(5,504)	109,478
PROPERTY AND DEVELOPMENT					
Property Management	25,387	25,778	25,716	62	28,369
Neighborhood Development	13,126	13,698	13,686	12	12,926
Function total	38,513	39,476	39,402	74	45,295
PARKS AND RECREATION					
Parks and Recreation Department	20,019	23,861	23,855	6	19,956
Environment Department	2,518	2,478	2,470	8	2,167
Cemetery Division	2,512	2,472	2,468	4	2,328
Function total	25,049	28,811	28,793	18	24,451
LIBRARY					
Library Department	36,030	35,760	35,758	2	34,775
Function total	36,031	35,760	35,758	2	34,775
SCHOOLS					
Boston Public Schools	1,092,056	1,093,311	1,093,290	21	1,031,628
Function total	1,092,056	1,093,311	1,093,290	21	1,031,628
PUBLIC HEALTH					
Public Health Commission	79,513	79,563	79,563	—	77,267
Function total	79,513	79,563	79,563	—	77,267

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

Classification	2018				2017 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts	\$ 5,000	\$ 5,000	\$ 19,513	\$ (14,513)	\$ 3,188
Function total	5,000	5,000	19,513	(14,513)	3,188
OTHER EMPLOYEE BENEFITS					
Medicare Payments	11,000	9,867	9,815	52	8,608
Human Resources - Health Insurance	216,180	211,131	210,986	145	205,281
Health Benefits & Insurance	821	734	715	19	676
Unemployment Compensation	350	25	—	25	—
Workers' Compensation Fund	2,200	1,400	1,386	14	1,479
OPEB Stabilization Fund	40,000	40,000	40,000	—	40,000
Function total	270,551	263,157	262,902	255	256,044
PENSION COSTS					
Boston Retirement System	221,302	233,302	233,302	—	199,280
Pensions and Annuities - City	4,100	3,674	3,636	38	3,607
Pensions and Annuities - County	100	58	30	28	38
Function total	225,502	237,034	236,968	66	202,925
DEBT REQUIREMENTS					
Redemption of City Loans	106,044	116,644	116,643	1	112,190
City Debt and Interest Payments	60,453	49,854	49,837	17	48,960
Temporary Notes	13,599	6	—	6	—
MWPAT Principal	1,218	1,218	1,218	—	1,187
MWPAT Interest	305	305	305	—	312
Section 108 - Dudley Square	505	505	505	—	505
Debt Service Sinking Funds	1,455	1,455	1,455	—	1,455
Lease Payments	551	551	551	—	551
Function total	184,130	170,538	170,514	24	165,160
STATE & DISTRICT ASSESSMENTS					
Health Insurance/Retirement	45	45	45	—	111
Parking Surcharge	2,265	2,265	2,265	—	2,265
Mosquito Control Projects	274	274	274	—	265
Special Education Chapter 766	743	743	743	—	734
Metropolitan Air Pollution Center	255	255	255	—	210
Metropolitan Area Planning	338	338	338	—	326
M.B.T.A. Assessments	85,805	85,805	85,805	—	83,823
M.D.C. Assessments	12	12	12	—	12
School Choice	925	985	985	—	882
Charter School Sending Tuition	173,782	173,380	173,352	28	151,817
Suffolk County Jail	3,875	3,875	3,875	—	3,875
Function total	268,319	267,977	267,949	28	244,320
Total Expenditures	\$ 3,157,617	\$ 3,157,617	\$ 3,192,104	\$ (34,487)	\$ 2,990,126

See accompanying independent auditor's report.

Special Revenue Fund



Commonwealth Avenue

The Special Revenue Fund is used to account for the proceeds of specific revenue sources, other than debt service, trust funds or capital projects that are legally restricted or committed for specific purposes.

This fund accounts for a number of federal and state grants administered by the City's individual departments in addition to Community Preservation Act funds.



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Special Revenue Fund
Combining Balance Sheets
June 30, 2018 and with comparative totals for 2017
(Amounts in thousands)

	Special Revenue	CPA Fund	Total	
			2018	2017
ASSETS:				
Cash and investments	\$ 227,401	\$ 20,230	\$ 247,631	\$ 245,567
Receivables, net:				
Intergovernmental	54,583	—	54,583	52,356
Departmental and other	29,039	176	29,215	35,054
Total receivables	83,622	176	83,798	87,410
Due from other funds	211	—	211	1,745
Total Assets	\$ 311,234	\$ 20,406	\$ 331,640	\$ 334,722
LIABILITIES:				
Warrants and accounts payable	\$ 24,375	\$ 7	\$ 24,382	\$ 25,344
Accrued liabilities:				
Payroll and related costs	89	6	95	1,282
Deposits and other	56,319	1,354	57,673	49,022
Due to other funds	1,877	22	1,899	3,405
Total liabilities	82,660	1,389	84,049	79,053
DEFERRED INFLOWS OF RESOURCES:				
Revenue not considered available	—	200	200	254
FUND BALANCE:				
Restricted	29,637	18,217	47,854	35,056
Assigned	198,937	600	199,537	220,359
Total fund balance	228,574	18,817	247,391	255,415
Total liabilities, deferred inflows of resources and fund balance	\$ 311,234	\$ 20,406	\$ 331,640	\$ 334,722

See accompanying independent auditor's report.

Special Revenue Fund

Combining Statements of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2018 with comparative totals for 2017

(Amounts in thousands)

	Special Revenue	CPA Fund	Total	
			2018	2017
REVENUES:				
Fines	\$ 73	\$ —	\$ 73	\$ —
Investment income	123	90	213	100
Licenses and permits	212	—	212	212
Departmental and other	52,546	18,839	71,385	61,694
Intergovernmental	265,723	—	265,723	258,671
Total revenues	318,677	18,929	337,606	320,677
EXPENDITURES:				
Current:				
General government	9,360	112	9,472	6,094
Human services	8,953	—	8,953	8,329
Public safety	21,692	—	21,692	34,371
Public works	10,062	—	10,062	8,534
Property & development	88,005	—	88,005	93,717
Parks and recreation	4,845	—	4,845	1,062
Library	2,452	—	2,452	3,180
Schools	150,198	—	150,198	139,127
Public health programs	2,140	—	2,140	1,615
Total current expenditures	297,707	112	297,819	297,796
Capital outlays	1,659	—	1,659	1,767
Total Expenditures	299,366	112	299,478	22,881
Excess of revenues over expenditures	19,311	18,817	38,128	22,881
OTHER FINANCING SOURCES (USES):				
Payments to escrow agent	—	—	—	(7,432)
Premiums on long-term debt issued	233	—	233	8,247
Transfer out	(46,385)	—	(46,385)	(15,000)
Total other financing sources (uses)	(46,152)	—	(46,152)	(14,185)
Net change in fund balances	(26,841)	18,817	(8,024)	8,695
Fund balance - beginning	255,415	—	255,415	246,719
Fund balance - ending	\$ 228,574	\$ 18,817	\$ 247,391	\$ 255,415

See accompanying independent auditor's report.

Capital Projects Fund



Boston skyline from Boston Harbor

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from federal and state grants.



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Capital Projects Fund
Comparative Balance Sheets
June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and investments	\$ 198,417	\$ 136,428
Cash and investment held by trustees	10,185	10,008
Intergovernmental receivables	13,058	6,292
Departmental and other receivables	—	657
Total Assets	<u>\$ 221,660</u>	<u>\$ 153,385</u>
LIABILITIES:		
Warrants and accounts payable	\$ 26,081	\$ 28,573
Total liabilities	<u>26,081</u>	<u>28,573</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>12,302</u>	<u>3,570</u>
FUND BALANCE:		
Restricted	<u>183,277</u>	<u>121,242</u>
Total fund balance	<u>183,277</u>	<u>121,242</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 221,660</u>	<u>\$ 153,385</u>

See accompanying independent auditor's report.

Capital Projects Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
REVENUES:		
Intergovernmental	\$ 38,261	\$ 43,579
Total revenues	<u>38,261</u>	<u>43,579</u>
EXPENDITURES:		
Capital outlays	222,598	221,321
Total expenditures	<u>222,598</u>	<u>221,321</u>
Deficiency of revenues under expenditures	<u>(184,337)</u>	<u>(177,742)</u>
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	176,698	181,935
Refunding bonds issued	—	58,370
Payments to escrow agent	—	(58,367)
Premiums on long-term debt issued	23,289	15,063
Operating transfers, net	46,385	23,000
Total other financing sources (uses)	<u>246,372</u>	<u>220,001</u>
Net change in fund balances	<u>62,035</u>	<u>42,259</u>
Fund balance - beginning	<u>121,242</u>	<u>78,983</u>
Fund balance - ending	<u>\$ 183,277</u>	<u>\$ 121,242</u>

See accompanying independent auditor's report.

Other Governmental Funds



Prudential Center

Other Governmental Funds are those funds that are not defined as major funds.

Permanent Fund, established by GASB Statement No. 34, is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. The permanent fund is composed of the following pools:

Pool#1 is used for the maintenance and improvement of the City's parks and cemeteries and the erection and maintenance of statues and monuments for the use and enjoyment of City residents.

Pool#2 is used for scholarship awards, the purchase of educational equipment, and the aid of needy students.

Pool#7 is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The non-expendable portion of the fund is composed of donations/contributions from either individuals or organizations. Donations/contributions are to be expended in conformity with their respective trust instruments.

Debt Service Fund is used to account for resources accumulating for principal and interest for the 2009 Qualified Construction School Bond.

Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)— The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. DSRC and FBDC are used to account for the construction and financing of the Dudley Municipal Center.



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Other Governmental Funds
Combining Balance Sheet
June 30, 2018 with comparative totals for 2017
(Amounts in thousands)

	Permanent Funds						Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	2018	2017
ASSETS:								
Cash and investments	\$ —	\$ —	\$ —	\$ 11,012	\$ —	\$ —	\$ 11,012	\$ 9,469
Cash and investments held by trustees	51,687	713	3,663	—	1,530	1,156	58,749	53,863
Receivables, net	48	2	2	—	—	32,500	32,552	31,347
Due from other funds	—	—	—	—	7,696	—	7,696	6,942
Total assets	\$ 51,735	\$ 715	\$ 3,665	\$ 11,012	\$ 9,226	\$ 33,656	\$ 110,009	\$ 101,621
LIABILITIES:								
Warrants and accounts payable	\$ 190	\$ 4	\$ 43	\$ —	\$ 68	\$ 144	\$ 449	\$ 724
Accrued liabilities	—	—	—	—	—	—	—	2
Due to other funds	4	—	—	—	—	7,696	7,700	6,980
Total liabilities	194	4	43	—	68	7,840	8,149	7,706
FUND BALANCE:								
Nonexpendable	9,897	144	—	—	—	—	10,041	10,041
Restricted	41,644	567	3,622	11,012	9,158	25,816	91,819	83,874
Total fund balance	51,541	711	3,622	11,012	9,158	25,816	101,860	93,915
Total liabilities and fund balance	\$ 51,735	\$ 715	\$ 3,665	\$ 11,012	\$ 9,226	\$ 33,656	\$ 110,009	\$ 101,621

See accompanying independent auditor's report.

Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2018 with comparative totals for 2017

(Amounts in thousands)

	Permanent Funds						Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	2018	2017
REVENUES:								
Investment income	\$ 5,413	\$ 81	\$ 37	\$ 88	\$ 5	\$ 307	\$ 5,931	\$ 7,972
Departmental and other	221	—	3,395	—	1,581	1,862	7,059	4,649
Total revenues	\$ 5,634	\$ 81	\$ 3,432	\$ 88	\$ 1,586	\$ 2,169	\$ 12,990	\$ 12,621
EXPENDITURES:								
General government	2,993	41	1,124	—	592	1,750	6,500	7,058
Capital outlays	—	—	—	—	—	—	—	319
Total expenditures	2,993	41	1,124	—	592	1,750	6,500	7,377
Net change in fund balances	2,641	40	2,308	88	994	419	6,490	5,244
OTHER FINANCING SOURCES:								
Transfers in	—	—	—	1,455	—	—	1,455	1,455
Total other financing sources	—	—	—	1,455	—	—	1,455	1,455
Net change in fund balances	2,641	40	2,308	1,543	994	419	7,945	6,699
Fund balance - beginning	48,900	671	1,314	9,469	8,164	25,397	93,915	87,216
Fund balance - ending	\$ 51,541	\$ 711	\$ 3,622	\$ 11,012	\$ 9,158	\$ 25,816	\$ 101,860	\$ 93,915

See accompanying independent auditor's report.

Internal Service Fund



Boston Public Library – Copley Square

Internal Service Fund accounts for the City’s self-insurance for health benefits provided by Blue Cross Blue Shield of Massachusetts and Harvard Pilgrim Healthcare for City employees, their dependents and retirees. The Internal Service Fund is included in the governmental activities column in the government-wide financial statements.



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Internal Service Fund
Comparative Statements of Net Position
June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and investments	\$ 89,380	\$ 73,916
Receivables	—	—
Other assets	11,988	6,541
Total Assets	<u>\$ 101,368</u>	<u>\$ 80,457</u>
LIABILITIES:		
Accrued liabilities	\$ 19,975	\$ 23,881
Total liabilities	<u>\$ 19,975</u>	<u>\$ 23,881</u>
NET POSITION:		
Unrestricted	81,393	56,576
Total net position	<u>\$ 81,393</u>	<u>\$ 56,576</u>

See accompanying independent auditor's report.

Internal Service Fund

Comparative Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
REVENUES:		
Employee contributions	\$ 68,905	\$ 63,287
Employer contributions	172,640	156,345
Total revenues	<u>241,545</u>	<u>219,632</u>
EXPENDITURES:		
Health benefits	216,728	211,835
Total expenditures	<u>216,728</u>	<u>211,835</u>
Change in net position	<u>24,817</u>	<u>7,797</u>
Net position - beginning	<u>56,576</u>	<u>48,779</u>
Net position - ending	<u>\$ 81,393</u>	<u>\$ 56,576</u>

See accompanying independent auditor's report.

Internal Service Fund
Comparative Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer	\$ 241,545	\$ 220,210
Cash paid to vendors	(226,081)	(213,702)
Net cash provided by (used in) operating activities	<u>15,464</u>	<u>6,508</u>
Cash and cash equivalents, beginning of year	<u>73,916</u>	<u>67,408</u>
Cash and cash equivalents, end of year	<u>\$ 89,380</u>	<u>\$ 73,916</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ 24,817	\$ 7,797
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Other assets	(5,447)	(1,018)
Due from component units / receivables	—	578
Accounts payable and accrued liabilities	(3,906)	(849)
Net cash provided by (used in) operating activities	<u>\$ 15,464</u>	<u>\$ 6,508</u>

See accompanying independent auditor's report.



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Fiduciary Funds



Leonard P. Zakim Bridge

EMPLOYEE RETIREMENT PLAN

Boston Retirement System is a defined benefit contributory retirement plan covering employees of the City of Boston, Boston Public Health Commission, Boston Housing Authority, Boston Redevelopment Authority, and the Boston Water and Sewer Commission. The System is subject to benefit provisions and financing requirements set forth primarily in Chapter 32 of the Massachusetts General Laws.

OPEB TRUST FUND

The *OPEB Trust Fund* is an irrevocable trust fund established for other postemployment benefits. The assets are appropriated from the General Fund and accumulate to reduce the unfunded actuarial liability for health care and other postemployment benefits.

PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds are used to report any trust arrangement not otherwise classified as pension or benefit trusts, or an investment trust fund, "under which principal and income benefit individuals, private organizations, or other governments."

Pool#1 is a co-mingled investment fund of various trust funds of the City. A number of the *Pool#1* trust funds are for the maintenance and improvement of the City's parks and cemeteries for the use and enjoyment of City residents. The other portion of *Pool#1* trust funds lack a general government purpose and are therefore classified here as private purpose trust funds.

Pool#2 is used for scholarship awards, the purchase of educational equipment, and the aid of needy students.

Pool#5 is formed by the will of George R. White dated May 21, 1920. The will requires that the fund's income be used for the creation of public utility and beauty for the use and enjoyment of the inhabitants of the City.

Pool#7 is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The nonexpendable portion of the fund is composed of donations/contributions from either individuals or organizations. Donations/contributions are to be expended in conformity with their respective trust instruments.

AGENCY FUND

Law Enforcement Trust Fund accounts for proceeds from property seized from illegal drug-related activities. Funds can be used to defray the costs of protracted investigations, to provide technical equipment or expertise, and to provide matching funds for federal grants.



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Pension and OPEB Trust Funds
Combining Statement of Plan Net Position
Years Ended December 31, 2017(Pension) and June 30, 2018(OPEB)
(Amounts in thousands)

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 6,653,714	\$ 541,454	\$ 7,195,168
Receivables:			
Interest and dividends	7,294	—	7,294
Securities sold	130,646	—	130,646
Employer contributions	16,709	—	16,709
Other	5,313	—	5,313
Total receivables	<u>159,962</u>	<u>—</u>	<u>159,962</u>
Prepaid expenses	28	—	28
Securities lending short-term collateral investment pool	173,640	—	173,640
Total Assets	<u>\$ 6,987,344</u>	<u>\$ 541,454</u>	<u>\$ 7,528,798</u>
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	\$ 16,617	\$ 218	\$ 16,835
Securities purchased	30,714	—	30,714
Collateral held on securities lending	173,522	—	173,522
Total liabilities	<u>220,853</u>	<u>218</u>	<u>221,071</u>
NET POSITION RESTRICTED FOR PENSIONS:			
Held in trust for pension benefits and other purposes	<u>\$ 6,766,491</u>	<u>\$ 541,236</u>	<u>\$ 7,307,727</u>

Boston Retirement System
Comparative Statements of Plan Net Position
Years Ended December 31, 2017 and 2016
(Amounts in thousands)

	Total Boston Retirement System	
	2017	2016
ASSETS:		
Cash and investments	\$ 6,653,714	\$ 5,860,261
Receivables:		
Interest and dividends	7,294	7,184
Securities sold	130,646	15,183
Employer contributions	16,709	13,134
Other	5,313	5,303
Total receivables	<u>159,962</u>	<u>40,804</u>
Prepaid expenses	28	—
Securities lending short-term collateral investment pool	173,640	191,892
Total Assets	<u>6,987,344</u>	<u>6,092,957</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 16,617	\$ 15,882
Securities purchased	30,714	34,166
Collateral held on securities lending	173,522	191,826
Total liabilities	<u>220,853</u>	<u>241,874</u>
NET POSITION RESTRICTED FOR PENSIONS:		
Held in trust for pension benefits and other purposes	<u>\$ 6,766,491</u>	<u>\$ 5,851,083</u>

OPEB Trust Fund
Comparative Statements of Plan Net Position
Years Ended June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and investments	\$ 541,454	\$ 470,449
Total Assets	<u>541,454</u>	<u>470,449</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 218	\$ 187
Total liabilities	<u>218</u>	<u>187</u>
NET POSITION RESTRICTED FOR OPEB:		
Held in trust for pension benefits and other purposes	<u><u>\$ 541,236</u></u>	<u><u>\$ 470,262</u></u>

See accompanying independent auditor's report.



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Private Purpose Trust Funds
Combining Statements of Net Position
Years Ended June 30, 2018 with comparative totals for 2017
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ASSETS:		
Cash and investments	\$ 26,443	\$ 583
Receivables:		
Other	22	1
Total receivables	<u>22</u>	<u>1</u>
Total Assets	<u>26,465</u>	<u>584</u>
LIABILITIES:		
Accounts payable	\$ 182	\$ 4
Accrued liabilities	—	—
Total liabilities	<u>182</u>	<u>4</u>
NET POSITION:		
Held in trust for other purposes	<u>\$ 26,283</u>	<u>\$ 580</u>

See accompanying independent auditor's report.

		Total Private Purpose Trust Funds	
Pool 5	Pool 7	2018	2017
\$ 28,172	\$ 57,844	\$ 113,042	\$ 113,356
51	25	99	132
51	25	99	132
28,223	57,869	113,141	113,488
\$ 141	\$ 1,849	\$ 2,176	\$ 3,151
—	54	54	81
141	1,903	2,230	3,232
\$ 28,082	\$ 55,966	\$ 110,911	\$ 110,256

Agency Fund
Comparative Statement of Assets and Liabilities
June 30, 2018 and June 30, 2017
(Amounts in thousands)

	Law Enforcement Trust Fund	
	2018	2017
ASSETS:		
Cash and investments	\$ 9,115	\$ 8,385
Total assets	9,115	8,385
LIABILITIES:		
Refunds payable and other	9,115	8,385
Total liabilities	\$ 9,115	\$ 8,385

See accompanying independent auditor's report.

Pension and OPEB Trust Funds
Combining Statement of Changes in Plan Net Position
Years Ended December 31, 2017(Pension) and June 30, 2018(OPEB)
(Amounts in thousands)

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS:			
Contributions:			
Employers	\$ 260,165	\$ 164,591	\$ 424,756
Employees	154,955	—	154,955
Commonwealth of Massachusetts (nonemployer)	131,298	—	131,298
Net appreciation (depreciation) in fair value of investments	897,860	23,133	920,993
Interest and dividends	118,788	6,332	125,120
Management and related fees	(30,304)	(728)	(31,032)
Securities lending income	3,026	—	3,026
Borrower rebates and fees	(1,828)	—	(1,828)
Intergovernmental	8,961	—	8,961
Miscellaneous Income	213	—	213
Total additions	<u>1,543,134</u>	<u>193,328</u>	<u>1,736,462</u>
DEDUCTIONS:			
Benefits	587,307	122,341	709,648
Reimbursements to other systems	12,515	—	12,515
Refunds of contributions	20,439	—	20,439
Administration	7,465	13	7,478
Total deductions	<u>627,726</u>	<u>122,354</u>	<u>750,080</u>
Changes in net position	<u>915,408</u>	<u>70,974</u>	<u>986,382</u>
Net position - beginning of year	<u>5,851,083</u>	<u>470,262</u>	<u>6,321,345</u>
Net position - end of year	<u>\$ 6,766,491</u>	<u>\$ 541,236</u>	<u>\$ 7,307,727</u>

See accompanying independent auditor's report.

Boston Retirement System
Comparative Statements of Changes in Plan Net Position
Years Ended December 31, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions:		
Employers	\$ 260,165	\$ 247,771
Employees	154,955	153,943
Commonwealth of Massachusetts (nonemployer)	131,298	132,477
Net appreciation (depreciation) in fair value of investments	897,860	198,838
Interest and dividends	118,788	188,572
Management and related fees	(30,304)	(28,940)
Securities lending income	3,026	2,704
Borrower rebates and fees	(1,828)	(1,123)
Intergovernmental	8,961	7,566
Miscellaneous Income	213	89
Total additions	<u>1,543,134</u>	<u>901,897</u>
DEDUCTIONS:		
Benefits	587,307	566,850
Reimbursements to other systems	12,515	12,662
Refunds of contributions	20,439	23,005
Administration	7,465	7,590
Total deductions	<u>627,726</u>	<u>610,107</u>
Changes in net position	<u>915,408</u>	<u>291,790</u>
Net position - beginning of year	<u>5,851,083</u>	<u>5,559,293</u>
Net position - end of year	<u>\$ 6,766,491</u>	<u>\$ 5,851,083</u>

OPEB Trust Fund
Comparative Statements of Changes in Plan Net Position
Years Ended June 30, 2018 and 2017
(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Contributions:		
Employers	\$ 164,591	\$ 163,791
Net appreciation (depreciation) in fair value of investments	23,133	45,197
Interest and dividends	6,332	4,536
Management and related fees	(728)	(651)
Total additions	<u>193,328</u>	<u>212,873</u>
DEDUCTIONS:		
Benefits	122,341	121,541
Administrative expenses and other	13	5
Total deductions	<u>122,354</u>	<u>121,546</u>
Changes in net position	<u>70,974</u>	<u>91,327</u>
Net position - beginning of year	<u>470,262</u>	<u>378,935</u>
Net position - end of year	<u>\$ 541,236</u>	<u>\$ 470,262</u>

See accompanying independent auditor's report.



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Private Purpose Trust Funds

Combining Statements of Changes in Net Position

Years Ended June 30, 2018 with comparative totals for 2017

(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ADDITIONS:		
Investment income	\$ 3,399	\$ 57
Donations and other	454	—
Total additions	<u>3,853</u>	<u>57</u>
DEDUCTIONS:		
Administrative expenses and other	3,514	30
Total operating expenses	<u>3,514</u>	<u>30</u>
Net changes in net position	<u>339</u>	<u>27</u>
Net position - beginning of year	<u>25,944</u>	<u>553</u>
Net position - end of year	<u>\$ 26,283</u>	<u>\$ 580</u>

Pool 5	Pool 7	Total Private Purpose Trust Funds	
		2018	2017
\$ 2,682	\$ 14,799	\$ 20,937	\$ 27,194
190	4,983	5,627	4,998
2,872	19,782	26,564	32,192
2,640	19,725	25,909	25,806
2,640	19,725	25,909	25,806
232	57	655	6,386
27,850	55,909	110,256	103,870
\$ 28,082	\$ 55,966	\$ 110,911	\$ 110,256

See accompanying independent auditor's report.

Agency Fund**Statement of Changes in Assets and Liabilities**

Year ended June 30, 2018

(Amounts in thousands)

	Law Enforcement Trust Fund			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and investments	\$ 8,385	\$ 4,514	\$ 3,784	\$ 9,115
LIABILITIES:				
Refunds payable and other	\$ 8,385	\$ 4,514	\$ 3,784	\$ 9,115

See accompanying independent auditor's report.

Discretely Presented Component Units



Boston skyline

Discretely presented component units are legally separate from the City but are included because the City is financially accountable for the organizations.

Discretely Presented Component Units

Combining Statements of Net Position

June 30, 2018 with comparative totals for 2017

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Assets:		
Current assets:		
Cash and investments	\$ 35,947	\$ 27,269
Cash and investments held by trustee	—	—
Receivables, net:		
Other	27,345	14,836
Other assets	186	—
Due from primary government	2,413	—
Total current assets	<u>65,891</u>	<u>42,105</u>
Noncurrent assets:		
Cash and investments held by trustee	—	—
Notes and other receivables	43,502	136,174
Capital assets:		
Nondepreciable	11,755	7,517
Depreciable, net	11,980	13,518
Total noncurrent assets	<u>67,237</u>	<u>157,209</u>
Total assets	<u>133,128</u>	<u>199,314</u>
Deferred outflows of resources:		
Deferred amount for pension and OPEB costs	<u>19,674</u>	<u>3,651</u>
Liabilities:		
Current liabilities		
Warrants and accounts payable	20,637	2,013
Accrued liabilities:		
Other	799	541
Current portion of long-term debt and obligations	1,704	1,910
Due to primary government	931	—
Unearned revenue	2,268	1,899
Total current liabilities	<u>26,339</u>	<u>6,363</u>
Noncurrent liabilities:		
Bonds notes and leases due in more than one year	3,690	3,095
Other noncurrent liabilities	1,575	144,433
OPEB liability	112,125	31,656
Unearned revenue	44,510	20,965
Net pension liability	115,992	15,235
Due to primary government	—	5,725
Total noncurrent liabilities	<u>277,892</u>	<u>221,109</u>
Total liabilities	<u>304,231</u>	<u>227,472</u>
Deferred outflows of resources:		
Deferred amount for pension costs and OPEB	<u>44,086</u>	<u>9,282</u>
Net Position:		
Net investment in capital assets	18,341	18,020
Restricted for:		
Restricted	—	—
Unrestricted	(213,856)	(51,809)
Total net position	<u>\$ (195,515)</u>	<u>\$ (33,789)</u>

See accompanying independent auditor's report.

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2018	2017
\$ 3,911	\$ 16,417	\$ 83,544	\$ 70,837
13,262	—	13,262	12,583
761	4,151	47,093	49,240
9	2,163	2,358	2,083
—	—	2,413	2,331
<u>17,943</u>	<u>22,731</u>	<u>148,670</u>	<u>137,074</u>
61,926	—	61,926	60,387
26	—	179,702	168,258
—	10,147	29,419	27,540
166	31,321	56,985	54,704
<u>62,118</u>	<u>41,468</u>	<u>328,032</u>	<u>310,889</u>
<u>80,061</u>	<u>64,199</u>	<u>476,702</u>	<u>447,963</u>
—	—	23,325	31,107
720	6,883	30,253	24,456
478	1,568	3,386	4,349
—	812	4,426	2,075
578	—	1,509	984
—	727	4,894	4,251
<u>1,776</u>	<u>9,990</u>	<u>44,468</u>	<u>36,115</u>
—	10,584	17,369	18,162
—	1,070	147,078	130,915
—	—	143,781	98,609
—	—	65,475	65,975
—	—	131,227	158,608
—	—	5,725	5,725
—	11,654	510,655	477,994
<u>1,776</u>	<u>21,644</u>	<u>555,123</u>	<u>514,109</u>
—	—	53,368	25,296
166	30,071	66,598	62,178
74,483	704	75,187	74,041
3,636	11,780	(250,249)	(196,554)
<u>\$ 78,285</u>	<u>\$ 42,555</u>	<u>\$ (108,464)</u>	<u>\$ (60,335)</u>

See accompanying independent auditor's report.

Discretely Presented Component Units
Combining Statements of Activities
Years Ended June 30, 2018 with comparative totals for 2017
(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Expenses	<u>\$ 173,752</u>	<u>\$ 22,598</u>
Program revenues:		
Charges for services	43,168	10,221
Operating grants and contributions	45,831	13,965
Capital grants and contributions	—	—
Total program revenues	<u>88,999</u>	<u>24,186</u>
Net expenses	<u>(84,753)</u>	<u>1,588</u>
General revenues:		
Investment income	66	77
Sale of property	—	5,848
City appropriation	79,563	—
Miscellaneous income	401	—
Total general revenues	<u>80,030</u>	<u>5,925</u>
Changes in net position	<u>(4,723)</u>	<u>7,513</u>
Net position - beginning of year, restated	<u>(190,792)</u>	<u>(41,302)</u>
Net position - end of year	<u><u>\$ (195,515)</u></u>	<u><u>\$ (33,789)</u></u>

See accompanying independent auditor's report.

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2018	2017
\$ 9,106	\$ 39,673	\$ 245,129	\$ 278,376
2,825	26,962	83,176	99,649
7,569	12,913	80,278	99,206
—	—	—	366
10,394	39,875	163,454	199,221
1,288	202	(81,675)	(79,155)
64	—	207	409
—	—	5,848	5,556
—	—	79,563	77,267
1,261	52	1,714	3,279
1,325	52	87,332	86,511
2,613	254	5,657	7,356
75,672	42,301	(114,121)	(67,691)
\$ 78,285	\$ 42,555	\$ (108,464)	\$ (60,335)

See accompanying independent auditor's report.



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STATISTICAL SECTION (Unaudited)

This part of the City of Boston's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	131
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time (See accompanying Management's Discussion and Analysis, Statement of Net Position, and Statement of Activities):</i>	
General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
Net Position by Component – Last Ten Fiscal Years	
Changes in Net Position – Last Ten Fiscal Years	
Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Revenue Capacity	145
<i>These schedules contain information to help the reader assess the government's most significant revenue source, the property tax:</i>	
Assessed and Estimated Actual Value of All Taxable Property – Last Ten Fiscal Years	
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	
Largest Principal Taxpayers – Current Year and Nine Years Ago	
Property Tax Levies and Collections – Last Ten Fiscal Years	
Debt Capacity	149
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future (See accompanying note 10 of the basic financial statements):</i>	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	
Legal Debt Margin Information – Last Ten Fiscal Years	
Demographic and Economic Information	155
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:</i>	
Demographic and Economic Statistics – Last Ten Fiscal Years	
Principal Employers – Current Year and Nine Years Ago	
Operating Information	157
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:</i>	
Full-time Equivalent City Government Employees by Department – Last Ten Fiscal Years	
Operating Indicators by Function – Last Ten Fiscal Years	
Capital Asset Statistics by Department – Last Ten Fiscal Years	
Sources: Unless otherwise noted, the prior year information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

General Government Expenditures by Function

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2018	2017	2016	2015	2014
General Government	\$ 90,076	\$ 85,855	\$ 80,684	\$ 58,242	\$ 102,786
% of Total	2.8	2.8	2.7	2.0	3.7
% Change	4.9	6.4	38.5	(43.3)	32.6
Public Safety	\$ 689,929	\$ 643,100	\$ 610,233	\$ 633,471	\$ 558,802
% of Total	21.1	20.6	20.6	22.2	20.4
% Change	7.3	5.4	(3.7)	13.4	0.9
Public Works	\$ 111,772	\$ 106,059	\$ 101,157	\$ 123,767	\$ 113,239
% of Total	3.4	3.4	3.4	4.3	4.1
% Change	5.4	4.8	(18.3)	9.3	10.2
Library	\$ 36,025	\$ 35,791	\$ 33,870	\$ 33,966	\$ 33,978
% of Total	1.1	1.1	1.1	1.2	1.2
% Change	0.7	5.7	(0.3)	—	10.0
Schools	\$ 1,087,192	\$ 1,048,987	\$ 1,016,412	\$ 960,228	\$ 940,276
% of Total	33.2	33.6	34.3	33.6	34.2
% Change	3.6	3.2	5.9	2.1	6.9
Retirement Costs	\$ 356,251	\$ 347,402	\$ 309,083	\$ 282,648	\$ 255,647
% of Total	10.9	11.1	10.4	9.9	9.3
% Change	2.5	12.4	9.4	10.6	8.7
Employee Benefits	\$ 261,377	\$ 247,965	\$ 236,661	\$ 230,089	\$ 234,400
% of Total	8.0	7.9	8.0	8.1	8.5
% Change	5.4	4.8	2.9	(1.8)	0.7
State & District Assessments	\$ 267,205	\$ 244,320	\$ 234,450	\$ 215,538	\$ 197,939
% of Total	8.2	7.8	7.9	7.5	7.2
% Change	9.4	4.2	8.8	8.9	12.3
Property & Development	\$ 39,022	\$ 42,460	\$ 33,870	\$ 35,594	\$ 33,376
% of Total	1.2	1.4	1.1	1.2	1.2
% Change	(8.1)	25.4	(4.8)	6.6	2.5
Other	\$ 335,108	\$ 317,804	\$ 311,076	\$ 282,621	\$ 275,250
% of Total	10.2	10.2	10.5	9.9	10.0
% Change	5.4	2.2	10.1	2.7	4.8
Total Expenditures	\$ 3,273,957	\$ 3,119,742	\$ 2,967,495	\$ 2,856,164	\$ 2,745,693
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	4.9	5.1	3.9	4.0	6.2

*General fund only

See accompanying independent auditor's report.

Fiscal Year					FUNCTION
2013	2012	2011	2010	2009	
\$ 77,515	\$ 68,828	\$ 65,459	\$ 70,514	\$ 69,524	General Government
3.0	2.8	2.7	2.9	3.1	% of Total
12.6	5.1	(7.2)	1.4	3.9	% Change
\$ 553,851	\$ 524,476	\$ 516,725	\$ 511,365	\$ 521,898	Public Safety
21.4	21.3	21.0	21.2	23.2	% of Total
5.6	1.5	1.0	(2)	2.5	% Change
\$ 102,789	\$ 84,727	\$ 105,318	\$ 96,641	\$ 112,168	Public Works
4.0	3.4	4.3	4	5	% of Total
21.3	(19.6)	9.0	(13.8)	3.1	% Change
\$ 30,888	\$ 30,069	\$ 30,532	\$ 29,853	\$ 31,268	Library
1.2	1.2	1.2	1.2	1.4	% of Total
2.7	(1.5)	2.3	(4.5)	15.4	% Change
\$ 879,898	\$ 830,839	\$ 812,949	\$ 815,694	\$ 818,338	Schools
34.0	33.8	33.0	33.8	36.4	% of Total
5.9	2.2	(0.3)	(0.3)	4.6	% Change
\$ 235,078	\$ 220,340	\$ 195,976	\$ 235,282	\$ 82,332	Retirement Costs
9.1	9.0	8.0	9.7	3.7	% of Total
6.7	12.4	(16.7)	185.8	(13.5)	% Change
\$ 232,831	\$ 251,194	\$ 294,200	\$ 224,156	\$ 191,597	Employee Benefits
9.0	10.2	12.0	9.3	8.5	% of Total
(7.3)	(14.6)	31.2	17	0.8	% Change
\$ 176,300	\$ 160,547	\$ 152,042	\$ 146,323	\$ 142,055	State & District Assessments
6.8	6.5	6.2	6.1	6.3	% of Total
9.8	5.6	3.9	3	7	% Change
\$ 32,568	\$ 30,089	\$ 35,138	\$ 30,247	\$ 28,959	Property & Development
1.3	1.2	1.4	1.3	1.3	% of Total
8.2	(14.4)	16.2	4.4	(3.1)	% Change
\$ 262,653	\$ 267,743	\$ 251,514	\$ 256,727	\$ 247,084	Other
10.2	10.9	10.2	10.6	11	% of Total
(1.9)	6.5	(2.0)	3.9	2.4	% Change
\$ 2,584,371	\$ 2,468,852	\$ 2,459,853	\$ 2,416,802	\$ 2,245,223	Total Expenditures
100.0	100.0	100.0	100.0	100.0	% of Total
5	0.4	1.8	7.6	2.8	% Change

See accompanying independent auditor's report.

General Government Revenues by Source

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2018	2017	2016	2015	2014
Property Taxes	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783
% of Total	65.9	65.7	64.4	64.0	63.6
% Change	6.8	5.7	5.4	5.6	5.4
Motor Vehicle Excises	\$ 52,040	\$ 52,061	\$ 67,686	\$ 52,922	\$ 52,972
% of Total	1.5	1.6	2.2	1.8	1.9
% Change	—	(23.1)	27.9	(0.1)	12.5
Other Excises	\$ 191,541	\$ 160,736	\$ 168,577	\$ 176,040	\$ 170,161
% of Total	5.7	5.1	5.5	6.0	6.1
% Change	19.2	(4.7)	(4.2)	3.5	(2.3)
Departmental & Other	\$ 98,287	\$ 87,985	\$ 86,791	\$ 86,392	\$ 84,385
% of Total	2.9	2.8	2.8	3.0	3
% Change	11.7	1.4	0.5	2.4	(3.7)
State Distributions	\$ 570,753	\$ 554,661	\$ 543,683	\$ 523,256	\$ 509,199
% of Total	16.9	17.5	17.8	17.9	18.3
% Change	2.9	2.0	3.9	2.8	0.9
Payment in Lieu of Taxes	\$ 84,940	\$ 80,501	\$ 90,215	\$ 79,232	\$ 73,324
% of Total	2.5	2.5	3.0	2.7	2.6
% Change	5.5	(10.8)	13.9	8.1	1.4
Fines	\$ 63,206	\$ 63,046	\$ 60,953	\$ 60,116	\$ 59,922
% of Total	1.9	2.0	2.0	2.1	2.2
% Change	0.3	3.4	1.4	0.3	1.8
Investment Income	\$ 15,390	\$ 2,329	\$ 184	\$ 61	\$ 57
% of Total	0.5	0.1	0.0	0.0	—
% Change	560.8	1,165.8	201.6	7.0	(68.2)
Licenses & Permits	\$ 74,144	\$ 84,470	\$ 70,005	\$ 71,205	\$ 62,257
% of Total	2.2	2.7	2.3	2.4	2.2
% Change	(12.2)	20.7	(1.7)	14.4	31.8
Total Revenues	\$ 3,372,178	\$ 3,165,482	\$ 3,055,781	\$ 2,916,483	\$ 2,780,060
% of Total	100.00	100.0	100	100.0	100.0
% Change	6.5	3.6	4.8	4.9	4.1

*General fund only

Fiscal Year						SOURCE
2013	2012	2011	2010	2009		
\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371		Property Taxes
63	63.1	66.7	65.5	62.5		% of Total
5.4	4.3	4	5.3	5.8		% Change
\$ 47,105	\$ 40,507	\$ 46,977	\$ 40,134	\$ 37,354		Motor Vehicle Excises
1.8	1.6	2.1	1.8	1.7		% of Total
16.3	(13.8)	17.1	7.4	(34.3)		% Change
\$ 174,149	\$ 147,065	\$ 77,237	\$ 80,986	\$ 78,100		Other Excises
6.5	5.8	3.4	3.6	3.5		% of Total
18.4	90.4	(4.6)	3.7	32.5		% Change
\$ 87,585	\$ 78,438	\$ 65,498	\$ 74,861	\$ 82,087		Departmental & Other
3.3	3.1	2.9	3.3	3.7		% of Total
11.7	19.8	(12.5)	(8.8)	3.9		% Change
\$ 504,656	\$ 486,379	\$ 395,374	\$ 404,619	\$ 454,252		State Distributions
18.9	19.3	17.3	18	20.4		% of Total
3.8	23	(2.3)	(10.9)	(7.9)		% Change
\$ 72,335	\$ 63,066	\$ 65,461	\$ 67,265	\$ 56,686		Payment in Lieu of Taxes
2.7	2.5	2.9	3	2.5		% of Total
14.7	-3.7	(2.7)	18.7	—		% Change
\$ 58,835	\$ 64,566	\$ 64,751	\$ 70,627	\$ 69,711		Fines
2.2	2.6	2.8	3.1	3.1		% of Total
(8.9)	(0.3)	(8.3)	1.3	2.6		% Change
\$ 179	\$ 982	\$ 4,733	\$ 3,246	\$ 18,289		Investment Income
—	—	0.2	0.1	0.8		% of Total
(81.8)	(79.3)	45.8	(82.3)	(51.6)		% Change
\$ 47,220	\$ 48,753	\$ 41,676	\$ 32,907	\$ 40,822		Licenses & Permits
1.8	1.9	1.8	1.5	1.8		% of Total
(3.1)	17	26.6	(19.4)	(11.2)		% Change
\$ 2,669,645	\$ 2,521,754	\$ 2,288,068	\$ 2,242,250	\$ 2,230,672		Total Revenues
100.2	100.0	100	100.0	100.0		% of Total
5.9	10.2	2	0.5	0.8		% Change

See accompanying independent auditor's report.

Net Position by Component
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental activities:					
Net investment in capital assets	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985	\$ 457,789
Restricted	75,098	52,746	53,200	51,446	62,701
Unrestricted	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)	82,638
Total governmental activities net position	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)	\$ 603,128
Business-type activities:					
Net investment in capital assets	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—	—
Unrestricted	—	—	—	—	—
Total business-type activities net position	\$ —	\$ —	\$ —	\$ —	\$ —
Primary government:					
Net investment in capital assets	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985	\$ 502,985
Restricted	75,098	52,746	53,200	51,446	51,446
Unrestricted	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)	(1,184,987)
Total primary government net position	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)	\$ 603,128

See accompanying independent auditor's report.

Fiscal Year				
2013	2012	2011	2010	2009
\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389
75,878	127,843	156,989	234,339	217,070
74,097	(46,024)	(108,780)	(69,124)	221,418
\$ 600,297	\$ 524,597	\$ 450,855	\$ 592,312	\$ 822,877
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	14,832	14,901	—
—	—	—	(52,069)	(42,803)
\$ —	\$ —	\$ 14,832	\$ (37,168)	\$ (42,803)
\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389
75,878	127,843	171,821	249,240	217,070
74,097	(46,024)	(108,780)	(121,193)	178,615
\$ 600,297	\$ 524,597	\$ 465,687	\$ 555,144	\$ 780,074

See accompanying independent auditor's report.

Changes in Net Position
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year			
	2018	2017	2016	2015
EXPENSES:				
Governmental activities:				
General government	\$ 156,670	\$ 128,465	\$ 128,288	\$ 103,923
Human services	58,494	49,974	52,056	49,884
Public safety	1,048,825	962,654	941,313	941,531
Public works	163,337	130,182	139,816	178,569
Property and development	137,296	168,276	118,582	134,506
Parks and recreation	48,861	41,236	39,769	35,890
Library	55,626	51,397	49,959	48,931
Schools	1,931,452	1,833,105	1,803,331	1,620,851
Public health programs	86,228	81,859	96,083	83,276
Interest on long-term debt	44,263	42,321	40,995	49,300
Total governmental activities expenses	<u>3,731,052</u>	<u>3,489,469</u>	<u>3,410,192</u>	<u>3,246,661</u>
Business-type activities:				
Convention Center	—	—	—	—
Hospital	—	—	—	—
Total business-type activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total primary government expenses	<u>\$ 3,731,052</u>	<u>\$ 3,489,469</u>	<u>\$ 3,410,192</u>	<u>\$ 3,246,661</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety	139,793	147,471	133,656	138,066
Public works	31,120	28,268	24,269	23,975
Schools	4,275	5,163	10,540	6,623
Other	46,350	36,647	34,730	40,718
Operating grants and contributions	788,666	760,230	746,277	670,640
Capital grants and contributions	64,548	52,348	39,381	53,099
Total governmental activities program revenues	<u>1,074,752</u>	<u>1,030,127</u>	<u>988,853</u>	<u>933,121</u>
Business-type activities:				
Operating grants and contributions	—	—	—	—
Total business-type activities program revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total primary government program revenues	<u>\$ 1,074,752</u>	<u>\$ 1,030,127</u>	<u>\$ 988,853</u>	<u>\$ 933,121</u>

See accompanying independent auditor's report.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 161,913	\$ 127,882	\$ 108,499	\$ 80,968	\$ 106,435	\$ 103,420
49,291	50,690	48,103	49,974	52,310	48,896
821,196	826,700	817,768	875,111	930,779	920,790
157,491	132,506	110,187	133,830	131,883	145,867
118,816	114,673	114,753	117,871	118,456	105,581
32,297	32,242	34,651	31,956	31,204	30,026
52,192	51,875	44,526	47,320	50,050	52,881
1,554,563	1,455,300	1,369,047	1,317,108	1,314,601	1,316,314
69,896	69,978	73,975	70,619	71,453	71,618
48,188	41,900	39,798	40,329	39,832	28,041
<u>3,065,843</u>	<u>2,903,746</u>	<u>2,761,307</u>	<u>2,765,086</u>	<u>2,847,003</u>	<u>2,823,434</u>
—	—	—	1,516	13,751	4,902
—	—	2,523	3,336	3,635	3,924
—	—	2,523	4,852	17,386	8,826
<u>\$ 3,065,843</u>	<u>\$ 2,903,746</u>	<u>\$ 2,763,830</u>	<u>\$ 2,769,938</u>	<u>\$ 2,864,389</u>	<u>\$ 2,832,260</u>
139,431	129,602	134,384	89,485	85,305	115,013
19,165	17,716	19,515	12,029	12,190	10,174
2,832	9,130	7,839	9,451	20,318	16,077
41,811	49,490	48,522	33,410	39,236	28,562
583,480	549,596	574,653	501,441	547,812	594,914
11,972	37,256	35,337	33,338	12,555	56,517
<u>798,691</u>	<u>792,790</u>	<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	<u>821,257</u>
—	—	—	1,172	5,567	1,116
—	—	—	1,172	5,567	1,116
<u>\$ 798,691</u>	<u>\$ 792,790</u>	<u>\$ 820,250</u>	<u>\$ 680,326</u>	<u>\$ 722,983</u>	<u>\$ 822,373</u>

See accompanying independent auditor's report.

Changes in Net Position (continued)
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year		
	2018	2017	2016
NET EXPENSE:			
Governmental activities	\$ (2,656,300)	\$ (2,459,342)	\$ (2,421,339)
Business-type activities	—	—	—
Total primary government net expense	\$ (2,656,300)	\$ (2,459,342)	\$ (2,421,339)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes	\$ 2,219,700	\$ 2,087,659	\$ 1,967,021
Excises	239,005	213,198	224,052
Payment in lieu of taxes	84,940	80,501	90,215
Grants and contributions not restricted	214,106	201,013	199,835
Investment income	31,417	19,588	15,753
Miscellaneous	2,121	3,738	6,058
Special items	—	—	—
Transfers	—	—	—
Loss on disposal of capital assets	—	—	—
Total governmental activities	2,791,289	2,605,697	2,502,934
Business-type activities:			
Taxes:			
Excises	—	—	—
Investment income	—	—	—
Miscellaneous	—	—	—
Special items	—	—	—
Transfers	—	—	—
Total business-type activities	—	—	—
Total primary government	\$ 2,791,289	\$ 2,605,697	\$ 2,502,934
CHANGES IN NET POSITION:			
Governmental activities	\$ 134,989	\$ 146,355	\$ 81,595
Business-type activities	—	—	—
Total primary government	\$ 134,989	\$ 146,355	\$ 81,595

See accompanying independent auditor's report.

Fiscal Year

2015	2014	2013	2012	2011	2010	2009
\$ (2,313,540)	\$ (2,267,152)	\$ (2,110,956)	\$ (1,941,057)	\$ (2,085,932)	\$ (2,129,587)	\$ (2,002,177)
—	—	—	(2,523)	(3,680)	(11,819)	(7,710)
\$ (2,313,540)	\$ (2,267,152)	\$ (2,110,956)	\$ (1,943,580)	\$ (2,089,612)	\$ (2,141,406)	\$ (2,009,887)
\$ 1,866,277	\$ 1,771,166	\$ 1,684,908	\$ 1,586,988	\$ 1,525,494	\$ 1,468,340	\$ 1,389,218
236,208	220,761	221,937	191,301	122,399	123,121	115,237
79,232	73,324	72,335	63,066	65,461	67,265	56,686
191,172	199,007	185,827	188,895	187,322	171,174	230,475
15,404	16,713	14,732	10,887	21,724	17,221	22,584
2,983	4,012	7,820	7,084	23,195	21,901	12,107
—	—	—	11,450	—	—	—
—	—	—	(44,872)	(1,120)	30,000	27,000
—	—	(903)	—	—	—	—
\$ 2,391,276	\$ 2,284,983	\$ 2,186,656	\$ 2,014,799	\$ 1,944,475	\$ 1,899,022	\$ 1,853,307
—	—	—	—	58,508	43,887	36,605
—	—	—	2,688	3,561	3,567	6,299
—	—	—	(257)	(7,509)	—	—
—	—	—	(59,612)	—	—	—
—	—	—	44,872	1,120	(30,000)	(27,000)
—	—	—	(12,309)	55,680	17,454	15,904
\$ 2,391,276	\$ 2,284,983	\$ 2,186,656	\$ 2,002,490	\$ 2,000,155	\$ 1,916,476	\$ 1,869,211
\$ —	\$ 17,831	\$ 75,700	\$ 73,742	\$ (141,457)	\$ (230,565)	\$ (148,870)
77,736	—	—	(14,832)	52,000	5,635	8,194
\$ 77,736	\$ 17,831	\$ 75,700	\$ 58,910	\$ (89,457)	\$ (224,930)	\$ (140,676)

See accompanying independent auditor's report.

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2018	2017	2016	2015
General Fund				
Assigned	\$ 300,652	\$ 283,208	\$ 266,222	\$ 228,236
Unassigned	781,402	702,080	682,781	633,936
Total general fund	\$ 1,082,054	\$ 985,288	\$ 949,003	\$ 862,172
All other Governmental Funds				
Nonspendable	\$ 10,041	\$ 10,041	\$ 4,974	\$ 4,974
Restricted	322,950	240,172	204,810	194,044
Assigned	199,537	220,359	203,134	161,742
Total all other governmental funds	\$ 532,528	\$ 470,572	\$ 412,918	\$ 360,760

General Fund

Reserved for:

Encumbrances

Debt service

Unreserved:

Designated for subsequent years expenditures

Undesignated

Total general fund

All Other Governmental Funds

Reserved for:

Encumbrances

Debt service

Future appropriations

Unreserved:

Undesignated:

Special revenue

Capital projects

Reported in permanent funds

Total all other governmental funds

Note: For the fiscal year ended June 30, 2011 the City implemented GASB Statement No. 54, "Fund Balance Reporting and Other Governmental Fund Type Definitions." Statement No. 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the City is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2m.

See accompanying independent auditor's report.

Fiscal Year			
2014	2013	2012	2011
\$ 251,353	\$ 218,292	\$ 177,942	\$ 141,891
532,955	533,104	511,755	511,040
\$ 784,308	\$ 751,396	\$ 689,697	\$ 652,931
\$ 4,974	\$ 34,307	\$ 4,974	\$ 4,974
199,703	137,727	177,685	195,333
154,667	132,889	98,557	80,975
\$ 359,344	\$ 304,923	\$ 281,216	\$ 281,282

2010	2009
\$ 36,808	\$ 37,534
—	—
123,103	240,824
547,282	550,329
\$ 707,193	\$ 828,687
\$ 136,138	\$ 116,878
—	—
24,108	30,087
123,714	138,594
(65,024)	(74,168)
37,098	35,743
\$ 256,034	\$ 247,134

See accompanying independent auditor's report.

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years*

(Amounts in thousands)

	Fiscal Year			
	2018	2017	2016	2015
REVENUES:				
Real and personal property taxes	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259
Excises	243,581	212,797	236,263	228,962
Payments in lieu of taxes	84,940	80,501	90,215	79,232
Fines	63,206	63,046	65,223	60,116
Investment Income	15,390	2,329	1,713	2,312
Licenses and permits	74,144	84,470	70,191	71,291
Departmental and other	98,287	87,985	134,701	139,321
Intergovernmental	570,753	554,661	827,100	829,582
Total revenues	3,372,178	3,165,482	3,393,093	3,278,075
EXPENDITURES:				
General government	90,076	85,855	92,429	67,461
Human services	35,023	31,422	40,482	39,578
Public safety	689,929	643,100	640,599	665,655
Public works	111,772	106,059	116,787	142,223
Property and development	39,022	42,460	102,751	111,513
Parks and recreation	25,285	23,447	23,378	21,574
Library	36,025	35,791	36,641	36,518
Schools	1,087,192	1,048,987	1,143,249	1,087,896
Public health programs	81,129	77,754	80,525	74,821
Judgments and claims	7,693	3,766	1,100	3,678
Retirement costs	356,251	347,402	309,083	282,648
Other employee benefits	261,377	247,965	236,661	230,089
State and district assessments	267,205	244,320	234,450	215,538
Capital outlays	9,738	10,283	234,126	247,474
Debt service:				
Principal	122,041	117,527	109,825	111,381
Interest	54,199	53,604	54,883	46,890
Total Expenditures	3,273,957	3,119,742	3,456,969	3,384,937
Deficiency of revenues under expenditures	98,221	45,740	(63,876)	(106,862)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued	—	—	181,193	170,190
Issuance of refunding bonds	—	—	8,100	126,735
Payments to refunded bonds escrow agent	—	—	(9,487)	(147,658)
Premiums on long-term debt issued	—	—	23,059	36,875
Transfers, net	(1,455)	(9,455)	—	—
Total other financing sources (uses)	(1,455)	(9,455)	202,865	186,142
Net change in fund balances	\$ 96,766	\$ 36,285	\$ 138,989	\$ 79,280
Debt Service as a percentage of noncapital expenditures	6.12%	5.94%	5.12%	5.03%

*General fund only

See accompanying independent auditor's report.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371
223,133	221,254	187,572	124,214	121,120	115,454
73,324	72,335	63,066	65,461	67,265	56,686
59,952	58,852	64,593	64,772	70,649	69,723
6,508	5,523	4,137	11,956	8,907	15,275
62,325	47,290	48,838	41,750	32,907	41,130
137,366	131,632	123,042	103,003	91,468	104,208
804,289	749,369	772,491	707,754	742,464	875,912
3,134,680	2,963,836	2,855,737	2,645,271	2,602,385	2,671,759
113,743	95,199	85,951	78,573	78,148	81,905
39,205	37,621	35,406	36,008	38,014	37,307
596,239	588,771	552,785	526,332	523,515	529,425
127,703	114,731	90,214	109,635	105,123	121,422
107,771	106,423	109,707	111,607	117,394	93,408
20,937	21,407	22,795	19,766	17,534	18,195
36,026	33,447	31,799	33,556	33,431	36,634
1,091,899	1,035,828	1,004,168	974,832	962,703	973,327
68,697	69,105	73,736	70,380	71,214	71,393
			—	69,040	129,603
9,493	3,010	3,871	811	10,181	9,946
255,647	235,078	220,340	195,976	235,282	82,332
234,400	235,002	251,194	294,200	224,156	191,597
197,939	176,300	160,547	152,042	146,323	142,055
248,864	241,547	188,377	140,405	126,668	141,309
110,948	107,189	99,435	91,690	91,784	87,700
42,967	39,495	38,784	42,092	41,300	31,594
3,302,478	3,140,153	2,969,109	2,877,905	2,891,810	2,779,152
(167,798)	(176,317)	(113,372)	(232,634)	(289,425)	(107,393)
178,444	235,136	146,835	156,109	144,492	113,962
—	37,080	110,100	52,720	68,345	40,425
—	(35,975)	(95,876)	(15,490)	(73,640)	(42,230)
17,172	25,482	33,885	11,401	7,634	8,087
—	—	(44,872)	(1,120)	30,000	27,000
			—	—	—
195,616	261,723	150,072	203,620	176,831	147,244
\$ 27,818	\$ 85,406	\$ 36,700	\$ (29,014)	\$ (112,594)	\$ 39,851
5.05%	5.06%	4.80%	4.8%	4.83%	4.51%

See accompanying independent auditor's report.

Assessed and Estimated Actual Value of All Taxable Property

Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Real Property			Personal Property	Total Assessed Value ⁽¹⁾	Total Direct Tax Rate ^{(b) (c)}
	Residential Value ^(a)	Commercial Value	Industrial Value	Assessed Value		
2018	\$ 99,885,328	\$ 46,615,297	\$ 1,187,339	\$ 6,237,993	\$ 153,925,958	15.65
2017	93,462,191	43,571,094	1,103,888	5,804,774	143,941,947	15.77
2016	83,719,423	38,031,832	908,352	5,387,474	128,047,081	16.47
2015	72,346,068	32,451,521	785,062	5,154,211	110,736,862	18.15
2014	64,541,403	29,631,863	707,564	4,951,983	99,832,813	19.16
2013	60,147,396	26,762,023	707,703	4,582,149	92,199,271	19.68
2012	57,517,785	25,790,869	675,290	4,516,466	88,500,410	19.65
2011	56,563,231	25,171,149	679,520	4,386,681	86,800,581	19.15
2010	56,279,025	25,931,406	798,982	4,247,118	87,256,531	18.09
2009	57,465,174	28,198,212	809,682	3,914,103	90,387,171	16.63

(1) The assessed valuation of taxable property reflects 100% of the full and fair cash value.

(a) Exempt residential properties not included.

(b) Tax rates are per \$1,000 of assessed value and are reported in whole dollars in the above table.

(c) Total direct tax rate is the weighted average calculation of the residential, commercial, and industrial values.

Source: City of Boston Assessing Department

Property Tax Rates Direct and Overlapping Governments ^{(1) (2)}

Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct ⁽³⁾
2018	Residential	\$ 10.48	\$ 10.48	(1.0)%	\$ 15.65
	C.I.P.	25.20	25.20	(0.7)%	
2017	Residential	10.59	10.59	(3.7)%	15.77
	C.I.P.	25.37	25.37	(5.4)%	
2016	Residential	11.00	11.00	(9.2)%	15.77
	C.I.P.	26.81	26.81	(9.2)%	
2015	Residential	12.11	12.11	(3.7)%	16.47
	C.I.P.	29.52	29.52	(5.3)%	
2014	Residential	12.58	12.58	(4.3)%	18.15
	C.I.P.	31.18	31.18	(2.4)%	
2013	Residential	13.14	13.14	0.8 %	19.16
	C.I.P.	31.96	31.96	0.1 %	
2012	Residential	13.04	13.04	2.0 %	19.68
	C.I.P.	31.92	31.92	2.8 %	
2011	Residential	12.79	12.79	7.7 %	19.65
	C.I.P.	31.04	31.04	5.7 %	
2010	Residential	11.88	11.88	11.8 %	19.15
	C.I.P.	29.38	29.38	8.4 %	
2009	Residential	10.63	10.63	(3.1)%	18.09
	C.I.P.	27.11	27.11	4.6 %	

(1) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters

(2) Real and personal property tax rates are per \$1,000 of assessed value.

(3) Total direct tax rate is the weighted average calculation of the residential, commercial, and industrial values. C.I.P. = Commercial, Industrial, and Personal Property.

Source: City of Boston Assessing Department

Largest Principal Taxpayers ⁽¹⁾

Current and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Boston Properties	\$ 3,758,679,270	1	2.44%	\$ 1,537,316,480	3	1.71%
Oxford Properties	2,598,553,500	2	1.69%			—
Eversource	2,438,234,000	3	1.58%	1,558,927,801	2	1.73%
Teacher's Insurance and Annuity Association	1,365,646,500	4	0.89%			—
Tishman Speyer Properties	1,223,770,010	5	0.80%	1,083,675,880	4	1.20%
MetLife Real Estate Investments	1,057,369,000	6	0.69%			—
Fort Hill Associates	1,008,582,000	7	0.66%	832,472,170	5	0.92%
John Hancock Financial	820,274,440	8	0.53%	523,181,070	9	0.58%
Morgan Stanley	801,193,250	9	0.52%			—
National Grid	692,486,300	10	0.45%			—
Senior Housing Properties Trust	682,296,000	11	0.44%			—
Liberty Mutual	677,375,501	12	0.44%			—
Synergy Investments	603,509,144	13	0.39%			—
Blackstone Group Equity Office				2,209,444,210	1	2.45%
Brookfield Properties Corporation				817,811,670	6	0.91%
Broadway Real Estate Partners				766,417,200	7	0.85%
Beacon Properties				649,869,990	8	0.72%
UIDC of Massachusetts, Inc				508,612,690	10	0.56%
	<u>\$ 17,727,968,915</u>		<u>11.52%</u>	<u>\$ 10,487,729,161</u>		<u>11.63%</u>

(1) The Largest Taxpayers table includes entities with a fiscal year 2018 tax liability greater than \$15 million. The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in particular parcel.

(2) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. There are three general types of personal property that are taxable: business and professional furnishings, machinery used in the conduct of business, and personal property of public utilities.

Source: City of Boston Assessing and Treasury Departments

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts in millions)

Fiscal Year	Tax Levy			Tax Levy Collected within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2018		
	Gross ⁽¹⁾	Net	Net % Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2018	\$ 2,223.2	\$ 2,192.6	98.6%	\$ 2,216.2	99.7%	101.1%	\$2,207.1	99.3%	100.7%
2017	2,093.9	2,055.2	98.2%	2,083.3	99.5%	101.4%	2,075.4	99.1%	101.0%
2016	1,963.1	1,924.8	98.0%	1,958.4	99.8%	101.7%	1,949.3	99.3%	101.3%
2015	1,869.0	1,833.1	98.1%	1,865.6	99.8%	101.8%	1,853.6	99.2%	101.1%
2014	1,779.8	1,744.9	98.0%	1,784.7	100.3%	102.3%	1,765.8	99.2%	101.2%
2013	1,684.4	1,643.4	97.6%	1,677.0	99.6%	102.0%	1,669.1	99.1%	101.6%
2012	1,615.9	1,577.3	97.6%	1,604.2	99.3%	101.7%	1,597.8	98.9%	101.3%
2011	1,541.1	1,503.8	97.6%	1,531.8	99.4%	101.9%	1,523.5	98.9%	101.3%
2010	1,465.5	1,429.8	97.6%	1,456.6	99.4%	101.9%	1,447.2	98.8%	101.2%
2009	1,400.7	1,365.3	97.5%	1,392.7	99.4%	102.0%	1,383.2	98.8%	101.3%

(1) Includes omitted assessments billed in June of each fiscal year and subsequently reduced through residential exemption.

Source: City of Boston Treasury Department

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Notes Payable (¹)	Capital Lease Agreements	Convention Center Special Obligation Bonds	Boston City Hospital Special Obligation Bonds
2018	\$ 1,333,090	\$ 67,398	\$ 69,626	\$ —	\$ —
2017	1,296,931	74,266	69,465	—	—
2016	1,264,231	76,619	62,266	—	—
2015	1,229,542	63,361	56,425	—	—
2014	1,189,238	75,680	45,887	—	—
2013	1,129,545	76,587	39,365	—	—
2012	1,040,365	40,382	32,566	—	—
2011	972,540	36,602	28,123	—	73,080
2010	952,830	40,285	35,504	93,305	80,605
2009	916,820	32,611	39,545	97,085	87,840

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Includes Bond Anticipation Notes, MWPAT Notes, and Other Notes.
- (2) See page 155 for the City's total personal income data.
- (3) See page 155 for the City's population data.

	Total Primary Government	% of Total Personal Income (²)	Per Capita (³)
\$	1,470,114	5.10%	\$ 2,151.96
	1,440,662	5.32%	2,141.17
	1,403,116	5.54%	2,095.86
	1,349,328	6.13%	2,057.27
	1,310,805	5.94%	1,992.14
	1,245,497	5.66%	1,931.87
	1,113,313	5.34%	1,755.74
	1,110,345	5.37%	1,777.42
	1,202,529	5.70%	1,947.44
	1,173,901	4.94%	1,819.47

Ratios of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Calendar Year	Net General Bonded Debt Outstanding	Assessed Value ⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ⁽²⁾
2018	\$ 1,333,090	\$ 153,925,958	0.9%	\$ 1,951.77
2017	1,296,931	143,941,947	0.9%	1,927.55
2016	1,264,231	128,047,081	1.0%	1,888.41
2015	1,229,542	110,736,862	1.1%	1,874.63
2014	1,189,238	99,832,813	1.2%	1,813.18
2013	1,129,545	92,199,272	1.2%	1,752.02
2012	1,040,365	88,500,410	1.2%	1,631.90
2011	972,540	86,800,582	1.1%	1,556.82
2010	952,830	87,256,531	1.1%	1,542.81
2009	916,820	90,387,171	1.0%	1,421.01

(1) See page 145 for the City's total assessed value of property.

(2) See page 155 for the City's population data.



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Legal Debt Margin Information

Last Ten Fiscal Years

(Amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt limit	\$ 7,178,810	\$ 5,540,530	\$ 5,540,530	\$ 5,156,374	\$ 5,156,374
Total net debt applicable to limit	2,122,823	275,070	1,809,054	1,388,019	1,590,189
Legal debt margin	<u>\$ 5,055,987</u>	<u>\$ 5,265,460</u>	<u>\$ 3,731,476</u>	<u>\$ 3,768,355</u>	<u>\$ 3,566,185</u>
Total net debt applicable to the limit as a percentage of debt limit	29.57%	4.96%	32.65%	26.92%	30.84%

Legal Debt margin Calculation for Fiscal Year 2017

Equalized valuation as of January 31, 2017 (1)	\$ 143,576,210
Maximum debt limits as of July 1, 2018 (2)	7,178,810
Less: Debt outstanding June 30, 2017	(1,177,474)
Less: Debt authorized but unissued as of June 30, 2017	(735,876)
Debt incurring capacity as of June 30, 2017	<u>\$ 5,265,460</u>
Add: Debt redeemed during fiscal year 2018	99,798
Less: City Council Authorizations during fiscal year 2018 (3)	(332,581)
less: Debt adjustments approved through June 30, 2018	—
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2018	—
Add: Premium per Issuance through June 30, 2018	23,289
Add: Refunded amounts	21
Debt incurring capacity as of June 30, 2018	<u>\$ 5,055,987</u>

- (1) Includes the value of Chapter 121A tax agreement properties
- (2) The laws of the Commonwealth of Massachusetts provide for general debt limits for the City, consisting of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5.0% of the assessed valuation of taxable property in the City as last equalized by the State Department of Revenue, and may authorize debt up to this limit without State approval. The City may also authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Commonwealth's Secretary of Administration and Finance.
- (3) The debt authorized but unissued as of June 30, 2017 and City Council authorizations during fiscal year 2018 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

Source: City of Boston Office of Budget Management

2013	2012	2011	2010	2009
\$ 5,301,711	\$ 5,301,711	\$ 5,301,711	\$ 5,293,826	\$ 4,387,466
1,705,035	1,399,004	1,345,702	1,257,207	369,724
<u>\$ 3,596,676</u>	<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>	<u>\$ 4,017,742</u>
32.16%	26.39%	25.38%	23.75%	8.43%

Demographic and Economic Statistics

Last Ten Calendar Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income	Unemployment Rate ⁽³⁾
2018	N/A	N/A	N/A	N/A
2017	683,015	\$ 28,847,822	\$ 42,236	3.4%
2016	672,840	27,625,465	40,237	3.4%
2015	669,469	26,273,980	39,246	4.4%
2014	656,051	24,804,632	36,395	5.3%
2013	644,710	23,245,664	34,139	6.1%
2012	637,516	22,034,466	32,413	6.0%
2011	624,969	21,741,422	31,934	6.6%
2010	621,383	22,412,663	31,982	7.6%
2009	645,187	24,948,091	33,889	7.5%

N/A = Information not available for this fiscal year

- (1) Source: U.S. Census Bureau, 2006-2017 1 year American Community Survey estimates; BPDA Research Division Analysis.
- (2) Source: U.S. Census Bureau, 2006-2017 1-year American Community Survey estimates; BPDA Research Division Analysis. Converted to 2017 dollars using the Consumer Price Index.
- (3) Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, BPDA Research Division Analysis. Recent unemployment figures are preliminary and subject to revision.

Principal Employers

Current and Nine Years Ago

<u>Employer</u> ⁽¹⁾	2018			2009(2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Massachusetts General Hospital	17,529	1	2.21%	16,146	1	2.52%
Brigham and Women's Hospital	12,178	2	1.53%	11,225	2	1.75%
Children's Hospital, Boston	10,101	3	1.27%	3,832	9	0.60%
Boston University	9,992	4	1.26%	9,087	4	1.42%
Beth Israel Deaconess Medical Ctr	8,521	5	1.07%	—		—%
State Street Bank & Trust Co. ⁽¹⁾	7,500	6	0.94%	10,861	3	1.69%
Boston Medical Center	5,716	7	0.72%	4,000	8	0.62%
Harvard University Graduate Schools ⁽¹⁾	5,680	8	0.72%	—		—%
Northeastern University ⁽³⁾	5,595	9	0.70%	4,417	7	0.69%
Fidelity Investments ⁽¹⁾	5,100	10	0.64%	8,000	5	1.25%
New England Medical Center	—		—	5,508	6	0.86%
Harvard University	—		—	3,654	10	0.57%
Total	<u>87,912</u>		<u>11.06%</u>	<u>76,730</u>		<u>11.97%</u>
Total Boston Employment ⁽²⁾	794,038					

Note 1: Employment numbers for these employers are as of 2016.

Note 2: Boston's total payroll and non-payroll employment as of 2016. A 2017 number is not available until 2017 Bureau of Economic Analysis (BEA) data is released in November.

Note 3: Northeastern's employment includes both Northeastern University and the Northeastern University Professional Advancement Network.

Source: Bureau of Economic Analysis; American Hospital Association; National Center for Education Statistics; BPDA Research Division Analysis. Estimates reflect most recent available data.

Full-Time Equivalent City Government Employees by Department ⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
CITY-FUNDED:					
Public safety ⁽²⁾	4,442	4,501	4,456	4,529	4,541
Public works	362	373	377	394	366
Other city departments ⁽³⁾	2,730	2,688	2,650	2,678	2,696
Boston Public Health Commission ⁽⁴⁾	845	827	777	770	762
Schools	9,005	8,782	8,746	8,789	8,664
Total city-funded	17,384	17,171	17,006	17,160	17,029
GRANT-FUNDED:					
Schools	595	610	656	601	698
All others ⁽⁵⁾	358	385	370	282	277
Total grant-funded	953	995	1,026	883	975
Total employees	18,337	18,166	18,032	18,043	18,004

- (1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.
- (2) Public Safety includes both the Police Department and the Fire Department and starting in fiscal 2015 the Office of Emergency Management.
- (3) Includes Boston Retirement System employees.
- (4) Boston Public Health Commission employees are funded by the City, but are not employees of the City.
- (5) Does not include grants managed by the Boston Public Health Commission.

Source: City of Boston Office of Budget Management

Fiscal Year				
2013	2012	2011	2010	2009
\$ 4,413	\$ 4,446	\$ 4,476	\$ 4,431	\$ 4,685
\$ 342	\$ 350	\$ 359	\$ 378	\$ 388
\$ 2,643	\$ 2,565	\$ 2,596	\$ 2,712	\$ 2,841
\$ 798	\$ 803	\$ 794	\$ 797	\$ 820
\$ 8,381	\$ 8,052	\$ 8,047	\$ 8,211	\$ 8,572
\$ 16,577	\$ 16,216	\$ 16,272	\$ 16,529	\$ 17,306
\$ 796	\$ 759	\$ 792	\$ 754	\$ 755
\$ 293	\$ 307	\$ 292	\$ 378	\$ 1,433
\$ 1,089	\$ 1,066	\$ 1,084	\$ 1,132	\$ 2,188
\$ 17,666	\$ 17,282	\$ 17,356	\$ 17,661	\$ 19,494

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Police					
Service calls answered	494,226	516,741	408,144	421,573	566,297
Moving/traffic violations	92,111	95,865	107,204	110,254	90,180
Parking violations as of June 30	1,414,184	1,358,385	1,346,400	1,272,107	1,326,235
Fire					
Calls answered	86,103	85,598	82,438	80,079	73,443
Inspections conducted	24,009	24,332	25,819	23,019	23,896
Library					
Personnel full-time	411	411	413	417	408
Personnel part-time	45	45	50	58	59
Central and branch libraries	25	25	24	24	25
Books, audio and video materials, newspapers, and magazines in circulation	3,806,215	3,796,379	3,707,607	3,715,079	3,732,000
Library cards in force	292,763	281,439	268,275	323,789	361,939
Schools					
Student enrollment as of June 30	55,594	56,433	56,531	57,102	56,975
Streets, sidewalks, and bridges					
Streets in miles	988	988	988	988	988
Hospitals					
Births as of June 30	20,686	20,089	20,968	19,586	20,392
Deaths as of June 30	7,790	7,526	7,383	7,438	7,330

Source: City of Boston Auditing Department

Fiscal Year				
2013	2012	2011	2010	2009
579,704	598,280	543,424	621,794	577,126
95,454	108,520	107,822	138,441	137,217
1,309,406	1,424,098	1,435,022	1,571,688	1,591,832
73,971	72,511	71,244	69,859	71,247
23,744	25,112	24,297	23,900	22,093
401	384	385	431	464
66	49	54	57	96
26	26	26	26	27
3,694,546	3,796,679	3,534,413	3,587,136	3,403,538
383,931	524,054	510,966	543,628	518,080
56,801	56,535	56,789	56,219	56,144
988	988	987.5	968	810
21,480	20,540	21,568	21,064	21,387
7,051	7,090	7,572	6,987	7,185

Capital Asset Statistics by Department

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Police					
Officers and personnel	2,869	2,896	2,895	2,907	2,933
Stations	11	11	11	11	11
Fire					
Officers and personnel	1,652	1,623	1,618	1,604	1,604
Stations	34	35	35	35	35
Parks and Recreation					
Personnel (Parks Division)	269	280	251	306	233
Neighborhood (city) parks	257	258	251	251	262
Neighborhood (city) playgrounds – Tot Lots	132	131	129	127	129
Community Centers – (BCYF operated)	36	30	29	29	29
Golf courses	2	2	2	2	2
Swimming pools (BCYF operated)	19	18	18	17	18
Tennis courts	65	65	65	65	66
Public Education					
Total number of Boston Public Schools employees	10,344	10,255	9,634	9,530	9,374
Total number of schools	125	124	125	128	128
Public Works					
Traffic signals (signalized intersections)	866	859	854	849	841
Parking meters (approximately)	6,722	6,420	7,626	7,699	7,614
Bridges	40	40	40	36	37
Hospitals					
Number of hospitals	19	20	20	20	21
Patient beds	6,053	6,021	5,227	6,049	5,402

Source: City of Boston Auditing Department

Fiscal Year				
2013	2012	2011	2010	2009
2,925	2,913	2,948	2,885	3,011
11	11	11	11	11
1,597	1,559	1,559	1,557	1,573
35	35	35	35	35
220	219	218	212	224
262	251	251	251	257
129	128	128	128	132
35	38	38	45	46
2	2	2	2	2
17	17	17	21	23
66	78	78	78	67
9,467	9,806	9,982	9,240	9,188
127	128	135	135	135
846	837	833	823	813
6,810	7,861	7,195	7,304	7,038
4	4	4	4	4
21	22	20	20	22
5,437	5,618	5,584	5,564	5,629



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EXHIBIT II

Schedules of Comparative Financial Statements for Fiscal Years 2014 - 2018

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Fund Equity for the fiscal years ended June 30, 2018, 2017, 2016, 2015, and 2014 have been prepared by the City of Boston Auditing Department based on information taken from the City's audited financial statements.

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City of Boston

General Fund

Balance Sheets

Fiscal Years Ended June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)

	2018	2017	2016	2015	2014
ASSETS:					
Cash and investments.....	\$ 1,309,557	\$ 1,153,840	\$ 1,106,679	\$ 1,043,852	\$ 1,006,745
Receivables :					
Property taxes.....	16,151	18,520	13,818	15,658	13,989
Motor vehicle excise.....	24,594	26,650	23,895	32,956	54,751
Intergovernmental.....	10,525	38,483	42,415	47,115	50,216
Departmental and other.....	19,003	22,555	19,224	18,811	25,139
Tax title and possession.....	61,831	60,668	80,542	85,138	87,645
Total receivables.....	<u>132,104</u>	<u>166,876</u>	<u>179,894</u>	<u>199,678</u>	<u>231,740</u>
Allowance:					
Abatement res/property tax allow.....					
Tax title and possession.....	(61,831)	(60,668)	(80,542)	(85,138)	(87,645)
Motor vehicle excise.....	(19,996)	(19,018)	(18,242)	(16,990)	(46,031)
Other.....	-	-	-	-	-
Total allowances.....	<u>(81,827)</u>	<u>(79,686)</u>	<u>(98,784)</u>	<u>(102,128)</u>	<u>(133,676)</u>
Net receivable.....	50,277	87,190	81,110	97,550	98,064
Due from other funds.....	1,860	1,868	2,412	1,899	1,259
Due from component units.....	7,234	6,709	8,615	9,806	13,998
Total assets.....	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>	<u>\$ 1,153,107</u>	<u>\$ 1,120,066</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 57,050	\$ 48,704	\$ 43,997	\$ 47,066	\$ 59,800
Accrued liabilities:					
Payroll and related costs.....	172,942	148,379	141,068	155,406	178,308
Other.....	25,429	26,032	22,801	23,277	26,868
Due to other funds.....	168	170	945	184	1,799
Due to component units.....	2,413	2,331	2,978	2,091	252
Deferred revenue.....	-	-	-	-	-
Total liabilities.....	<u>\$ 258,002</u>	<u>\$ 225,616</u>	<u>\$ 211,789</u>	<u>\$ 228,024</u>	<u>\$ 267,027</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	28,872	38,703	38,024	62,911	68,731
FUND BALANCE:					
Assigned.....	300,652	283,208	266,222	228,236	251,353
Unassigned.....	781,402	702,080	682,781	633,936	532,955
Total fund balance.....	<u>1,082,054</u>	<u>985,288</u>	<u>949,003</u>	<u>862,172</u>	<u>784,308</u>
Total liabilities, deferred inflows of resources and fund balance.....	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>	<u>\$ 1,153,107</u>	<u>\$ 1,120,066</u>

City of Boston

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)

	2018	2016	2015	2014	2013
REVENUES:					
Local:					
Real and personal property taxes, net.....	2,221,877	2,079,693	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783
Excises.....	243,581	212,797	236,263	228,962	223,133
Payments in lieu of taxes.....	84,940	80,501	90,215	79,232	73,324
Fines.....	63,206	63,046	60,953	60,116	59,922
Investment income.....	15,390	2,329	184	61	57
Licenses and permits.....	74,144	84,470	70,005	71,205	62,257
Departmental and other revenue.....	98,287	87,985	86,791	86,392	84,385
Total local revenues.....	<u>2,801,425</u>	<u>2,610,821</u>	<u>2,512,098</u>	<u>2,393,227</u>	<u>2,270,861</u>
Intergovernmental:					
Intergovernmental.....	570,753	554,661	543,683	523,256	509,199
Total intergovernmental revenues.....	<u>570,753</u>	<u>554,661</u>	<u>543,683</u>	<u>523,256</u>	<u>509,199</u>
Total revenues.....	<u>3,372,178</u>	<u>3,165,482</u>	<u>3,055,781</u>	<u>2,916,483</u>	<u>2,780,060</u>
EXPENDITURES:					
Current:					
General government.....	90,076	85,855	80,684	58,242	102,786
Human services.....	35,023	31,422	31,356	31,507	31,358
Public safety.....	689,929	643,100	610,233	633,471	558,802
Public works.....	111,772	106,059	101,157	123,767	113,239
Property and development.....	39,022	42,460	33,870	35,594	33,376
Parks and recreation.....	25,285	23,447	22,106	20,063	19,792
Library.....	36,025	35,791	33,870	33,966	33,978
Schools.....	1,087,192	1,048,987	1,016,412	960,228	940,276
Public Health Programs.....	81,129	77,754	77,932	73,577	65,953
Judgments and claims.....	7,693	3,766	1,100	3,678	9,493
Retirement costs.....	356,251	347,402	309,083	282,648	255,647
Other employee benefits.....	261,377	247,965	236,661	230,089	234,400
State and district assessments.....	267,205	244,320	234,450	215,538	197,939
Capital outlays.....	9,738	10,283	13,873	348	1,106
Debt Service.....	176,240	171,131	164,708	153,448	147,548
Total expenditures.....	<u>3,273,957</u>	<u>3,119,742</u>	<u>2,967,495</u>	<u>2,856,164</u>	<u>2,745,693</u>
Excess (deficiencies) of revenues over (under) expenditures.....	<u>98,221</u>	<u>45,740</u>	<u>88,286</u>	<u>60,319</u>	<u>34,367</u>
OTHER FINANCING SOURCES (USES):					
Payments to escrow agent to refund debt.....			-	-	-
Transfers in.....			-	19,000	-
Transfers out.....	(1,455)	(9,455)	(1,455)	(1,455)	(1,455)
Total other financing uses, net.....	<u>(1,455)</u>	<u>(9,455)</u>	<u>(1,455)</u>	<u>17,545</u>	<u>(1,455)</u>
Net change in fund balances.....	96,766	36,285	86,831	77,864	32,912
Fund balance, beginning of year.....	985,288	949,003	862,172	784,308	751,396
Fund balance, end of year.....	<u>\$ 1,082,054</u>	<u>\$ 985,288</u>	<u>\$ 949,003</u>	<u>\$ 862,172</u>	<u>\$ 784,308</u>

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City of Boston

General Fund - Budgetary Basis

Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014

(in thousands)

	2018			2017		
	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:						
Real and personal property taxes, net.....	\$ 2,185,887	\$ 2,191,992	\$ 6,105	\$ 2,047,936	\$ 2,053,396	\$ 5,460
Excises.....	198,591	264,814	66,223	198,820	209,498	10,678
Commonwealth of Massachusetts.....	440,583	439,708	(875)	429,855	424,933	(4,922)
Departmental and other revenue.....	68,064	79,590	11,526	64,088	77,082	12,994
Fines.....	63,721	63,389	(332)	59,560	63,082	3,522
Payments in lieu of taxes.....	67,998	83,634	15,636	65,470	82,132	16,662
Investment income.....	2,000	15,390	13,390	200	2,329	2,129
Licenses and permits.....	67,056	74,508	7,452	63,785	84,093	20,308
Miscellaneous.....	267	267	-	267	267	-
Transfers from other available funds.....	63,450	-	(63,450)	67,450	-	(67,450)
Total revenues, transfers and other available funds.....	<u>3,157,617</u>	<u>3,213,292</u>	<u>55,675</u>	<u>2,997,431</u>	<u>2,996,814</u>	<u>(618)</u>
Expenditures and Encumbrances:						
General government.....	111,557	111,283	274	125,158	121,507	3,651
Human services.....	36,051	35,954	97	32,668	32,521	147
Public safety.....	679,127	694,457	(15,330)	643,419	641,567	1,852
Public works.....	110,254	115,758	(5,504)	107,462	109,478	(2,016)
Property and development.....	39,476	39,402	74	45,426	45,295	131
Parks and recreation.....	28,811	28,793	18	24,634	24,451	183
Library.....	35,760	35,758	2	34,776	34,775	1
Schools.....	1,093,311	1,093,290	21	1,031,684	1,031,628	56
Boston Public Health Commission.....	79,563	79,563	-	77,267	77,267	-
Judgments and claims.....	5,000	19,513	(14,513)	5,000	3,188	1,812
Other employee benefits.....	263,157	262,902	255	257,023	256,044	979
Retirement costs.....	237,034	236,968	66	202,988	202,925	63
State and district assessments.....	267,978	267,949	29	165,254	165,160	94
Debt requirements.....	170,538	170,514	24	244,672	244,320	352
Total expenditures.....	<u>3,157,617</u>	<u>3,192,104</u>	<u>(34,487)</u>	<u>2,997,431</u>	<u>2,990,127</u>	<u>7,305</u>
Excess of revenues available for appropriation over expenditures.....	<u>\$ -</u>	<u>\$ 21,188</u>	<u>\$ 21,188</u>	<u>\$ -</u>	<u>\$ 6,687</u>	<u>\$ 6,687</u>

(continued)

City of Boston

General Fund - Budgetary Basis

**Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014**

(in thousands)

2016			2015			2014		
Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
\$ 1,923,431	\$ 1,925,045	\$ 1,614	\$ 1,831,901	\$ 1,839,279	\$ 7,378	\$ 1,743,923	\$ 1,744,904	\$ 981
204,351	234,247	29,896	193,174	218,818	25,644	180,822	218,863	38,041
424,029	421,576	(2,453)	418,482	413,430	(5,052)	409,211	422,403	13,192
64,735	76,919	12,184	63,245	78,117	14,872	58,675	75,525	16,850
60,060	60,899	839	58,955	60,347	1,392	58,955	59,604	649
66,662	88,891	22,229	64,440	78,831	14,391	63,269	73,837	10,568
50	184	134	150	61	(89)	175	57	(118)
52,330	74,442	22,112	45,475	72,536	27,061	40,460	59,162	18,702
-	802	802	-	-	-	-	-	-
61,450	-	(61,450)	59,773	19,000	(40,773)	57,307	-	(57,307)
<u>2,857,098</u>	<u>2,883,005</u>	<u>25,907</u>	<u>2,735,595</u>	<u>2,780,419</u>	<u>44,824</u>	<u>2,612,797</u>	<u>2,654,355</u>	<u>41,558</u>
89,564	87,435	2,129	101,879	98,672	3,207	92,337	90,039	2,298
31,946	31,938	8	31,778	31,667	111	31,183	31,134	49
604,372	623,879	(19,507)	578,526	602,663	(24,137)	555,939	576,618	(20,679)
103,658	103,639	19	104,742	124,664	(19,922)	108,275	112,615	(4,340)
37,101	37,001	100	35,801	35,717	84	33,889	33,843	46
25,632	25,546	86	20,575	20,416	159	19,958	19,796	162
34,866	34,863	3	33,416	33,291	125	33,076	33,076	-
1,016,285	1,016,277	8	974,929	974,925	4	937,962	937,949	13
76,155	76,155	-	73,827	73,827	-	66,757	66,757	-
3,500	10,454	(6,954)	3,500	9,698	(6,198)	3,500	13,470	(9,970)
241,294	241,177	117	231,259	231,090	169	240,900	240,825	75
200,649	200,649	-	173,062	172,997	65	153,180	153,115	65
234,450	234,450	-	220,668	215,538	5,130	197,939	197,939	-
157,626	157,626	-	151,633	147,893	3,740	137,902	137,706	196
<u>2,857,098</u>	<u>2,881,089</u>	<u>(23,991)</u>	<u>2,735,595</u>	<u>2,773,058</u>	<u>(37,463)</u>	<u>2,612,797</u>	<u>2,644,882</u>	<u>(32,085)</u>
<u>\$ -</u>	<u>\$ 1,916</u>	<u>\$ 1,916</u>	<u>\$ -</u>	<u>\$ 7,361</u>	<u>\$ 7,361</u>	<u>\$ -</u>	<u>\$ 9,473</u>	<u>\$ 9,473</u>

City of Boston

Special Revenue Fund

Balance Sheets
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS:					
Cash and investments.....	\$ 247,631	\$ 245,567	\$ 211,703	\$ 185,486	\$ 163,496
Receivables, net:					
Intergovernmental.....	54,583	52,356	54,698	44,741	77,040
Departmental and other.....	29,215	35,054	43,585	44,240	60,084
Total receivables.....	<u>83,798</u>	<u>87,410</u>	<u>98,283</u>	<u>88,981</u>	<u>137,124</u>
Due from other funds.....	211	1,745	746	888	2,963
Total assets.....	<u>\$ 331,640</u>	<u>\$ 334,722</u>	<u>\$ 310,732</u>	<u>\$ 275,355</u>	<u>\$ 303,583</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 24,382	\$ 25,344	\$ 15,693	\$ 20,474	\$ 32,379
Accrued liabilities:					
Payroll and related costs.....	95	1,282	1,459	615	3,504
Other.....	57,673	49,022	43,797	42,195	41,539
Unearned revenue.....	-	-	-	600.00	8,959.00
Deferred revenue.....	-	-	-	-	-
Due to other funds.....	1,899	3,405	2,974	2,600	2,423
Total liabilities.....	<u>84,049</u>	<u>79,053</u>	<u>63,923</u>	<u>66,484</u>	<u>88,804</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	200	254	90	178	119
FUND BALANCES:					
Restricted.....	47,854	35,056	43,585	46,951.00	59,993
Assigned.....	199,537	220,359	203,134	161,742.00	154,667
Unassigned.....	-	-	-	-	-
Total fund balance.....	<u>247,391</u>	<u>255,415</u>	<u>246,719</u>	<u>208,693</u>	<u>214,660</u>
Total liabilities and fund balance.....	<u>\$ 331,640</u>	<u>\$ 334,722</u>	<u>\$ 310,732</u>	<u>\$ 275,355</u>	<u>\$ 303,583</u>

City of Boston

Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES:					
Local:					
Fines.....	\$ 73	\$ -	\$ 4,270	\$ -	\$ 30
Investment income.....	213	100	55	23	17
Licenses and permits.....	212	212	186	86	68
Departmental and other revenue.....	71,385	61,694	40,985	49,789	46,626
Total local revenues.....	<u>71,883</u>	<u>62,006</u>	<u>45,496</u>	<u>49,898</u>	<u>46,741</u>
Intergovernmental:					
Intergovernmental.....	265,723	258,671	263,413	243,220	276,837
Total intergovernmental revenues.....	<u>265,723</u>	<u>258,671</u>	<u>263,413</u>	<u>243,220</u>	<u>276,837</u>
Total revenues.....	<u>337,606</u>	<u>320,677</u>	<u>308,909</u>	<u>293,118</u>	<u>323,578</u>
EXPENDITURES:					
Current operations:					
General government.....	9,472	6,094	5,822	7,544	5,244
Human services.....	8,953	8,329	9,126	8,071	7,847
Public safety.....	21,692	34,371	30,366	32,184	37,437
Public works.....	10,062	8,534	15,630	18,456	14,464
Parks and recreation.....	4,845	1,062	1,272	1,511	1,145
Libraries.....	2,452	3,180	2,771	2,552	2,048
Schools.....	150,198	139,127	126,837	127,668	151,623
Public health.....	2,140	1,615	2,593	1,244	2,744
Property & development.....	88,005	93,717	68,881	75,919	74,395
Other employee benefits.....	-	-	-	-	-
Capital outlays.....	1,659	1,767	1,827	2,411	1,380
Debt service.....	-	-	-	4,823	6,367
Total expenditures.....	<u>299,478</u>	<u>297,796</u>	<u>265,125</u>	<u>282,383</u>	<u>304,694</u>
Excess (deficiency) of revenues over expenditures.....	<u>38,128</u>	<u>22,881</u>	<u>43,784</u>	<u>10,735</u>	<u>18,884</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	-	-	455	3,200
Premiums on long-term debt issued.....	233	8,247	2,130	22,922	172
Payments to escrow agents.....	-	(7,432)	(1,388)	(21,079)	-
Transfers out, net.....	(46,385)	(15,000)	(6,500)	(19,000)	-
Total other financing sources (uses), net.....	<u>(46,152)</u>	<u>(14,185)</u>	<u>(5,758)</u>	<u>(16,702)</u>	<u>3,372</u>
Net change in fund balances.....	(8,024)	8,696	38,026	(5,967)	22,256
Cumulative effect of implementation of GASB 65.....			-	-	59,515
Fund balance, beginning of year.....	255,415	246,719	208,693	214,660	132,889
Fund balance, end of year.....	<u>\$ 247,391</u>	<u>\$ 255,415</u>	<u>\$ 246,719</u>	<u>\$ 208,693</u>	<u>\$ 214,660</u>

City of Boston

Capital Projects Fund

Balance Sheets

**Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS:					
Cash and investments.....	\$ 198,417	\$ 136,428	\$ 87,418	\$ 69,610	\$ 86,084
Cash and investments held by trustees.....	10,185	10,008	17,846	17,606	7,244
Intergovernmental receivable.....	13,058	6,292	12,050	6,263	18,195
Department and other receivables.....	-	657	667	1,761	611
Due from other funds.....	-	-	-	5,375	14,059
Total assets.....	<u>\$ 221,660</u>	<u>\$ 153,385</u>	<u>\$ 117,981</u>	<u>\$ 100,615</u>	<u>\$ 126,193</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 26,081	\$ 28,573	\$ 30,353	\$ 31,164	\$ 35,569
Due to other funds.....	-	-	-	-	4,075
Deferred revenue.....	-	-	-	-	-
Total liabilities.....	<u>26,081</u>	<u>28,573</u>	<u>30,353</u>	<u>31,164</u>	<u>39,644</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	<u>12,302</u>	<u>3,570</u>	<u>8,645</u>	<u>4,761</u>	<u>18,195</u>
FUND BALANCES:					
Restricted.....	<u>183,277</u>	<u>121,242</u>	<u>78,983</u>	<u>64,690</u>	<u>68,354</u>
Total fund balance.....	<u>183,277</u>	<u>121,242</u>	<u>78,983</u>	<u>64,690</u>	<u>68,354</u>
Total liabilities and fund balance.....	<u>\$ 221,660</u>	<u>\$ 153,385</u>	<u>\$ 117,981</u>	<u>\$ 100,615</u>	<u>\$ 126,193</u>

City of Boston

Capital Projects Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES:					
Departmental and other revenue.....	\$ -	\$ -	\$ 1,742	\$ -	\$ 45
Investment income.....	-	-	25	-	-
Intergovernmental.....	38,261	43,579	20,004	63,106	18,253
Total revenues.....	<u>38,261</u>	<u>43,579</u>	<u>21,771</u>	<u>63,106</u>	<u>18,298</u>
EXPENDITURES:					
Capital outlays.....	<u>222,598</u>	<u>221,321</u>	<u>216,101</u>	<u>226,835</u>	<u>177,991</u>
Total expenditures.....	<u>222,598</u>	<u>221,321</u>	<u>216,101</u>	<u>226,835</u>	<u>177,991</u>
Excess (deficiency) of revenues over expenditures.....	<u>(184,337)</u>	<u>(177,742)</u>	<u>(194,330)</u>	<u>(163,729)</u>	<u>(159,693)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	176,698	181,935	181,193	169,735	175,244
Refunding bonds issued.....	-	58,370	8,100	126,735	-
Payments to escrow agent.....	-	(58,367)	(8,099)	(126,579)	-
Premiums on long-term debt issued.....	23,289	15,063	20,929	13,953	17,000
Transfers in (out).....	46,385	23,000	6,500	(23,779)	(59,769)
Total other financing sources, net.....	<u>246,372</u>	<u>220,001</u>	<u>208,623</u>	<u>160,065</u>	<u>132,475</u>
Net change in fund balances.....	62,035	42,259	14,293	(3,664)	(27,218)
Fund balance, beginning of year.....	121,242	78,983	64,690	68,354	95,572
Fund balance, end of year.....	<u>\$ 183,277</u>	<u>\$ 121,242</u>	<u>\$ 78,983</u>	<u>\$ 64,690</u>	<u>\$ 68,354</u>

City of Boston

Internal Service Fund

Balance Sheets
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS:					
Cash and cash equivalents.....	\$ 89,380	\$ 73,916	\$ 67,408	\$ 86,873	\$ 99,676
Receivables, net.....	-	-	578	-	-
Due from other funds and sources.....	-	-	-	-	-
Due from component units.....	-	-	-	930	-
Other assets.....	11,988	6,541	5,523	2,552	1,414
Total assets.....	<u>\$ 101,368</u>	<u>\$ 80,457</u>	<u>\$ 73,509</u>	<u>\$ 90,355</u>	<u>\$ 101,090</u>
LIABILITIES:					
Accrued Liabilities:					
Warrants and accounts payable.....	\$ -	\$ -	\$ -	\$ 4,910	\$ 1,615
Accrued liabilities.....	19,975	23,881	24,730	22,553	24,312
Total liabilities.....	<u>19,975</u>	<u>23,881</u>	<u>24,730</u>	<u>27,463</u>	<u>25,927</u>
NET ASSETS:					
Unrestricted.....	<u>81,393</u>	<u>56,576</u>	<u>48,779</u>	<u>62,892</u>	<u>75,163</u>
Total fund equity.....	<u>81,393</u>	<u>56,576</u>	<u>48,779</u>	<u>62,892</u>	<u>75,163</u>
Total liabilities and fund equity.....	<u>\$ 101,368</u>	<u>\$ 80,457</u>	<u>\$ 73,509</u>	<u>\$ 90,355</u>	<u>\$ 101,090</u>

City of Boston

Internal Service Fund

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Years Ending June 30, 2018, 2017, 2016, 2015, and 2014
(in thousands)**

	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES:					
Employer contributions.....	\$ 172,640	\$ 156,345	\$ 265,240	\$ 251,194	\$ 253,122
Employee contributions.....	<u>68,905</u>	<u>63,287</u>	<u>65,165</u>	<u>60,167</u>	<u>57,932</u>
Total operating revenues.....	<u>241,545</u>	<u>219,632</u>	<u>330,405</u>	<u>311,361</u>	<u>311,054</u>
EXPENSES:					
Health Benefits.....	<u>216,728</u>	<u>211,835</u>	<u>344,518</u>	<u>323,632</u>	<u>302,876</u>
Total operating expenditures.....	<u>216,728</u>	<u>211,835</u>	<u>344,518</u>	<u>323,632</u>	<u>302,876</u>
Changes in net assets.....	24,817	7,797	(14,113)	(12,271)	8,178
Net assets (deficit), beginning of year.....	<u>56,576</u>	<u>48,779</u>	<u>62,892</u>	<u>75,163</u>	<u>66,985</u>
Net assets, end of year.....	<u>\$ 81,393</u>	<u>\$ 56,576</u>	<u>\$ 48,779</u>	<u>\$ 62,892</u>	<u>\$ 75,163</u>



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EXHIBIT III

**CITY OF BOSTON
SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION**

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION

The following report has been prepared by the Boston Planning and Development Agency (the "BPDA"), formerly the Boston Redevelopment Authority, for inclusion in the Official Statement. The report describes the principal components of the economy of the City of Boston (the "City" or "Boston") and presents major economic, demographic and market indicators, and historical, statistical and other information.

This report contains estimates that are based on expectations and assumptions that existed at the time estimates were prepared. In light of the important factors that may materially affect economic conditions of the City, the inclusion in this report of such estimates should not be regarded as a representation of the BPDA or the City that such estimates will occur.

The information contained herein has been furnished by the BPDA and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the underwriters of the Bonds or, as to information from other sources, of the BPDA or the City.

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THE BOSTON ECONOMY

Boston is the twenty-second largest city, in terms of population, in the United States and the economic hub of the Commonwealth of Massachusetts (the “Commonwealth”). It is a center for professional services, business, finance, technology, research and development, higher education and health care, as well as for transportation, exports, communications, culture and entertainment. Boston is the capital of the Commonwealth and is host to several federal regional offices.

According to the U.S. Census Bureau’s American Community Survey (“ACS”), Boston’s population for 2017 was 683,015. The BPDA Research Division estimates there are 812,153 full and part-time, payroll and non-payroll jobs in Boston as of 2017 based on data provided by the Bureau of Economic Analysis (“BEA”) and Massachusetts Executive Office of Labor and Workforce Development (“EOLWD”). Boston’s jobs represent 17% of the total statewide jobs.

Overview of Recent Economic Conditions

Boston’s economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2007 to 2017. During that period, Boston’s average annual job growth was 2%. Following the start of the Great Recession in December 2007, the national economy experienced rising unemployment and deteriorating economic conditions. In late 2008 Boston’s economy began to show signs of a weakening labor market, and economic conditions worsened from late 2008 until February 2010, when positive job growth returned. Payroll jobs grew in Boston at an average annual rate of 2% from 2010 through 2017, exceeding the national recovery. Boston’s unemployment rate for 2018 was 3.1%, 0.8 percentage points less than the national rate.¹

Similar to the job market, Boston’s office real estate market experienced a downward shift beginning in the last half of 2008 through mid-2010. The housing market in Boston, also hurt by the recession’s rising foreclosures and tight lending market, saw reductions in sales volumes and small to moderate drops in prices. However, Boston’s commercial real estate market rebounded and continues to show strong growth. Factors influencing commercial development include growth in high tech sectors, high rents, low interest rates, low unemployment rates, and population growth. Residential markets continue to show strong growth with increasing prices and stable sales volumes. Lower vacancies and population growth coincide with higher price levels and rents. The 2018 Q4 median sales price for a single family home in Boston was \$600,000 according to the Department of Neighborhood Development using Banker & Tradesman data.

Statistical Data

Statistical data relating to population, employment and income are derived primarily from four separate sources: the U.S. Census Bureau; the BEA; the U.S. Department of Labor, Bureau of Labor Statistics (the “BLS”); and the City of Boston and the BPDA, each of which is described below.

The Census Bureau publishes information about population, housing and the economy. The most recent decennial Census data are from the 2010 Census. In addition, some monthly, quarterly and annual data are available through December 2017 on certain topics for the region, the Commonwealth, and Metropolitan Boston.² The Census Bureau also publishes the American Community Survey, which provides data through 2017 on a citywide basis and by census tract.

The BEA publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, Massachusetts and Metropolitan Boston are for 2017. The BLS publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. The most recent monthly data are for December 2018.

The City and the BPDA prepare reports and compile data on the population and economy of the City and its neighborhoods. The BPDA also analyzes and reports on local, regional, state and national trends obtained from

¹ Massachusetts Executive Office of Labor and Workforce Development (EOLWD), U.S. Bureau of Labor Statistics (BLS)

² Federal data sources have three prevailing definitions of the Boston Metropolitan Area. Each table with Metropolitan data explains whether Metropolitan Boston refers to: the Metropolitan Statistical Area (“MSA”), the New England City and Town Area (“NECTA”), or Combined Statistical Area (“CSA”). Revised data was unavailable for Boston-Cambridge-Quincy MA-NH MSA and NECTA. All data was revised to reflect the new Boston-Cambridge-Newton MA-NH MSA and NECTA Division.

public and private sources on the following topics: employment, occupations, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity, urban redevelopment, and infrastructure projects.

The statistical data contained in this report represent the latest published data available. While the City believes that it has used the most recent available data in this report, the data contained herein may not reflect current conditions or trends because of publication lags resulting from time required to collect, tabulate and publish the data. Moreover, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of additional data. The statistical data contained herein describes past activity and are not presented in order to suggest the continuation of any trend, or to predict future economic activity either in particular categories or in general.

Population, Income and Employment

Boston’s population from the 2010 Census was 617,594, which represented a 4.8% increase from the 2000 count of 589,141. The Census Bureau’s 2010 population count for Metropolitan Boston was 4,552,402, representing an increase of 3.7% since 2000. Massachusetts’ 2010 Census enumeration was 6,547,629, a gain of 3.1% over the 2000 count. The most recent ACS (2017) estimates the City of Boston’s total population to be 683,015. The compound annual growth for the City from the 2010 decennial census through 2017 is 1.7%. Recent trends suggest Boston’s population is growing at a faster rate than in prior decades.

Population of Massachusetts, Metropolitan Boston ⁽¹⁾ and the City of Boston 1990, 2000, 2010, 2016 & 2017

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2017</u>	<u>2010 to 2017 Compound Annual Growth</u>
Massachusetts	6,016,425	6,349,097	6,547,629	6,811,779	6,859,819	0.8%
Metropolitan Boston ⁽¹⁾	4,133,895	4,391,344	4,552,402	4,794,447	4,836,531	1.0%
City of Boston	574,283	589,141	617,594	672,840	683,015	1.7%

(1) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), as defined by the Office of Management and Budget (OMB).
Source: U.S. Census Bureau, 1990, 2000, and 2010 Decennial Census; 2016 and 2017 American Community Survey one-year estimates, December 2018.

The 2017 ACS showed that Boston’s racial composition was White, Non-Hispanic 43.9%; Black, Non-Hispanic 23.1%; Hispanic 20.4%; Asian/Pacific Islander 9.7%; Multi-racial 1.9%; other single race 0.7%; and Native American 0.2%. The Hispanic and Asian populations have grown dramatically, growing about 36.1% and 50.8% respectively, from 2000 to 2017, while other populations have seen small growth or decline. Immigration has been a prime driver of increases in the Hispanic and Asian populations. In 2017, the foreign-born population, which was 28.8% Hispanic (of any race), 24.2% Asian, 30.3% Black, and 30.6% white, made up 29.2% of Boston’s total population.

Boston continues to be a city of young adults due to the large number of students and young professionals living and working in the City; 35% of all persons in Boston in 2010 were between 20 and 34 years old compared to 33% in 2000. The fastest growing age group in Boston between 2000 and 2017 was the age group 55 to 64, which saw a 66.6% increase. This is consistent with national trends and the aging of the baby boomer population. Boston’s elderly population (ages 65 and over) grew to 79,984 people, but has remained just over 10% of the total population. Boston’s population of school age children (ages 5 to 14) is 54,222, a level it has maintained since the dramatic fall from over 100,000 in the 1970s.

Along with population growth, the number of households in Boston has also grown, to 268,304 according to the 2017 ACS. The share of these households that are families (related or married people living together) remains stable at 47.7% of all households in 2017. The group quarters population, primarily students in dormitories, increased from 2010, up to 46,196 in 2017. Household size increased from 2.26 persons in 2010 to 2.37 persons in 2017. In 2017, Massachusetts had a population of approximately 6.8 million people and 4.8 million jobs, according to BEA annual data. Between 2013 and 2017 the number of jobs in Massachusetts grew by 2.4%. Massachusetts personal income, net inflation, grew at an average annual rate of 3.4% from 2013 to 2017, four tenths of a percentage point greater than the national income growth over the same period.

Metropolitan Boston had 4.8 million people and 3.6 million jobs in 2017. From 2013 through 2017, Metropolitan Boston experienced an average annual growth in jobs of 2.5%. The MSA’s total personal income, net inflation, from 2013 through 2017 grew at an average annual rate of 3.7%, slightly outpacing national trends during that period.

**Population, Income and Employment
2013-2017⁽¹⁾
(Income in 2018 dollars)**

	2013	2014	2015	2016	2017
United States					
Total Personal Income (billions \$)	\$15,279	\$15,892	\$16,645	\$16,860	\$17,230
Population (thousands)	316,235	318,623	321,040	323,406	325,719
Per Capita Income.....	\$48,316	\$49,877	\$51,847	\$52,133	\$52,899
Employment (thousands).....	182,325	186,236	190,318	193,369	196,132
Massachusetts					
Total Personal Income (billions \$)	\$415	\$430	\$457	\$465	\$475
Population (thousands)	6,707	6,750	6,784	6,812	6,860
Per Capita Income.....	\$61,889	\$63,579	\$67,295	\$68,198	\$69,279
Employment (thousands)	4,354	4,449	4,632	4,710	4,778
Boston-Cambridge-Newton, MA-NH (MSA) ⁽²⁾					
Total Personal Income (billions \$)	\$317	\$329	\$351	\$358	\$367
Population (thousands)	4,696	4,735	4,767	4,794	4,837
Per Capita Income.....	\$67,396	\$69,321	\$73,513	\$74,549	\$75,829
Employment (thousands).....	3,268	3,345	3,491	3,557	3,611

(1) The BEA revised its historic employment data by incorporating additional data sources and improving allocation methods, which resulted in revised employment estimates for Boston from 2001 through 2016

(2) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

Source: U. S. Department of Commerce, Bureau of Economic Analysis and U.S. Census Bureau, December 2018. BEA Data last updated December 2018.

Employment Structure, Employment Trends and Occupational Changes

Boston has seen recent growth in professional and technical services, health care, and transportation and warehousing. The largest industries in the city are health care and social assistance, professional and technical services, finance and insurance, government, accommodation and food services, and education.

The table below shows Boston’s employment growth by industry category for 2013 through 2017. The industry categories are in the North American Industrial Classification System (“NAICS”) format, which the BEA began using in 2001. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (Employment Security, ES-202, for cities and towns from the Massachusetts Executive Office of Labor and Workforce Development (“EOLWD”).

Total employment in Boston rose to the highest level in recent decades and unemployment fell below three percent in the last quarter of 2018. Boston’s job growth has been positive across most industries since the recession, and is mostly concentrated in health care and social assistance, professional and technical services, and accommodation and food services. The health care and social assistance industry employs the largest number of people in Boston, 18.3 percent of total jobs, while transportation and warehousing has surpassed professional and technical services as the fastest growing industry since the recession at 8.1% per year. The job growth in transportation and warehousing is predominantly in non-payroll positions. Educational services is an area of specialization for Boston with an employment share three times the national average. The most recent economic conditions in Boston show steady growth in the labor market.

City of Boston Employment 2013 – 2017⁽¹⁾
North American Industry Classification System (NAICS)

Industry	2013 ⁽³⁾	2014 ⁽³⁾	2015	2016	2017	Absolute Change '16-'17	Percent Change '16-'17
Natural Resources and Mining.....	385	354	385	346	349	4	1.1%
Utilities.....	1,578	1,911	1,977	2,014	2,249	235	11.7%
Construction.....	16,994	17,117	17,978	19,317	20,817	1,500	7.8%
Manufacturing.....	8,335	7,767	8,034	7,927	8,289	362	4.6%
Wholesale Trade.....	9,242	9,595	10,039	9,673	9,821	148	1.5%
Retail Trade.....	32,316	33,021	34,403	35,315	35,744	428	1.2%
Transportation and Warehousing.....	21,060	24,375	29,749	32,909	34,273	1,364	4.1%
Information.....	15,721	16,170	16,894	18,393	19,439	1,046	5.7%
Finance and Insurance.....	86,824	86,454	89,221	93,669	94,329	659	0.7%
Real Estate and Rental and Leasing.....	31,214	33,123	34,730	35,682	36,927	1,245	3.5%
Professional and Technical Services.....	82,608	86,425	93,875	98,074	101,413	3,339	3.4%
Management of Companies and Enterprises.....	7,823	8,068	8,380	9,220	9,687	467	5.1%
Administrative and Waste Services.....	34,166	35,818	37,624	39,591	40,282	691	1.7%
Educational Services.....	55,630	56,909	58,659	58,838	57,845	-994	-1.7%
Health Care and Social Assistance.....	131,165	134,938	140,717	144,543	148,328	3,785	2.6%
Arts, Entertainment, and Recreation.....	15,435	16,555	17,328	17,905	18,245	340	1.9%
Accommodation and Food Services.....	57,808	59,265	60,185	62,733	64,897	2,164	3.4%
Other Services (except public administration) (2)	31,440	33,176	33,812	33,164	33,414	250	0.8%
Government.....	75,652	76,379	76,557	76,897	75,807	-1,091	-1.4%
Total.....	715,396	737,420	770,548	796,211	812,153	15,942	2.0%

- (1) The employment figures are from the BEA Series for Suffolk County, pro-rated to the City's geographical boundary using data from EOLWD.
- (2) Other services include repair and maintenance, personal and laundry services, and religious, grant making, civic, professional, and similar organizations.
- (3) The BEA revised its historic employment data by incorporating additional data sources and improving allocation methods, resulting in revised employment estimates for Boston from 2001 through 2016.

Source: U.S. Bureau of Economic Analysis, Massachusetts Executive Office of Labor and Workforce Development, BPDA Research Division Analysis.

In addition to this strong overall growth, the high tech sector jobs grew by an average annual rate of 8.9% since 2010. Boston's high tech industries benefit from supportive public policies and high tech clusters that foster synergistic innovation. Major Boston high tech clusters include the Innovation District, which provides startups a place to grow, and world class centers for medical research in the Longwood Medical Area and Massachusetts General Hospital campus. Major companies have also moved to new office spaces throughout Boston. In October 2017, Reebok moved into its new 220,000 square foot headquarters at the Innovation and Design Building in the Seaport District. In 2018, Bose began outfitting a 98,000 square foot office space in Boston Landing. The fantasy sports website DraftKings announced plans to double the size of its headquarters in a move to Boston's Back Bay, while Haemonetics Corp, a Braintree-based company that manufactures blood management devices, announced plans to move into DraftKing's former office space in the Financial District in 2019.³ Though Boston was not selected as the site of Amazon's second headquarters, the company moved into a 150,000 square foot office on Summer St and confirmed a plan to construct 430,000 square feet of office space and bring 2,000 employees to an 18-story office building in Seaport Square. Companies expected to move into Boston in the near future include Verizon, which signed a 20-year lease for the office tower to be built over North Station and PTC, a computer software company that will occupy office space in the Seaport.

The following table indicates that between 1970 and 2017, the share of white collar workers in Boston's resident labor force increased from 55% to 69%, while the share of blue collar workers decreased from 45% to 31%. Between 2000 and 2017, the proportion of white collar to blue collar workers in the City remained approximately the same.

³ Boston Business Journal, "A timeline of all that happened in Boston business in 2018," <https://www.bizjournals.com/boston/news/2018/12/26/a-timeline-of-all-that-happened-in-boston-business.html>

Occupational Change in the City's Resident Labor Force, 1970 -2017

	1970		1980		1990		2000		2017	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	146,657	55	154,456	60	191,251	67	197,049	69	263,644	69
Managerial, Professional & Related	59,929		77,217		107,206		123,850		191,610	
Sales & Office	86,728		77,239		84,045		73,199		72,034	
Blue-Collar & Service	119,848	45	101,561	40	97,453	33	88,810	31	117,958	31
Construction, Extraction, Maintenance	27,157		19,772		18,453		14,118		13,912	
Production, Transportation, & Related	36,695		24,825		19,971		23,630		23,152	
Service and Farm & Fishing	55,996		56,964		59,029		51,062		80,894	
Total	266,505	100%	256,017	100%	288,704	100%	285,859	100%	381,602	100%

Source: U.S. Census Bureau, 1970-2000 Decennial Censuses, 2017 American Community Survey.

Unemployment

According to the Massachusetts EOLWD, Boston's average unemployment rate from January through December 2018 was 3.1%, 0.8 percentage points lower than the national unemployment rate. Boston's unemployment rate during 2017 and 2018 was the lowest it has been since 2000. The 2018 unemployment rates for Metropolitan Boston and Massachusetts were 2.9 and 3.4%, respectively. Current unemployment rates are at historic low levels for Boston, Massachusetts and the U.S. These low rates suggest the region is at full employment and that there is a tightening of the labor market.

Annual Unemployment Rates, 2013-2018⁽¹⁾ (Not Seasonally Adjusted)

	2013	2014	2015	2016	2017	2018 ⁽³⁾
City of Boston	6.1%	5.2%	4.4%	3.5%	3.4%	3.1%
Metropolitan Boston ⁽²⁾	5.7	4.9	4.1	3.3	3.2	2.9
Massachusetts	6.7	5.7	4.8	3.9	3.7	3.4
United States	7.4	6.2	5.3	4.9	4.4	3.9

- (1) Each year, historical estimates from the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and re-estimation. Therefore, unemployment rates may differ from previous publications of this report.
- (2) The Boston-Cambridge-Newton MA NECTA Division is similar to the MSA, except the NECTA is composed of sub-county units, usually cities and towns. The Boston-Cambridge-Newton MA NECTA is made up of 92 cities and towns in Massachusetts, as defined by the Office of Management and Budget (OMB).
- (3) 2018 values represent preliminary estimates.

Sources: Bureau of Labor Statistics for United States, Massachusetts and Metro; and Massachusetts EOLWD for the City, January 2019.

The following table presents monthly data from January 2016 through November 2018 for Boston and the metropolitan area, and from January 2016 through December 2018 for Massachusetts and the U.S. The latest data for December 2018 show Boston's unemployment rate was 2.3%, while Massachusetts' rate was 2.7%, according to the Labor Area Unemployment Statistics (LAUS) program of the BLS and the Massachusetts EOLWD. Unemployment rates for the last quarter of 2018 were below three percent for both Metropolitan Boston and the City.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston,⁽¹⁾ Massachusetts,
and the United States for 2016, 2017, and 2018⁽²⁾⁽³⁾**

	<u>City of Boston</u>			<u>Metropolitan Boston⁽¹⁾</u>			<u>Massachusetts</u>			<u>United States</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Jan.	4.0%	3.7%	3.3%	3.9%	3.6%	3.2%	4.9%	4.5%	4.0%	5.3%	5.1%	4.5%
Feb.	3.7	3.5	3.2	3.7	3.5	3.3	4.6	4.4	4.0	5.2	4.9	4.4
Mar.	3.6	3.3	3.1	3.6	3.3	3.1	4.4	4.1	3.8	5.1	4.6	4.1
Apr.	3.3	3.1	2.8	3.2	3.0	2.7	3.8	3.6	3.3	4.7	4.1	3.7
May	3.5	3.5	3.1	3.2	3.3	2.9	3.7	3.7	3.3	4.5	4.1	3.6
Jun.	4.0	4.0	3.9	3.6	3.6	3.5	4.0	4.0	3.9	5.1	4.5	4.2
Jul.	3.9	3.9	3.8	3.5	3.5	3.5	4.0	4.0	3.9	5.1	4.6	4.1
Aug.	3.6	3.6	3.4	3.1	3.2	3.1	3.6	3.6	3.5	5.0	4.5	3.9
Sep.	3.5	3.4	3.0	3.2	3.1	2.8	3.6	3.5	3.2	4.8	4.1	3.6
Oct.	3.1	2.9	2.7	2.9	2.7	2.5	3.3	3.1	2.9	4.7	3.9	3.5
Nov.	3.0	2.8	2.4	2.8	2.7	2.2	3.3	3.0	2.6	4.4	3.9	3.5
Dec. ⁽⁴⁾	3.0	2.7	2.3	2.9	2.6	2.2	3.5	3.1	2.7	4.5	3.9	3.7

- (1) The Boston-Cambridge-Newton MA NECTA Division is similar to the MSA, except the NECTA is composed of sub-county units, usually cities and towns. The Boston-Cambridge-Newton MA NECTA is made up of 92 cities and towns in Massachusetts.
- (2) Each year, historical estimates from the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and re-estimation. Therefore, unemployment rates may differ from previous publications of this report.
- (3) Unemployment rates are not seasonally adjusted.
- (4) Preliminary, subject to change for 2018.

Sources: Bureau of Labor Statistics for United States, Massachusetts, and Metropolitan Boston; and Massachusetts EOWLD for the City of Boston, January 2019.

Largest Private Employers in Boston

The following table lists the top ten largest employers in Boston as of the fall of 2018, which in the aggregate represents 87,912 jobs, or about 10.8% of all employment.

Top 10 Largest Employers in Boston

<u>Employer</u>	<u>Jobs</u>	<u>Share of Total</u>
Massachusetts General Hospital	17,529	2.2%
Brigham and Women's Hospital	12,178	1.5
Boston Children's Hospital	10,101	1.2
Boston University	9,992	1.2
Beth Israel Deaconess Medical Center	8,521	1.0
State Street Bank & Trust Company*	7,500	0.9
Boston Medical Center	5,716	0.7
Harvard University Graduate Schools	5,680	0.7
Northeastern University**	5,595	0.7
Fidelity Investments*	5,100	0.6
Sum of Top 10 Employers	87,912	10.8
Total Boston Employment***	812,153	

* Employment numbers for these employers are current as of 2017. This is the most recent data available.

** Northeastern's employment includes both Northeastern University and the Northeastern University Professional Advancement Network.

*** Boston's total payroll and non-payroll employment as of 2017.

Source: Bureau of Economic Analysis; American Hospital Association; National Center for Education Statistics; BPDA Research Division Analysis. Estimates reflect most recent available data.

In addition to private employers, the public sector has a large number of employees working in the City. According to a preliminary estimate by the BPDA, using a series consistent with the BEA, there were 75,807 federal, state and local government workers in the City in 2017. Boston is home to large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions (such as the Massachusetts Port Authority and the Boston Water and Sewer Commission), and the City's local government agencies and departments.

Labor Force and Education

Due to the growing size and increasing age of the population as well as the rising labor force participation of women, minorities, youth and the elderly, Boston's resident labor force steadily rose from 1980 to 2017. According to the Decennial censuses, Boston's population grew by 4.6% between 1980 and 2000, and another 4.8% between 2000 and 2010. Meanwhile, the resident labor force grew 11.9% between 1980 and 2000, and another 13.7% between 2000 and 2010. According to 1-year ACS surveys, Boston's population grew 9.9% between 2010 and 2017 to 683,015, of which residents 409,910 were in the labor force and 381,602 were employed. The educational attainment of Boston residents, measured as the share of residents over the age of 25 with at least a bachelor's degree, also improved over the 1980 to 2000 period according to the Decennial Censuses from 20.3% to 35.6%. From 2010 to 2017 according to the 1-year ACS, this share grew even further from 35.6% to 48.2%. Improving educational attainment has supported the City's transition to a knowledge-based economy.

Years of School Completed for Boston Residents Age 25 and Over, 1980, 1990, 2000 and 2017

	1980		1990		2000		2017	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Fewer than nine years	54,932	16.6%	37,824	10.3%	34,321	9.1%	29,908	6.3%
9 to 12 years, no diploma	49,407	14.9	51,051	14.0	45,308	12.0	27,261	5.7
High school graduate (or GED)	115,787	35.0	97,233	26.6	90,568	24.0	101,571	21.4
Some college or Associates	43,451	13.2	69,889	19.1	73,125	19.4	86,991	18.3
Bachelors, Masters, or Prof.	67,073	20.3	109,711	30.0	134,252	35.6	229,083	48.2
Total	330,650	100	365,708	100	377,574	100	474,814	100

Note: GED stands for General Equivalency Diploma, which is equivalent to regular high school diploma and is earned for completing work for graduation after having left high school.

Source: U.S. Census Bureau, 1980-2000 Decennial Census reports, 2017 1-year American Community Survey.

The Mayor's Office of Workforce Development (OWD), a division of the BPDA, funds workforce development in the City to promote the full participation of all Boston residents in the City's economy. OWD policies and programs ensure that low-income Boston residents, both youth and adult, are connected to the training necessary to obtain career-oriented employment that leads to economic stability. Programs and services offered through OWD grants include adult basic education, English for Speakers of Other Languages (ESOL), High School diploma/HiSET, occupational skills training, transitional job experience, career exploration and support services which address a wide range of individual and family needs.

In fiscal 2018, OWD supported over 100 community organizations with more than \$14 million in funding, to provide a variety of services to greater Boston's residents. These services included apprenticeship training in hospitality, facilities maintenances, emergency medical services, and the building trades; internship and alternative education programs for young adults; summer youth employment; and adult ESOL programs. OWD also oversees and convenes the region's one-stop career centers (American Job Centers), which served 15,515 job-seekers and 761 employers. In addition, funding from OWD served 1,583 young people ages 14 to 24 with a variety of education and skills development programming. Youth Options Unlimited (YOU), a division of OWD that works with at-risk youth, provided case-management services to 469 young people, placing 202 into subsidized jobs and 90 into unsubsidized jobs. Linkage contributions paid into the Neighborhood Jobs Trust provide supplemental sources of funding for job training and adult education programs. For a full discussion of the City's jobs linkage program, as well as the housing linkage program, see "The Linkage Program," later in this program.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$75,711 in 2017, 43.1% above the national per capita personal income of \$52,899, according to the BEA. According to the 2017 1-year ACS, Boston residents constitute approximately 85.6% of the county's population. The summary table below shows the per capita income from 1980 through 2017 for Suffolk County, Metropolitan Boston, Massachusetts and the nation. Annual growth for per capita income in Suffolk County was about double the national average for Massachusetts, Metropolitan Boston and Suffolk County from 2000 to 2017. The city's median household income (in fixed 2018 dollars) based on Census data from the ACS was \$63,533 in 2017. Per capita personal income reflects earned income of persons residing in the named areas plus rents, interest and other unearned income and transfer payments from governmental entities. As such, these figures take into account income sources not included in the survey of average annual wages in the following paragraph, which reflect earned income of persons who work (but do not necessarily reside) in the named areas.

Per Capita Personal Income Comparison, 1980, 1990, 2000 and 2010-2017⁽¹⁾
(In Fixed 2018 Dollars)

Year	United States	Massachusetts	Metropolitan Boston ⁽²⁾	Suffolk County ⁽³⁾
1980.....	\$30,936	\$32,587	\$33,946	\$31,698
1990.....	\$37,649	\$44,354	\$47,441	\$47,179
2000.....	\$44,623	\$56,208	\$62,016	\$57,928
2010.....	\$46,688	\$61,115	\$66,923	\$74,370
2011.....	\$47,695	\$61,709	\$67,500	\$70,675
2012.....	\$48,757	\$62,724	\$68,459	\$68,980
2013.....	\$48,316	\$61,889	\$67,396	\$66,582
2014.....	\$49,877	\$63,579	\$69,321	\$66,845
2015.....	\$51,847	\$67,295	\$73,513	\$71,460
2016.....	\$52,133	\$68,198	\$74,549	\$74,776
2017.....	\$52,899	\$69,279	\$75,829	\$75,711

- (1) The BEA revised its historic employment data by incorporating additional data sources and improving allocation methods, which resulted in revised income estimates for Boston from 2010 through 2016.
- (2) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).
- (3) City residents constitute approximately 85.6% of Suffolk County's population.

Source: Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population and Per Capita Personal Income, December 2018.

Payroll wages for jobs located in Boston totaled \$65.1 billion in 2017, resulting in an average annual payroll wage of \$101,103. Data from the BEA indicate that the average annual wage and salary disbursement per job for 1980 through 2017 by place of work has been consistently higher in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2017, Suffolk County's average wage per job (\$95,886) was 25.0% greater than wages in the Boston metropolitan area (\$76,693), and 36.7% greater than in the Commonwealth (\$70,124).

Average Wage per Job, 1980, 1990, 2000 and 2010-2017⁽¹⁾
(In Fixed 2018 Dollars)

Year	United States	Massachusetts	Metropolitan Boston ⁽²⁾	Suffolk County ⁽³⁾
1980.....	\$42,654	\$41,216	\$42,944	\$47,109
1990.....	\$45,014	\$50,564	\$53,250	\$60,044
2000.....	\$51,114	\$63,102	\$68,665	\$80,877
2010.....	\$54,120	\$65,382	\$70,926	\$86,171
2011.....	\$53,938	\$65,419	\$71,011	\$85,575
2012.....	\$54,190	\$65,128	\$70,941	\$86,226
2013.....	\$53,956	\$65,122	\$70,813	\$86,048
2014.....	\$54,715	\$66,469	\$72,472	\$89,963
2015.....	\$56,313	\$69,081	\$75,381	\$93,219
2016.....	\$56,352	\$69,044	\$75,379	\$93,414
2017.....	\$57,000	\$70,124	\$76,693	\$95,886

- (1) The BEA revised its historic employment data by incorporating additional data sources and improving allocation methods, which resulted in revised income estimates for Boston from 2010 through 2016.
- (2) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).
- (2) Jobs in Boston constitute approximately 96% of jobs in Suffolk County.

Source: Bureau of Economic Analysis, Economic Profile: Average Wages and Salaries, December 2018.

From 2007 to 2018, prices rose at an annual average rate of 1.8% in Metropolitan Boston based on the BLS Consumer Price Index (CPI), while the national index grew at a 1.9% annual rate. Comparing the latest monthly CPI-U data for November 2017 and November 2018 reveals that the rate rose by 3.2% in the Metropolitan Boston area.

Consumer Price Index for All Urban Consumers
2009-2018
(CPI-U) ⁽¹⁾

Year	United States Index	Percent Change	Metropolitan Boston ⁽²⁾ Index	Percent Change
2009.....	214.5	-0.4%	233.8	-0.7%
2010.....	218.1	1.6	237.4	1.6
2011.....	224.9	3.2	243.9	2.7
2012.....	229.6	2.1	247.7	1.6
2013.....	233.0	1.5	251.1	1.4
2014.....	236.7	1.6	255.2	1.6
2015.....	237.0	0.1	256.7	0.6
2016.....	240.0	1.3	260.5	1.4
2017.....	245.1	2.1	267.0	2.5
2018 ⁽³⁾	251.1	2.4	275.8	3.3

(1) Index based upon 1982-1984=100.0. Not seasonally adjusted.

(2) Includes all or parts of sixteen counties: eight counties in Massachusetts (Bristol, Essex, Hampden, Middlesex, Norfolk, Plymouth, Suffolk and Worcester), four counties in New Hampshire (Hillsborough, Merrimack, Rockingham and Strafford), one county in Maine (York), and one county in Connecticut (Windham) which together comprise the Boston-Brockton-Nashua MA-NH-ME-CT CSA.

Source: Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, Series ID: CUUR0000SA0, January 2019.

Medical and Higher Educational Institutions

Boston’s medical and educational institutions are important components of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Expenditures by these institutions, as well as their employees, patients, students and visitors stimulate the City’s trade and service sectors. There are twenty-one in-patient hospitals located within the City with a combined total of 6,108 beds as of 2018. The largest of these are Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel Deaconess Medical Center, Boston Children’s Hospital, Tufts New England Medical Center and Boston Medical Center. The City is also home to the medical, dental and public health schools of Harvard, Tufts and Boston University, and to 25 public neighborhood health clinics, as well as private health maintenance organizations and membership clinics. For the 24th consecutive year, Boston received more National Institutes of Health (NIH) funding than any other city in the nation. Boston received a total of \$2.1 billion in NIH awards for fiscal year 2018, with eight organizations receiving over \$125 million each.

Boston is home to top universities such as Boston University, Northeastern University, and University of Massachusetts (UMass) Boston. As of academic year 2017-2018, data from the City of Boston’s University Accountability Ordinance and Department of Neighborhood Development indicate that the City’s universities and colleges had a combined enrollment of 147,689 full- and part-time students.⁴ This is an increase of close to 4,000 students since 2013. This number includes the professional and graduate schools of Harvard and Tufts which are located in Boston, but does not include MIT or undergraduate enrollment at Harvard or Tufts, whose principal campuses are located in Cambridge and Medford, respectively. Based on total graduate, undergraduate and professional school enrollment, Northeastern University enrolled the most students during the fall of 2017 at 30,538, followed by Boston University at 27,861. Boston, with nearly 10% of the Commonwealth’s population, has about a quarter of the statewide college student enrollment. According to the Department of Neighborhood Development, 1,106 dormitory beds were permitted and 647 beds were completed in 2017. 624 fewer students are living in private-housing compared to 2016. In total, 4,241 beds have been built between 2011 and 2017, accounting for 23% of the goal of 18,500 beds set out in the Housing a Changing City: Boston 2030 plan. Another 2,886 beds are under construction or soon to be under construction at Emerson, Emmanuel and Northeastern. The University of Massachusetts Boston opened its first on-campus housing in the fall of 2018; the privately operated dorm provides housing for 1,089 students at the formerly commuter college.

In 2018, the BPDA approved 1.2 million square feet of institutional development across the city. Additionally, 686,000 square feet are under construction and 1 million square feet were completed. These new projects primarily came from major educational and medical institutions. The projects highlighted below capture major institutional developments completed, under construction and approved in the past year.

⁴ Department of Neighborhood Development, “Student Housing Trends: 2017-2018 Academic Year,” City of Boston, 2018.

Completed:

- In November 2018, Wentworth University completed a new 69,000 square foot Multipurpose Academic Building containing laboratories, meeting spaces and a first-floor maker and manufacturing space.
- Boston College completed an 115,700 square foot field house at 2609 Beacon Street, which will complement the BC Recreation Center and the Brighton Athletic Fields currently under construction.
- Emmanuel College completed construction on New Julie Hall, a 267,000 square foot dormitory with 691 beds in the Longwood Medical Area.
- Boston University completed the renovation of Myles Standish Hall and the Annex building on Beacon Street, totaling 203,000 square feet and 730 dorm beds.

Under Construction:

- Harvard University continued work on a \$1 billion, 550,500 square foot Science and Engineering Complex, which will serve more than 1,800 students, researchers and faculty upon opening.
- Boston College continued construction on a 215,000 square foot Recreation Center on Thomas More Drive which will provide athletic facilities to BC students, faculty and staff.
- Construction continued on Phase 1 of a new Inpatient Building at the Boston University Medical Center, one of six projects approved as part of the Boston University Medical Center Institutional Master Plan.
- Emerson College is renovating the interior and façade of the Little Building located at 80 Boylston Street. The project will add a new floor and 294 new beds to the dormitory.
- Boston University Goldman School of Dental Medicine began the expansion and renovation of a 126,000 square foot facility at 100 East Newton Street.

Project Approvals:

- Emerson College received approval to amend its existing Institutional Master Plan in order to renovate a 17,750 square foot building on Tremont Street that will include a cultural center, health services center, meeting space, and counseling center.
- Beth Israel Deaconess Medical Center received approval for a new Inpatient Building in the Longwood Medical Area which will include approximately 325,000 square feet of hospital space, 158 inpatient beds and a rooftop helipad.

Tourism and Culture

Boston ranks among the top ten destinations in North America for conventions, meetings and trade shows, based on the number and quality of the shows booked. Boston currently has three main convention sites—the John B. Hynes Veterans Memorial Convention Center (“Hynes”), the Seaport World Trade Center and the 2.1 million square-foot Boston Convention & Exhibition Center (“BCEC”), which is the largest building in New England and capable of hosting large national and international events. In late summer of 2014, the Massachusetts Convention Center Authority (“MCCA”) also opened “The Lawn on D,” a flexible outdoor public and event space immediately adjacent to the BCEC. In 2017 the Hynes and the BCEC hosted a combined total of 325 events with an aggregate of 850,000 attendees. This resulted in approximately 615,000 hotel room nights and generated an overall economic impact of approximately \$735 million, according to the Massachusetts Convention Center Authority (“MCCA”). Total fiscal 2018 operating revenues totaled \$76.3 million, a three percent increase from the previous year.⁵

Downtown Boston saw the addition of significant new cultural amenities in 2018. The Patios opened on City Hall Plaza in the summer 2018, providing a local gathering spot, space for weekly pop-up events and a main pavilion structure. This revitalization project is one in a series of planned improved uses for the Plaza. Other uses of public space included the Open Newbury Street events, which closed Newbury Street in the Back Bay to cars on three Sundays. Open Newbury Street events provided attendees with indoor and outdoor shopping experiences and dining. The large redevelopment of the North Station Boston Garden area, a 1.87 million square foot mixed use development, was approved in 2013 and broke ground in January 2016. Phase 1 of the project was completed in late 2018 and includes improvements to North Station, a four-level below-grade parking garage, as well as a four to six

⁵ Clifton Larsen Allen LLP “Massachusetts Convention Center Authority (A Component unit of the Commonwealth of Massachusetts) Financial Statements, Required Supplementary Information and Supplementary Information” Years Ended June 30, 2018 and 2017

story podium. Phase 2 is currently under construction and will consist of a 38-story residential tower with approximately 440 units and an 11-story hotel with 269 rooms. Phase 3 was approved by the BPDA Board and will include an office tower of up to 651,500 square feet. The project also encompasses Champions Row, which is the new entrance to the TD Garden and contains restaurants and a movie theater which will open in 2019. The project site is a 2.8 acre vacant parcel at the former site of the original Boston Garden.

Hotel Market

Between 2000 and 2009, 25 hotels opened in the City, making up one-third of the current hotel stock. Boston's favorable hotel market and the construction of the BCEC stimulated considerable new development over this period. Two hotels opened in 2009: the 114-room Ames Hotel, an adaptive reuse of an historic office building near Government Center, and the 235-room "W" Hotel in the Theater District. Two additional hotels opened in 2013: a 175 room Marriott Residence Inn in the Fenway/Kenmore district and a 120 room Marriott Residence Inn as an adaptive reuse of the Stillings Building in South Boston, near the BCEC convention center. The 136 room Envoy hotel opened in 2015 in the Seaport's Innovation District. The Aloft and Element, both on D Street, and the Godfrey Hotel on Washington Street in Downtown Crossing all opened in 2016. In 2017, the 326 room YOTEL opened in the Seaport District. As of January 2018, Boston had 87 hotels open for business and a total of 21,193 hotel rooms in establishments of fifty or more rooms.⁶

At the start of 2018, 325,000 square feet of hotel development was under construction in Roxbury, the West End and Brighton, including the 100 room Marriot on Melnea Cass Boulevard, the 220 room Courtyard Marriot Hotel on Beverly Street and the 162 room Cleveland Circle hotel on Chestnut Hill Avenue. The Courtyard Marriot Hotel finished construction early in 2018 and opened with 220 rooms near TD Garden in the North End. The AC Hotel in Cleveland Circle was finished in April and opened its 162 rooms in June as part of the greater development plan for "the Circle". Another AC Hotel opened in the South End near the Ink Block development as a 205-room boutique hotel with a fitness center and meeting space that can accommodate up to 140 people. In Back Bay, the Four Seasons Hotel at One Dalton Street, which will include 215 rooms and 41 suites, is expected to open in early 2019. Additionally, two hotels in the Seaport district broke ground: Marine Wharf and Omni Hotel. The Marine Wharf project will include 245-room Hilton hotel and a 166-room Homewood Suite. Nearby, the Omni Hotel will feature 1,055 guest rooms and 52 suites, with an all-day restaurant, fitness center, spa and the largest hotel ballroom in the Seaport. It is set to open in early 2021.

The average occupancy rate of hotels in Boston was 79.4% over the past 10 years, according to the latest data from the Pinnacle Perspective Monthly Report. The occupancy rate dipped in 2009 with the Recession but soon recovered, reaching a year to date average of 84.4% in November 2018. Excluding the recession years, these statistics suggest that Boston has a robust hotel market.

The City's Average Daily Rate ("ADR") represents the average rate paid per room over a given period of time. The ADR is highly correlated with the occupancy rate, which follows the same trend but on a lagged basis. The ADR, in fixed 2018 dollars, grew 18.4% from \$228.15 in 1990 to \$270.22 in 2018. The hotel room inventory has increased since 1990, with upper scale hotels built during the 1990s contributing to higher daily rates, along with increased demand for hotel stays. The table below shows the room supply, occupancy rate, ADR and revenue per available room for Boston for the years 1990, 2000, and 2005 through 2018. The hotel industry provided 11,569 direct jobs in Boston for 2017, accounting for 1.8% of Boston's total payroll jobs and 32.7% of Massachusetts' hotel industry employment.

⁶ The Hotel stock is based on 2017 City of Boston Licensing Board data.

Boston Hotel Room Supply, Occupancy, Room Rate and Revenues per Available Room

Year	Room Supply	Occupancy Rate %	Average Daily Rate	Percent Change	Revenue Per Available Room	Percent Change
1990	12,070	74.3%	\$228.15	-	\$169.52	-
2000	14,002	78.4%	288.72	-	226.50	-
2005	15,782	75.4%	227.23	1.1%	171.31	2.3%
2006	16,936	76.4%	244.89	7.8%	187.12	9.2%
2007	17,244	76.0%	254.76	4.0%	193.72	3.5%
2008	18,014	74.6%	246.24	-3.3%	183.62	-5.2%
2009	18,363	70.5%	220.86	-10.3%	155.74	-15.2%
2010	18,363	75.4%	227.17	2.9%	171.28	10.0%
2011	18,363	77.4%	221.87	-2.3%	171.79	0.3%
2012	18,363	78.1%	235.79	6.3%	184.05	7.1%
2013	18,658	80.3%	241.23	2.3%	193.68	5.2%
2014 ⁽¹⁾	19,107	81.8%	254.64	5.6%	208.28	7.5%
2015	19,420	81.8%	270.60	6.3%	221.33	6.3%
2016	20,172	81.2%	267.31	-1.2%	217.13	-1.9%
2017	20,498	82.4%	265.81	-0.6%	218.91	0.8%
2018 ⁽²⁾	21,193	84.4%	270.22	1.7%	228.05	4.2%

(1) Initial estimates for years 2014 through 2017 were revised using the latest available data from the Boston Licensing Board.

(2) Due to the data release schedule, 2018 rates are the average of January 2018 to November 2018.

Sources: (a) Room supply: STR, Boston Licensing Board, and BPDA Research Division analysis, (b) Occupancy, ADR and RevPAR reported by Pinnacle Advisory Group. All dollar values are in fixed 2018 dollars.

Transportation

Boston is a major national and international air terminus, a seaport and the center of New England’s rail, truck and bus service. The City is served by three limited-access interstate highways: I-90 (the “Massachusetts Turnpike”), which stretches 138 miles westward from downtown Boston to the New York State border; I-95, the East Coast’s principal north-south highway, which connects Greater Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and I-93, another north-south interstate highway that extends from just south of the City north to New Hampshire.

Transportation planning includes both major highway and mass transit programs. The Massachusetts Department of Transportation (“MassDOT”) oversees statewide transportation services across several divisions: rail and transit, aeronautics, highway, the Registry of Motor Vehicles (RMV) and planning and enterprise. While MassDOT’s rail and transit division operates across Massachusetts, transit within the Greater Boston Area is overseen by the Massachusetts Bay Transportation Authority (“MBTA”). The MBTA provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, offering public transit to a population of almost 4.8 million people in an area of 3,240 square miles. The MBTA is the fifth largest mass transit system in the nation as determined by ridership, providing 1.3 million unlinked passenger trips per day. In 2017, for the first time, the MBTA and MassDOT jointly produced a Capital Investment Plan (“CIP”), integrating the decision making process around funding allocation and aligning the agencies’ goals and program evaluation procedures.⁷ The 2019 CIP allocates a total of \$17.3 billion in capital investments for fiscal years 2019 to 2023 across programs by level of priority: (1) improving reliability through maintenance and repair of existing assets (50% of total funding); (2) modernizing assets to meet updated safety or accessibility requirements (28%); (3) expanding capacity to accommodate increased ridership (12%). The remaining funds are allocated to planning and enterprise services and Chapter 90 funding for reimbursement of municipal road-construction (10%).

The MBTA is scheduled to spend \$6.9 billion over the next five years, beginning with \$1.07 billion in fiscal year 2019. Planned and recommended spending for fiscal years 2019 to 2023 is broken down into the following categories: (i) Revenue vehicles (\$1.29 billion); (ii) Track, signal and power programs (\$950 million); (iii) Facilities (\$355 million); (iv) Commuter Rail Safety and Resiliency (\$637.5 million); (v) Accessibility programs (\$265 million); and (vi) Expansion projects (\$1.42 billion). Additional priority projects for the MBTA include the fleet overhaul of the Red and Orange lines, the Green Line Extension to Union Square in Somerville and College Avenue in Medford, the new automated fare collection system (AFC 2.0), and Silver Line extension to Chelsea. The

⁷ MassDOT, “2019-2023 Capital Investment Plan,” 2017

construction of Blue Hill Avenue station along the Fairmount commuter line should be complete in 2019.

In addition to MBTA-specific programs, the CIP designates funding for several other Boston area transportation projects. MassDOT will continue the planning and environmental review phase of the I-90 Allston Interchange Project. This project will replace the I-90 viaduct carrying the Mass Turnpike into Boston through Allston, construct a new commuter rail station and improve pedestrian and bicycle pathways along Cambridge Street and to the Charles River. Additionally, the CIP designates funding for MassDOT, in cooperation with the Federal Railroad Administration, Amtrak and the MBTA, to study potential expansions and improvements to South Station. South Station, one of three major high speed rail terminals on Amtrak's Northeast Corridor ("NEC"), currently hosts high speed intercity passenger rail ("HSIPR"), including Amtrak Acela Express and Northeast Regional services. It is the terminus for Amtrak's Lake Shore Limited service between Boston and Chicago, as well as for MBTA commuter rail, subway and guideway bus services. Potential changes to the Station include improvements to the tracks, platforms, signals and passenger facilities, as well as possible joint public/private development over and around the station.

The proposed fiscal year 2019 to fiscal year 2023 Boston Transportation Capital Plan draws on City, State and Federal sources, to invest \$967 million over the next five years in implementing the core initiatives outlined in Go Boston 2030. The Capital Plan makes critical investments to improve safety for Boston's most vulnerable street users with a focus on roadway corridors, safe crossings and traffic calming on residential streets and in small-business districts. Vision Zero, funded \$14.4 million over the five year period, will make targeted safety improvements at corridors and intersections with known safety challenges, and to traffic-calm residential streets.

Seaport and Airport

The Massachusetts Port Authority ("Massport") was created by the state legislature to develop and manage the City's major air and sea transportation centers. Massport is financially independent, and the City is not responsible for any debt or other obligations incurred by Massport. Heavy use of Boston Logan International Airport ("Logan Airport") and the Port of Boston have induced significant expansion of both facilities. Massport's net investment in Boston's port facilities for ongoing and proposed projects, according to its fiscal 2018-2022 Capital Program, is projected to be \$2.4 billion in airport projects and \$784.2 million in maritime development and other capital projects.⁸

The Port of Boston serves the six-state New England region as a natural deep-water port supporting import and export of containerized bulk and general cargo. The port also provides ship repair supply services, customs and international freight forwarding services, intermodal cargo warehouse facilities and other maritime support services. Massport's Conley Container Terminal provides containerized freight water access to other container terminals across the world. The Port of Boston is also a major cruise port. The cruise terminal served 389,619 passengers in 2018, a modest increase of 0.4% compared to 2017. The cruise port mainly operates in the months of April through November.⁹

The Port of Boston ranks among the top 25 U.S. ports by container volume.¹⁰ The Port handled 298,036 boxed containers in calendar year 2018, an increase of 10% percent over 2017, and includes imports, exports, and empties.¹¹ The port also handled 52,400 automobiles in 2018, an increase of 6% from 2017. Additionally, the port handled 76,340 cement metric tons in 2018, which is an 18% decrease from 2017's tonnage.

As of October 2018, Logan Airport had served a total of 34.5 million domestic and international passengers for the year, a 6.7% increase from the 32.4 million passengers served during the same period in 2017. Logan Airport also plays an important role as a center for processing domestic and international air cargo. In October 2018, year to date totals for combined cargo and mail volume was 581.8 million pounds, a 4.5% increase from the 556.9 million pounds handled in 2017.¹²

⁸ "FY18-FY22 Capital Program", Massport.com. <http://www.massport.com/media/2718/fy18-fy22-capital-program-board-book.pdf>

⁹ "About Flynn Cruiseport", Massport.com. <https://www.massport.com/cruiseport/about-flynn-cruiseport/>

¹⁰ U.S. Department of Transportation, "Port Performance Freight Statistics Program: Annual Report to Congress, 2018", bts.gov. <https://www.bts.gov/sites/bts.dot.gov/files/docs/browse-statistical-products-and-data/port-performance/224751/ppfsp-annual-report2018.pdf>

¹¹ "Port Statistics", Massport.com. <http://www.massport.com/conley-terminal/about-the-port/port-statistics/>

¹² "Boston Logan International Airport Monthly Summary, October 2018", Massport.com. <https://www.massport.com/logan-airport/about-logan-airport-statistics/>

Construction Activity

The following table provides annual building permit revenues and an estimate of construction activity in the City for fiscal years 2009 to 2018. Building permits issued do not necessarily result in construction activity. The estimated revenue from building permit fees during fiscal year 2018 indicated the potential for \$5.4 billion in construction activity compared to an estimate of \$7.5 billion for fiscal year 2017. Between 2017 and 2018, building permit revenue decreased by 27% in fixed terms. In 2018, the BPDA Board approved \$6.9 billion in new projects, an increase of 21% over 2017, which will result in additional permit applications in 2019, and there was increase in property tax levy of \$77.6 million in 2018 due to new construction.¹³

Boston Building Permit Revenues and Estimated Construction Activity Fiscal Years, 2009-2018 in Millions of Fixed 2018 Dollars

Fiscal Year	Building Permit Revenues ⁽¹⁾	Estimated Potential Construction Activity ⁽²⁾
2009	\$31.6	\$3,713
2010	17.0	2,000
2011	26.2	3,081
2012	35.7	4,190
2013	31.6	3,710
2014	42.5	5,000
2015	54.8	6,446
2016	54.7	6,435
2017	63.5	7,466
2018	46.1	5,426
Total 2008-2018	403.7	47,467
Annual Average 2008-2018	40.4	4,747

(1) Columns may not add due to rounding.

(2) Potential construction activity estimated by dividing permit revenues by 0.85%, which is the midpoint between permit fees calculated at 0.7% of the first \$100,000 estimated value of development cost, and 1% for the remainder of development cost.

Source: City of Boston, Auditing Department Comprehensive Annual Financial Report, FY2018. BPDA Research Division Analysis January 2019.

Large Public Sector Projects

The Community Preservation Act (“CPA”), which passed in November 2016, will help the City of Boston achieve its housing and economic goals by generating revenue that is specifically allocated to one of three project categories: creating affordable housing units, restoring parks and recreational open space, and preserving historical sites. Through a one percent surcharge on real property tax that began in July 2017, Boston received \$20.4 million in 2018, including a \$4 million match from the Massachusetts Department of Revenue through the Community Preservation Trust Fund. A committee of nine Boston residents will make recommendations to Boston’s City Council on CPA projects that fall into the three CPA eligible project categories. As of June 2018, Mayor Walsh has recommended 35 projects to receive a total of \$8 million of funds in a pilot round of funding.

Office Market and New Development

The City and its neighborhoods had approximately 66.8 million square feet of office space in the third quarter of 2018. Boston’s direct vacancy rate was 6.8%, according to realty firm Jones Lang LaSalle (JLL). Boston’s YTD net absorption of office space was 925,664 square feet. Compared to this time last year (third quarter of 2017), YTD net absorption has increased by 247% and the vacancy rate has decreased by 3%. For certain areas within Boston, leasing activity has become more robust. The Seaport District and Back Bay have significantly higher absorption rates than last year. The average asking rent citywide in 2018 Q3 was \$61.63, which remains competitive at \$25 less per square foot on average than the tighter Cambridge office market.

¹³ Boston Assessing Department, “Property Tax Facts and Figures Fiscal Year 2018,” https://www.boston.gov/sites/default/files/imce-uploads/2018-03/fy2018_facts_figures.pdf.

Boston Office Market—Third Quarter 2018

Market	Inventory Square Foot	YTD Absorption	Vacancy	Average Asking Rent
Back Bay.....	12,743,643	364,270	7.0%	\$67.43
Charlestown.....	1,917,261	33,460	0.7%	44.25
Fenway.....	2,196,257	-73,941	7.1%	55.17
Financial District.....	34,855,352	107,523	7.7%	60.72
North Station.....	2,793,972	34,142	1.5%	55.15
Seaport District.....	9,949,734	482,993	6.6%	60.84
South Station.....	2,349,929	-22,783	4.0%	58.50
Boston.....	66,806,148	925,664	6.8%	61.63

Source: Office Statistics: Boston Q3 2018, Jones Lang LaSalle IP, Inc.

In 2018, about 4 million square feet of office space was approved by the BPDA Board, marking the highest level of office square footage annually approved since 1996. Several projects with office square footage were approved, including Exchange South End, a \$1.45 billion redevelopment of the former Boston Flower Exchange. The project entails over 600,000 square feet office space, in addition to retail, technological, civic and incubator space. In East Boston, the first phase of redeveloping Suffolk Downs, a historic horserace track, was approved and will include two office buildings totaling to 520,000 square feet. Changes to Phase 3 of the Boston Garden project (“The Hub on Causeway”) in the West End, which consists of a 651,500 office tower, were also approved. In Dorchester, the former Boston Globe Headquarters will be renovated to a 695,000 office building dubbed the BEAT (the Boston Exchange for Accelerated Technology), with creative office, technology and life science uses.

The BEAT was approved in April 2018 and is currently under construction. Other projects underway include 1785 Columbus Avenue, an office building of approximately 139,200 square feet which will serve Horizons for Homeless Children, as well as other social service programs. In the Seaport district, a 13-story 298,700 square foot office building near the Innovation and Design Building was approved in 2016 and went under construction this past April. The project will include ground-level retail, bicycle storage, locker rooms with showers and a 12,000 square foot public plaza. In the South End, an office building of 218,500 square feet at 321 Harrison Avenue, near the Ink Block development, was also permitted in April. It will sit atop a 300 car garage and include open green space with outdoor seating. Recently completed projects include a 17-story, 425,000 square foot office building in the Seaport District at 121 Seaport Boulevard. The building was completed in April 2018 and is 100% leased to tenants such as PTC, a company that develops Internet of Things (IoT) and Augmented Reality technology, and Alexion Pharmaceuticals. Both companies have moved their global headquarters to the building. Another office building in Brighton, as part of the Boston Landing development, was completed in May 2018 with biotech and lab uses.

Retail Market

In 2017, there were a total of 100,641 employees in retail trade and accommodation and food services in Boston, with 35,744 in retail and 64,897 in accommodation and food services. The retail sector is complemented by an estimated 10,347 employees in personal services businesses, which include such services as repair and maintenance, hair and nail care and laundry and dry cleaning service. According to the 2012 Economic Census, about 2,161 retail establishments were located in the City with estimated total sales of \$8.62 billion in 2018 dollars. As of January 2019, the food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of just over 3,000 active food establishments.¹⁴

¹⁴ Health Division Department of Inspectional Services, “Active Food Licenses”, accessed Jan 2019, <https://data.boston.gov/dataset/active-food-establishment-licenses>

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2012⁽¹⁾
(In thousands of Fixed 2018 Dollars)

<u>Year</u>	<u>Massachusetts</u>	<u>Metropolitan Boston⁽²⁾</u>	<u>City of Boston</u>
1992.....	\$85,292,937	\$60,481,576	\$7,481,660
1997.....	\$103,024,139	\$75,631,591	\$8,773,207
2002.....	\$116,170,682	\$83,642,852	\$10,000,145
2007.....	\$120,875,013	\$86,856,174	\$11,094,395
2012.....	\$116,910,395	\$85,246,711	\$11,763,144
Annual rate '92-'12	1.6%	1.7%	2.3%
Annual rate '07-'12	-0.7%	-0.4%	1.2%

(1) Total retail sales include the census definition of retail sales (NAICS) from the series of Retail Trade plus the “food services and drinking places” category from the series of Accommodation and Food Services.

(2) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

Source: U.S. Census Bureau; 1992, 1997, 2002, 2007 and 2012 Economic Censuses

The Boston Main Streets initiative established in 1995 is a public-private partnership to revitalize neighborhood commercial districts through independent 501c3 non-profit organizations. The program now includes 20 neighborhoods throughout Boston and is the largest Urban Main Streets program in the country. This past fiscal year (2018), 110 new and expanded businesses opened in Main Streets districts, creating 525 new jobs. Business assistance was provided to 2,497 small businesses. 1,175 special district promotional events generated over 28,446 volunteer hours and the local Main Streets Districts storefront occupancy rates were at an average of 95%.

The retail real estate market in 2018 remained strong. According to CoStar, Boston’s retail vacancy rate in 2018 Q3 was 2.1%. Retail rents were strong, particularly in the Downtown core and immediate surrounding areas. Quoted retail rental rates were \$33.49 per square foot for 2018.

Important market and supermarket developments have taken place throughout Boston’s neighborhoods. Twenty-four new or expanded supermarkets have opened in Boston’s neighborhoods since 1992, including three major openings in 2015. The first of these was the Boston Public Market, a year-round market featuring fresh, locally sourced food from over 38 vendors on Hanover Street. Also opening in 2015 was a 25,000 square foot Roche Bros. in the Burnham Building in Downtown Crossing, including a street-level shop serving pre-made meals and a full-service supermarket downstairs. The third development occurring in 2015 was the opening of a Whole Foods in the Ink Block development housed in the former Boston Herald property in the South End. In 2017, Trader Joes opened its second Boston location in the lobby of the Continuum apartment building in Allston, featuring a below-ground parking garage. Among the projects currently under construction is a 60,000 square foot Star Market at the Hub on Causeway at TD Garden. Once complete, this Star Market will be Boston’s largest supermarket. Currently, a 1.9 million square foot redevelopment of the 11-acre Stop & Shop supermarket in Allston (dubbed “Allston Yards”) is under review. If approved by the BPDA Board, it will introduce a new Stop & Shop supermarket with up to 1,300 parking spaces, in addition to office space and 1,050 residences.

Industrial Market and Recent Developments

The Boston/Suffolk County sub-market had approximately 25 million square feet of industrial space and 6 million square feet of flex space in the third quarter of 2018, according to CoStar. The vacancy rates in 2018 Q3 were approximately 7.5% for industrial and 18.5% for flex. The average asking rent for industrial was \$16.54 per square foot NNN (“Net-Net-Net”, or net property tax, insurance, and maintenance), and \$23.86 per square foot NNN for flex. From 2014 to 2018 Q3, quoted rental rates for flex increased by 16%, while rates for all industrial increased 25%.

The Raymond L. Flynn Marine Park (RLFMP), formerly the Boston Marine Industrial Park, consists of over three million square feet of developed real estate. The RLFMP, zoned for industrial and marine uses and close to downtown Boston, is a sought after location for state-of-the-art research and development. The RLFMP continues to sustain robust industrial uses such as ship repair, seafood processing and design wholesale business clusters, along with small scale manufacturing and life science research and technology companies. In October 2017, America’s Test Kitchen and Reebok became the latest additions to the Innovation and Design building located within the Park, occupying 275,000 square feet of space.

The BPDA submitted a proposed update to the RLFMP Master Plan to the Commonwealth of Massachusetts for approval in 2018. The proposed Master Plan update will increase the existing zoned Floor to Area Ratio (FAR) from 2 to 4, allowing for additional density and development potential. The BPDA also released an RFP to redevelop a vacant 30,000 SF building into an anticipated industrial R&D facility containing 80,000 to 100,000 SF, which would be allowed under the proposed zoning change.

Construction was completed on the core and shell of a new 120,000 SF R&D industrial building in January 2019 at the RLFMP. The developer intends to break ground in spring 2019 on two additional industrial R&D buildings each consisting of 120,000 SF for a total build-out of 360,000 SF. The "New Boston Seafood" site located at 310 Northern Avenue is on the market for sale. The successful bidder is anticipated to also take advantage of the proposed new zoning FAR to replace the aging 80,000 SF seafood facility with a new industrial R&D facility of 700,000 SF or more. The current seafood-related occupants will likely be relocated to another location in the RLFMP.

A new state of the art seafood processing facility in the Massport Marine Terminal (MMT) in the RLFMP broke ground in 2018. Currently operating from three separate facilities in Boston and Peabody, long time RLFMP tenant Stavix Seafoods will consolidate its operations into the new 120,000 SF seafood facility. The developer also expects to break ground on a new cold storage facility and parking garage on MMT.

Housing Stock, Housing Values, and Development

There were 293,538 housing units in Boston according to the 1-year 2017 ACS. Of the 268,304 occupied units, 35% were owner-occupied and 65% were renter-occupied. Vacant housing units totaled 25,234, while the homeowner unit vacancy rate was 1.8% and the rental unit vacancy rate was 2.8. The 2017 ACS shows that the median monthly cost for home owners with a mortgage was \$2,384 and the gross monthly rent (for existing renters rather than advertised rents) was \$1,595. Gross rents are what tenants pay out of pocket and the availability of public and subsidized housing makes this value much lower than advertised market rents for newly available units.

Preliminary data for 2018 real estate trends were provided by the City's Department of Neighborhood Development. These data show that the median rent for an apartment in Boston as advertised by the Multiple Listing Service ("MLS") was \$2,500 per month for all apartment sizes and types between the fourth quarter of 2017 and the third quarter of 2018, the most recent data available. The citywide median advertised rents in this sample grew 10.9% compared to the previous four quarters. Median rents for an apartment in Boston's neighborhoods ranged from a high of \$3,725 in the South Boston Waterfront to a low of \$1,900 in Hyde Park.

**Median Monthly Rent of Newly Rented Apartments in Boston Neighborhoods
And the Volume of All Newly Rented Apartments 2015 Q4 through 2018 Q3
(In Fixed 2018 Dollars)**

Neighborhood	2015Q4 - 2016Q3 Median Monthly Rent⁽¹⁾	2016Q4 - 2017Q3 Median Monthly Rent⁽¹⁾	2017Q4- 2018Q3 Median Monthly Rent⁽¹⁾	Percent Change Last Two Years
Allston/Brighton	\$1,935	\$2,050	\$2,195	7.1%
Back Bay/Beacon Hill	2,615	2,815	3,000	6.6
Charlestown	2,615	2,665	2,785	4.5
Dorchester	1,885	1,795	2,200	22.6
Downtown	3,350	3,690	3,550	-3.8
East Boston	1,780	1,945	2,050	5.4
Fenway	2,200	2,405	2,500	4.0
Hyde Park	1,780	1,690	1,900	12.4
Jamaica Plain	2,300	2,350	2,550	8.5
Mattapan	1,675	1,640	2,000	22.0
Mission Hill/Longwood	1,935	2,305	2,550	10.6
North End	2,615	2,560	2,600	1.6
Roslindale	2,040	1,895	2,000	5.5
Roxbury	2,300	2,050	2,400	17.1
South Boston	2,680	2,790	2,850	2.2
South Boston Waterfront	3,140	3,440	3,725	8.3
South End	2,825	2,970	3,000	1.0
West End	3,160	3,075	3,160	2.8
West Roxbury	1,880	1,940	1,940	0.0
Citywide	2,285	2,255	2,500	10.9

(1) Rounded to nearest multiple of five.

(2) Rental Beast is an online database of current rental listings.

Source: City of Boston, Department of Neighborhood Development using Multiple Listing Service (MLS) and Rental Beast, January 2019. MLS rental listings are created by local real estate agents and the system helps to market and manage property listings.

Annual real median home prices peaked in 2006 at \$500,966 for the Greater Boston area, according to the National Association of Realtors (NAR). Prices declined 23.3% until 2012, when they reached a low of \$384,090. Prices have since recovered, climbing 20.8% from 2012 to 2017. They climbed further in the third quarter of 2018 to 491,400, nearing the record highs of 2006.

**Greater Boston Annual Median Sales Prices for Existing Homes, 2006-2018⁽¹⁾
(In Fixed 2018 Dollars)**

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual Median	Annual Change
2009.....	\$340,237	\$393,373	\$407,301	\$389,511	\$389,160	-7.6%
2010.....	\$370,559	\$415,469	\$422,032	\$398,772	\$411,438	5.7
2011.....	\$359,554	\$397,061	\$410,457	\$362,791	\$386,457	-6.1
2012.....	\$340,672	\$396,011	\$400,057	\$376,216	\$384,090	-0.6
2013.....	\$358,065	\$411,958	\$424,354	\$400,210	\$385,766	0.4
2014.....	\$385,230	\$422,247	\$424,156	\$406,443	\$413,443	7.2
2015.....	\$396,851	\$439,226	\$445,795	\$416,979	\$427,891	3.5
2016.....	\$395,986	\$455,934	\$455,411	\$436,684	\$440,555	3.0
2017.....	\$424,298	\$476,234	\$475,414	\$459,434	\$463,941	5.3
2018.....	\$442,700	\$495,900	\$491,400	N/A	N/A	5.9 ⁽²⁾

(1) Greater Boston as used here by the National Association of Realtors (NAR) is defined as the Boston MSA. It includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Newton MA-NH MSA.

(2) 2018 change is based on Third Quarter rate from 2017 through 2018.

Source: National Association of Realtors, January 2019.

The median sales price, adjusted for inflation, for a single-family home in Boston increased by 5.3% per year between the fourth quarter 2009 (\$378,050) and the fourth quarter of 2018 (\$600,000), posting a 6.5% increase from the fourth quarter in 2017. Condominium prices climbed 5.7% annually from the fourth quarter 2009 price of \$386,250 to \$635,000 in the fourth quarter of 2018.

Median Residential Sales Prices for Boston
First Quarter 2009 through Fourth Quarter 2018
(In Fixed 2018 Dollars)⁽¹⁾

Year	Quarter	Single-Family	Two-Family	Three-Family	Condominium
2009	First	\$316,000	\$318,950	\$283,800	\$349,150
	Second	405,000	328,900	292,600	415,500
	Third	411,100	374,550	302,000	403,750
	Fourth	378,050	340,000	351,100	386,250
2010	First	\$368,450	\$305,150	\$310,950	\$382,300
	Second	429,200	344,850	333,950	408,800
	Third	418,950	376,500	333,950	431,850
	Fourth	388,350	380,000	355,550	443,350
2011	First	\$356,400	\$332,100	\$368,350	\$393,750
	Second	398,500	363,350	352,650	429,800
	Third	395,700	371,200	364,400	418,550
	Fourth	369,200	365,050	390,700	424,200
2012	First	\$353,750	\$345,900	\$406,850	\$417,800
	Second	396,850	396,850	415,050	453,850
	Third	403,550	415,600	425,950	436,400
	Fourth	376,700	405,750	410,100	432,000
2013	First	\$388,050	\$366,450	\$425,750	\$440,300
	Second	460,800	444,650	466,700	462,400
	Third	435,450	454,800	474,250	468,850
	Fourth	409,850	482,350	476,950	517,400
2014	First	\$420,000	\$425,300	\$503,800	\$527,150
	Second	466,700	501,700	535,650	505,700
	Third	465,650	530,300	530,300	477,250
	Fourth	461,400	529,800	529,800	502,750
2015	First	\$422,700	\$460,850	\$566,800	\$519,100
	Second	487,300	540,300	627,700	545,600
	Third	519,100	553,500	622,350	540,300
	Fourth	477,250	549,850	609,150	619,200
2016	First	\$470,800	\$564,950	\$601,550	\$545,850
	Second	523,600	531,450	627,750	612,000
	Third	542,200	595,950	691,500	685,250
	Fourth	511,300	575,400	705,650	591,100
2017	First	\$521,900	\$563,400	\$651,500	\$589,000
	Second	582,850	668,400	768,300	599,250
	Third	573,650	683,750	791,350	599,250
	Fourth	563,400	624,850	814,300	643,550
2018	First	\$549,000	\$580,000	783,750	\$638,700
	Second	615,000	728,500	860,000	675,000
	Third	619,000	687,500	805,000	675,000
	Fourth	600,000	682,000	784,500	635,000

(1) Rounded to the nearest multiple of 50.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2019.

The total number of residential sales from 2017 to 2018 increased by 4.9% (from 7,658 to 8,030). The sales volume of single-family homes increased 2.8%. Sales of condominiums increased 7.4%, and sales of multi-family non-condominiums properties decreased 3.9% between 2017 and 2018.

**Annual Residential and Condominium Sales in Boston ⁽¹⁾
2009-2018**

Year	Single-Family Sales	Percent Change	Multi-Family Residential Sales (2)	Percent Change	Total Condo Sales	Percent Change	Residential and Condo Sales (3)	Percent Change
2009.....	974	1.8%	1,403	0.7%	4,338	-10.1%	6,715	-6.4%
2010.....	999	2.6	1,455	3.7	4,282	-1.3	6,736	0.3
2011.....	938	-6.1	1,484	2.0	3,872	-9.6	6,294	-6.6
2012.....	1,205	28.5	1,124	-24.3	4,851	25.3	7,180	14.1
2013.....	1,316	9.2	1,277	13.6	5,204	7.3	7,797	8.6
2014.....	1,196	-9.1	1,147	-10.2	4,888	-6.1	7,231	-7.3
2015.....	1,406	17.6	1,334	16.3	5,723	17.1	8,463	17.0
2016.....	1,350	-4.0	1,227	-8.0	5,579	-2.5	8,156	-3.6
2017.....	1,267	-6.1	1,191	-2.9	5,200	-6.8	7,658	-6.1
2018.....	1,303	2.8	1,144	-3.9	5,583	7.4	8,030	4.9

(1) These do not include sales of apartment buildings larger than three-family structures. Condominium sales include buildings of any size.

(2) Includes two- and three-family homes only.

(3) Equals single-family, multiple-family residential sales plus total condominium sales.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2019.

Prices and sales volumes for single-family homes and for condominiums are shown by neighborhood for calendar years 2017 and 2018. Areas of the city with the largest number of single-family home sales included West Roxbury, Hyde Park, Dorchester and Roslindale. The citywide median single-family home price was \$600,000 for 2018. The inflation adjusted median sales price increased by 6.5%, while the sales volume increased 2.8% between 2017 and 2018.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single-Family Homes
In Boston's Neighborhoods, Calendar Years 2017 and 2018
(In Fixed 2018 Dollars)

Neighborhood	2017 Single-Family Price	2018 Single-Family Price	Price Percent Change	2017 Sales Volume	2018 Sales Volume	Sales Percent Change
Allston/Brighton	\$650,500	\$712,500	9.5%	50	52	4.0%
Back Bay/Beacon Hill	3,764,600	3,327,500	-11.6	24	28	16.7
Charlestown	973,150	990,250	1.8	69	66	-4.3
Dorchester	486,600	536,000	10.2	169	183	8.3
Downtown	*	*	*	-	-	-
East Boston	468,650	558,500	19.2	72	66	-8.3
Fenway	*	*	*	1	-	-100.0
Hyde Park	403,100	447,500	11.0	162	188	16.0
Jamaica Plain	870,700	885,000	1.6	84	92	9.5
Mattapan	385,150	410,000	6.5	61	61	0.0
Mission Hill/Longwood	*	*	*	4	1	-75.0
North End	*	*	*	5	-	-100.0
Roslindale	552,650	609,000	10.2	114	129	13.2
Roxbury	445,600	457,500	2.7	30	38	26.7
South Boston	819,500	835,000	1.9	90	85	-5.6
South Boston Waterfront	*	*	*	-	-	-
South End	2,663,400	2,709,000	1.7	33	33	0.0
West End	*	*	*	-	-	-
West Roxbury	589,000	583,000	-1.0	299	281	-6.0
Citywide	563,400	600,000	6.5	1,267	1,303	2.8

* Medians or percentages with a sample size of less than ten are not reliable.

Note 1: The prices and volumes in the above table exempt all sales of properties of less than \$25,000 because these low price sales are not considered to be "arms-length" transactions.

Note 2: Data in the above table do not include "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2019.

Condominium sales volume and prices also showed variability across the neighborhoods of Boston in 2017 and 2018. The four most expensive neighborhoods for condominiums were the South Boston Waterfront (\$2,026,500), Back Bay/Beacon Hill (\$1,100,000), the South End (\$1,047,000) and Downtown (\$1,045,000). Fenway, Charlestown, South Boston, the North End and the West End all exceeded the citywide median of \$655,000. Overall, the median condominium price increased 8.4% between 2017 and 2018, while the sales volume increased 7.4%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2017 and 2018
(In Fixed 2018 Dollars)

Neighborhood	2017 Condo Price	2018 Condo Price	Price Percent Change	2017 Sales Volume	2018 Sales Volume	Sales Percent Change
Allston/Brighton.....	\$435,350	\$506,250	16.3%	397	558	40.6%
Back Bay/Beacon Hill	1,022,350	1,100,000	7.6	559	525	-6.1
Charlestown	694,000	710,000	2.3	310	314	1.3
Dorchester	441,000	475,000	7.7	550	482	-12.4
Downtown	1,224,150	1,045,000	-14.6	311	344	10.6
East Boston	466,100	499,950	7.3	279	270	-3.2
Fenway	643,300	916,100	42.4	174	209	20.1
Hyde Park	258,350	305,000	18.1	54	55	1.9
Jamaica Plain	534,200	605,000	13.3	428	420	-1.9
Mattapan	322,700	345,000	6.9	42	84	100.0
Mission Hill/Longwood.....	309,200	535,000	73.0	90	45	-50.0
North End.....	748,300	689,000	-7.9	148	155	4.7
Roslindale	430,250	455,000	5.8	162	179	10.5
Roxbury	489,650	485,000	-0.9	110	171	55.5
South Boston	664,800	731,000	10.0	741	788	6.3
South Boston Waterfront.....	1,014,150	2,026,500	99.8	49	185	277.6
South End	947,550	1,047,000	10.5	547	562	2.7
West End	742,650	699,500	-5.8	94	116	23.4
West Roxbury	353,400	388,000	9.8	155	121	-21.9
Citywide	604,400	655,000	8.4	5,200	5,583	7.4

Note 1: The prices and volumes in the above table exempt all sales of properties of less than \$25,000 because these low price sales are not considered "arms-length" transactions.

Note 2: Data in the above table do not include "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2019.

When housing prices began to fall and sales volume slackened following 2005, foreclosure deeds rose through 2008, peaking at 1,215, while petitions to foreclose (the first step in the foreclosure process) peaked at 2,432 in 2007.¹⁵ Since then, foreclosure deeds have remained significantly lower than the peak. Foreclosure deeds fell for the second straight year, decreasing from 139 in 2017 to 103 in 2018. Petitions to foreclose also declined from 418 to 336.

In the second quarter of 2018, 1,396 new or converted housing units were permitted for construction in the City.¹⁶ This number surpasses by 211% the target set out for Q2 2018 in the Housing Boston 2030 Plan. Launched in 2014, Housing Boston 2030 laid out a plan for the creation of 53,000 new units by 2030 to accommodate Boston's growing population, of which 17,993 were completed by the end of Q2 2018. In September 2018, the City revised its housing goal to 69,000 new units by 2030 to accommodate the population growth that was exceeding initial growth estimates. In 2017, the BPDA Board approved 4.7 million square feet of new housing, for a total of 4,405 new housing units across the City. Of these units, 891 are income-restricted units. While new housing projects were scattered across the city, the largest completed projects by number of units include the apartments at 345 Harrison Avenue in the South End (602 units), the Pierce (350 units), and the Charlesview Redevelopment in Brighton (340 units).

The Boston Housing Authority ("BHA") is the largest public housing authority in New England and sixth in the nation. The agency provides subsidized housing to low and moderate income individuals and families. The Authority owns and operates 63 family and elderly and disabled developments that are home to more than 25,000 residents. Most of the 12,600 households in BHA housing have extremely low-income, averaging \$14,000 per year. BHA also administers Housing Choice Vouchers (Section 8 or leased housing) to over 12,000 families that lease apartments from private landlords. The BHA helps provide housing to approximately 33,000 people under these programs.¹⁷

¹⁵ City of Boston Department of Neighborhood Development, "Foreclosure Trends 2015," boston.gov.

¹⁶ City of Boston Department of Neighborhood Development, "Boston 2030 2nd Quarter Report 2018," https://www.boston.gov/sites/default/files/q2_2018_boston_2030_final_180810.pdf.

¹⁷ Boston Housing Authority, "Boston Housing Authority 2015-2019 Five Year Agency Plan", January 2015.

BHA's Five-Year Agency Plan sets forth new goals and strategies to develop property-by-property to ensure the long-term sustainability of its public housing communities. Agency initiatives consider the severe and persistent funding shortfalls in the federal public housing program, and identified several housing developments with high potential for accessing capital and operating resources outside of the conventional public housing program. These developments are Bunker Hill in Charlestown, Amory Street in Jamaica Plain, Lenox/Camden in Roxbury, and West Newton in the South End. BHA's goal is to preserve the deeply affordable units that exist at the sites today while, where feasible, adding new moderate-income and market-rate housing units to create vibrant mixed-income communities.

In early 2017, BHA began the first phase of redevelopment for the Whittier Street housing developing in Lower Roxbury, built in 1953 and one of the BHA's oldest properties.¹⁸ A \$30 million Housing and Urban Development (HUD) grant will facilitate the preservation and expansion of 509 units of mixed-income rental housing and 14,225 square feet of commercial space. In June 2018, Phase I of the Orient Heights redevelopment project in East Boston was completed, a \$51.2 million investment that constructed 120 units of new affordable rental housing, 30 of which are a net increase to the existing BHA stock. In November, Phase II began, a \$51.6 million investment that will rebuild 88 units as part of the eventual 331-unit development. Phase II leverages \$10 million in proceeds from the sale of the Winthrop Square Garage as well as \$1.83 million in IDP funds from the 99 Sumner Street Development in East Boston. In December 2018, the BHA began construction on the O-Connor Way Senior Housing Development. Caritas Communities and the South Boston Neighborhood Development Corporation will co-develop 46 one-bedroom units of affordable housing for adults age 62 and older on formerly vacant BHA-owned land. The development was funded in part by the Inclusionary Development Program contributions from 150 Seaport Boulevard and Pier 4 development projects.

The Linkage Program

The City implemented its development linkage program in 1983 in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods through the Neighborhood Housing Trust ("NHT"). The linkage program also funds job training for City residents through the Neighborhood Jobs Trust ("NJT"). Under the linkage program, which was amended in 1986, 2001, and again in 2013, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements to pay exactions in the amount of \$10.81 per square-foot of non-residential construction over 100,000 square feet, of which \$1.78 per square-foot goes to the job training fund and \$9.03 per square-foot goes for affordable housing purposes. The fee was last adjusted as of June 14, 2018. Since its inception, the linkage program has collected \$177.8 million for the NHT and \$37.8 million for the NJT.

The NHT has awarded approximately \$186 million in grant funds from the start of the program through December 2018. The NHT funding contributed to the construction or renovation of 14,824 housing units of which 12,604 units were income restricted. The NHT funding represents 5% of the combined development cost of all assisted projects. NHT grant awards are allocated to fund low and moderate-income housing through the renovation of old buildings and schools and the construction of new housing. Projects have included rental developments of family-sized units, single room occupancy units, units set aside for homeless or formerly homeless households, elderly housing units, and units exclusively for other special needs populations. In addition, the NHT grants support the development of housing ownership opportunities in condominiums, housing cooperatives, and single-family homes.

NJT supports innovative education and training activities leading to high wage employment, new or non-traditional employment opportunities, and community-based projects that respond to specific neighborhoods' education and training needs. The NJT is committed to providing appropriate services to the residents of neighborhoods where, or adjacent to where, a given development project is located, while also ensuring that residents throughout the City have access to new jobs resulting from development. In Fiscal Year 2018, NJT disbursed approximately \$2.5 million to job training and education programs. Among the NJT-funded programs were 16 job training programs chosen through an open request for proposals process. From Spring 2017 through Fall 2018, these grantees trained more than 200 adults for such industry sectors as banking/finance, building maintenance, hospitality, healthcare, human services, and retail. Of the residents served by these grantee programs, most faced at least one of the following barriers to employment: CORI record, Temporary Assistance for Needy Families, housing vouchers, or homelessness/near-homelessness. Placed graduates made an average of \$15.41 per hour, with 75% earning benefits as well. This represented an average income increase of 39%.

¹⁸ Boston Housing Authority, News, <https://www.bostonhousing.org/en/News.aspx>

In addition, NJT funded special projects through SkillWorks, English for New Bostonians, Boston Housing Authority's Charlestown Adult Education. These programs provided critical job training, English language instruction, and educational opportunities for Boston residents. Neighborhood Jobs Trust funds also supported key mayoral initiatives, including the Tuition-Free Community College (TFCC) Plan. TFCC provides up to three years of tuition and mandatory fees for income-eligible Boston students who are attending community college. To date, 295 students have enrolled in TFCC. In FY 2018, NJT funds also supported the development of City Academy, an innovative training pipeline for residents to access skills training for jobs with City agencies. Two cohorts of trainees completed certification in a Commercial Driver's License/Hoisting track and an Emergency Medical Technician track.



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www.lockelord.com

(Date of Delivery)

Emme Handy, Chief Financial Officer
and Collector-Treasurer
City of Boston
Boston, Massachusetts

\$145,130,000
City of Boston, Massachusetts
General Obligation Bonds
2019 Series A

We have acted as bond counsel to the City of Boston, Massachusetts (the “City”) in connection with the issuance by the City of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Boston, Massachusetts (the “Issuer”) in connection with the issuance of its \$145,130,000 General Obligation Bonds dated March 19, 2019 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated March 5, 2019 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
 13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
 15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
 16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 19, 2019

CITY OF BOSTON, MASSACHUSETTS

By: _____
Chief Financial Officer and Collector-Treasurer

Mayor of Boston

City Auditor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]



**OFFICIAL NOTICE OF SALE
CITY OF BOSTON, MASSACHUSETTS**

\$145,130,000*
GENERAL OBLIGATION BONDS
2019 SERIES A

Dated: Date of Delivery

Due: March 1, as shown on page 3 herein

ELECTRONIC BIDS
WILL BE RECEIVED BY THE CITY OF BOSTON
ON TUESDAY, MARCH 5, 2019

UNTIL 10:30 A.M. (EASTERN TIME)

AS DESCRIBED HEREIN
CITY HALL, ROOM M-35
BOSTON, MASSACHUSETTS

*Preliminary, subject to change as described herein.

OFFICIAL NOTICE OF SALE
of the
CITY OF BOSTON, MASSACHUSETTS

relating to

\$145,130,000*
General Obligation Bonds, 2019 Series A

ELECTRONIC BIDS will be received by Emme Handy, Chief Financial Officer and Collector-Treasurer (the “Collector-Treasurer”) of the City of Boston, Massachusetts (the “City”), until:

10:30 A.M., Eastern Time, on

March 5, 2019

for the City’s \$145,130,000* General Obligation Bonds, 2019 Series A (the “Bonds”).

Bids for the purchase of the Bonds must be submitted electronically via BiDCOMP/Parity (“PARITY”). Instructions on how to submit a bid via PARITY are provided for the convenience of prospective bidders in Attachment A of this Official Notice of Sale. Electronic bids may be received on a business day thereafter, if necessary, after notification on TM3 (www.tm3.com) (“TM3”) not later than 5:00 P.M., Eastern Time, on the day preceding the day designated for receipt of bids (the “Bid Notification Date”). Such notice, if any, will specify the date selected for sale, the proposed aggregate principal amount of Bonds to be issued, and any changes to the schedule of maturities.

The Bonds will be valid general obligations of the City, for the payment of the principal or redemption price of and the interest on which the full faith and credit of the City will be pledged. The Bonds are payable from *ad valorem* taxes which may be levied upon all taxable property in the City without limit as to rate or amount. See “Security for the Bonds” in the Preliminary Official Statement.

Electronic Bidding Procedures—Any prospective bidder that intends to submit a bid must submit its bid through the facilities of PARITY. The Official Bid Form for purposes of a bid will be the electronic bidding form submitted via PARITY. Subscription to the i-Deal LLC BiDCOMP Competitive Bidding System is required in order to submit a bid and the City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. A bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the applicable Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder. If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY, 1359 Broadway, 2nd Floor, New York, NY 10018, Attention: PARITY Customer Support (212) 849-5021. For purposes of the electronic bidding process, the time as maintained by PARITY shall

*Preliminary, subject to change as described herein.

constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under “Basis of Award” below. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale.

Details of the Bonds—The Bonds will be dated their date of delivery, and will mature, subject to the right of prior redemption as described hereinafter, on March 1 in each of the years 2020 to 2039, inclusive, in the principal amounts described in the table below, subject to any adjustments described in “Adjustment of Maturity Schedule” below:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2020	\$9,225,000	2030	\$5,295,000
2021	9,320,000	2031	5,560,000
2022	9,795,000	2032	5,835,000
2023	10,285,000	2033	6,125,000
2024	10,795,000	2034	6,435,000
2025	6,690,000	2035	5,340,000
2026	7,020,000	2036	5,605,000
2027	7,375,000	2037	5,885,000
2028	7,745,000	2038	6,180,000
2029	8,130,000	2039	6,490,000

The Bonds will bear interest, calculated on the basis of 30-day months and a 360-day year, at such rate or rates per annum as are specified by the successful bidder therefore in accordance herewith. The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Interest on the Bonds will be payable semiannually on March 1 and September 1, beginning September 1, 2019 until maturity or redemption prior to maturity. Principal of the Bonds will be paid annually on March 1, as set forth in the foregoing maturity schedule, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal and interest payments will be the fifteenth day of the month next preceding the date on which interest is to be paid, however, if such date is not a business day, the record date will be the following business day. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

*Preliminary, subject to change as described herein.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the Chief Financial Officer and Collector-Treasurer determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will authenticate and deliver replacement Bonds in the form of fully registered certificates.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its bid. No CUSIP identification numbers shall be deemed to be part of any Bond or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers. The City shall pay all expenses in connection with the initial assignment and printing of CUSIP numbers. The original purchaser of the Bonds will be responsible for applying for and obtaining CUSIP identification numbers for the Bonds.

Redemption—The Bonds maturing on or before March 1, 2029 will not be subject to redemption prior to maturity. The Bonds maturing after March 1, 2029 will be subject to redemption prior to maturity at the option of the City, on or after March 1, 2029 as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected by DTC and its participants, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Term bonds, if any, shall be subject to mandatory sinking fund redemption on March 1 in the year or years immediately prior to the stated maturity of such term bonds as specified by the successful bidder (the particular Bonds of such maturity to be redeemed to be selected by lot), in the amount in each such year indicated in the foregoing maturity schedules at the principal amount thereof plus accrued interest to the redemption date, without premium.

Notice of redemption of the Bonds will be given as set forth in the Official Statement.

Price, Debt Service and Interest Rates—Bids for the Bonds must be for the entire series (all or none) at a price not less than 100% of the aggregate principal amount of the Bonds. The dollar amount bid by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the final aggregate principal amount of the Bonds (see *Adjustment of Principal Amount*, below). Bids must state an interest rate of 5.00% for each maturity of the Bonds. Each Bond shall bear interest from its date to its stated maturity date at the single interest rate specified in the bid. Bids may specify that all the Bonds are to be issued as serial bonds or that the principal amounts of the Bonds in any two or more consecutive years may be combined into no more than two term bonds. The Bonds will be issued as serial bonds or a combination of serial bonds and term bond(s) in accordance with the bid submitted by the successful bidder. All such term bonds are subject to mandatory sinking fund redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedules. Each mandatory sinking fund redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year.

Adjustment of Principal Amount—After selecting the winning bid, the City reserves the right to determine the aggregate principal amount and annual principal amounts of the Bonds. The City will not reduce or increase the aggregate principal amount of the Bonds by more than 10%, although individual maturities could vary by more than 10%.

The City anticipates that the final aggregate principal amount and final maturity schedule will be communicated to the successful bidder by 4:00 P.M. (Eastern Time) on the day of award, provided the City has received the reoffering prices and yields for the Bonds from the successful bidder, as described below under “Certificate of Winning Bidder.” The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the per-bond underwriter’s discount as calculated from the bid and reoffering prices required to be delivered to the City as stated herein. The successful bidder may not withdraw their bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Basis of Award—Unless all bids are rejected, all of the Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest net effective interest rate to the City. **Such interest rate shall be determined on a true interest cost (TIC) basis. True interest cost (expressed as an annual interest rate) shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of delivery and to the price bid.** In the event there is more than one bid specifying the lowest such rate, the Bonds will be awarded to the bidder whose bid is selected by the Chief Financial Officer and Collector-Treasurer by lot from among all such bids. It is requested that each bid be accompanied by a statement of such interest cost, computed at the interest rate or rates stated in the bid in accordance with the above method of computation (computed to six decimal places), but such statement will not be considered as part of the bid.

On the date of award, both the City and the successful bidder for the Bonds shall execute a Bid Confirmation and Award Certificate substantially in the form attached hereto as Attachment B.

Women & Minority Participation—It is the policy of the City that women’s business enterprises and minority business enterprises shall be given appropriate consideration. The City requests and strongly urges bidders to make a good faith effort to include such firms in their management or selling groups or syndicates.

Right to Cancel or Postpone the Submission of Bids; Right to Reject Bids—The City reserves the right to cancel or postpone the submission of bids, or to reject any and all bids. If the City elects to exercise its right to cancel the submission of bids, or its right to reject all submitted bids, this Official Notice of Sale shall become void. The City may, but shall not be required to, solicit bids thereafter, subject to the terms of a revised official notice of sale to be published subsequent to such cancellation or rejection. If the City elects to exercise its right to postpone the submission of bids, it shall provide subsequent notice of the date on which bids will be received after notification on TM3 not later than 8:30 A.M., Eastern Time, on the day designated for receipt of bids.

Any bid not complying with the terms of this Official Notice of Sale or specifying any conditions additional to those herein may be rejected. The City reserves the right to waive any irregularity or informality in compliance with the terms of this Official Notice of Sale to the extent permitted by law. Any award by the Chief Financial Officer and Collector-Treasurer to a successful bidder is subject to the approval of the Mayor.

Right to Modify or Amend Official Notice of Sale—The City reserves the right to modify or amend this Official Notice of Sale, including changing the scheduled maturities or increasing or reducing the aggregate principal amount of the Bonds and the principal amount of any maturity offered for sale, prior to the bid date. If any modifications occur, supplemental information with respect to the Bonds will be communicated via TM3 not later than 5:00 P.M., Eastern Time, on the day preceding the day designated

for the receipt of bids, and bidders shall bid upon the Bonds based upon the terms thereof set forth in this Official Notice of Sale as so modified.

Good Faith Deposit—The City will require the submission of a Good Faith Deposit ("Deposit") by the successful bidder, as determined by the City in accordance with this Notice of Sale, in the amount of \$1,500,000. The Deposit will secure the City from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the Deposit by wire transfer directly to the City upon notification, but in any case, no later than 3:00 P.M., Eastern Time, on the date of award of the Bonds. The Deposit will be held by the City and applied toward a portion of the total purchase price of the Bonds. No interest on the Deposit will accrue to the successful bidder. Wire instructions will be provided to the successful bidder upon notification of the preliminary award.

Preliminary Official Statement—For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), as of the date of the Preliminary Official Statement dated February 26, 2019 (the "Preliminary Official Statement"), the City deemed the Preliminary Official Statement "final" (as that term is used in paragraph (b)(1) of said Rule 15c2-12) except for the omission of certain information permitted to be omitted by such rule.

Official Statement—The Initial Reoffering Price or Yield for each maturity of the Bonds, as provided by the successful bidder, will be printed on the inside cover page of the Official Statement relating to the Bonds (including all appendices thereto, the "Official Statement") to be dated the date of award of the Bonds to the successful bidder (the "Sale Date"). The successful bidder will be required to acknowledge receipt of such Official Statement and will be responsible to the City and its officials in all respects for the accuracy and completeness of such reoffering information. The City assumes no responsibility or obligation for distribution or delivery of any copies of the Official Statement to anyone other than the successful bidder.

The City confirms that, upon delivery thereof in accordance herewith, the Official Statement will be a final Official Statement within the meaning of Rule 15c2-12, and further agrees to provide the successful bidder not later than seven business days after the Sale Date, as many copies of the Official Statement as the successful bidder may reasonably request in order for the successful bidder to comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB"). Electronic copies of the Official Statement will be furnished without cost to the successful bidder of the Bonds. Further copies of the Official Statement, if desired, will be made available to the successful bidder at its expense. The successful bidder shall notify the City as soon as practicable of the date which is the "end of the underwriting period" (as defined in Rule 15c2-12).

From the date of the Official Statement until the earlier of (i) ninety (90) days from the end of the underwriting period, as such underwriting period is defined in Rule 15c2-12, or (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days following the end of such underwriting period, if any event affecting the City or the Bonds shall occur of which the City has actual knowledge and which would cause the Official Statement, in the reasonable opinion of the City or the successful bidder, to contain an untrue or incorrect statement of material fact or to omit to state a material fact that would cause the Official Statement to be misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the City will notify the successful bidder and, at the written request of either successful bidder, will forthwith prepare and furnish to each successful bidder such number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the City and the successful bidder) as the successful bidder may reasonably request in order for the successful bidder to comply with Rule 15c2-12 and the rules of the MSRB, which will amend or supplement the Official Statement so that it will not

contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

If the sale of the Bonds is awarded to a syndicate, the City will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter. Any underwriter executing and delivering a bid form with respect to the Bonds agrees thereby that if its bid is accepted it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purpose of assuring the receipt and distribution by each such participating underwriter of the Official Statement.

Continuing Disclosure—In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement. The City will deliver a certificate regarding its undertaking with respect to continuing disclosure substantially in the form presented in Appendix C to the Preliminary Official Statement referenced herein (the “Certificate”).

In order to assist the City in carrying out its obligations under the Certificate and its other disclosure undertakings the City has entered into an agreement with Digital Assurance Certification LLC (“DAC”) pursuant to which DAC serves as dissemination agent for the City with respect to the continuing disclosure filings required to satisfy such obligations.

Certificate of Winning Bidder—The successful bidder for each series must, by facsimile transmission, manual delivery or overnight delivery received by the City within 24 hours after receipt of bids for the Bonds, furnish the following information to the City to complete the Official Statement in final form, as described below:

- A. The re-offering prices for the Bonds of such series (expressed as the price or yield per maturity, exclusive of any accrued interest).
- B. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields at which the successful bidder advised the City that the Bonds were initially offered to the public).
- C. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- D. Any other material information necessary to complete the Official Statement in final form but not known to the City.

Establishment of Issue Price - The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sale prices of the Bonds together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary in the reasonable judgment of the successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by PFM Financial Advisors LLC (“Municipal Advisor”) and any notice or report to be provided to the City may be provided to the Municipal Advisor.

Competitive Sale Requirements. The City expects that the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the sale of the Bonds because:

- (1) the City has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders will have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. By submitting a bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds and that it will be an “underwriter” (as defined below) that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. In this event, the successful bidder may use either Option A or Option B, set forth below.

Failure to Meet the Competitive Sale Requirements – Option A – The 10% Test to Apply. If the competitive sale requirements are not satisfied, the successful bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Municipal Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Municipal Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the

Municipal Advisor until notified in writing by the City or the Municipal Advisor that it no longer needs to do so. If the successful bidder uses Option A, the successful bidder shall provide to the City on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), and
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A Is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Municipal Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Hold-the-Offering-Price Maturities”) and that the successful bidder will not offer the Hold-the-Offering-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on

which the successful bidder has sold at least 10% of the applicable Hold-the-Offering-Price Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder uses Option B and delivers a Hold the Price Notice to the Municipal Advisor, the successful bidder shall provide to the City on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option B.

Settlement—It is expected that settlement of the Bonds will occur on the date of delivery or, in any event, on a business day not later than 30 days after the City awards the Bonds to the successful bidder therefor. Delivery of the Bonds shall be made to DTC against payment therefor in federal funds; and delivery of the other documents referred to below will be made at the office of Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts, 02199-7613. The City will notify the purchaser of the Bonds of the date on which the settlement will take place not later than 72 hours after the Bid Notification Date. If the Bonds are not delivered within 30 days after the award of the Bonds, the successful bidder for the Bonds may withdraw its bid and the good faith deposit accompanying its bid shall be returned.

Documents to be Delivered at Closing—It shall be a condition to the obligation of a successful bidder for the Bonds to purchase such Bonds that, contemporaneously with or before accepting evidence of the ownership of the Bonds and paying therefor, the successful bidder shall be furnished with (a) the approving opinion of Locke Lord LLP, Bond Counsel to the City, substantially in the form presented in Appendix B to the Preliminary Official Statement; (b) a certificate of the Corporation Counsel, dated as of the date of delivery of the Bonds, to the effect that there is no litigation pending, or to his knowledge, threatened (i) seeking to restrain or enjoin the issuance or delivery of the Bonds; (ii) in any way contesting or affecting any authority for or the validity of the Bonds; (iii) contesting the power of the City to levy and collect taxes to pay the Bonds; (iv) contesting the corporate existence or boundaries of the City; or (v) contesting the title of officials of the City who have acted with respect to the proceedings for the issuance and sale of the Bonds to their respective offices; (c) a signed copy of the Official Statement relating to the Bonds, which Official Statement shall be substantially in the form of the Preliminary Official Statement with such changes as the City deems necessary or appropriate to reflect the final terms of the Bonds; (d) a certificate of the Chief Financial Officer and Collector-Treasurer to the effect that to the best of her knowledge and belief the Preliminary Official Statement (excluding the information under the heading “The Bonds–Book-Entry-Transfer-System”), as of the Sale Date and the Official Statement (excluding the initial public offering prices (or yields) of the Bonds on the inside cover page thereto, the information under the heading “The Bonds – Book-Entry Transfer System” and the information regarding reoffering compensation due to underwriters under the heading “Competitive Sale of Bonds” and, if bond insurance is obtained by a successful bidder, the information relating to the insurance policy and the provider thereof), both as of the Sale Date and the date of settlement of the Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (e) a Continuing Disclosure Certificate in the form presented in Appendix C to the Preliminary Official Statement; and (f) a supplemental opinion of Locke Lord LLP, Bond Counsel to the City, addressed to the successful bidder for the Bonds, to the effect that, they have rendered legal advice and assistance to the City in the course of and have participated in the preparation of the Official Statement and, based upon such participation, they are of the opinion that the information contained in the Official Statement under the captions “The Bonds” (except for the information therein under the heading “Book-Entry Transfer System”), “Security for the Bonds,” “Tax Exemption” and “Legal Matters” (except for any financial or statistical data included therein as to which no view will be expressed) does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; in addition, based upon such participation and, except as to the information contained therein under the captions set forth above, although they are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, and have not undertaken to determine the

accuracy or completeness of the statements contained therein, during the course of their participation and the preparation of the Preliminary Official Statement and the Official Statement, nothing has come to their attention which would lead them to believe that the Preliminary Official Statement, as of the Sale Date, and the Official Statement, as of the Sale Date and the date of settlement of the Bonds (except in each case for the financial statements and other financial and statistical data included therein, the information contained under the heading “The Bonds – Book-Entry Transfer System”, the information contained in Exhibits I, II and III to Appendix A thereto, the stabilization clause, the initial public offering prices (or yields) of the Bonds contained in the Official Statement on page (i) thereto, and, if, bond insurance is obtained by either successful bidder with respect to the Bonds, the information in the Official Statement relating to the insurance policy and the provider thereof, as to which no view will be expressed) contained any untrue statement of a material fact or omitted to state any material facts necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Additional Information — Further information concerning the City and the Bonds will be contained in the Preliminary Official Statement, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be obtained from the Treasury Department, City Hall, Room M-35, Boston, Massachusetts 02201-1020 ((617) 635-4140) or from the City’s municipal advisor, PFM Financial Advisors LLC, 100 High Street, 23rd Floor, Boston, Massachusetts 02110 ((617) 330-6914).

City of Boston, Massachusetts

By: _____
Chief Financial Officer and
Collector-Treasurer

February 26, 2019

INSTRUCTIONS TO SUBMIT A BID VIA BiDCOMP/PARITY

- You must be a contracted customer of the i-Deal LLC BiDCOMP Competitive Bidding System. If you do not have a contract with BiDCOMP, call (212) 849-5021 to become a customer.
- In BiDCOMP, select the City of Boston sale among the list of current sales.
- Go to the bid form page. Keep notice of the time clock and be sure to read all bid specifications on bottom.
- Once you have created and saved a bid in BiDCOMP, click the Final Bid button in BiDCOMP to submit the bid to PARITY.
- Upon clicking the Final Bid button, the bidder will see a message box in BiDCOMP that states: “Do you want to submit this bid to PARITY? By submitting the bid electronically via PARITY, you represent and warrant that this bid for the purchase of the Bonds is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Bonds. The Notice of Sale is incorporated herein by this reference.”
- If during bid calculation BiDCOMP warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The BiDCOMP system will submit bids which violate the bid parameters, but the City does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact BiDCOMP/Parity at (212) 849-5021 with questions or problems.

Summary of Bidding Schedule*

<u>Date</u>	<u>Time</u>	<u>Occurrence</u>
March 4, 2019	5:00 P.M.	Revisions, if any, to Preliminary Amounts of the Bonds and bid date and delivery date for the Bonds given by notification published on TM3 (www.tm3.com).
March 5, 2019	10:30 A.M.	Deadline for submission of bids via Dalcomp/Parity for Bonds. City receives bid via Dalcomp/Parity. Successful bidder provides initial reoffering prices to the City within 30 minutes after being notified that such bidder’s bid appears to be the apparent winning bid, subject to verification.
	3:00 P.M.	Deadline for submission of Good Faith Deposit by winning bidder.
	4:00 P.M.	Bids firm until this time; deadline for the City to award the Bonds.

* Preliminary, subject to change

BID CONFIRMATION AND AWARD CERTIFICATE

Pursuant to our proposal made in accordance with the Official Notice of Sale dated February 26, 2019 (the “Official Notice of Sale”), we will pay you \$_____ for the purchase of the City’s \$_____ General Obligation Bonds, 2019 Series A (the “Bonds”) (subject to adjustment in accordance with the Official Notice of Sale if the City adjusts the annual principal amount of the Bonds as permitted in the Official Notice of Sale). The maturity dates, principal amounts, interest rates, yields, prices and call dates are as follows (subject to adjustment of the principal amounts by the City as permitted in the Official Notice of Sale):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price	Call Date
03/01/2020					
03/01/2021					
03/01/2022					
03/01/2023					
03/01/2024					
03/01/2025					
03/01/2026					
03/01/2027					
03/01/2028					
03/01/2029					
03/01/2030					03/01/2029
03/01/2031					03/01/2029
03/01/2032					03/01/2029
03/01/2033					03/01/2029
03/01/2034					03/01/2029
03/01/2035					03/01/2029
03/01/2036					03/01/2029
03/01/2037					03/01/2029
03/01/2038					03/01/2029
03/01/2039					03/01/2029

Total Interest Cost: \$_____

Premium: \$_____

Net Interest Cost: \$_____

TIC: _____%

This proposal is made subject to all of the terms and conditions of the Official Notice of Sale, all of which are made a part hereof.

This proposal, if and when accepted by the Chief Financial Officer and Collector-Treasurer and approved by the Mayor of the City, shall, together with the Official Notice of Sale, constitute a contract to purchase the Bonds as provided in the Official Notice of Sale and herein, and may be executed in any number of counterparts.

The undersigned hereby acknowledges receipt of the Preliminary Official Statement referred to in the Official Notice of Sale.

The names of the underwriters who are associated for the purpose of this bid, if any, are listed on Exhibit A attached hereto.

DATED: March __, 2019

[UNDERWRITER]

By: _____

Title:

Address:

Telephone:

Facsimile:

E-mail:

I, the Chief Financial Officer and Collector-Treasurer of the City of Boston, Massachusetts, hereby award the Bonds to the bidder submitting the bid set forth herein on the terms set forth herein and in the Official Notice of Sale.

DATED: March __, 2019

By: _____
EMME HANDY
Chief Financial Officer and
Collector-Treasurer

The foregoing award is hereby approved.

DATED: March __, 2019

By: _____
MARTIN J. WALSH
Mayor of Boston

EXHIBIT 1**Issue Price Certificate for Use if the Competitive Sale Requirements are Met**

\$ _____

**CITY OF BOSTON
GENERAL OBLIGATION BONDS, 2019 SERIES A****ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Successful Bidder”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Boston (the “Issuer”).

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) the Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 5, 2019.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2019

[SUCCESSFUL BIDDER]

By: _____

Name:

Title:

SCHEDULE A

REASONABLY EXPECTED INITIAL OFFERING PRICES

(Attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(Attached)

EXHIBIT 1 – OPTION A**Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met and the Hold the Price Rule Is Not Used**

\$ _____
CITY OF BOSTON
GENERAL OBLIGATION BONDS, 2019 SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the _____ (“[Successful Bidder][Representative]”)), on behalf of itself and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Sale of the Bonds.** As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public on the Sale Date is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities as of the Closing Date.]

2. For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until the 10% test has been satisfied as to each Maturity of the Bonds or all of the Bonds are sold to the Public, the [Successful Bidder][Representative] agrees to promptly report to the Issuer’s municipal advisor, PFM Financial Advisors LLC (the “Municipal Advisor”), the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The [Successful Bidder][Representative] shall continue to report each sale of Bonds to the Municipal Advisor until notified by email or in writing by the Issuer or the Municipal Advisor that it no longer needs to do so.

3. **Defined Terms.**

- (a) *Issuer* means the City of Boston.
- (b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (d) *Underwriter* means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an

underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder][Representative]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2019

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A

SALE PRICES

[(Attached)]

or

[Complete Schedule Below]

Maturity

Price

EXHIBIT 1 – OPTION B**Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met and the Hold the Price Rule Is Used**

\$ _____
CITY OF BOSTON
GENERAL OBLIGATION BONDS, 2019 SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the (“[Successful Bidder][Representative]”)), on behalf of itself and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

A. Issue Price.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[2. ***Initial Offering Price of the Hold-the Offering-Price Maturities.***

(a) The [Successful Bidder][Representative] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date, which correspond to the yields shown on Schedule A and on the inside cover of the Official Statement relating to the Bonds dated the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) The [Successful Bidder][Representative] agrees that (i) for each Maturity of the Hold-the-Offering-Price Maturities it will neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Bonds of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[2.][3.] ***Defined Terms.*** [keep applicable definitions, depending on sale outcome]

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Boston.

(e) *Maturity* means Bonds with the same credit and prepayment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 5, 2019.

(h) *Underwriter* means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

B. Reliance.

The representations set forth in this certificate are limited to factual matters only. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Nothing in this certificate represents the [Successful Bidder][Representative]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate dated _____, 2019 relating to the Issue, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Issue, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038 and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: _____, 2019

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(ATTACHED)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(ATTACHED)