

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

\$121,660,000	\$23,885,000
General Obligation Bonds	General Obligation Bonds
2020 Series A	2020 Series B (Green Bonds)
\$29,565,000	
General Obligation Refunding Bonds	
2020 Series D	

Dated: Date of Delivery

Due: As shown on pages i and ii hereof

The City of Boston, Massachusetts (the "City") \$121,660,000 General Obligation Bonds, 2020 Series A (the "Series A Bonds"), \$23,885,000 General Obligation Bonds, 2020 Series B (Green Bonds) (the "Series B Bonds") and \$29,565,000 General Obligation Refunding Bonds, 2020 Series D (the "Series D Refunding Bonds", and together with the Series A Bonds and the Series B Bonds, 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 Series A Bonds and Series B Bonds will be payable semiannually on each May 1 and November 1, commencing May 1, 2021, until maturity or earlier redemption. Interest on the Series D Refunding Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2021, until maturity or earlier redemption. 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."

The Bonds are offered when, as and if issued and received by the Underwriters, and subject to the final approving opinion of Locke Lord LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. PFM Financial Advisors LLC (see "Municipal Advisor" herein) 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 December 30, 2020.

BofA Securities

Siebert Williams Shank & Co., LLC

Citigroup

Goldman Sachs & Co. LLC

Jefferies

December 9, 2020

† See "Credit Ratings."

THE CITY OF BOSTON, MASSACHUSETTS

**\$121,660,000
General Obligation Bonds
2020 Series A**

Dated: Date of Delivery

Due: November 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2021	\$8,600,000	5.00%	0.120%	100853 ZL7
2022	9,030,000	5.00	0.130	100853 ZM5
2023	9,505,000	5.00	0.160	100853 ZN3
2024	9,985,000	5.00	0.180	100853 ZP8
2025	4,490,000	5.00	0.230	100853 ZQ6
2026	5,940,000	5.00	0.310	100853 ZR4
2027	6,245,000	5.00	0.410	100853 ZS2
2028	6,570,000	5.00	0.520	100853 ZT0
2029	6,905,000	5.00	0.630	100853 ZU7
2030	1,255,000	5.00	0.710	100853 ZV5
2031	6,340,000	4.00	0.820**	100853 ZW3
2032	6,595,000	4.00	0.890**	100853 ZX1
2033	6,820,000	3.00	1.200**	100853 ZY9
2034	7,035,000	3.00	1.270**	100853 ZZ6
2035	1,320,000	5.00	0.980**	100853 A26
2036	5,930,000	2.00	1.570**	100853 A34
2037	6,050,000	2.00	1.620**	100853 A42
2038	6,170,000	2.00	1.670**	100853 A59
2039	6,295,000	2.00	1.710**	100853 A67
2040	580,000	5.00	1.180**	100853 A75

**\$23,885,000
General Obligation Bonds
2020 Series B (Green Bonds)**

Dated: Date of Delivery

Due: November 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2025	\$6,000,000	5.00%	0.200%	100853 A83
2030	6,000,000	5.00	0.680	100853 A91
2035	6,000,000	5.00	0.950**	100853 B25
2040	5,885,000	5.00	1.150**	100853 B33

* Copyright, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. 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."

\$29,565,000
General Obligation Refunding Bonds
2020 Series D

Dated: Date of Delivery

Due: March 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2021	\$ 830,000	5.00%	0.130%	100853 B41
2022	3,945,000	5.00	0.130	100853 B58
2023	4,140,000	5.00	0.150	100853 B66
2024	4,340,000	5.00	0.170	100853 B74
2025	9,415,000	5.00	0.190	100853 B82
2026	6,895,000	5.00	0.260	100853 B90

* Copyright, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. 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.

No dealer, broker, salesperson or other person has been authorized by the City of Boston or the Underwriters 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.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

\$121,660,000
General Obligation Bonds
2020 Series A

\$23,885,000
General Obligation Bonds
2020 Series B (Green Bonds)

\$29,565,000
General Obligation Refunding Bonds
2020 Series D

This Official Statement (which includes the cover page and Appendices hereto) provides certain information concerning the City of Boston, Massachusetts (the “City”) in connection with the issuance of its \$121,660,000 General Obligation Bonds, 2020 Series A (the “Series A Bonds”), \$23,885,000 General Obligation Bonds, 2020 Series B (Green Bonds) (the “Series B Bonds”) and \$29,565,000 General Obligation Refunding Bonds, 2020 Series D (the “Series D Refunding Bonds”, and together with the Series A Bonds and the Series B Bonds, the “Bonds”) 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.

In addition to the issuance of the Bonds, the City also expects to issue on the date of delivery of the Bonds, its (i) \$35,000,000 General Obligation Bonds, 2020 Series C (Federally Taxable) (Social Bonds) (the “Series C Bonds”) and (ii) \$61,840,000 General Obligation Refunding Bonds, 2020 Series E (Federally Taxable) (the “Series E Refunding Bonds” and together with the Series C Bonds, the “Taxable Bonds” and together with the Bonds, the “2020 Bonds”). The Taxable Bonds are offered by a separate Official Statement and are not offered hereby. The issuance and delivery of the Bonds is not contingent on the issuance and delivery of the Taxable Bonds.

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 December 1, 2020 (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.”

RECENT DEVELOPMENTS – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses have altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and these behavioral adaptations are causing, and are expected to continue to cause, severe disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. stock and bond markets. See Appendix A - City of Boston, Massachusetts, Information Statement dated December 1, 2020 – DEVELOPING MATTERS - COVID-19.

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 and will mature at the times and in the amounts, and will bear interest calculated on the basis of 30-day months and a 360-day year at the rates, all as shown on pages i and ii of this Official Statement. Interest on the Series A Bonds and Series B Bonds will be payable semiannually on each May 1 and November 1, commencing May 1, 2021, until maturity or earlier redemption. Interest on the Series D Refunding Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2021, until maturity or earlier redemption. If any interest payment date 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 Procedure Act of 1983 and various loan orders of the City Council approved by the Mayor. The Series A Bonds and the Series B Bonds (together, sometimes also referred to herein as the "New Money Bonds") will be issued to finance various capital projects of the City. The Series D

Refunding Bonds will be issued for the purpose of current refunding certain outstanding general obligation bonds and the Series E Refunding Bonds will be issued for the purpose of advance refunding certain outstanding general obligation bonds, as more fully described under “Plan of Refunding” below. The Series D Refunding Bonds and the Series E Refunding Bonds are sometimes also referred to herein as the “Refunding Bonds”).

Series B Bonds – Designation as Green Bonds

The City is designating the Series B Bonds as “Green Bonds” based on the intended use of the proceeds of the Series B Bonds for the financing of projects that are environmentally friendly and that adhere to the International Capital Market Association (“ICMA”) Green Bonds Principles. The purpose of labeling the Series B Bonds as Green Bonds is to allow investors to invest directly in bonds that finance environmentally beneficial projects. Holders of the Series B Bonds do not assume any specific risk with respect to any of the projects financed with the proceeds thereof.

The projects to be partially or entirely funded with the proceeds of the Series B Bonds are:

Boston Center for Youth and Families Curley Community Center

The Curley Community Center is owned by the City of Boston and operated by the Boston Center for Youth and Families. The Curley is undergoing a \$30 million renovation with Green spending supporting a number of efforts including those related to mitigating the effects of sea-level rise by waterproofing of the floor slab and walls and reinstalling the doors with removable flood barriers. Building systems upgrades include new energy efficient lighting throughout the facility and HVAC upgrades. Additional energy conservation measures include new windows and improved insulation of the building envelope.

Renew Boston Trust Phases 1 and 2

Series B Bond proceeds will be allocated to partially finance Phases 1 and 2 of the Renew Boston Trust Program (“Renew Boston”). Renew Boston finances water and energy-saving renovation projects in municipal buildings and uses financial savings from the projects to finance additional conservation projects. Phase 1 is complete and focuses on installing energy-saving upgrades at 14 municipal buildings. Examples of current spending include the installation of demand control ventilation at the Central Library in Copley Square which optimizes the amount of fresh air introduced into the ventilation system to ensure comfort while minimizing energy used in conditioning it. At the A-15 Police Station, Phase 1 supports the installation of highly efficient LED light bulbs and occupancy sensors ensuring that lights are only on when needed. A complete list of the Phase 1 projects can be found at <https://www.boston.gov/environment-and-energy/renew-boston-trust>.

Phase 2 is underway. The planning phase is complete. With a budget of approximately \$20 million, Phase 2 includes over 30 buildings located throughout the City. Construction and project implementation is expected to be underway in 2021. A portion of the proceeds of the Series B Bonds will be used to fund Phase 1 and Phase 2 expenditures.

Langone Park / Puopolo Playground

This is a larger, multi-year park renovation project that will make enhancements and improvements to the various recreational spaces in the park as well as lighting, drainage, and plantings. Green spending will focus specifically on protecting this beloved open space heavily used by the community from the effects of storm surges and sea level rise through raised athletic fields, a harborwalk elevated four feet and a strengthened sea wall. Spending allocation will be applied through an estimation of the green spending against the entire project. Additional information may be found at <https://www.boston.gov/departments/parks-and-recreation/improvements-langone-park-and-puopolo-playground>.

Boston Arts Academy

A new Boston Arts Academy building is currently under construction near historic Fenway Park. Green spending will include energy efficiency measures, improving indoor environmental quality and building it to at least LEED Silver standard. The City expects to apply for LEED certification.

The City has engaged Kestrel Verifiers, a division of Kestrel 360, Inc. ("Kestrel"), to review the projects being financed with the proceeds of the Series B Bonds and to prepare an independent external review regarding the use of proceeds of the Series B Bonds. For additional information regarding Kestrel and its review of the projects to be funded with the proceeds of the Series B Bonds, see "APPENDIX D – Designation of Series B Bonds as Green Bonds."

Segregation of Proceeds

The City intends to hold the proceeds of the Series B Bonds in an account separate from all other funds of the City under the City's previously developed Environmental, Social, & Governance (or "ESG") Cash Investment methodology wherein the City invests funds only in the debt securities of issuers maintaining strong ESG practices.

Post Issuance Reporting –Series B Bonds

The City intends to report annually regarding the expenditure of the net proceeds of the Series B Bonds. This report will be filed no later than 270 days after the end of each fiscal year and will describe the status of the projects funded with proceeds of the Series B Bonds and the amount of such proceeds expended, in each case as of the end of the prior calendar year. The first such report will be filed no later than March 27, 2022. The City intends to file this report with the Electronic Municipal Market Access service of the Municipal Securities Rulemaking Board in conjunction with the annual reports required to be filed by the City pursuant to its continuing disclosure certificate described herein under "CONTINUING DISCLOSURE" and APPENDIX C – Proposed Form of Continuing Disclosure Certificate." However, the obligation of the City to file this report is not included in the continuing disclosure certificate attached hereto as Appendix C. The City intends to report on the use of the Series B Bond proceeds and the projects funded with such proceeds until all Series B Bond proceeds have been fully expended.

Redemption Prior To Maturity

Optional Redemption

The Bonds maturing on or before November 1, 2030 will not be subject to redemption. The Bonds maturing after November 1, 2030 will be subject to redemption prior to maturity at the option of the City, on and after November 1, 2030, 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.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

PLAN OF REFUNDING

The following bonds of the City to be refunded as shown below are collectively referred to as the “Refunded Bonds.”

The Series D Refunding Bonds are being issued to current refund, at par, certain of the City’s outstanding bonds, as further described below:

General Obligation Bonds, 2010 Series A:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
April 1, 2022	\$150,000	3.000%	100853 KJ8
April 1, 2023	150,000	3.250	100853 KK5
April 1, 2024	155,000	3.250	100853 KL3
April 1, 2025	160,000	3.250	100853 KM1
April 1, 2026	105,000	3.500	100853 KN9
April 1, 2027	105,000	3.500	100853 KP4
April 1, 2028	110,000	3.500	100853 KQ2
April 1, 2029	115,000	3.500	100853 KR0
April 1, 2030	120,000	3.750	100853 KS8

To be redeemed on January 29, 2021 at a price of 100%.

General Obligation Bonds, 2010 Series C:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
April 1, 2024 [†]	\$9,200,000	4.500%	100853 LG3
April 1, 2025	3,250,000	4.750	100853 LH1
April 1, 2026	2,915,000	4.950	100853 LJ7
April 1, 2027	3,005,000	5.050	100853 LK4
April 1, 2028	3,105,000	5.150	100853 LL2
April 1, 2029	3,210,000	5.250	100853 LM0
April 1, 2030	3,320,000	5.350	100853 LN8

To be redeemed on January 29, 2021 at a price of 100%.

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are included solely for the convenience of owners of the Refunded Bonds and the City is not responsible for the selection or the correctness of the CUSIP numbers printed herein.

[†] The City has issued a redemption notice to redeem \$2,900,000 of the outstanding principal amount of this maturity on December 17, 2020 from available funds of the City, which amount is allocable to the April 1, 2021 sinking fund installment for this maturity. In addition, the City is also redeeming on such date from available funds (i) the \$145,000 maturity of the City’s General Obligation Bonds, 2010 Series A Bonds maturing on April 1, 2021 and (ii) the \$610,000 maturity of the City’s General Obligation Bonds, 2010 Series D Bonds maturing on April 1, 2021.

General Obligation Bonds, 2010 Series D:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
April 1, 2022	\$625,000	4.500%	100853 LV0
April 1, 2023	645,000	4.650	100853 LW8
April 1, 2024	660,000	4.750	100853 LX6
April 1, 2025	670,000	4.850	100853 LY4
April 1, 2026	385,000	4.950	100853 LZ1
April 1, 2027	395,000	5.050	100853 MA5
April 1, 2028	410,000	5.150	100853 MB3
April 1, 2029	420,000	5.250	100853 MC1
April 1, 2030	430,000	5.350	100853 MD9

To be redeemed on January 29, 2021 at a price of 100%.

The Series E Refunding Bonds are being issued to advance refund, at par, certain of the City's outstanding bonds, as further described below:

General Obligation Bonds, 2012 Series D:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
October 1, 2024	\$1,510,000	4.000%	100853 RP7
October 1, 2025	1,575,000	4.000	100853 RQ5
October 1, 2031	1,860,000	3.000	100853 RW2
October 1, 2032	1,920,000	3.000	100853 RX0

To be redeemed on October 1, 2022 at a price of 100%.

General Obligation Bonds, 2013 Series A:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
March 1, 2025	\$6,030,000	4.000%	100853 SK7
March 1, 2027	6,430,000	4.000	100853 SM3
March 1, 2028	6,680,000	4.000	100853 SN1
March 1, 2029	6,360,000	4.000	100853 SP6

To be redeemed on March 1, 2023 at a price of 100%.

General Obligation Refunding Bonds, 2013 Series B:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
January 1, 2026	\$2,400,000	4.000%	100853 TG5

To be redeemed January 1, 2023 at a price of 100%.

General Obligation Bonds, 2014 Series A:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
April 1, 2032	\$6,695,000	4.000%	100853 UA6
April 1, 2033	6,965,000	4.000	100853 UB4
April 1, 2034	7,240,000	4.000	100853 UC2

To be redeemed on March 1, 2024 at a price of 100%.

Upon delivery of the Refunding Bonds, the City will enter into a Refunding Escrow Agreement (the "Escrow Agreement") with U.S. Bank National Association, Boston, Massachusetts, as refunding escrow agent (the

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“Escrow Agent”) to provide for the refunding of the Refunded Bonds. Upon receipt of the proceeds of the Refunding Bonds, the City will transfer proceeds to the Escrow Agent for deposit in an escrow fund (the “Refunding Escrow Fund”) established under the Escrow Agreement. The Escrow Agent will invest such amount in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America (“Government Obligations”) maturing in amounts and on dates, and bearing interest rates, sufficient without reinvestment to pay when due the interest on, and upon redemption, the outstanding principal of the Refunded Bonds. The Refunding Escrow Fund, including any interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Accuracy

The Arbitrage Group, Inc. has examined the arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the City relating to (a) the computation of anticipated receipts of principal and interest on the Government Obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields on the Refunding Bonds and the Escrow Securities. Such computations were based solely upon assumptions and information supplied by or on behalf of the City. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events..

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 each series 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.

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 debt as of December 1, 2020, the gross debt service requirements on the 2020 Bonds, net of the gross debt service on the Refunded Bonds and the resulting net gross debt service requirements on the general obligation debt of the City following the issuance of the 2020 Bonds.

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

Fiscal	Outstanding Debt As of December 1, 2020		2020 Bonds		Refunded Bonds		QSCB 2009A	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Sinking Fund ⁽¹⁾	
2021	\$122,369	\$25,509	\$ 830	\$ 2,610	\$ -	\$ (1,913)	-	\$149,405
2022	128,498	44,772	14,135	8,637	(3,755)	(3,826)	-	188,462
2023	117,933	39,291	14,765	7,997	(3,860)	(3,659)	-	172,467
2024	105,418	34,048	15,445	7,322	(3,970)	(3,486)	-	154,777
2025	118,848	29,219	23,650	6,611	(11,620)	(3,278)	(20,000)	143,431
2026	96,039	24,786	19,980	5,604	(7,380)	(2,783)	-	136,246
2027	79,015	20,651	18,110	4,829	(9,935)	(2,488)	-	110,182
2028	68,036	17,560	18,520	4,413	(10,305)	(2,056)	-	96,168
2029	60,697	14,699	18,395	3,955	(10,105)	(1,604)	-	86,037
2030	53,559	12,373	12,255	3,472	(3,870)	(1,155)	-	76,635
2031	50,597	10,401	8,955	3,046	-	(949)	-	72,049
2032	48,395	8,558	16,305	2,713	(8,555)	(922)	-	66,495
2033	44,983	6,849	16,725	2,299	(8,885)	(597)	-	61,374
2034	36,371	5,207	15,160	1,899	(7,240)	(290)	-	51,108
2035	28,840	3,797	8,840	1,547	-	-	-	43,024
2036	22,775	2,687	9,160	1,227	-	-	-	35,849
2037	17,635	1,764	7,805	947	-	-	-	28,151
2038	12,995	974	7,970	786	-	-	-	22,725
2039	6,490	325	8,130	621	-	-	-	15,566
2040	-	-	8,300	453	-	-	-	8,753
2041	-	-	8,515	184	-	-	-	8,699
Totals	\$1,219,493	\$303,470	\$271,950	\$71,173	\$(89,480)	\$(29,004)	(20,000)	\$1,727,603

* 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 2020 Bonds, and then subsequent to the issuance of the 2020 Bonds.

Term of Retirement	Debt Outstanding as of December 1, 2020 to be retired (in thousands)	Percentage of Debt Outstanding as of December 1, 2020 to be retired	Debt Outstanding After Issuance of the 2020 Bonds to be retired (in thousands)	Percentage of Debt Outstanding After Issuance of the 2020 Bonds to be retired
Fiscal 2021-2026	\$689,105	56.5%	\$737,325	52.6%
Fiscal 2027-2031	311,904	25.6	353,924	25.6
Fiscal 2032-2036	181,364	14.9	222,874	16.1
Fiscal 2037-2040	37,120	3.0	77,840	5.6
Total	\$1,219,493	100.0%	\$1,381,963	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, as amended (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 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.

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.

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.

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.

UNDERWRITING

The Underwriters, represented by BofA Securities, Inc., have agreed, subject to certain conditions, to purchase all of the Bonds from the City at a discount from the initial offering prices of the Bonds equal to approximately 0.274830% of the aggregate principal amount of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the City as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds are subject to the approval of Locke Lord LLP, 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." Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP.

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. KPMG has not been engaged to perform and has not performed, since the date of any report referenced herein, any procedures on the financial statements addressed in such reports. KPMG has also not performed any procedures relating to this Official Statement or the City's Information Statement attached as Appendix A.

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
Emme Handy
Chief Financial Officer and Collector-Treasurer

Dated: December 9, 2020

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CITY OF
BOSTON, MASSACHUSETTS



INFORMATION STATEMENT
Dated December 1, 2020

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, force majeure events, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. Forward looking statements contained herein may also be particularly impacted by the COVID-19 pandemic, which is addressed more specifically in the section entitled “DEVELOPING MATTERS – COVID-19”. 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.

A wide variety of other information concerning the City, including financial information, is available from various City departments, City publications and the City’s website, which includes individual webpages for City departments, including Auditing, Budget and Treasury. Any such information that is inconsistent with the information set forth in this Information Statement should be disregarded. No such information is a part of or incorporated into this Information State, except as otherwise expressly noted herein.

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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DEVELOPING MATTERS – COVID-19

The outbreak of COVID-19, a respiratory illness caused by a new strain of coronavirus, is adversely affecting global, national, state and local economic activity. In response to the spread of the disease, national, state and local governments, businesses and other institutions, and individuals have and are continuing to alter behaviors in a manner that will negatively impact global, national and regional economies and the City. The President of the United States, and state and local governments in the United States, including the Commonwealth of Massachusetts and the City of Boston, have issued declarations of emergency to enable and empower governments in coordinating response to the spread of COVID-19. In March and April, as the initial spread of COVID-19 unfolded, federal, state and local governments, as well as other nations and private businesses, issued restrictions on non-essential movement, gatherings, travel and other activities, that resulted in the temporary closing of many businesses. Most specifically for the City, the Mayor originally ordered the temporary closure of all restaurants for dine-in service and temporarily halted all non-essential construction activity in the City, and disallowed public gatherings and events of more than 25 people. Additionally, on March 23, the Governor ordered all non-essential businesses to cease in-person operations as of March 24, issued a stay at home advisory through April 7, 2020 and generally prohibited gatherings of more than 10 persons anywhere in the Commonwealth.

Since that time, these restrictions were gradually loosened during the summer and into the fall as the spread of the disease appeared to ebb and health care facilities became better equipped to handle those who experienced the most severe symptoms of the disease. However, most recently, the spread of the disease has again increased significantly in Boston, parts of Massachusetts and more generally throughout the United States. This has resulted in an imposition of travel restrictions among certain states, and additional limitations on the operation of certain businesses, including in Massachusetts and Boston. In light of the current increasing spread of the disease, it is likely that further restrictions may be imposed in an effort to limit the impact of COVID-19. Any such limitations and restrictions may have negative economic impacts for the region and the City. It is not possible at this time to quantify those potential impacts without knowing the full scope of measures that will be used to combat the disease.

The COVID-19 outbreak and resulting restrictions that have disrupted the economies of the United States and other countries initially adversely affected financial markets as well. Unemployment in the United States and in Massachusetts increased significantly in April and May and while the unemployment rates have fallen from their peaks in the spring, the unemployment rate for Massachusetts, New England and the United States remains well above pre-pandemic levels. Continued volatility in the securities markets are likely to continue, and increased business failures and consumer and business bankruptcies may occur, particularly if further restrictions on business operations are imposed. In response to the initial stages of the pandemic, federal legislation and regulatory initiatives were approved by the United States government, and various federal agencies, the Federal Reserve Board and foreign governments a range of actions, all of which were intended to mitigate the broad disruptive effects of the COVID-19 outbreak. While it appears that the initial efforts had at least some of the intended positive impacts, additional support and stimulus efforts have not been enacted and it is unclear when any further such efforts will become law. The City cannot project how continued volatility in capital markets will affect its financial position, including, in particular, its unfunded pension liability and other post-employment liability.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a \$2.2 trillion economic stimulus bill passed by the 116th U.S. Congress and signed into law by the President on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic in the United States. The CARES Act is a broad-based economic stimulus bill, but the City of Boston is a direct recipient from a \$150 billion program called the Coronavirus Relief Fund (CRF) specifically for states, tribal governments and units of local government paid in advance by the United States Treasury. Boston, with a population in excess of 500,000, was eligible for a direct payment totaling \$120.8 million. These funds were appropriated in the Boston City Council on May 6, 2020.

The three requirements for CARES-CRF fund expenditures are:

- Necessary expenditures incurred due to the public health emergency of COVID-19
- Budget costs not accounted for in most recent adopted budget, and
- Costs incurred March 1 thru December 30, 2020.

The City has reported \$19.9 million in CARES-CRF expenditures as of September 30, 2020; however, the City expects to fully expend the CARES-CRF grant by the end of 2020 consistent with the current federal guidelines. The U.S. Treasury allows for revisions to prior period reporting in their online

expense reporting portal. The City is strategically evaluating its options to maximize its use of the remaining CARES-CRF funding. While the City is well aware of federal legislative efforts to expand eligible uses and to extend the deadline for use of CARES-CRF, the City is prepared to maximize the use of funding under existing constraints.

In addition to CARES-CRF funding, the City Council approved a \$10 million order to accept emergency response funding for the COVID-19 emergency from the Federal Emergency Management Agency (FEMA) provided through the Commonwealth of Massachusetts.

The City of Boston has seen consistent revenue growth for the past decade driven by a strong local economy. Certain revenues, such as local excise taxes related to hotel/motel occupancy and meals taxes have been adversely affected. However, the City relies on revenue from a variety of sources, and its track record of stable revenue collection, strong fiscal management and reserves and federal support has allowed and is expected to continue to allow the City to manage through the current circumstances caused by the COVID-19 outbreak without a significant adverse impact on the services it provides or its financial condition.

The City adopted a balanced Fiscal Year 2021 operating budget (the “Adopted FY2021 Budget”) in June, 2020, which begins to take into account the known and expected effects of COVID-19 on City revenues and expenditures. However, due to the unforeseen impacts of COVID-19, it is likely that actual revenue collections and expenditures for Fiscal Year 2021 will differ from the Adopted FY2021 Budget.

The City is currently projecting overall revenue growth in the Adopted FY2021 Budget of \$112.4 million compared to Fiscal 2020 actual revenues, driven by strong growth in the Gross Property Tax Levy (including new growth), increasing by \$122.3 million or 4.9%. The City is also currently projecting decreases across several categories largely due to reduced economic activity because of the COVID-19 pandemic, including Excises decreasing by \$59.5 million or 26.3%; Misc. Department Revenues decreasing by \$3.4 million or 5.1%; and Licenses and Permits decreasing \$26.4 million or 29.9%.

Revenues related to economic activity affected by COVID-19 are likely to be further negatively affected by the continued public health measures and changes by the Commonwealth concerning the timing of tax remittance beyond what was projected in the FY2021 Adopted budget. The deadline for filing returns and making payments for Room Occupancy and Meals Excise Taxes otherwise due March 20, 2020 through April 30, 2021 has been extended by the Commonwealth to May 20, 2021. The Commonwealth will continue remitting these taxes to cities and towns on a quarterly basis, with a likely larger payment made in June 2021 due to the extended filing date. The extended filing date makes it difficult for the City to estimate likely total receipts for the fiscal year. There are also likely revenue categories that will be impacted positively compared to the Adopted FY21 Budget, most notably in new growth in property taxes that continue to demonstrate strength. State Aid which was adjusted downward in the FY2021 Adopted budget is also likely to come in more positively than expected. The City will continue to monitor these fluctuations in revenue, making any adjustments as necessary and formally recertifying a balanced budget as part of the Fiscal Year 2021 Tax Rate setting process with the Commonwealth’s Department of Revenue.

For the Boston Public Schools (BPS), the primary expense so far related to COVID-19 has been the implementation of distance learning through the purchase of laptops and instructional curriculum for students. While the full cost of implementing distance learning is still to be determined, BPS expects to use existing operating budget resources augmented by donations to the Boston Resiliency Fund, a charitable trust fund established by the City to accept private donations for COVID-19 relief, to support distance learning. Additional increases in expenses related to preparing facilities and transportation systems for in-person learning are expected. The largest expected increases are attributable to cleaning supplies and staffing associated with the appropriate cleaning of facilities and other assets. BPS has also experienced significant decreases in revenue associated with the Federal Meals Program. This decrease is expected to persist and grow should learning remain remote.

Across the City, departments have implemented modified temporary work from home schedules for employees who are able to perform their jobs remotely. While the City has seen an uptick in the procurement of cleaning supplies, personal protective equipment (PPE) and other supplies, departments are using existing operating budgets, and the City expects to be reimbursed, in part, by FEMA for many of these expenses or to apply CRF funds to reimburse the City.

See also “FINANCIAL OPERATIONS- Fiscal 2021 Budget and –Fiscal 2022 and 2023 Forecasts.”

The City does not currently anticipate any significant cash flow or liquidity issues in the near term because of COVID-19 but continues to monitor that risk. The City cannot predict the extent to which consequences arising from the COVID-19 outbreak and the measures to combat it will have a material

adverse effect on its financial condition, operations and finances, including its liquidity and reserves. While the scope of any material direct effect on the City is currently unknown, the City is reviewing its options for addressing certain anticipated effects of the COVID-19 outbreak on it and expects to continue to do so.

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 2022, are set forth below.

Kim Janey (President).....	District 7
Michael F. Flaherty.....	At Large
Annissa Essaibi George.....	At Large
Julia Mejia.....	At Large
Michelle Wu.....	At Large
Lydia Edwards.....	District 1
Edward Flynn.....	District 2
Frank Baker.....	District 3
Andrea Campbell.....	District 4
Ricardo Arroyo.....	District 5
Matthew J. O’Malley.....	District 6
Kenzie Bok.....	District 8
Liz Breadon.....	District 9

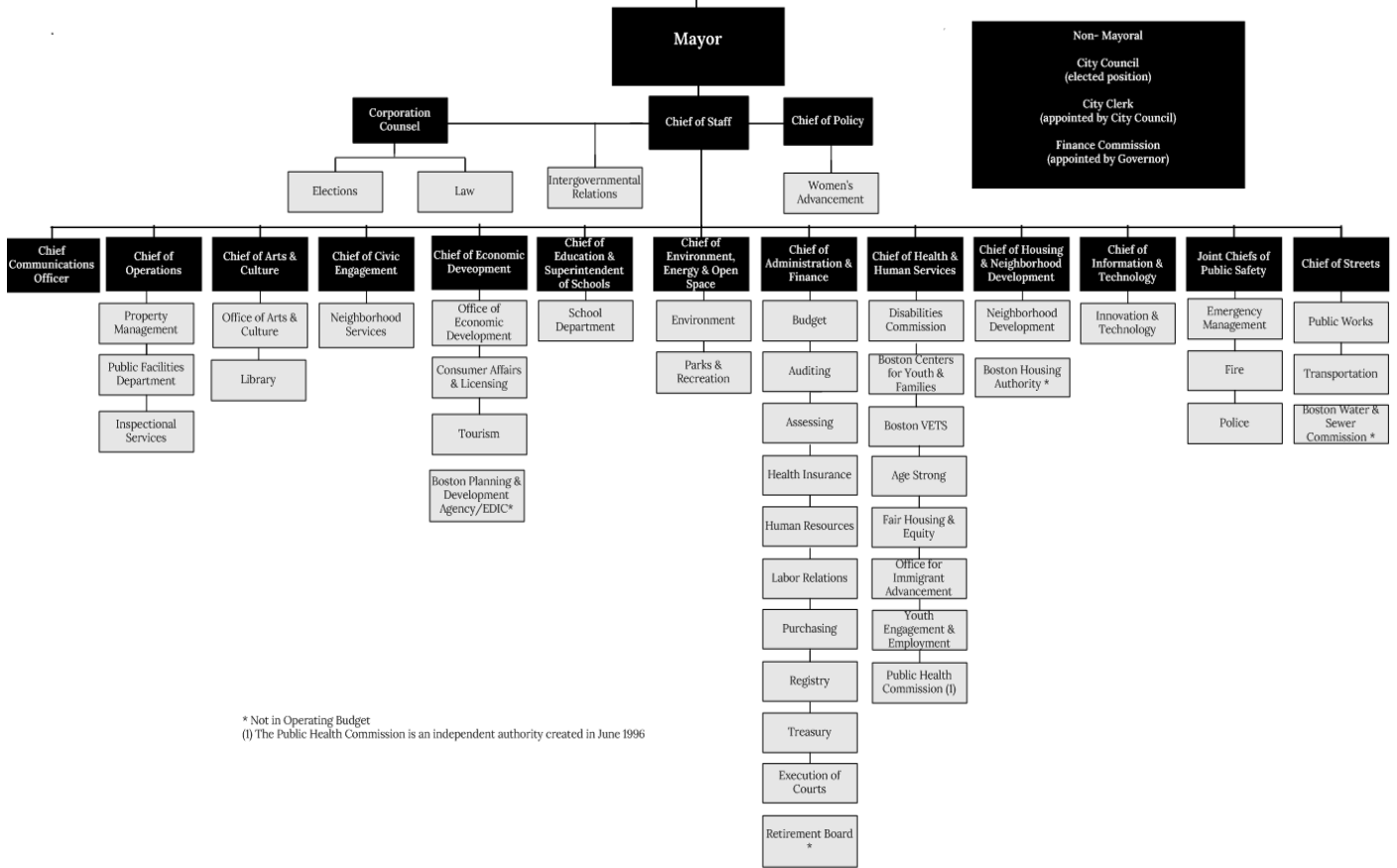
Organization of City Government

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



* Not in Operating Budget
 (I) The Public Health Commission is an independent authority created in June 1996

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

Kathryn Burton was appointed Chief of Staff in March 2020. Prior to her appointment she most recently served as Director of Operations at New Boston Ventures. Previously, Ms. Burton served as Chief of Staff to the Massachusetts State Treasurer where she managed an agency responsible for oversight of the Commonwealth's deposits, the state lottery, the state's pension reserve investment trust, and all Commonwealth debt issuance. 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.

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 and Construction Management Department. As Chief of Operations, Mr. Brophy oversees the development and maintenance of 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

Nick Martin was appointed Chief Communications Officer in November 2020, effective December 14, 2020. As a member of the Mayor's Cabinet, Nick will oversee all press activity and will serve as an advisor on all overall communications and media relations strategy. Prior to joining the City, Nick served as the Director of Public Affairs and Communications for Coca-Cola Beverages Northeast. Before that, he held several positions working for the City of Boston, including the Communications Director for the Boston Public Health Commission and the Communications Director for the Boston Planning & Development Agency.

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, and Purchasing. 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 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

Maureen Joyce was appointed City Auditor in June 2019. Prior to her appointment, Ms. Joyce served as the Chief Financial Officer for the Benjamin Franklin Institute of Technology. The Boston Auditor is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports, maintaining the books and records of the City, and approving all payments made by the City. Ms. Joyce is an *ex-officio* member of the Boston Retirement System Board. Ms. Joyce is also the primary liaison between the City of Boston and the City of Boston Audit Committee and the City's external auditors.

Commissioner of Assessing

Nicholas P. Ariniello, Esq. was appointed Interim Commissioner of Assessing in June 2019. Prior to his appointment, Mr. Ariniello worked for the City of Boston Assessing Department for thirteen years, serving as counsel to the department and then as the Director of Tax Policy. 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; administration of tax incentive agreements; administration of the motor vehicle excise and the boat excise; and the administration of the Payment in Lieu of Tax (PILOT) program.

Senior Deputy Treasurer

Drew Smith was appointed Senior Deputy Treasurer in November 2017. Prior to his appointment, Mr. Smith most recently served as Deputy Assistant Treasurer for Debt Management in the Massachusetts State Treasury. The Senior Deputy Treasurer serves as the director of the City's Treasury Department and is responsible for all debt issuance processes, management of the City's cash balances and payment functions, and receipt and recognition of all City revenue. At the direction of the Collector-Treasurer, the Senior Deputy Treasurer also manages the custodial, investment, and operational activities of over 300 City trust funds. The Treasury Department acts as the primary point of contact to the rating agencies and the investor community.

Chief of Economic Development

John Barros was appointed Chief of Economic Development in February 2014. Prior to his appointment, 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 spurring economic development in all neighborhoods across the City. The Economic Development Cabinet is comprised of the Office of Consumer Affairs & Licensing, Office of Tourism, the Office of Economic Development which includes

the Office of Small and Local Business and the administration of the Boston Residents Jobs Policy. The Chief of Economic Development works in tandem with the Boston Redevelopment Authority (“BRA”) d/b/a Boston Planning & Development Agency (“BPDA”), a public body politic and corporate constituting the City’s redevelopment authority.

Superintendent of Schools

The Boston School committee appointed Dr. Brenda Cassellius as Superintendent of Schools effective May 2019. Previously, Dr. Cassellius served as Minnesota Commissioner of Education where she worked to lead comprehensive education reforms that resulted in historic new state funding for schools, the enactment of all-day kindergarten, state-funded preschool for 25,000 children, and the highest high school graduation rates on record for all student groups. Prior to serving as Commissioner, Dr. Cassellius served in a variety of administrative capacities in the Minneapolis and Memphis school districts. Dr. Cassellius holds an Ed.D. in Organizational Leadership from the University of Memphis, a master’s degree in Secondary Education and Teaching from the University of St. Thomas, and a bachelor’s degree in Psychology from the University of Minnesota.

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.

John Dempsey was appointed Fire Commissioner/Chief of the Boston Fire Department in April 2020. Commissioner Dempsey has been a member of the Boston Fire Department for over 35 years and has previously served the Department in various capacities including Chief of Operations where he oversaw all divisions of the Boston Fire Department and also Boston Fire Marshall where he was responsible for all fire code and regulation enforcement.

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. Mr. Martinez also 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 & Families, Youth Engagement & Employment, the Veteran's Services Department, Fair Housing & Equity, Commission for Persons with Disabilities, Age Strong Commission, and the Office for 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

Aisha Miller was appointed Chief of Civic Engagement in November 2020, effective December 7, 2020. As a member of the Mayor's Cabinet, Ms. Miller will work 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, Ms. Miller will oversee the Office of Neighborhood Services, the Office of Community Service and Public Outreach, Boston 311, and Spark Boston. Prior to serving in this role, Ms. Miller was Assistant Commissioner of Constituent Services for the Boston Inspectional Services Department. She also previously served as a Suffolk County Probation Officer for Boston Municipal Court – Dorchester Division and as an aide to Senator Dianne Wilkerson and Representative Shirley Owens-Hicks..

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Principal Government Services

The following table shows the distribution of the City’s fiscal 2021 appropriations by primary government functions and departments.

**Purposes of City Appropriations—Fiscal 2021 ⁽¹⁾
(Budgetary Accounting Basis) ⁽²⁾
(\$ in thousands)**

	Amount	Percent of Total Appropriations
General Government	\$111,666	3.09%
Public Safety	744,191	20.60%
Public Works	125,043	3.46%
Property and Development	58,713	1.63%
Parks and Recreation	30,333	0.84%
Library	41,387	1.15%
Human Services	41,017	1.14%
Schools	1,258,633	34.84%
Boston Public Health Commission	106,474	2.95%
Judgments and Claims	5,000	0.14%
Employee Benefits	270,591	7.49%
Current Period Retirement Contributions	295,989	8.19%
Debt Requirements	188,628	5.22%
State and District Assessments	<u>334,800</u>	<u>9.27%</u>
Total	<u>\$3,612,464</u>	<u>100.00%</u>

- (1) Represents the fiscal 2021 Budget amended by Mayoral Reallocations through November 1, 2020. Totals may not add due to rounding.
- (2) See “Financial Operations–Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2017 to 2020 Actual Results and Fiscal 2021 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 51,248 students for the 2020-2021 school year, which is a decrease from the previous year. There are 123 schools in the Boston Public Schools, including: 7 schools for early learners, 40 elementary schools (K-5), 32 elementary & middle schools (K-8), 6 middle schools (6-8), 5 middle & high schools (6-12 or 7-12), 1 K-12 school, 18 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.

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 2,300 acres of active, passive and historic parkland. The 2,300 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⁾			
	2018	2019	2020
<i>City Funded:</i>			
Public Safety ⁽²⁾	4,442	4,476	4,518
Public Works.....	362	357	358
Other City Departments ⁽³⁾	2,731	2,708	2,715
Boston Public Health Commission ⁽⁴⁾	<u>845</u>	<u>832</u>	<u>847</u>
Subtotal	<u>8,380</u>	<u>8,373</u>	<u>8,438</u>
Schools.....	<u>9,005</u>	<u>9,249</u>	<u>9,303</u>
Total City Funded	<u>17,385</u>	<u>17,622</u>	<u>17,741</u>
<i>Grant Funded:</i>			
Schools	595	636	654
All Others ⁽⁵⁾	<u>283</u>	<u>270</u>	<u>287</u>
Total.....	<u>18,263</u>	<u>18,528</u>	<u>18,682</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) While funded by the City, Boston Public Health Commission employees are not City employees.
- (5) 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 and Auditing Department.

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. While reporting to the Executive Director of the Office of Labor Relations, the School Department’s labor relations personnel similarly represent the School Committee 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.

Collective Bargaining Units (City and Schools)

<u>Union</u>	<u>Department</u>	<u>Number of Employees Represented ⁽¹⁾</u>	<u>Contract Expiration Date</u>
Boston Police Patrolmen's Association	Police	1,547	6/30/20
Boston Police Superior Officers Federation	Police	261	6/30/20
Boston Police Detectives Benevolent Society	Police	285	6/30/20
Superior Detective Benevolent Society	Police	132	6/30/20
Forensic Group	Police	27	9/30/20
Police Cadet Association	Police	52	9/30/19
School Traffic Supervisors Assoc	Police	189	8/31/20
International Association of Firefighters, Local 718	Fire	1,530	6/30/21
Municipal Police Patrolmen's Association	Property & Construction Mgmt	53	6/30/20
Municipal Police Superior Officers Association	Property & Construction Mgmt	7	6/30/20
SEIU, Local 888	Citywide	945	9/30/20
SENA, Locals 9158 and 9158E	Citywide	691	9/30/20
AFSCME C93 (Citywide & various locals)	Citywide	1,109	6/30/20
AFSCME Local 1526	Library	212	9/30/20
Professional Staff Association	Library	168	9/30/20
Park Rangers	Parks	12	6/30/20
Typographical Union	Police	3	9/30/20
OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	27	6/30/20
IBEW, Local 103	Inspectional Services	9	6/30/20
Teamsters Local 2	Property & Construction Mgmt	3	6/30/20
Boston Teachers Union	School	8,524	8/31/21
BASAS (School Administrators & Supervisors) ⁽²⁾	School	236	8/31/20
Administrative Guild	School	281	8/31/20
Planning & Engineering	School	29	8/31/20
Boston School Police	School	52	8/31/20
School Police Superior Officers Assoc.	School	18	6/30/20
School Custodians Local 1952, Painters & Allied Trades District Council #35	School	520	8/31/20
Plant Administrators Association	School	15	8/31/20
School Bus Monitors USWA Local 8751	School	659	6/30/20
Lunch Hour Monitors Association	School	336	8/31/20
AFSCME C93, Local 230 Cafeteria Workers/Mgrs	School	476	8/31/20
AFSCME C93, Storekeepers & Deliverymen	School	<u>5</u>	8/31/20
		18,413	

(1) Number of bargaining unit members (not Full-Time Equivalents) as of January 1, 2020.

(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 agreements with the firefighters' and teachers' unions, placing over 10,000 employees under contract through fiscal year 2021. Those multi-year contracts included annual wage increases of 2% and other benefits. The majority of contracts expired within the first three months of fiscal year 2020. The City has begun negotiations with unions whose contracts recently expired. The City budgets for the costs of future contracts through the 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 2021 were approved by the City Council on June 24, 2020. See "Financial Operations—Fiscal 2021 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 2020, the Mayor released the fiscal 2021-2025 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 2021 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 2017 to 2020 Actual Results and Fiscal 2021 Budget

The following table shows the City’s General Fund budget for fiscal 2021, together with budgetary actual results for fiscal 2017 through 2020. 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 2017 to 2020 Actual Results and Fiscal 2021 Budget
General Fund—Budgetary Basis**

(\$ in millions)*

	Fiscal 2017 Actual Results	Fiscal 2018 Actual Results	Fiscal 2019 Actual Results	Fiscal 2020 ⁽¹⁾ Actual Results	Fiscal 2021 ⁽¹⁾ Budget
Revenues:					
Recurring Revenue:					
Property Taxes	\$ 2,092.1	\$ 2,222.6	\$2,354.1	\$2,514.2	\$2,636.5
Overlay Reserve ⁽²⁾	(38.7)	(30.6)	(33.3)	(47.3)	(14.0)
Excises	190.5	223.2	236.5	226.0	166.5
Fines	63.3	63.6	74.1	67.4	66.1
Interest on Investments	2.3	15.4	30.4	29.5	8.0
Payments in Lieu of Taxes	53.6	52.7	54.0	44.9	49.3
Urban Redevelopment Chapter 121A	47.5	72.5	54.4	41.5	30.7
Misc. Department Revenue	66.4	68.3	72.4	66.6	63.2
Licenses and Permits	84.1	74.6	82.6	88.4	62.0
Penalties & Interest	10.8	11.4	11.4	10.1	9.0
Available Funds ⁽³⁾	-	-	-	0.0	31.0
State Aid	424.9	439.7	434.4	458.8	464.2
Total Recurring Revenue	\$ 2,996.8	\$ 3,213.3	\$3,371.1	\$3,500.0	\$3,572.5
Budgetary Fund Balance	-	-	-	-	\$40.0
Sale of Surplus Property	-	-	-	-	-
Non-Recurring Revenues ⁽⁴⁾	-	-	-	-	40.0
Total Revenues	\$ 2,996.8	\$ 3,213.3	\$3,371.1	\$3,500.0	\$3,612.5
Expenditures:					
Total Departmental Expenditures					
City Departments	\$ 1,200.7	\$ 1,291.6	\$1,365.0	\$1,412.3	\$1,388.3
Boston Public Health Commission	77.3	79.6	88.0	93.4	106.5
School Department	1,031.6	1,093.3	1,126.7	1,178.6	1,258.6
Collective Bargaining Reserve	28.0	15.5	2.5	2.2	3.0
OPEB Trust Fund ⁽⁵⁾	40.0	40.0	40.0	40.0	40.0
Total Department Expenditures	\$ 2,377.6	\$ 2,519.9	\$2,622.1	\$2,726.4	\$2,796.4
Fixed Costs:					
Pensions ⁽⁶⁾	199.3	\$233.3	\$263.1	\$280.6	\$292.1
Debt Service ⁽⁷⁾	165.3	170.9	177.3	178.0	189.1
State Assessments	240.4	264.1	278.7	295.9	331.0
Suffolk County Sheriff Reserve	3.9	3.9	3.9	3.8	3.8
Reserve	3.8	-	3.4	0.0	0.0
Total Fixed Costs	\$ 612.7	\$ 672.2	\$726.4	\$758.3	\$816.0
Total Expenditures	\$ 2,990.1	\$ 3,192.1	\$3,348.5	\$3,484.8	\$3,612.5
Excess of Revenues Over Expenditures	\$ 6.7	\$ 21.2	\$ 22.6	\$15.3	\$0.0

* Columns may not add due to rounding.

- (1) Fiscal 2020 numbers are unaudited. Represents the fiscal 2021 budget at the time of the approval of the City's FY21 budget by Mayor Walsh on July 1, 2020.
- (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 2021, the City has reserved 0.5% 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 2021.
- (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 2021 represents the fourteenth 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 \$3.6 million in fiscal 2017, \$3.7 million in fiscal 2018, 3.7 million in fiscal 2019 and \$3.5 million in fiscal 2020 and budgeted expenditures of \$3.9 million in fiscal 2021. In addition, the Boston Public Health Commission's funding supports the general fund portion of their pension obligation. Such amounts \$17.9 million in fiscal 2017, \$18.6 million in fiscal 2018, \$20.0 million in fiscal 2019, \$20.7 million in fiscal 2020 and \$21.9 million is budgeted in fiscal 2021.

(Continued on following page)

- (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 2017-2020 See "City Indebtedness-Debt Service Requirements."

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

Fiscal 2017-2019 Actual Results

During the fiscal 2017 to 2019 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 2017, 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.boston.gov/departments/mayors-office/imagine-boston-2030>. *Imagine 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 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 \$41.7 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 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 \$90.9 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.

Fiscal 2019 ended with a \$22.6 million general fund budget surplus. While there was an appropriations deficit of \$33.1 million driven by deficits in public safety and a reserve established for legal judgements and settlements, these deficits were sufficiently covered by a \$55.7 million revenue surplus. In fiscal 2019, the City's expenditures totaled \$3.3 billion including direct expenditures for departmental services and fixed costs, which increased \$156.4 million or 4.9% from fiscal 2018 expenditures. Fiscal 2019 actual expenditures compared with actual fiscal 2018 expenditures are as follows: City Departments increased \$73.4 million or 5.7%; the Public Health Commission increased \$8.4 million or 10.6%; the School Department increased \$33.4 million or 3.1%. Actual fixed costs for fiscal 2019 compared with actual fiscal 2018 fixed costs are as follows: Pensions increased \$29.8 million or 12.8%; Debt Service increased \$6.4 million or 3.7%; and State Assessments increased \$14.7 million, or 5.6%. The increase in

pension expenditures for fiscal 2019 as compared to fiscal 2018 is a result, in part, from a \$21 million additional payment having been made in fiscal 2019 above the scheduled payments.

The fiscal 2019 budget ended with deficits for public safety departments with the Police Department having a \$16.3 million deficit and Fire having a \$5.4 million deficit. These deficits were primarily related to overtime spending, but also reflect decisions made at year-end to accelerate equipment purchases. Additionally, there was a deficit related to the Execution of Courts account at \$13.2 million resulting from a reserve set aside to pay for possible adverse legal rulings.

Fiscal 2020 Actual Results

The following is a summary of the City's fiscal 2020 actual results on a budgetary accounting basis. All financial information presented in this Information Statement for fiscal year 2020 and later years is unaudited, preliminary and subject to change.

Expenditures

Fiscal 2020 ended with a \$15.3 million general fund budget surplus. In fiscal 2020, the City's expenditures totaled \$3.5 billion including direct expenditures for departmental services and fixed costs, which increased \$136.2 million or 4.1% from fiscal 2019 expenditures. Fiscal 2020 actual expenditures compared with actual fiscal 2019 expenditures are as follows: City Departments increased \$47.3 million or -3.5%; the Public Health Commission increased \$5.4 million or 6.2%; the School Department increased \$51.9 million or 4.6%. Actual fixed costs for fiscal 2020 compared with actual fiscal 2019 fixed costs are as follows: Pensions increased \$17.5 million or 6.7%; Debt Service increased \$.7 million or 5.4 %; and State Assessments increased \$17.2 million or 6.2 %.

The fiscal 2020 budget ended with deficits for public safety departments with the Police Department having an \$11.2 million deficit and Fire having a \$5.4 million deficit. These deficits were primarily related to overtime spending, but also reflect decisions made at year-end related to equipment purchases. Additionally, there was a deficit related to the Execution of Courts account at \$2 million resulting from a reserve set aside to pay for possible adverse legal rulings. In the spring of fiscal 2020, the City of Boston established two central grant-funded appropriations for COVID-19 related expenditures for the Coronavirus Aid, Relief, and Economic Security (CARES) Coronavirus Relief Fund (CRF) and the Federal Emergency Management Agency (FEMA) Public Assistance Grant provided from the Federal Government through the Commonwealth of Massachusetts. While the vast majority of new coronavirus or COVID-19 expenses were directed to those two grants, approximately \$2.8 million of COVID-19 expenses were absorbed into the fiscal 2020 budget.

Revenues

Actual revenues for fiscal 2020 totaled \$3.5 billion, an increase from fiscal 2019 actual revenues of \$128.9 million or 3.8%. Selected fiscal 2020 actual revenues compared with fiscal 2019 actual revenues as follows: The Gross Property Tax Levy (including new growth) increased \$160.0 million or 6.8%; Excises decreased \$10.5 million or 4.4%; Chapter 121A revenues decreased \$12.9 million or 23.7%; Fines decreased by \$6.7 million or 9.1%; Interest on Investments decreased \$0.9 million or 3.1%; voluntary Payment In Lieu of Taxes ("PILOT") revenues decreased \$9.2 million or 17%; Licenses and Permits increased by \$5.8 million or 7.0%; and State Revenue increased \$24.5 million or 5.6%. Non-recurring revenue was not utilized in 2020.

Excises, Fines and PILOTs decreased due to the state-wide stay at home order and the impact of the COVID-19 pandemic closures and reduced economic activity. The increase in State Revenue was due to late FY19 payments received in FY20, as well as additional Charter School Tuition Reimbursement funding. For more detailed information regarding State Revenue, see "City Revenues—State Revenue."

In both fiscal 2019 and 2020, 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 2021 Budget

The following is a summary of expectations regarding the City's fiscal 2021 budget on a budgetary accounting basis. The figures cited below are comparisons to fiscal 2020 actual figures. The information represents the emerging impacts of the COVID-19 crisis. See "DEVELOPING MATTERS" above for information regarding the COVID-19 matter.

Expenditures

In fiscal 2021, the City's budgeted expenditures total \$3.6 billion including direct expenditures for departmental services and fixed expenses, representing an increase of \$127.7 million or 3.7% from fiscal 2020 actual expenditures. Budgeted fiscal 2021 departmental expenditures compared with fiscal 2020 expenditures are as follows: City Departments decreased \$23.9 million or -1.7%. In fiscal 2021 the negative growth in City Departments is a result of targeted budget cuts and controlled employee hiring. These targeted budget cuts were implemented directly to respond to revised revenue estimates impacted by the coronavirus emergency and its economic impact.

School Department budgeted expenditures increased \$80.1 million or 6.8%. This growth is reflective of the costs of a successor collective bargaining agreement with the Boston Teachers Union that will expire in August 2021. 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 identifying efficiencies to reduce costs. The School Department is not currently anticipating a budget deficit in fiscal 2021.

The Collective Bargaining Reserve increases by \$0.8 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 2021 compares with fiscal 2020 actual expenditures as follows: Pensions increase \$11.5 million or 4.1%; Debt Service increases \$11.1 million or 6.3%; and State Assessments increase \$35.1 million or 11.8%.

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 \$32.3 million, followed by the assessment to the City for Massachusetts Bay Transportation Authority ("MBTA") service increasing by \$2.7 million.

Revenues

Budgeted revenues for fiscal 2021 are expected to total \$3.6 billion, an increase of \$112.4 million or 3.1% from fiscal 2020 actual revenues.

Selected fiscal 2021 budgeted revenues compare with fiscal 2020 actual revenues as follows: The budgeted Gross Property Tax Levy (including new growth) increases \$122.3 million or 4.9%; in fiscal 2021, the City has reserved 0.5% of the gross levy for abatements; Excises decrease \$59.5 million or 26.3%; Fines decrease \$1.3 million or 1.9%; Interest decreases \$21.5 million or 72.9%; Payments in Lieu of Taxes increase \$4.4 million or 9.8%; Chapter 121A revenues decrease \$10.8 million or 26.1%; Misc. Department Revenues decrease by \$3.4 million or 5.1%; Licenses and Permits decrease \$26.4 million or 29.9%; Penalties and Interest decrease by \$1.1 million or 10.9%; State Aid increases by \$5.4 million or 1.2% and Non-Recurring Revenue increases by \$40 million to fund the OPEB Trust Fund.

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 budgeted at \$65.0 million in fiscal 2021. 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, Fines, Licenses and Permits, Penalties and Interest and Misc. Department Revenue is largely due to reduced economic activity due to the COVID-19 pandemic. The decrease in Interest is due to a broad reduction in short-term market rates. Chapter 121A revenue is expected to decline as expiring 121A projects are converted to property taxes. State Aid is budgeted based on the FY20 State Aid budget and is expected to be consistent with the final State FY21 budget once passed. For more detailed information regarding State Aid, see "City Revenues—State Aid."

Federal Sequestration

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

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 2029, the rates to be set from time to time.

Fiscal 2022 and 2023 Forecasts

At the time of publishing of fiscal 2021 adopted budget, the City conservatively projected budget deficits in fiscal 2022 and fiscal 2023 of \$72.9 million in fiscal 2022 and \$113.9 million in fiscal 2023. These projected shortfalls are driven in large part by growth in fixed costs, which are expected to increase by approximately 10.3% in fiscal 2022. 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 property tax growth fiscal 2022 and 2023, with slight decreases in local receipts and local state aid.

As the City examines projected expenditures for fiscal 2022 and fiscal 2023, expenditures are anticipated to grow at a faster rate than the City's revenue growth requiring active management to balance the budget. In addition to the growth in fixed costs, the City continues to project considerable appropriations growth due to rising employee-related costs.

A historic investment of \$100 million in Boston Public Schools (BPS) was announced in Mayor Walsh's State of the City speech in January 2020. The investment will be phased in over three years with the first \$36 million starting in fiscal 2021 and will be on top of standard cost increases, such as inflation and employee costs. The City's \$100 million commitment to BPS will support Superintendent Cassellius's strategic vision. Informed by a four-month community tour in which the Superintendent visited all 125 BPS schools, hosted numerous community meetings, and engaged with more than 2,100 district stakeholders, the strategic vision aims to deliver an excellent, equitable, culturally-relevant education for all students.

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 2019 audited financial statements, see Note 2 to such audited financial statements, which are attached hereto as Exhibit I. The City's fiscal 2019 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 2019 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, 2019, 2018, 2017, 2016, and 2015, 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.

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Summary and Comparison of Operating Results (GAAP Basis)—Fiscal 2016-2020

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 2015 through 2019, which were prepared in accordance with the GAAP basis of accounting by the City and audited by KPMG LLP, as independent auditor, and unaudited financial statements for fiscal 2020 prepared by the City.

Summary of General Fund Statements of Revenues, Expenditures, Other Financing Sources and Changes in Fund Equity Fiscal Years 2016-2020 (GAAP Basis) (\$ in millions)*

	2016	2017	2018	2019	2020 ⁽²⁾
Total revenues	\$3,055.8	\$3,165.5	\$3,372.2	\$3,549.7	\$3,728.7
Total expenditures	<u>2,967.5</u>	<u>3,119.7</u>	<u>3,274.0</u>	<u>3,443.7</u>	<u>3,549.1</u>
Excess of revenues over expenditures	88.3	45.7	98.2	106.0	179.6
Total other financing (uses) sources	<u>(1.5)</u>	<u>9.5</u>	<u>(1.5)</u>	<u>(1.5)</u>	<u>(1.5)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>86.8</u>	<u>36.3</u>	<u>96.8</u>	<u>104.6</u>	<u>178.1</u>
Fund balance, beginning of year	<u>862.2</u>	<u>949.0</u>	<u>985.3</u>	<u>1,082.1</u>	<u>1,186.6</u>
Fund balance, end of year ⁽¹⁾	<u>\$ 949.0</u>	<u>\$ 985.3</u>	<u>\$1,082.1</u>	<u>\$1,186.6</u>	<u>\$1,364.7</u>

* Columns may not add due to rounding.

(1) The unassigned fund balances for the General Fund for fiscal 2016, 2017, 2018, and 2019 were \$682.8 million, \$702.1 million, \$781.4 million, and \$794.6 million, respectively.

(2) Fiscal 2020 numbers are unaudited.

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 2016 through fiscal 2020. 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 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 5.0% 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.

Fiscal 2019

General Fund revenue increased by \$177.5 million, or 5.3%, from fiscal 2018. Property taxes, excise taxes, and payments in lieu of taxes totaled \$2.69 billion or 75.7% of total revenue. Property taxes increased \$122.8 million, representing a positive change of 5.5% from fiscal 2018. Licenses and permits increased by \$8.6 million or 11.6%. Departmental revenue decreased by \$0.9 million or 0.9% in fiscal 2019.

Fiscal 2019 expenditures increased \$169.7 million or 5.2% from fiscal 2018. The City's largest expenditures were for schools (\$1.12 billion), public safety (\$726.4 million), retirement costs (\$401.0 million), state and district assessments (\$283.4 million), and other employee benefits (\$264.8 million). School expenditures increased from fiscal year 2018 by \$31.1 million or 2.9%, public safety increased by \$36.5 million or 5.3%, retirement costs increased by \$44.7 million or 12.6%, state and district assessments increased by \$16.2 million or 6.1%, and other employee benefits increased by \$3.4 million or 1.3%.

The General Fund's equity balance as of June 30, 2019 was \$1,186.6 million, an increase of \$104.5 million from fiscal 2018.

Fiscal 2020

General Fund revenue increased by \$179.0 million, or 5.0%, from fiscal 2019. Property taxes, excise taxes, and payments in lieu of taxes totaled \$2.8 billion or 75.4% of total revenue. Property taxes increased by \$153.7 million, representing a positive change of 6.6% from fiscal 2019. Licenses and permits increased by \$5.6 million or 6.7%. Departmental revenue increased by \$6.0 million or 6.2% in fiscal 2020.

Fiscal 2020 expenditures increased by \$105.4 million or 3.1% from fiscal 2019. The City's largest expenditures were for schools (\$1.1 billion), public safety (\$763.4 million), retirement costs (\$447.2 million), state and district assessments (\$299.7 million), and other employee benefits (\$259.4 million). School expenditures decreased from fiscal year 2019 by \$34.1 million or 3.1%, public safety increased by \$37.0 million or 5.1%, retirement costs increased by \$46.2 million or 11.5%, state and district assessments increased by \$16.3 million or 5.8%, and other employee benefits decreased by \$5.4 million or 2.0%.

The General Fund's equity balance as of June 30, 2020 was \$1,364.8 million, an increase of \$178.1 million from fiscal 2019

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 2017 and ending with February of fiscal 2020, 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 2018-2021 (\$ in thousands)

	2018	2019	2020	2021
July	\$1,371,088	\$1,459,003	\$1,658,735	\$1,794,376
August	1,339,057	1,502,184	1,655,530	1,839,630
September.....	1,276,378	1,508,589	1,575,874	1,692,467
October	1,458,190	1,660,396	1,778,617	1,821,211
November	1,480,931	1,626,104	1,740,502	
December	1,344,866	1,501,307	1,642,624	
January	1,612,102	1,782,185	1,925,867	
February	1,652,745	1,847,781	1,938,678	
March.....	1,435,067	1,661,054	1,766,409	
April.....	1,554,515	1,811,993	1,937,975	
May.....	1,665,526	1,840,520	1,958,843	
June.....	1,637,437	1,803,187	1,976,378	

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

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.

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.

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 is committed to an ongoing 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, is 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 \$50.0 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 \$37.7 million at the end of fiscal 2020.

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 is housed within

the Environment, Energy and Open Space Cabinet, and 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 buildings and other fixed assets.

Among other things, the Municipal Energy Unit is responsible for an initiative entitled "Renew Boston Trust." The Renew Boston Trust is not a trust in the traditional sense, but a program to identify and finance municipal utility cost saving projects. The initiative commenced with the selection of an Energy Service Company ("ESCO") to conduct Investment Grade Audits ("IGAs") of the City's facilities portfolio and identify projects with sufficient utility savings potential. The City selects utility cost savings projects based upon the IGA analysis and the ESCO that conducted the audits provides a long-term financial guarantee on the net savings it has projected for those projects. The City finances the program with general obligation bonds with debt service offset by the long-term energy savings guaranteed by the ESCO. In fiscal 2019, the City implemented energy conservation improvements in 14 buildings, and the ESCO has guaranteed an annual utility cost savings of more than \$650,000 for those City facilities. The budget for a second phase of RBT has been authorized and construction is expected to begin in summer 2020. Work on planning the third phase has also begun with construction expected in spring 2021.

The Municipal Energy Unit is also responsible for tracking of the City's energy consumption and expenditures. To accomplish this, the Municipal Energy Unit uses an Enterprise Energy Management System ("EEMS") capable of monitoring and reporting on the energy consumed by the City's 314 buildings and other fixed assets, and its vehicle fleet. The EEMS is used to monitor the City's continuing progress meeting the greenhouse gas reduction goals stated in its Climate Action Plan and fulfill its municipal and state energy reporting obligations, and facilitates the identification of energy efficiency projects for the Renew Boston Trust program. The EEMS is also a valuable financial management tool that is used to verify the accuracy of utility bills, develop department energy budgets, and compare budgeted to actual energy expenditures.

The City has purchased its electricity requirements from third-party suppliers since March, 2005 and has consistently realized substantial savings as a result. During fiscal 2019, for example, the City saved \$4.5 million compared to the amount it would have paid to its local electric utility to deliver identical quantities of power.

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.

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 2021 equals \$2.64 billion, or 73.0% of City General Fund revenues of \$3.61 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 2020, 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 budgeted gross levy in fiscal 2021 equals \$2.64 billion. In fiscal 2021, the allowable 2.5% increase is \$62.7 million, and "new growth" is budgeted at \$65.0 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 2016-2020 ⁽¹⁾
(\$ in thousands)

	2016	2017	2018	2019	2020
Total Assessed Valuation	\$128,047,081	\$143,941,946	\$153,925,958	\$164,514,121	\$176,198,905
Growth Levy Limit ⁽²⁾	1,962,274	2,086,847	2,216,601	2,350,783	2,509,115
Levy Ceiling ⁽³⁾	3,201,177	3,598,549	3,848,149	4,112,853	4,404,973
Tax Levy ⁽⁴⁾	1,961,477	2,086,676	2,216,491	2,349,909	2,508,767
Under Levy Ceiling	1,239,700	1,511,873	1,631,658	1,762,944	1,896,206

- (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. A revaluation was original scheduled to occur in Fiscal Year 2020, however due to the complexity of converting to a new CAMA system the Commonwealth and the City agreed to reschedule the revaluation to Fiscal Year 2021. 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, scheduled for fiscal 2021, is in process. For fiscal 2020, assessments are based on market activity leading up to the assessment date of January 1, 2019. Fiscal 2020 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, 2019. The fiscal 2020 tax rates were applied to the January 1, 2019 valuation to determine levy and tax liability for fiscal 2020.

**Assessed Valuation of Taxable Real Property by
Real Estate Classes, Assessment Dated January 1, 2019**

Real Estate Classes	Parcel Count	Residential Valuation	Commercial Valuation	Industrial Valuation	Total Valuation
1-Family (101)	30,524	\$19,417,579,099			\$19,417,579,099
Residential Condominium (102)	65,735	47,082,101,518			47,082,101,518
Misc (103,108,109,110)	7,135	562,428,627			562,428,627
2-Family (104)	17,124	12,067,291,116			12,067,291,116
3-Family (105)	13,550	11,495,872,200			11,495,872,200
4-Family (& Apartments (111-125)	5,261	13,478,699,702			13,478,699,702
Residential Land & Accessory (130-132, 106)	6,421	339,623,488			339,623,488
Commercial (300-393)	7,609		\$49,095,831,297		49,095,831,297
Industrial (400-452)	743			\$1,153,868,704	1,153,868,704
Agricultural	3		404,800		404,800
Mixed Use (012-043)	2,894	11,374,511,082	2,862,360,883		14,236,871,965
Total	156,999	\$115,818,106,832	\$51,958,596,980	\$1,153,868,704	\$168,930,572,516

Source: City of Boston Assessing Department.

**Tax Rates, Fiscal 2016-2020
(per \$1,000 of assessed value)**

<u>Fiscal Year</u>	<u>Commercial, Industrial and Personal Property</u>	<u>Residential Property</u>
2020	\$24.92	\$10.56
2019	25.00	10.54
2018	25.20	10.48
2017	25.37	10.59
2016	26.81	11.00

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. For fiscal 2020 the Mayor and City Council elected to set the minimum residential exemption at 35% of the average assessed value of all residential property. For fiscal 2020, each qualifying resident who receives the maximum residential exemption has their taxable assessed value reduced by \$272,707. 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 2016-2020⁽¹⁾
(\$ in thousands)***

Fiscal Year	Residential Valuation	Commercial Valuation	Industrial Valuation	Personal Property Valuation	Total Valuation
2020	\$115,818,107	\$51,958,597	\$1,153,869	\$7,268,332	\$176,198,905
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

* 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 2020 assessed values are as of January 1, 2019.

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. The Assessing Department successfully executed the conversion to the new Patriot CAMA system in fiscal 2020. The conversion was reviewed and approved by the Commonwealth, and the Patriot CAMA system was used in finalizing the fiscal 2020 property values.

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 2020. Assessed valuations and fiscal 2020 taxes reflect the valuation of property as of January 1, 2019 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2020 ⁽¹⁾⁽²⁾

Owner	Personal Property Value	Real Property Value	Total Assessed Value	Fiscal 2020 Tax Liability
Boston Properties	\$ 6,476,670	\$4,292,744,901	\$4,299,221,571	\$104,690,721
Eversource fka Nstar	2,606,798,730	139,505,300	2,746,304,030	68,434,402
Oxford Properties	70,730	2,008,555,800	2,008,626,530	49,174,844
TIAA	156,880	1,504,034,400	1,504,191,280	37,484,447
Rockpoint Group	5,818,430	1,459,164,800	1,464,983,230	36,507,382
Tishman	1,054,880	1,518,614,100	1,519,668,980	35,722,589
PGIM Real Estate fka Fort Hill Associates		1,294,928,500	1,294,928,500	30,929,835
METLIFE	416,540	1,119,782,100	1,120,198,640	27,915,350
National Grid	847,639,190	33,690,300	881,329,490	21,962,731
Diversified Healthcare Trust fka Senior Housing		901,311,400	901,311,400	22,460,680
John Hancock	1,356,810	939,999,900	941,356,710	21,424,250
Morgan Stanley	6,658,150	831,993,500	838,651,650	20,899,199
Synergy	245,130	802,297,000	802,542,130	19,856,825
Equity Residential	3,609,730	1,368,201,900	1,371,811,630	16,519,296
Equity Office	244,980	660,655,700	660,900,680	16,469,645
Fortis Property	97,790	656,833,200	656,930,990	16,370,720
Beacon Capital	326,500	628,381,499	628,707,999	15,667,403
TOTAL	\$3,480,971,140	\$20,160,694,300	\$23,641,665,440	\$562,490,319

- (1) The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City, and then further researching to identify common ownership of subsidiaries. This methodology does not necessarily locate all parcels owned by affiliates. If common ownership of a property is identified that value is assigned by allocating the property equally to all owners (e.g. three owners are each assumed to own 33%).
- (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 may be 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.

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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, 2020 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 2016 through 2020. 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 2016-2020
(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
2020	\$2,512.0	\$2,464.7	98.1%	\$2,496.0	99.4%	101.3%	2,480.8	98.8%	100.7%
2019	2,364.7	2,331.4	98.6	2,362.2	99.9	101.3	2,342.7	99.3	100.7
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

(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 \$11.3 million, \$13.4 million, and \$9.8 million in fiscal 2018, 2019, and 2020, respectively.

Revenues from Chapter 121A Corporations and Statutory Contractual Payment in Lieu of Tax Agreements

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 of the Massachusetts General Laws (“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 are contractual payment resulting from agreements entered into between the Chapter 121A Corporation and the City pursuant to section 6A of Chapter 121A.

There are also instances allowed by statute where the City enters into a contractual payment in lieu of taxes with a private developer. These occur when the development is on property owned by a chapter 121B or 121C entity. These entities and their property are exempt from taxation; however, the enabling legislation under these chapters of the General Laws allows the City to enter into a contractually binding payment in lieu of tax agreement with the exempt entity and the private developer or occupant of the

exempt entity’s real estate. These payments are different from the voluntary PILOT payments made by hospitals and universities, which voluntary payments are not included in the amounts below.

Revenues received by the City from Chapter 121A Corporations and contractual payments in lieu of tax agreements for the last five fiscal years are shown in the following table.

Revenues to the City from Chapter 121A Corporations and by Contractual Agreement
(\$ in thousands)

Fiscal Year Ended June 30	Excise Payments In Lieu of Taxes (Section 10)	Contractual Payments⁽¹⁾⁽²⁾	Total*
2020	\$13,923	\$27,592	\$41,516
2019	19,709	34,697	54,406
2018	41,576	30,939	72,515
2017	18,949	28,562	47,512
2016	10,422	37,691	48,113

* Totals may not add due to rounding.

(1) Contractual Payments include Chapter 121B Section 16 payments, Chapter 121A Section 6A payments, 121C payments and Tax Increment Financing (TIF) agreements.

(2) 2018 Contractual Payments adjusted by additional \$50,000 for 121C payment not previously included.

Source: City of Boston Office of Budget Management.

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 2019 audited financial statements attached hereto as Exhibit I.

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 community 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 \$20.3 million in revenues in fiscal year 2018, \$23.3 million in fiscal year 2019 and \$27.0 in fiscal year 2020. For fiscal 2021, the City estimates that it will receive approximately \$21.9 million attributable to this surcharge with state matching funds in the amount of \$2.1 million. In February 2020 the City appropriated \$24.3 million to 40 projects including: 16 Historic Preservation projects, 9 Affordable Housing projects and 15 Recreational Use and Open Space projects. In fiscal 2021 the City plans to appropriate \$25.5 million to additional 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 \$9.0 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 2017, 2018, and 2019 by \$6.5 million, \$8.9 million and \$20.0 million, respectively. In fiscal year 2020, net state aid increased by \$7.3 million. The City is budgeting net state aid to decline by \$29.7 million in fiscal year 2021.

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 six years the Commonwealth has underfunded the charter school reimbursement account, which has resulted in approximately \$12.2 million less in fiscal 2015, \$17.0 million less in fiscal 2016, \$18.8 million less in fiscal 2017, \$25.6 million in fiscal 2018, \$21.9 million in fiscal 2019, \$24.1 million in fiscal 2020 and a projected \$18.6 million less in fiscal 2021 for Boston than full funding of the formula would have provided.

In fiscal 2018, state revenue increased by \$14.8 million, though it decreased by \$5.3 million in fiscal 2019 due to missing payments for the last month of the fiscal year. The missing payments were received in fiscal 2020, causing state revenue to increase by \$24.5 million. State aid is budgeted to increase by \$5.4 million in fiscal 2021. The fiscal 2021 state aid is based on the fiscal 2020 budget, as the state did not set their fiscal 2021 budget as of July 1, 2020. Adjusting for these changes, the total loss in state revenue between fiscal 2008 and fiscal 2021 (budgeted) amounts to \$29.1 million or -5.9%.

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.

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 2020, net state aid declined by \$202.1 million or -55.4%. State Assessments are budgeted to increase to \$331.0 million in fiscal 2021, compared to 295.9 million in fiscal 2020.

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. In fiscal 2020, the City received 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 sets the base reimbursement rate, based on a formula, for cities and towns on an annual basis. In 2020 Boston’s base reimbursement rate is 61.05%, a decrease from 61.89% in 2019. 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 and one school is in the feasibility study stage of the Core Program process. A third school, the Josiah Quincy Upper School, was moved into the Schematic Design phase, by the MSBA Board at their November, 2020 meeting. The MSBA may provide a grant up to 65.94% of eligible project costs or a maximum of \$54 million. 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 schedule for the project is currently under review due to negative impacts from the coronavirus that may impact a September, 2021 opening.

Since 2015, the MSBA Board has selected and the City has moved forward on 27 projects in the ARP program. Twenty-four projects are complete. Construction on the remaining three projects is planned for summer 2021. All together the ARP project budgets total \$71.7 million of which up to \$41.2 million may be eligible for reimbursement by the MSBA. The City’s share of total project costs is approximately \$30.5 million.

Excise Revenues

In addition to the major sources of revenue described above, the City receives various other types of revenues. See “DEVELOPING MATTERS- COVID-19” and “Financial Operations—Summary and

Comparison of Operating Results (Budgetary Basis)—Fiscal 2017 to 2020 Actual Results and Fiscal 2021 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% (6.5% for Boston). The City increased the local option room occupancy excise to 6.0%, effective October 1, 2009 and again to 6.5%, effective July 1, 2019. 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 \$94.0 million, \$100.6 million, and \$99.3 million in fiscal 2018, 2019, and 2020, 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 \$28.8 million, \$34.5 million, and \$32.5 million in fiscal 2018, 2019, and 2020, respectively.

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 \$66.9 million, \$66.0 million, and \$62.8 million in fiscal 2018, 2019, and 2020, respectively.

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 \$30.9 million, \$33.0 million, and \$28.9 million in fiscal 2018, 2019, and 2020, 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 2018, 2019, and 2020.

Departmental Revenues

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

Parking Fines

The City’s annual parking fine receipts totaled \$60.7 million, \$70.1 million, and \$62.7 million in fiscal 2018, 2019, and 2020, 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>. The decrease seen in fiscal 2020 is due to reduced economic activity caused by the COVID-19 pandemic.

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 \$52.8 million, \$61.8 million, and \$69.6 million in fiscal 2018, 2019, and 2020 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 \$8.1 million, \$7.5 million, and \$6.8 million in fiscal 2018, 2019, and 2020, 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, 2020 there was \$35.4 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 2020 included: a Coronavirus Relief Fund under the CARES Act of \$120.8 million; a Community Development Block Grant (“CDBG”) Entitlement Program award of \$37.1 million which includes \$20 million from the CARES Act; a Home Investment Partnership Program (“HOME”) award of \$5.3 million; a Housing Opportunities for Persons with AIDS Program (“HOPWA”) award of \$3.3 million which includes \$449.6 thousand from the CARES Act; and an Emergency Services Grant award of \$30.0 million which includes \$28.5 million from the CARES Act. The Department of Neighborhood Development received an additional \$33.3 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 \$40.6 million; Special Education Entitlement Grant awards of \$18.0 million; School Lunch Program and Summer Food Program awards of \$36.1 million; CARES Act funding of \$32.3 million; and a Title II teacher quality award of \$3.5 million. The Boston Public Schools were also awarded \$12.0 million from a variety of other federal grant sources during the 2020 fiscal year. Total federal aid to Boston Public Schools in fiscal 2020 was \$142.5 million compared to \$117.3 million in fiscal 2019.

State Grants

In addition to State Revenue, the City also receives state grants. In fiscal 2020, the Boston Police Department received Community Services grant awards that totaled \$6.9 million from the Massachusetts Executive Office of Public Safety and Security.

Boston Public Schools were awarded approximately \$5.3 million for early childhood, elementary and secondary, and adult education. In addition, the state paid \$17.7 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, 2020, the City had outstanding approximately \$1.22 billion of general obligation long-term bonds, all of which bear fixed rates of interest. On December 1, 2020, the City had approximately \$1.22 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 as of January 2018. 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 December 1, 2020.

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, 2020, the City had outstanding debt of \$1.15 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$1.32 billion. As of December 1, 2020, the City had outstanding debt of \$1.15 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$1.70 billion. Based on the City's current debt limit of \$8.99 billion, the City had the statutory capacity to authorize an additional \$6.14 billion of debt as of December 1, 2020. As of November 1, 2020 the Commissioner of Revenue has issued a proposed 2020 equalized valuation for the City of Boston representing the full and fair cash value of all taxable property for each municipality as of January 1, 2020. Boston's proposed 2020 equalized valuation equal \$201.89 billion. This figure does not include the valuation of 121A property which will be added by the Department of Revenue in the next few months.

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 December 1, 2020, City has no variable rate debt outstanding.

**Debt Incurring Capacity
As of December 1, 2020**

	Debt Limit
Normal Debt Limit as of June 30, 2020	\$ 8,989,652,035
Debt Outstanding as of June 30, 2020.....	(1,153,849,083)
Debt Authorized but Unissued as of June 30, 2020	<u>(1,316,780,068)</u>
Available Debt Incurring Capacity under the Debt Limit as of June 30, 2020.....	<u>\$ 6,519,022,884</u>

New Authorizations approved through December 1, 2020.....	(415,643,931)
Authorization Adjustments approved through December 1, 2020	35,000,000
Net Adjustment due to Refunding.....	-
Principal paid through December 1, 2020.....	<u>1,315,000</u>
Available Debt Incurring Capacity under the Debt Limit as of December 1, 2020	<u>\$ 6,139,693,953</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 December 1, 2020, the City had a total of \$1.22 billion in long-term debt outstanding, of which \$67.0 million was exempt from the debt limit. As of that date the City also had \$112.1 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, 2020 and December 1, 2020***

	Authorized/ Unissued 6/30/20	New Authorizations and Adjustments 7/1/20 to 12/1/20	Authorized/ Unissued 12/1/20
“Within” Debt Limit	\$1,316,780,068	\$380,643,931	\$1,697,423,999
“Outside” Debt Limit	<u>73,844,542</u>	<u>38,232,000</u>	<u>112,076,542</u>
TOTAL:	<u>\$1,390,624,610</u>	<u>\$418,875,931</u>	<u>\$1,809,500,541</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 December 1, 2020.

**Debt Statement as of December 1, 2020
General Obligation Debt ***

Purpose for Which Issued	Principal Outstanding as of 6/30/2020	Issued in Fiscal 2020 as of 11/1/2020	Retired in Fiscal 2021 as of 11/1/2020	Principal Outstanding as of 11/1/2020	Deemed Payable from Related Revenues ⁽¹⁾	Net Principal Amount
General Purpose	\$ 837,527,479	\$0	\$0	\$ 837,527,479	-	\$ 837,527,479
MCWT	12,448,409	-	0	12,448,409	-	12,448,409
Economic Development	8,132,026	0	0	8,132,026	-	8,132,026
State Urban Development						
Relocation	4,366,958	0	0	4,366,958	-	4,366,958
Schools	6,826,221	0	0	6,826,221	\$(3,216,601)	3,609,620
Public Buildings.....	191,313,412	0	(1,315,000)	189,998,412	(6,728,847)	183,269,565
Public Works.....	155,774,611	0	0	155,774,611	-	155,774,611
Cemeteries.....	<u>4,419,302</u>	-	0	<u>4,419,302</u>	-	<u>4,419,302</u>
TOTAL.....	<u>\$ 1,220,808,418</u>	<u>\$0</u>	<u>\$(1,315,000)</u>	<u>\$1,219,493,418</u>	<u>\$(9,945,448)</u>	<u>\$ 1,209,547,970</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:
- a. Receipts from the Boston Public Health Commission for debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals, and from the fund for Parks and Recreation, and rental income from a City-owned building at 1010 Massachusetts Ave.; and
 - b. 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 2018 through 2020. The debt service requirements table shows the gross Debt Service Requirements, offset by revenues received from related sources.

Debt Service Requirements—Fiscal 2018-2021 *

Gross Debt Service Requirements Bonded Debt:	2018	2019	2020	2021 (Proj)
Principal.....	\$121,490,057	\$125,831,184	\$125,914,890	\$123,683,916
Interest.....	<u>54,200,835</u>	<u>56,255,406</u>	<u>57,032,466</u>	<u>66,078,679</u>
Total.....	<u>175,690,892</u>	<u>182,086,590</u>	<u>182,947,356</u>	<u>\$189,762,595</u>
<u>Less Revenue Deemed Available From Related Sources: ⁽¹⁾</u>				
Boston Medical Center and Public Health Commission.....	—	—	—	—
Fund for Parks & Recreation/Irrigation Project.....	116,365	9,149	—	—
1010 Massachusetts Ave Project.....	2,123,404	1,954,914	1,924,363	2,409,288
Interest on Loans to BOA Fund and BOA Dudley Fund.....	—	—	—	—
Pension Management System.....	1,903,326	1,902,668	1,967,481	1,904,187
Room Occupancy Excise Fund.....	—	—	—	—
Renew Boston Trust Energy Savings.....	—	—	—	1,125,000
Accrued Interest.....	—	—	—	100,000
Premium and Subsidies.....	3,526,669	3,455,802	3,353,734	2,950,602
<u>Plus Interest On Temporary Loan Notes and Additional Items:</u>				
Revenue Anticipation.....	—	—	—	3,000,000
Anticipated Bond Issuance – G.O.	—	—	—	—
Cost of Issuance.....	233,475	109,856	109,318	500,000
QSCB of 11/09 Sinking Fund.....	1,454,545	1,454,545	1,454,545	1,454,545
2010C Sinking Fund Redemption.....	—	—	—	2,900,000
Dudley Square Site/Sec. 108.....	505,000	—	—	—
COB Lease Payment – Bolling Municipal Building.....	551,000	638,000	638,000	—
Total Debt Service/Budget Summary.....	<u>\$170,765,148</u>	<u>\$176,966,458</u>	<u>\$177,903,641</u>	<u>\$189,128,063</u>
<u>Additional Adjustments:</u>				
Less:				
School Construction Assistance ⁽¹⁾	<u>6,720,147</u>	<u>5,107,351</u>	<u>2,461,330</u>	<u>—</u>
Total Net Debt Service Requirements.....	<u>\$164,045,001</u>	<u>\$171,859,107</u>	<u>\$175,442,311</u>	<u>\$189,128,063</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 Boston Public Health Commission for debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals; 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 2019 to fiscal 2020 is a result of conservative budgeting assumptions.

Certain Debt Ratios

The following table sets forth information as of December 1, 2020 with respect to the approximate ratio of the City’s long-term general obligation debt to certain economic factors.

**Debt Ratios
As of December 1, 2020**

	<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	\$1,219,493,418	1,756.45	.69%	2.16%
<u>Net General Obligation Long-Term Debt ⁽⁴⁾</u>	<u>1,209,547,970</u>	<u>1,742.12</u>	<u>.69%</u>	<u>2.15%</u>

- (1) Estimated Population as of FY2019: 694,295 – Source: U.S. Census Bureau 2009-2019 1-year American Community Survey estimate, BPDA Research Analysis Division.
- (2) Assessed Property Value equaled \$176.2 billion as of January 1, 2020. 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, 2019, Suffolk County’s 2018 Per Capita Personal Income = \$81,152.
- (4) As represented in “Debt Statement as of December 1, 2020.”

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 2018 - 2020
(\$ in thousands)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Outstanding General Obligation Debt	\$1,323,394	\$1,342,693	1,220,808
			<u>1,390,625</u>
Authorized But Unissued Debt, Budgetary Basis.....	\$ 973,438	\$1,096,319	
Debt Service, Budgetary Basis.....	\$ 170,514	\$ 176,857	177,794
Debt Service as a % of Total General Fund Revenues, and Other Available Funds, Budgetary Basis.....	5.3%	5.2%	5.1%
Debt Service as a % of Total General Fund Expenditures, Budgetary Basis	5.3%	5.3%	5.1%
Debt Service as a % of Total Net Tax Levy, Budgetary Basis	7.8%	7.6%	7.2%
Bonds Issued:			
General Obligation – New Money	\$ 150,000	\$ 145,130	–
General Obligation – Refunding Bonds	–	–	\$ 82,590
<u>Total Bonds Issued.....</u>	<u>\$ 150,000</u>	<u>\$ 145,130</u>	<u>\$ 82,590</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 December 1, 2020, 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 was reflected in the City’s general obligation debt service requirements. The NMTC loans were retired in December, 2019. Ownership of the building remains with DSRC, although no further lease payments are required to be made.

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 December 1, 2020, the amount outstanding under the lease agreements equals \$55.2 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, 2020, 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 8, 2020, the Mayor submitted his fiscal 2021 budget to the City Council and filed \$411.5 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 \$1.3 billion in new general obligation borrowings over the next five years. 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 2021-2025 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 90% of the investment detailed in the fiscal 2021-2025 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 ten years to bring Boston's school buildings into the 21st century. Construction began in October 2018 on a new \$137 million facility for the Boston Arts Academy. The City acquired property in East Boston and in Chinatown on which to build new school facilities. 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 \$9 million renovation of McConnell Playground, \$23 million that will be invested in Boston Common, and \$23 million in Franklin Park. The City also expects to spend approximately \$110 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 maintain 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. The City continues to enhance resilience of waterfront parks such as Langone and Puopolo in the North End where construction is already underway, and advance designs for coastal flood protection in areas with near-term flood pathways such as Lewis Street and Carlton Wharf in East Boston. Related urban forestry and heat resilience plans are in development as well. 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, some City funding. In fiscal 2020, the City authorized \$30 million that will support public infrastructure improvements in the first two phases. In fiscal 2021, the City authorized an additional \$10 million that will fund public infrastructure improvements that support the creation of affordable housing and upgrade elderly/disabled public housing units in several BHA communities.

The City expects annual capital spending and likely borrowing will increase in coming years as the initiatives described above move forward. 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 pay 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, 2019 reports that the City is providing such benefits to 58 pensioners as of July 1, 2018. 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 \$92.3 million, as of June 30, 2019. As of January 1, 2020, the City is providing such benefits to 49 pensioners; these benefits are funded on a pay as you go basis with monthly pension payments of approximately \$310,943.

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 2017 through fiscal 2021. 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 2027, 13 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
2021 (Budgeted)	\$292.1	\$4.1	\$296.2	8.2%
2020	280.6	3.5	269.8	8.2
2019	263.1	3.7	266.8	8.0
2018	233.3	3.7	237.0	7.4
2017	199.3	5.3	204.6	6.8

Source: City of Boston Office of Budget Management

The City's 2021 budgeted contribution of \$292.1 million includes \$279.8 million allocable to City employees, other than teachers, \$11.9 million allocable to the Boston Water and Sewer Commission (BWSC) of which approximately \$6.0 million will be reimbursed to the City for employee service accrued after BWSC became an independent commission, and \$0.5 million allocable to the Boston Public Health Commission (BPHC). BPHC's contribution towards their pension obligation in fiscal 2021 totals \$21.9 million. BPHC's fiscal 2021 pension obligation is paid in large part from BPHC's fiscal 2021 general fund appropriation in the amount of \$17.5 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, 2020. 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, 2020	\$5,703,890	\$7,545,117	\$1,841,217	75.60%	\$1,063,526	173.1%
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

Source: Boston Retirement System.

The most recent actuarial valuation is as of January 1, 2020 (the "2020 Valuation") and is available at <https://www.boston.gov/departments/retirement>. The January 1, 2020 valuation assumes a long-term rate of return of 7.05% for BRS—Excluding Teachers assets. The long-term rate of return assumption was lowered from 7.5% to 7.05% beginning with the 2020 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, 2020	\$5,583,428	\$5,703,890	102.2%
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

Source: Boston Retirement System.

As of August 31, 2020, the estimated market value of assets not held for teacher benefit payments was approximately \$5.4 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 75.60% 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 2019, see Exhibit G in Section 4 of the 2020 Valuation referenced above. The City is currently committed to a funding schedule for fiscal 2020 and 2021 that is based on the most recent actuarial valuation, incorporating asset and liability data as of January 1, 2020. 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 2027, 13 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 2020 Valuation, salary increase assumptions for all employee groups for the BRS, excluding teachers, did not change, and the mortality assumptions were updated to public sector mortality tables recently published by the Society of Actuaries. In the 2020 Valuation, the BRS lowered the investment long-term rate of return assumption from 7.5% to 7.05%. The change in assumptions increased the unfunded liability by \$463.3 million and increased the normal cost by \$19.7 million for the BRS excluding teachers.

The City currently expects to fully amortize the unfunded actuarial accrued liability by June 30, 2027. In connection with lowering its long-term rate of return assumption to 7.05%, the City extended the end date for full amortization from 2025 to 2027. Page 29 of the 2020 Valuation sets forth the aggregate funding schedule from 2021 through 2027 for the BRS, excluding teachers. The City’s contributions for the amortization of the unfunded liability are estimated to increase from the \$292.1 million budgeted amount in fiscal 2021 to \$513.0 million in fiscal 2026 and then would decrease to \$495.0 million in fiscal 2027. 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 2020 Valuation. For example, the actual rate of return on assets for the year ended December 31, 2019, 15.9%, was above the assumed rate of return of 7.5%. Not included in these figures is the more recent negative market impact of the COVID-19 pandemic, which is addressed more specifically in the section entitled “DEVELOPING MATTERS,” above. 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 modify 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, 2019 for the BRS, including teachers were approximately \$12.0 billion and \$7.40 billion, respectively, which results in a Net Pension Liability (“NPL”) of approximately \$4.60 billion as of December 31, 2019, equivalent to an NPL of \$4.60 billion as of December 31, 2018. The portion of the BRS NPL allocable to the City reported at June 30, 2020 is approximately \$1.6 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 2019 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, 2019 was 16.7%. The comparable rate of return as of August 31, 2020 is currently estimated at 2.3%.

Implementation of GASB Statement No. 68 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 \$2.30 billion and a 1% increase would lower it to approximately \$1.13 billion.

While GASB Statement No. 68 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, 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, 2019.

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 2019 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.

The Total OPEB Liability (“TOL”) and plan’s fiduciary net position as of June 30, 2020 for the City were approximately \$2.9 billion and \$655.5 million, respectively, which results in a Net OPEB Liability (“NOL”) for the City of approximately \$2.27 billion as of June 30, 2020 compared to an NOL of \$2.42 billion as of June 30, 2019. The measurement of the City’s NOL for fiscal 2020 assumes a 6.25% discount rate. The annual money-weighted rate of return, net of investment expense for the City for the year ended June 30, 2020 was approximately 3.46%.

The Total OPEB Liability (“TOL”) and plan’s fiduciary net position as of June 30, 2020 for BPHC were approximately \$137.3 million and \$27.4 million, respectively, which results in a Net OPEB Liability (“NOL”) for BPHC of approximately \$109.9 million as of June 30, 2020 compared to an NOL of \$130.5 million as of June 30, 2019. The measurement of the BPHC’s NOL for fiscal 2020 assumes a 4.53% discount rate. Similarly, the annual money-weighted rate of return, net of investment expense for BPHC for the year ended June 30, 2020 was 3.50%.

Implementation of GASB Statement No. 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 \$2.67

billion and a 1% increase would lower it to approximately \$1.95 billion. A 1% decrease would increase the BPHC's net OPEB liability to approximately \$131.3 million and a 1% increase would decrease it to approximately \$92.4 million.

In addition, implementation of GASB Statement No. 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 \$1.86 billion and a 1% increase would increase it to approximately \$2.78 billion. A 1% decrease would decrease the BPHC's net OPEB liability to approximately \$88.0 million and a 1% increase would increase it to approximately \$138.0 million.

While GASB Statement No. 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 2020 total \$455.0 million. The City appropriated an additional \$40.0 million in fiscal 2021. 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 \$20.5 million has been deposited through fiscal 2020. The BPHC deposited an additional \$2.3 million in fiscal 2021. 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 June 30, 2020 was \$682.8 million.

An actuarial valuation of the City's and the BPHC's other post-employment benefits was performed as of June 30, 2019. The decrease in the unfunded actuarial accrued liability (UAAL) from June 30, 2017 to June 30, 2019 was due to the net effect of a number of factors. The UAAL had been expected to increase by approximately \$127.0 million, from \$2,365.0 million as of June 30, 2017 to \$2,492.0 million as of June 30, 2019. The actual unfunded liability of \$2,128.0 million is \$364.0 million less than expected due to the net impact of assumption changes and plan changes.

If the City and the BPHC were to fund the actuarially determined contribution, the required funding for fiscal 2020 would have been \$190.4 million, of which \$70.4 million represents the normal cost and \$120.0 million represents amortization of the unfunded actuarial determined liability.

The June 30, 2019 valuation projected 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 \$140.9 million in fiscal 2020, on a pay-as-you-go basis (as compared to \$132.4 million in fiscal 2019). Along with the previously mentioned additional appropriation to the trust funds from both the City and the BPHC totaling \$42.25 million in fiscal 2020, the City and the BPHC were projected to fund 96.0% of the actuarially determined contribution in fiscal 2020.

The June 30, 2019 actuarial valuation projected pay-as-you-go benefit payments to increase to approximately \$353.1 million in fiscal 2040, as compared to an actuarially determined contribution of \$202.1 million in fiscal 2040. If the City continues to make an annual additional appropriation of \$40.0 million through fiscal 2027 and \$100.0 million annually thereafter, the obligations are predicted to be fully funded in fiscal 2041, if all assumptions are met and there are no future changes in assumptions or the plan of benefits. 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.

The projections for the City and the BPHC are 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, 2019 valuation.

The Trust Fund Financial Statements for the OPEB plan for the fiscal year ended June 30, 2019 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, 2019 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 2019 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, 2019, 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 Maureen Joyce, 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.

EXHIBIT I

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS: AUDITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**



**City of Boston
Massachusetts**

2019

*Comprehensive Annual
Financial Report*

**FISCAL YEAR ENDED
JUNE 30, 2019**

MARTIN J. WALSH
Mayor

EMME HANDY
Chief of Administration and Finance & Collector Treasurer

MAUREEN JOYCE
City Auditor

Prepared by the City of Boston Auditing Department



City of Boston
Massachusetts



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2019

Martin J. Walsh, Mayor

Emme Handy, Chief of Administration and Finance & Collector Treasurer

Maureen Joyce, City Auditor

Prepared by the City of Boston Auditing Department



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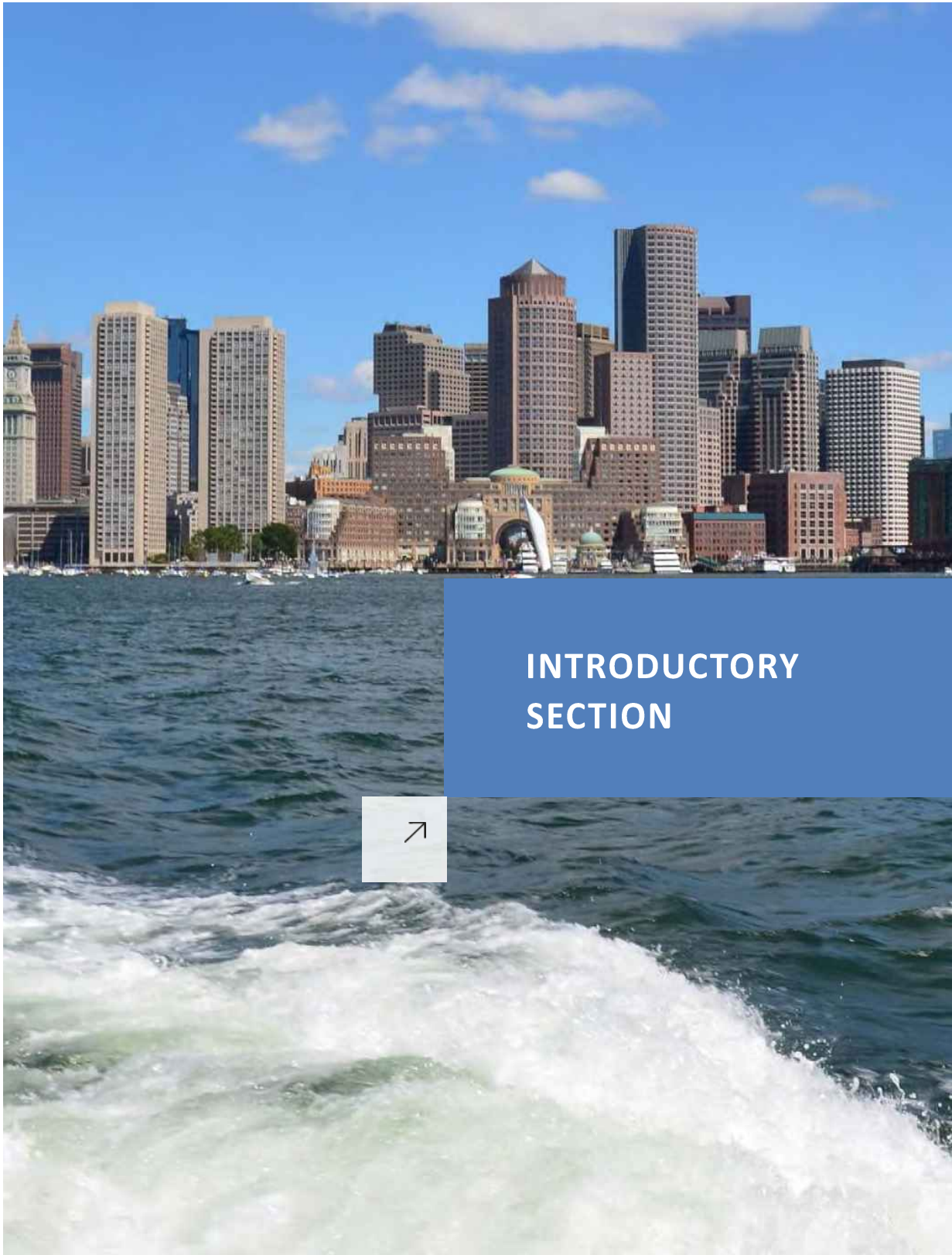
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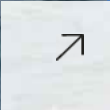
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**INTRODUCTORY
SECTION**





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Auditing Department

Martin J. Walsh, Mayor

December 30, 2019

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, 2019. 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 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, 2019 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.

■ Introductory Section

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 \$2.5 billion fiscal year 2020-2024 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 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-first 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, 18.3% 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. The Boston metropolitan area remains the nation's foremost region for the life sciences industry. Boston's life science industry benefits from skilled labor force availability, leading universities in basic academic science fields, innovative research and development districts, proximity to major research hospitals, and strategic presence of venture capital resources. The Greater Boston area has over 3.5 million square feet of tenant requirements and over 90,000 employees.

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 130,000 people employed in the finance, insurance and real estate industries in Boston.

■ Introductory Section

Boston's economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2007 through 2017. During that period Boston's annual job growth was 2%. Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 19, 2019, 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 2019, the net property tax levy (levy less a reserve for abatements) totaled \$2.32 billion providing 71.1% of recurring revenue. In fiscal year 2020, the net property tax levy is estimated to total \$2.44 billion and account for 71% of budgeted recurring revenues.

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 2019, net state aid decreased by \$11.5 million. In fiscal year 2020, net state aid is expected to decrease to \$152.1 million. Please see the Management's Discussion and Analysis Section for additional information on financial trends.

In fiscal year 2019, 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.

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.

The City of Boston participates in a contributory defined benefit retirement system administered by the Boston Retirement System (BRS). The current pension schedule is based on an actuarial asset valuation as of January 1, 2018. The current pension schedule assumes a long term rate of return of 7.5%. The City's pension liability is currently 76.92% funded and is on track to reduce the unfunded liability to zero by 2025, fifteen years prior to the legally required funding date of 2040. More details can be found in note 11 to the Financial Statements.

Most of the City's workforce is represented by one of 41 different unions. Collectively, these unions represent approximately 19,000 employees. As of November 2019, 38 of these unions (or 93%) have settled agreements. Unions with currently settled contracts represent over 18,500 bargaining unit members. Most contracts are four years in duration and include wage increases of 2% each year and other benefits. The majority of contracts will expire at the end of fiscal year 2020 or shortly thereafter. In early 2020 the City will begin bargaining with unions whose contracts are expiring. The teachers' and the firefighters' unions have agreements through fiscal year 2021.

In fiscal year 2019, the GAAP General Fund equity increased to \$1.19 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 2019 was \$794.6 million and \$392.0 million was assigned. The unassigned fund balance represents approximately 23.1% of GAAP General Fund operating expenditures.

Mayor Walsh's fiscal year 2020 budget turns policy into action and planning into results. The fiscal year 2020 budget prioritizes investment in innovative and creative approaches to delivering high quality city services while upholding the City's strong record of financial management. The fiscal year 2020 \$3.49 billion budget is balanced, sustainable, and forward looking. The budget contains unparalleled levels of funding for public education and Universal Pre-Kindergarten, new dedicated funding streams to address chronic homelessness, long term commitments to the arts and public libraries, expanded services for residents struggling with substance use disorders, 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 \$2.79 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. The Capital Plan moves Imagine Boston 2030 from ideas to action. 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 2020 are 40.0% for New/Major Renovations, 34.0% for Upgrades, 24.0% for Upkeep and 2.0% for Matching fund requirements and Planning.

Financing for the fiscal year 2020-2024 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 \$1.06 billion in new G.O. borrowings over the next five years to support ongoing capital needs, a 4.9% 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 Sullivan Sullivan Square 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 has approved a maximum project grant totaling \$48.9 million for the Boston Arts Academy project, which covers 39.2 % of the current \$124.8 million project budget. The project is currently under construction. In addition, the City has two projects underway through the MSBA Accelerated Repair Program. One project involves six schools with a total budget of \$14.9, of which \$9.2 million comes from a grant from the MSBA. The second project also features six schools. The City expects to enter into a Project Funding Agreement with the MSBA in fiscal year 2020 for the construction phase of this project. For fiscal year 2020 to 2024, the total payments from the MSBA for these legacy projects are estimated at \$2.5 million. Administered by the Massachusetts Highway Department, 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 \$14.7 million in Chapter 90 funds to be provided in fiscal year 2020. The Transportation Infrastructure Enhancement Fund, is funded by annual per-ride assessment fees imposed on each transportation company. The state distributes half of the assessments proportionately to cities and towns based on the number of rides that originated within the city or town with funding to be used to address the impact of the transportation network services on municipal roads, bridges and other transportation infrastructure. The fiscal year 2020-2024 Capital Plan includes \$6.5 million in new revenue from this source. This funding will be discontinued as of January 1, 2027.

■ Introductory Section

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, 2018. 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, 2018. 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 2015 through fiscal year 2019 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Maureen Joyce
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**

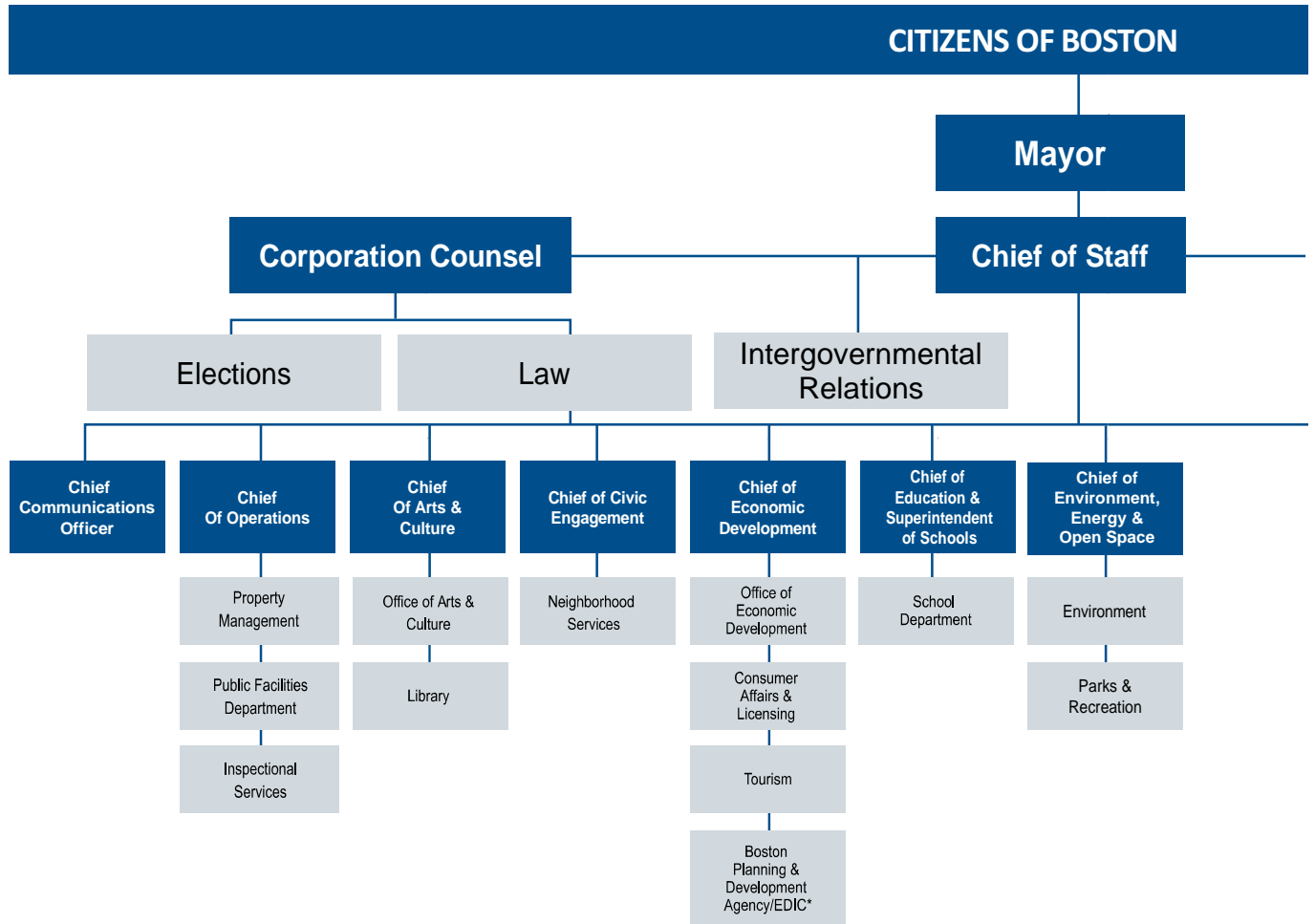
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

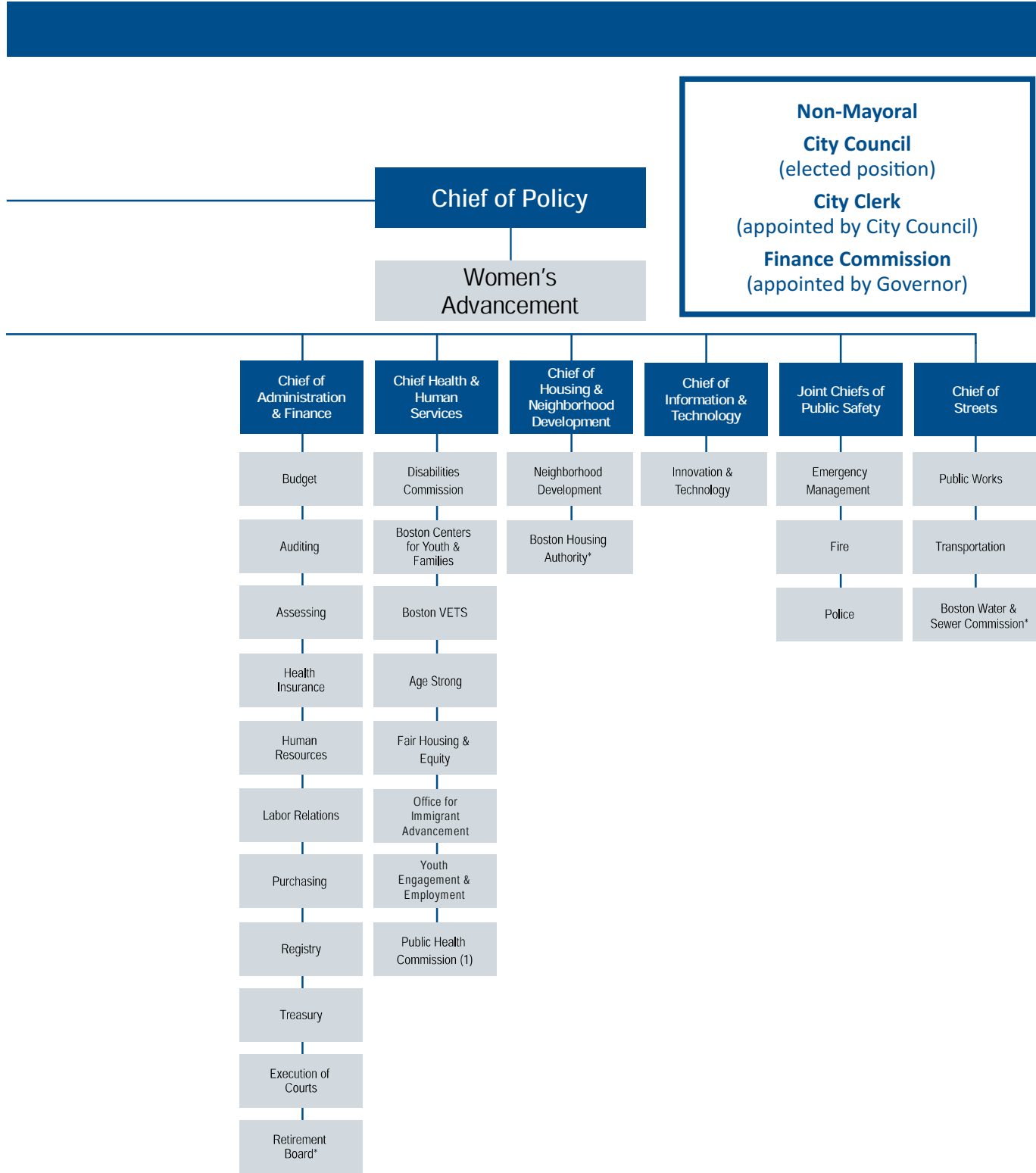
Executive Director/CEO

ORGANIZATION OF A CITY GOVERNMENT



*Not in Operating Budget

(1) The Public Health Commission is an independent authority created in June 1996



LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2019)

**Mayor
Martin J. Walsh**

City Council Members

Andrea Campbell (President)	District 4
Michael F. Flaherty	At-Large
Annissa Essaibi-George	At-Large
Althea Garrison	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 and Planning
Patrick I. Brophy	Chief of Operations and Administration
Eugene L. O’Flaherty	Corporation Counselor
Laura Oggeri	Chief Communication Officer
David Egles	Chief Information Officer
Emme Handy	Chief of Administration and Finance & Collector Treasurer
John Barros	Chief of Economic Development
Laura Perille	Superintendent of Boston Public Schools
William Gross	Chief of Public Safety and Police Commissioner
Joseph E. Finn	Chief of Public Safety and Fire Commissioner
Shumeane L. Benford	Director of the Office of Emergency Management
Christopher Cook	Chief of Environment 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
Kara Elliot-Ortega	Chief of Arts & Culture
Christopher Osgood	Chief of Streets, Sanitation, and Transportation
Brian Golden	Director Boston Planning & Development Agency

Auditing Department

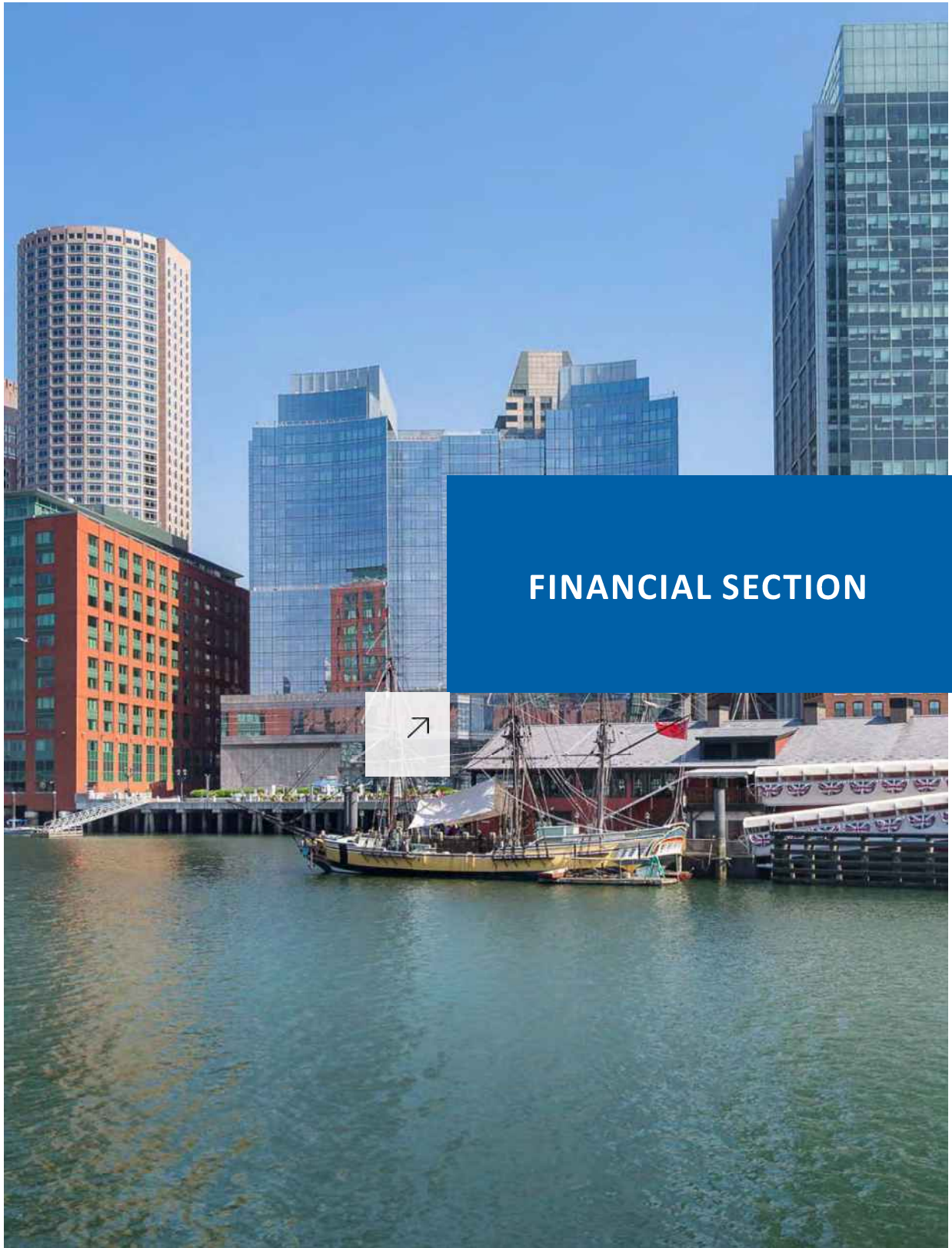
Organizational Chart



Auditing Department Personnel

Maureen Joyce, City Auditor

Sally Glora	Nelly Lopez
Prema Andrew	Medina Lucien
Kerry Byrne	Mary Ann Mason
Domencia Cabral	Mark MacDonnell
Michelle E. Castillo-Reid	Michael O'Keefe
Mattie Crouse	Robert Powers
Patricia Downs	Naveen Reddy
Scott Finn	Magnolia Rojas
Nadane Flemming	Raoul Romain
Michael Gee	Debra A. Rufo
Christina Gendrolius	Lisa Stone
Veronica Hodges	Ming C. Su
Allen Hurley	Robert Sweeney
Sinthia Johnson	Julie A. Tippet
James Kelley	Stanley J. Wallace
Traci Lee	Teki Way
Licia Lima-Pires	Nadia Williams



FINANCIAL SECTION



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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, 2019, 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 4.5% and 0.2% of the assets and revenues of the governmental activities, respectively, and 1.3% and 1.0% 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 96.9% and 66.1% 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 60.9% and 85.6% 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, 2019, 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 Matter

Change in Accounting Principle

As discussed in note 2r to the financial statements, in 2019, the City elected to change the measurement date of the liability reported under the provisions of 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 matter.

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, 2018, 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 Governmental Accounting Standards Board 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, 2018 (not presented herein), and have issued our report thereon dated December 24, 2018, 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 2018 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 2018 financial statements. The 2018 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 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 2018 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, 2018.

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 30, 2019 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 30, 2019

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, 2019. 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. 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 \$61.1 million to \$2.4 billion. This increase was largely a result of increasing costs.
- In fiscal year 2019, the City's contribution to the OPEB Trust Fund (\$180.7 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the OPEB liability. The Actuarially Determined Contribution (ADC) was not met in 2019, resulting in an increase in the net OPEB obligation. In fiscal year 2020, the City has also appropriated \$40.0 million in advance funding toward reducing the OPEB liability.
- In fiscal year 2019, the City elected to change its measurement date for OPEB from a beginning of year measurement date to an end of year measurement date. As a result of the change in measurement date, beginning net position of the governmental activities as of July 1, 2018 was restated (reduced) by approximately \$217.6 million.

- The City of Boston's net pension liability significantly impacts the Government-wide financial results. The City is required to report its proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Based on the measurement of the Boston Retirement System's net pension liability as of December 31, 2018, the City's proportionate share of that net pension liability increased by \$377.53 million and the net pension liability for the City's non contributory plan as of June 30, 2019 increased by \$6.4 million resulting in a total net pension liability of \$1.76 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, 2019 in a net deficit of \$1.77 billion (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$2.68 billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$184.5 million from the amount reported in fiscal year 2018.

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 \$1.77 billion at the end of 2019, compared to a net deficit of \$1.96 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 \$0.8 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, \$98.1 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 \$173.4 million from the 2018 restated amount of \$2.50 billion.

Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2019	2018 ⁽¹⁾
ASSETS:		
Current assets	\$ 2,180,472	\$ 1,924,930
Capital assets	2,234,836	2,142,789
Other assets	205,493	198,906
Total assets	4,620,801	4,266,625
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	495,090	340,804
Liabilities:		
Current liabilities	753,318	689,530
Noncurrent liabilities	5,971,222	5,414,072
Total liabilities	6,724,540	6,103,602
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	165,996	245,463
NET POSITION:		
Net investment in capital assets	802,391	685,036
Restricted	98,106	75,098
Unrestricted	(2,675,142)	(2,501,770)
Total net position	\$ (1,774,645)	\$ (1,741,636)

⁽¹⁾ The 2018 amounts in the tables above have not been restated to reflect the restatement due to the change of measurement date as it relates to GASB Statement No. 75, as described in note 2r to the Financial Statements.

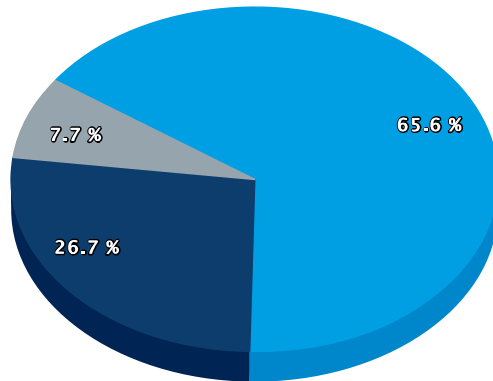
Changes in Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2019	2018⁽¹⁾
Revenues:		
Program revenues:		
Charges for services	\$ 235,996	\$ 221,538
Operating grants and contributions	822,932	788,666
Capital grants and contributions	36,224	64,548
General revenues:		
Taxes	2,690,228	2,543,645
Grants and contributions not restricted	208,839	214,106
Investment income	46,405	31,417
Miscellaneous	3,011	2,121
Special item - gain on sale of property	57,000	-
Total revenues	4,100,635	3,866,041
Program expenses:		
General government	175,161	156,670
Human services	57,359	58,494
Public safety	1,113,749	1,048,825
Public works	160,918	163,337
Property and development	146,886	137,296
Parks and recreation	48,804	48,861
Library	55,944	55,626
Schools	2,026,241	1,931,452
Public health programs	91,468	86,228
Interest on long-term debt	39,562	44,263
Total program expenses	3,916,092	3,731,052
Change in net position	184,543	134,989
Net position - beginning of year, as restated (note 2r)	(1,959,188)	(1,876,625)
Net position-end of year	\$ (1,774,645)	\$ (1,741,636)

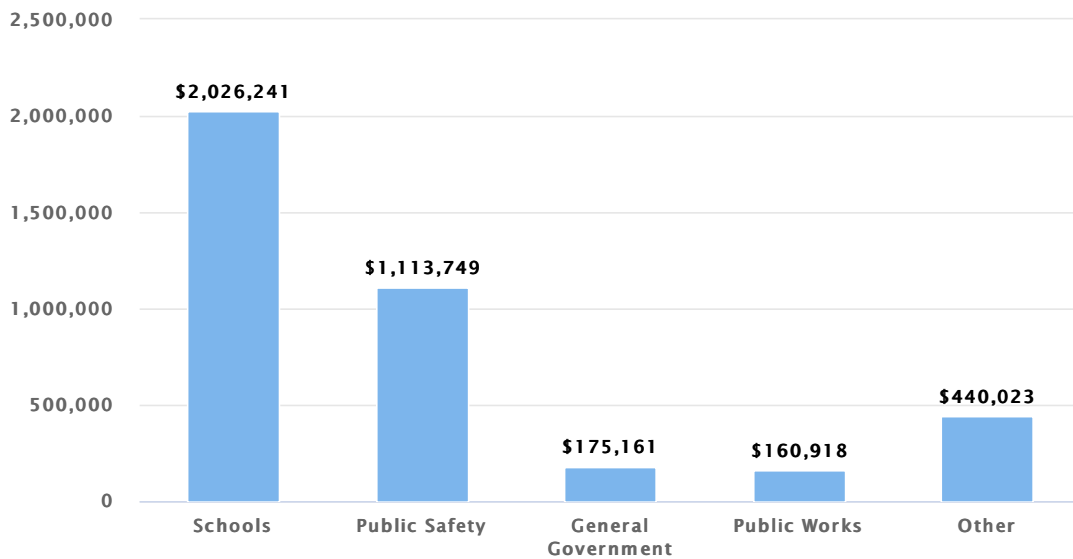
⁽¹⁾ The 2018 amounts in the tables above have not been restated to reflect the restatement due to the change of measurement date as it relates to GASB Statement No.75 , as described in note 2r to the Financial Statements.

Revenues – Governmental Activities Fiscal Year 2019



● Taxes and Payments in Lieu of Taxes ● Program Revenues ● Other

Expenses – Governmental Activities FY 2019 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$184.5 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2019. In the assets accounts, cash and investments increased by \$255.5 million, receivables increased by \$14.3 million, and capital assets increased by \$92.0 million. In the liability accounts, there was an increase in warrants and accounts payable of \$40.6 million and an increase in accrued liabilities by \$40.4 million. Additionally, an increase of \$61.1 million was recorded relative to the City's other postemployment benefit obligation and an increase of \$383.9 million was recorded relative to the City's net pension liability in 2019.

During fiscal year 2019, 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 \$2.69 billion (66.5% of total revenues) and \$1.10 billion of program revenues (27.1% of total revenues). Taxes increased by \$146.6 million from the previous year. Program revenues increased by \$20.4 million for fiscal year 2019. 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 (\$2.03 billion), public safety (\$1.11 billion), general government (\$175.2 million), public works (\$160.9 million), and property and development (\$146.9 million). In 2019, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.82 billion. This shortfall was covered primarily through taxes (\$2.69 billion) and unrestricted grants and contributions (\$208.8 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 2019, the City's governmental funds reported a combined ending fund balance of \$1.83 billion, an increase of \$213.60 million from the prior year. Of this total amount, \$794.6 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes, investment income 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 2019 was \$794.6 million, which represents approximately 23.1% 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 2019 Special Revenue Fund balance is reported at \$261.0 million, a \$13.6 million increase from fiscal year 2018.

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 2019 Capital Projects Fund balance is \$274.5 million, a \$91.2 million increase from fiscal year 2018 due to the issuance of bonds and the sale of property 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 2019 Other Governmental Funds fund balance is \$106.1 million, a \$4.2 million increase from fiscal year 2018.

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 2019 with a \$22.6 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 and judgments and claims.

Favorable results were reported for General Fund revenue sources, including \$25.7 million in payments in lieu of taxes, \$15.0 million in departmental and other revenue, \$54.9 million in excises and \$25.4 million in investment income. Other available funds shows a revenue deficit of \$78.5 million, however, this is primarily a result of not transferring \$22.5 million of parking meter funds and \$40.00 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, 2019, has a net book value of \$2.23 billion, made up of costs totaling \$4.45 billion less accumulated depreciation of \$2.22 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 \$92.0 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$236.8 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 \$144.66 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 \$1.33 billion in General Obligations Bonds principal outstanding – an increase of \$20.8 million over last year.

On March 19, 2019, the City issued \$145.1 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 increased \$471.7 million, or 12.7%, during the current fiscal year. Key factors for this increase are an increase in the net pension liability of \$383.9 million and an increase in the net OPEB obligation of \$61.1 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 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. This Statement was implemented in fiscal 2019 without any material impact.

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. This Statement was implemented in fiscal 2019 without any material impact.

FUTURE PRONOUNCEMENTS

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2019.

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2020. 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 will take effect for financial statements starting with the fiscal year that ends December 31, 2020. 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 will take effect for financial statements starting with the fiscal year that ends December 31, 2019. Earlier application is encouraged.

The GASB has issued Statement No. 91 *“Conduit Debt Obligations”*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021. 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



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Statement of Net Position

June 30, 2019

(Amounts in thousands)

	Primary Government	Discretely Presented
	Governmental Activities	Component Units
ASSETS:		
Current Assets:		
Cash and investments	\$ 2,102,027	\$ 109,220
Cash and investments held by trustees	78,445	14,636
Receivables, net		
Property and other taxes	31,679	-
Intergovernmental	89,363	-
Other	15,234	39,390
Other assets	7,542	5,224
Due from primary government	-	4,712
Due from component units	548	-
Total current assets	<u>2,324,838</u>	<u>173,182</u>
Noncurrent Assets:		
Cash and investments held by trustee	-	63,043
Notes and other receivables	57,692	163,202
Capital assets:		
Nondepreciable assets	214,161	21,803
Depreciable, net	2,020,675	66,695
Due from component units	3,435	-
Total noncurrent assets	<u>2,295,963</u>	<u>314,743</u>
Total assets	<u>4,620,801</u>	<u>487,925</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	486,006	45,980
Deferred amount from OPEB	6,178	8,882
Deferred amount from debt refunding	2,906	-
Total deferred outflows of resources	<u>495,090</u>	<u>54,862</u>

See accompanying notes to the basic financial statements

Statement of Net Position
June 30, 2019
(Amounts in thousands)

	Primary Government	Discretely Presented
	Governmental Activities	Component Units
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable	160,628	28,949
Accrued liabilities - current:		
Compensated absences	64,205	-
Judgments and claims	92,057	-
Payroll and related costs	170,480	-
Deposits and other	113,586	4,347
Unearned revenue	-	3,710
Current portion of long-term bonds, notes and leases	147,650	2,765
Due to component units	4,712	-
Due to primary government	-	548
Total current liabilities	<u>753,318</u>	<u>40,319</u>
Noncurrent Liabilities:		
Bonds due in more than one year	1,367,246	14,777
Notes and leases payable due in more than one year	106,113	-
Other noncurrent liabilities	324,896	135,789
Net pension liability	1,757,632	165,223
Other postemployment benefits obligation	2,415,335	144,857
Unearned revenue	-	65,176
Due to primary government	-	3,435
Total noncurrent liabilities	<u>5,971,222</u>	<u>529,257</u>
Total liabilities	<u>6,724,540</u>	<u>569,576</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount for pension costs	160,276	26,912
Deferred amount for OPEB	4,570	32,586
Deferred amount from debt refunding	1,150	-
Total deferred inflows of resources	<u>165,996</u>	<u>59,498</u>
NET POSITION:		
Net investment in capital assets	802,391	69,415
Restricted for:		
Nonexpendable trust	10,041	78,220
Expendable trust	83,352	-
Capital projects	4,713	-
Unrestricted deficit	(2,675,142)	(233,922)
Total net position	<u>\$ (1,774,645)</u>	<u>\$ (86,287)</u>

See accompanying notes to the basic financial statements

Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 175,161	\$ 28,243	\$ 39,592	\$ 3,308
Human services	57,359	326	10,089	-
Public safety	1,113,749	158,455	54,171	-
Public works	160,918	28,609	-	19,493
Property and development	146,886	8,382	94,834	-
Parks and recreation	48,804	596	952	-
Library	55,944	-	2,235	-
Schools	2,026,241	11,385	621,059	13,423
Public health programs	91,468	-	-	-
Interest on long-term debt	39,562	-	-	-
Total primary government	\$ 3,916,092	\$ 235,996	\$ 822,932	\$ 36,224
Component Units:				
Boston Public Health Commission	\$ 181,325	\$ 42,284	\$ 41,884	\$ 1,575
Boston Planning & Development Agency	26,437	11,316	11,266	-
Trustees of the Public Library of the City of Boston	10,984	3,297	13,501	-
Economic Development and Industrial Corporation of Boston	32,356	33,614	12,364	-
Total component units	\$ 251,102	\$ 90,511	\$ 79,015	\$ 1,575

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 property
Total general revenues
Change in net position
Net position - beginning of year, as restated (note 2r)
Net position - end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Component Units
\$ (104,018)	\$ -
(46,944)	-
(901,123)	-
(112,816)	-
(43,670)	-
(47,256)	-
(53,709)	-
(1,380,374)	-
(91,468)	-
(39,562)	-
\$ (2,820,940)	\$ -
\$ -	\$ (95,582)
-	\$ (3,855)
-	\$ 5,814
-	13,622
\$ -	\$ (80,001)
\$ 2,338,507	\$ -
264,703	-
87,018	-
208,839	-
46,405	974
-	88,759
3,011	2,758
57,000	15,371
3,005,483	107,862
184,543	27,861
(1,959,188)	(114,148)
\$ (1,774,645)	\$ (86,287)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2019
(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,434,468	\$ 255,096	\$ 297,463	\$ 12,659	\$ 1,999,686
Cash and investments held by trustees	364	-	17,994	60,087	78,445
Receivables, net:					
Property and other taxes	31,679	-	-	-	31,679
Intergovernmental	6,629	72,723	10,011	-	89,363
Departmental and other	15,085	24,117	-	33,724	72,926
Total receivables	53,393	96,840	10,011	33,724	193,968
Due from other funds	1,111	357	-	8,682	10,150
Due from component units	3,983	-	-	-	3,983
Total assets	\$ 1,493,319	\$ 352,293	\$ 325,468	\$ 115,152	\$ 2,286,232
LIABILITIES					
Warrants and accounts payable	\$ 67,915	\$ 24,738	\$ 46,278	\$ 255	\$ 139,186
Accrued liabilities:					
Payroll and related costs	170,480	-	-	-	170,480
Deposits and other	32,231	65,217	-	162	97,610
Due to other funds	168	1,299	-	8,683	10,150
Due to component unit	4,712	-	-	-	4,712
Total liabilities	\$ 275,506	\$ 91,254	\$ 46,278	\$ 9,100	\$ 422,138
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available	31,203	-	4,713	-	35,916
Total deferred inflows of resources	\$ 31,203	\$ -	\$ 4,713	\$ -	\$ 35,916
FUND BALANCES					
Nonspendable	-	-	-	10,041	10,041
Restricted	-	64,405	274,477	96,011	434,893
Assigned	392,000	196,634	-	-	588,634
Unassigned	794,610	-	-	-	794,610
Total fund balances	1,186,610	261,039	274,477	106,052	1,828,178
Total liabilities, deferred inflows of resources and fund balances	\$ 1,493,319	\$ 352,293	\$ 325,468	\$ 115,152	\$ 2,286,232

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2019
(Amounts in thousands)

Total fund balance - governmental funds.	\$ 1,828,178
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	2,234,836
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	35,916
Internal service funds are included in the government-wide financial statements	82,304
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	(1,394,566)
Capital leases	(64,096)
Bond issue premiums/discounts, net	(162,347)
Deferred bond refunding losses/gain, net	1,756
Accrued interest on bonds	(15,973)
Compensated absences	(231,859)
Landfill	(6,592)
Judgments and claims	(215,073)
Other postemployment benefits, net of deferred amounts	(2,413,727)
Net pension liability, net of deferred amounts	(1,452,902)
Pollution remediation	(500)
Net position of governmental activities	\$ (1,774,645)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 2,344,686	\$ -	\$ -	\$ -	\$ 2,344,686
Excises	256,229	-	-	-	256,229
Payments in lieu of taxes	87,018	-	-	-	87,018
Fines	73,792	-	-	-	73,792
Investment income	30,408	942	-	4,624	35,974
Licenses and permits	82,658	223	-	-	82,881
Departmental and other	97,442	76,286	-	4,217	177,945
Intergovernmental	577,458	284,054	33,010	-	894,522
Total revenues	<u>3,549,691</u>	<u>361,505</u>	<u>33,010</u>	<u>8,841</u>	<u>3,953,047</u>
EXPENDITURES:					
Current:					
General government	112,998	11,672	-	6,104	124,670
Human services	34,208	8,701	-	-	42,909
Public safety	726,406	23,666	-	-	750,072
Public works	106,504	6,732	-	-	113,236
Property and development	41,483	83,716	-	-	125,199
Parks and recreation	26,890	1,423	-	-	28,313
Library	38,597	2,137	-	-	40,734
Schools	1,118,332	153,481	-	-	1,271,813
Public health programs	87,487	1,040	-	-	88,527
Judgments and claims	1,202	-	-	-	1,202
Retirement costs	400,973	-	-	-	400,973
Other employee benefits	264,832	-	-	-	264,832
State and district assessments	283,360	-	-	-	283,360
Capital outlays	17,683	1,596	244,137	-	263,416
Debt service	182,725	-	-	-	182,725
Total expenditures	<u>3,443,680</u>	<u>294,164</u>	<u>244,137</u>	<u>6,104</u>	<u>3,988,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>106,011</u>	<u>67,341</u>	<u>(211,127)</u>	<u>2,737</u>	<u>(35,038)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt, notes and capital leases issued	-	-	165,836	-	165,836
Premiums on long-term debt issued	-	110	25,688	-	25,798
Proceeds from sale of property	-	-	57,000	-	57,000
Transfers in	-	-	53,803	1,455	55,258
Transfers out	(1,455)	(53,803)	-	-	(55,258)
Total other financing sources (uses)	<u>(1,455)</u>	<u>(53,693)</u>	<u>302,327</u>	<u>1,455</u>	<u>248,634</u>
Net change in fund balances	<u>104,556</u>	<u>13,648</u>	<u>91,200</u>	<u>4,192</u>	<u>213,596</u>
Fund balance - beginning of year	<u>1,082,054</u>	<u>247,391</u>	<u>183,277</u>	<u>101,860</u>	<u>1,614,582</u>
Fund balance - end of year	<u>\$ 1,186,610</u>	<u>\$ 261,039</u>	<u>\$ 274,477</u>	<u>\$ 106,052</u>	<u>\$ 1,828,178</u>

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, 2019**

(Amounts in thousands)

Net change in fund balances - total governmental funds	213,596
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 \$236,794 exceeded depreciation expense \$(144,655) and loss on disposals \$(92)	92,047
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available	(5,458)
Issuances of long-term debt \$(165,834) 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 \$152,171 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	(13,663)
Decreases in bond premiums net \$(12,872) 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 \$(695) decrease the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds	(13,564)
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 \$49,618, workers compensation \$2,833, net pension liability, net of deferred amounts \$18,504 compensated absences \$4,164, judgments and claims \$19,850 offset by a decrease in landfill closure and post-closure costs \$(365) and interest payable \$(5,278)	(89,326)
Net operating income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds	911
Change in net position of governmental activities	\$ 184,543

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2019 (with comparative actual amounts for 2018)

(Amounts in thousands)

	2019				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2018 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net	\$ 2,316,649	\$ 2,316,649	\$ 2,320,883	\$ 4,234	\$ 2,191,992
Excises	201,290	201,290	256,219	54,929	264,814
Commonwealth of Massachusetts	446,950	446,950	434,357	(12,593)	439,708
Departmental and other revenue	68,774	68,774	83,739	14,965	79,590
Fines	68,745	68,745	73,931	5,186	63,389
Payments in lieu of taxes	63,016	63,016	88,745	25,729	83,634
Investment income	5,000	5,000	30,408	25,408	15,390
Licenses and permits	66,260	66,260	82,596	16,336	74,508
Miscellaneous	267	267	267	-	267
Other available funds	78,450	78,450	-	(78,450)	-
Total revenues and other available funds	3,315,401	3,315,401	3,371,145	55,744	3,213,292
EXPENDITURES:					
General government	118,214	124,048	122,973	1,075	111,283
Human services	35,721	34,196	34,129	67	35,954
Public safety	719,525	718,947	740,556	(21,609)	694,457
Public works	115,000	113,308	113,251	57	115,758
Property and development	41,829	43,923	43,881	42	39,402
Parks and recreation	26,708	30,783	30,768	15	28,793
Library	38,180	38,664	38,664	-	35,758
Schools	1,126,705	1,126,705	1,126,676	29	1,093,290
Boston Public Health Commission	87,967	87,967	87,967	-	79,563
Judgments and claims	5,000	5,000	18,234	(13,234)	19,513
Other employee benefits	275,419	265,325	265,164	161	262,902
Retirement costs	246,285	266,850	266,797	53	236,968
Debt requirements	186,751	176,975	176,857	118	170,514
State and district assessments	292,097	282,710	282,617	93	267,949
Total expenditures	3,315,401	3,315,401	3,348,534	(33,133)	3,192,104
Excess of revenues and other available funds over expenditures	\$ -	\$ -	\$ 22,611	\$ 22,611	\$ 21,188

See accompanying notes to the basic financial statements

Statement of Net Position
Proprietary Fund
June 30, 2019
(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 102,341
Total current assets	<u>102,341</u>
Noncurrent assets:	
Other assets	7,539
Total noncurrent assets	<u>7,539</u>
Total assets	<u>\$ 109,880</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	27,576
Total current liabilities	<u>\$ 27,576</u>
NET POSITION:	
Unrestricted	82,304
Total net position	<u>\$ 82,304</u>

See accompanying notes to the basic financial statements

**Statement of Revenues, Expenses
and Changes in Net Position**

Proprietary Fund

Year Ended June 30, 2019

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 83,972
Employer contributions	198,178
Total operating revenues	<u>282,150</u>
OPERATING EXPENSES:	
Health benefits	281,239
Total operating expenses	<u>281,239</u>
Operating Income	<u>911</u>
Net position - beginning of year	<u>81,393</u>
Net position - end of year	<u><u>\$ 82,304</u></u>

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 286,599
Cash paid to vendors	(273,638)
Net cash provided by operating activities	<u>12,961</u>
Cash and cash equivalents- beginning of year	89,380
Cash and cash equivalents- end of year	<u>\$ 102,341</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 911
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other assets	4,449
Accounts payable and accrued liabilities	7,601
Net cash provided by operating activities	<u>\$ 12,961</u>

See accompanying notes to the basic financial statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

(Except Employee Retirement Plan, which is as of December 31, 2018)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 917,022	\$ 141,559	\$ 10,759
Receivables:			
Interest and dividends	8,381	-	-
Securities sold	23,048	-	-
Employer contributions	17,189	-	-
Other	5,480	1,177	-
Total receivables	54,098	1,177	-
Prepaid Expenses	1,415	-	-
Other Assets	-	30	-
Investments, at fair value:			
Short term:			
Domestic	87,863	-	-
International	13,783	-	-
Equity:			
Domestic	1,011,726	-	-
International	1,312,889	-	-
Fixed-income:			
Domestic	888,559	-	-
International	292,081	-	-
PRIT Pooled Fund	1,481,521	-	-
Real estate	484,640	-	-
Alternative	533,171	-	-
Total investments	6,106,233	-	-
Securities lending short-term collateral investment pool	149,987	-	-
Total assets	7,228,755	142,766	10,759
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	17,264	1,992	10,759
Securities purchased	40,189	-	-
Collateral held on securities lending	149,883	-	-
Total liabilities	207,336	1,992	10,759
NET POSITION RESTRICTED FOR:			
Pension Benefits	6,402,954	-	-
OPEB Benefits	618,465	-	-
Other Purposes	-	140,774	-
Total Net Position Restrictd	\$ 7,021,419	\$ 140,774	\$ -

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position**Fiduciary Funds**

Year Ended June 30, 2019

(Except Employee Retirement Plan, which is year ended December 31, 2018)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts
ADDITIONS:		
Contributions:		
Employers	\$ 475,859	\$ -
Commonwealth of Massachusetts (nonemployer)	143,146	-
Employees	166,826	-
Donations and other	-	49,360
Total contributions	785,831	49,360
Investment earnings:		
Net depreciation in fair value of investments	(380,631)	-
Investment income	130,177	12,980
Less investment expenses	(41,572)	-
Net investment earnings	(292,026)	12,980
Securities lending activities:		
Securities lending income	5,200	-
Less borrower rebates and fees	(2,359)	-
Net income from securities lending activities	2,841	-
Total net investment income (loss)	(289,185)	12,980
Intergovernmental	7,702	-
Miscellaneous income	3	-
Total additions	504,351	62,340
DEDUCTIONS:		
Benefits	746,447	-
Reimbursements	13,067	-
Refunds of contributions	21,592	-
Administrative expenses and other	9,553	32,477
Total deductions	790,659	32,477
Change in net position	(286,308)	29,863
Net position - beginning of year	7,307,727	110,911
Net position - end of year	\$ 7,021,419	\$ 140,774

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

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, 2018.
- 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, 2019.

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, Emergency Management Services 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, 2019.

Audited 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 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 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:

Assets	Years
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, 2019 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 outflows of resources increase net position, similar to assets, and inflows of 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, 2019, 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 2019 were \$365 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 GASB 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. This Statement was implemented in fiscal 2019 without any material impact.

The City adopted GASB 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. This Statement was implemented in fiscal 2019 without any material impact.

r. Restatement for Change in Measurement Date- GASB Statement No. 75

The City elected to change its measurement date for OPEB from a beginning of year measurement date to an end of year measurement date. As a result of the change in measurement date, the beginning net position of the governmental activities was restated as follows (in thousands):

Governmental Activities	
Beginning Net Position as previously reported	\$ (1,741,636)
Effect of change in measurement date of OPEB Liability	(217,552)
Beginning Net Position, as restated	<u>\$ (1,959,188)</u>

3 Short Term Debt

During fiscal year 2019, 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, 2019 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 3,371,145	\$ 3,348,534	\$ -	\$ 22,611
Adjustments:				
Revenues to modified accrual basis	35,400	-	-	35,400
Expenditures, encumbrances, and accruals, net	-	(46,545)	-	46,545
On-behalf contribution for teachers pension	143,146	143,146	-	-
Reclassifications:				
Other transfers	-	(1,455)	1,455	-
As reported on a GAAP basis	<u>\$ 3,549,691</u>	<u>\$ 3,443,680</u>	<u>\$ 1,455</u>	<u>\$ 104,556</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, 2019, the City of Boston Trust Funds had uninsured and uncollateralized deposits and investments of \$52.28 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, 2019:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 245,064	\$ 245,064	\$ -	\$ -	\$ -
Institutional and mutual funds	74,390	14,267	41,256	5,727	13,140
U.S. Treasury and agency securities	115,801	41,641	15,810	27,538	30,812
State and local municipal obligations	2,675	41	913	603	1,118
Corporate debt instruments	111,919	19,423	47,281	19,919	25,296
International Government Bonds	20,866	1,924	8,477	2,470	7,995
Certificate of deposits	26,010	26,010	-	-	-
	<u>\$ 596,725</u>	<u>\$ 348,370</u>	<u>\$ 113,737</u>	<u>\$ 56,257</u>	<u>\$ 78,361</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, 2019 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	\$ 245,064	Unrated
Institutional and mutual funds	74,385	AAA to A3
Institutional and mutual funds	3	Baa1 to B3
Institutional and mutual funds	2	Unrated
U.S. Treasury and agency securities	115,297	AAA to A3
U.S. Treasury and agency securities	504	Unrated
State and local municipal obligations	1,211	AAA to A3
State and local municipal obligations	896	Baa1 to B3
State and local municipal obligations	568	Unrated
Corporate debt instruments	31,845	AAA to A3
Corporate debt instruments	48,462	Baa1 to B3
Corporate debt instruments	1,172	Caa1 to C
Corporate debt instruments	30,440	Unrated
International Government Bonds	8,416	AAA to A3
International Government Bonds	6,700	Baa1 to B3
International Government Bonds	138	Caa1 to C
International Government Bonds	5,612	Unrated
Certificate of deposits	26,010	Not Rated
	<u>\$ 596,725</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, 2019, the City of Boston Trust Funds held international equity mutual funds valued at \$108.1 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.

International government bonds: Bonds issued by foreign governments that are valued using quoted prices, documented history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

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, 2019 (in thousands):

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Money market funds	\$ 245,064	\$ -	\$ -	\$ 245,064
Institutional and mutual funds	74,390	-	-	74,390
Equity securities	381,464	409	-	381,873
US Treasury & agency securities	39,446	76,355	-	115,801
State and Local municipal obligations	-	2,675	-	2,675
Corporate debt instruments	22,023	81,669	8,227	111,919
International Government Bonds	3,711	17,155	-	20,866
Total Investments:	\$ 766,098	\$ 178,263	\$ 8,227	\$ 952,588

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, 2018, 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, Pension Reserve Investment Trust (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, 2018:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury notes and bonds	\$ 247,378	\$ 2,873	\$ 120,452	\$ 100,467	\$ 23,586
U.S. agencies	90,869	-	134	-	90,735
Domestic corporate	733,989	878	76,212	132,584	524,315
Municipal	2,624	1,792	-	-	832
International corporate	9,687	-	3,294	5,369	1,024
International government	30,825	130	10,109	15,033	5,553
Asset-backed:					
CMOs	30,547	-	55	583	29,909
Other	34,721	-	9,366	2,680	22,675
	\$ 1,180,640	\$ 5,673	\$ 219,622	\$ 256,716	\$ 698,629

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, 2018 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, 2018 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	\$ 90,869	\$ 134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,735
Domestic corporate	733,989	796	4,639	21,508	45,685	20,648	28,880	29,581	582,252
Municipal	2,624	-	2,270	111	243	-	-	-	-
International corporate	9,687	372	532	436	1,539	4,079	2,242	307	180
International government	30,825	758	1,963	3,297	10,647	3,072	3,039	700	7,349
Asset-backed:									
CMOs	30,547	2,298	-	21	-	-	-	-	28,228
Other	34,721	13,092	4,374	960	960	298	-	47	14,990
	<u>\$ 933,262</u>	<u>\$ 17,450</u>	<u>\$ 13,778</u>	<u>\$ 26,333</u>	<u>\$ 59,074</u>	<u>\$ 28,097</u>	<u>\$ 34,161</u>	<u>\$ 30,635</u>	<u>\$ 723,734</u>

In addition to the above schedule, the System has approximately \$247.3 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, 2018. 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	\$ 5	\$ -	\$ -	\$ -	\$ 5
Australian dollar	42	489	37,944	-	38,475
Austria	-	-	2,272	-	2,272
Belgium	-	-	5,279	-	5,279
Brazilian real	37	421	-	-	458
Canadian dollar	41	552	-	-	593
Chile	2	-	-	-	2
Columbian Peso	19	190	-	-	209
Danish krone	36	161	12,127	-	12,324
Euro currency	743	-	-	1,977	2,720
Finland	-	215	2,651	-	2,866
France	-	560	77,358	-	77,918
Germany	-	1,339	42,162	-	43,501
Hong Kong dollar	-	-	17,987	-	17,987
Hungary	8	232	-	-	240
Indonesian rupiah	29	322	251	-	602
Isreal	5	-	563	-	568
Italy	-	671	16,576	-	17,247
Japanese yen	23	2,590	102,362	-	104,975
Korea	52	-	7,531	-	7,583
Malaysian ringgit	9	69	-	-	78
Mexican peso	27	39	-	-	66
Netherlands	-	109	36,885	-	36,994
New Zealand dollar	30	208	2,089	-	2,327
Norwegian krone	13	201	10,898	-	11,112
Polish zloty	14	147	-	-	161
Pound sterling	243	1,439	90,240	18,312	110,234
Singapore dollar	19	33	2,780	-	2,832
South African rand	33	333	-	-	366
Spain	-	645	22,317	-	22,962
Swedish krona	17	84	12,091	-	12,192
Swiss franc	104	143	31,617	-	31,864
Thailand Baht	34	63	-	-	97
Total securities subject to foreign currency risk	\$ 1,585	\$ 11,255	\$ 533,980	\$ 20,289	\$ 567,109
U.S. dollars (securities held by international investment managers)	-	33,805	243,315	-	277,120
Total international investment securities	\$ 1,585	\$ 45,060	\$ 777,295	\$ 20,289	\$ 844,229

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, 2018, the System had the following amounts invested in the PRIT fund (in thousands):

General allocation account	\$ 1,481,521
Cash fund	143,278
Total PRIT pooled funds	<u>\$ 1,624,799</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, 2018, the System had 20 forward foreign currency contracts with a net notional amount of \$4,093,590 and fair value of \$37,663.

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, 2018, 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, 2018. 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, 2018, the fair value of securities loaned by the System amounted to \$270.4 million, against which was held collateral of \$278.6 million as follows (in thousands):

Short-term collateral investment pool	\$ 149,883
Noncash collateral	128,707
Total	<u>\$ 278,590</u>

j. Commitments

At December 31, 2018, the System had contractual commitments to provide \$291 million of additional funding to private equity funds, and \$95 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, 2018 (in thousands):

	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Total at December 31, 2018	(Level 1)	(Level 2)
Short-term:			
Domestic	\$ 87,863	\$ 87,863	\$ -
International	13,783	13,783	-
Total short-term	101,646	101,646	-
U.S. equities:			
Large cap core	559,086	559,086	-
Large cap growth	91,133	91,133	-
Large cap value	93,927	93,927	-
Small cap core	87,535	87,535	-
Small cap growth	85,079	85,079	-
Small cap value	94,966	94,966	-
Total U.S. equities	1,011,726	1,011,726	-
International equities	1,312,889	1,312,889	-
Fixed income securities:			
U.S. treasury securities	247,378	247,378	-
Corporate debt securities	733,989	630,268	103,721
Global multi-sector fixed income	40,512	-	40,512
Municipal	2,624	-	2,624
Collateralized mortgage obligations	30,547	-	30,547
Other asset backed securities	34,721	-	34,721
U.S. Agencies	90,869	-	90,869
Total fixed income securities	1,180,640	877,646	302,994
Total investments by fair value level	3,606,901	3,303,907	302,994
Government external investment pool:			
PRIT fund	1,481,521		
Investments measured at the net asset value (NAV):			
Hedge fund of funds	239,768		
Private equity funds	293,403		
Private real estate funds	484,640		
Total investments measured at the NAV	1,017,811		
Total investments at fair value	\$ 6,106,233		

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	\$ 239,768	\$ -	Quarterly	60-90 days
Real estate funds ²	484,640	94,855	-	-
Private equity funds ³	293,403	290,802	-	-

1. Global Multi-strategy Hedge Fund of Funds. This type includes investments in 6 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 32 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 58 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 11, 2018, all properties with unpaid fiscal year 2018 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	\$ 16,974	\$ -	\$ -	\$ -	\$ 16,974
Motor vehicle/boat excise	35,707	-	-	-	35,707
Intergovernmental	6,629	72,723	10,011	-	89,363
Departmental and other	15,085	24,117	-	33,724	72,926
Tax Title and possession	60,818	-	-	-	60,818
Gross receivables	135,213	96,840	10,011	33,724	275,788
Less allowance for uncollectibles	(81,820)	-	-	-	(81,820)
Net total receivables	\$ 53,393	\$ 96,840	\$ 10,011	\$ 33,724	\$ 193,968

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, 2019, under this program, the City was due funds totaling \$2.5 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The final scheduled paydown of \$2.5 million is due in fiscal year 2020.

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, 2019, under this program, the City determined that \$24 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, 2019 by tax abatement program (in thousands):

Tax Abatement Program <small>(1)</small>	Estimated Tax Amount	In Lieu of Tax Payments	Estimated Taxes Abated
121A Urban Redevelopment	\$ 50,101	\$ 44,348	\$ 5,753
121B Urban Redevelopment	18,652	13,838	4,814
Tax Increment Financing	14,592	12,480	2,112
Total	\$ 83,345	\$ 70,666	\$ 12,679

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

8 Capital Asset

Capital asset activity for the governmental activities for the year ended June 30, 2019 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,349	\$ 13,452	\$ -	\$ 42,801
Construction in progress	52,186	202,813	(83,639)	171,360
Total capital assets not being depreciated	81,535	216,265	(83,639)	214,161
Capital assets being depreciated:				
Land improvements	287,669	11,547	-	299,216
Buildings and improvements	2,455,421	20,185	-	2,475,606
Furniture and equipment	481,508	37,784	(19,906)	499,386
Infrastructure	928,806	34,652	-	963,458
Total capital assets being depreciated	4,153,404	104,168	(19,906)	4,237,666
Less accumulated depreciation for:				
Land improvements	127,391	15,605	-	142,996
Buildings and improvements	1,272,313	56,100	-	1,328,413
Furniture and equipment	367,380	44,366	(19,814)	391,932
Infrastructure	325,066	28,584	-	353,650
Total accumulated depreciation	2,092,150	144,655	(19,814)	2,216,991
Total capital assets being depreciated, net	2,061,254	(40,487)	(92)	2,020,675
Governmental activities capital assets, net	\$ 2,142,789	\$ 175,778	\$ (83,731)	\$ 2,234,836

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

General government	\$	17,411
Human services		3,695
Public safety		25,945
Public works, including depreciation of general infrastructure assets		28,344
Property and development		9,601
Parks and recreation		13,780
Library		6,525
Schools		39,100
Public health		254
Total depreciation expense - governmental activities	\$	<u>144,655</u>

9 Interfund Balances and Amounts Due To and From Component Units

Individual fund receivable and payable balances at June 30, 2019 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,111	\$ 168
Special revenue	357	1,299
Non-major governmental funds	8,682	8,683
Balances at June 30, 2019	<u>\$ 10,150</u>	<u>\$ 10,150</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, 2019 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 3,983	\$ 4,712
Balances at June 30, 2019	<u>3,983</u>	<u>4,712</u>
Discretely presented component units:		
TPL	-	319
BPHC	4,712	229
BPDA	-	3,435
	<u>4,712</u>	<u>3,983</u>
Balances at June 30, 2019	<u>\$ 8,695</u>	<u>\$ 8,695</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, 2019 (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%	\$ 1,307,975	\$ 145,130	\$ 124,361	\$ 1,328,744	\$ 123,845
Add (deduct):						
					162,347	
					(123,845)	
					\$ 1,367,246	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes payable	2.10-7.18%	\$ 67,398	\$ -	\$ 1,576	\$ 65,822	\$ 1,708
Leases payable		69,626	20,704	26,234	64,096	22,097
Judgments and claims		5,084	21,950	7,700	19,334	3,874
Tax abatements		17,300	5,600	-	22,900	7,400
Workers' compensation		170,006	49,400	46,567	172,839	53,298
Health and life claims		19,890	288,484	281,239	27,135	27,135
Compensated absences		227,695	86,510	82,346	231,859	64,205
Landfill closure and postclosure care costs		6,957	-	365	6,592	350
Pollution remediation		500	-	-	500	-
Other postemployment benefits*		2,354,231	286,739	225,635	2,415,335	-
Net pension liability		1,373,685	584,298	200,351	1,757,632	-
Total bonds, notes, leases, and other long-term obligations		\$ 4,312,372	\$ 1,343,685	\$ 872,013	\$ 4,784,044	\$ 180,067

*As restated in note 2r

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, 2019, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

	Principal	Interest	Subsidy	Total
General Obligation Bonds:				
Year(s) ending June 30:				
2020	\$ 123,845	\$ 57,551	\$ (3,070)	\$ 178,326
2021	122,225	51,898	(2,986)	171,137
2022	127,010	45,903	(2,887)	170,026
2023	116,465	40,404	(2,397)	154,472
2024	104,205	34,905	(1,887)	137,223
2025-2029	417,925	109,436	(2,936)	524,425
2030-2034	230,135	43,621	(73)	273,683
2035-2039	86,934	9,493	-	96,427
	<u>\$ 1,328,744</u>	<u>\$ 393,211</u>	<u>\$ (16,236)</u>	<u>\$ 1,705,719</u>
Notes Payable:				
Year(s) ending June 30:				
2020	\$ 1,708	\$ 964	\$ -	\$ 2,672
2021	1,584	929	-	2,513
2022	1,438	889	-	2,327
2023	2,955	845	-	3,800
2024	2,438	800	-	3,238
2025-2029	13,099	3,440	-	16,539
2030-2034	17,983	1,893	-	19,876
2035-2039	10,229	677	-	10,906
Thereafter	14,388	1,001	-	15,389
	<u>\$ 65,822</u>	<u>\$ 11,438</u>	<u>\$ -</u>	<u>\$ 77,260</u>
Leases Payable:				
Year(s) ending June 30:				
2020	\$ 22,097	\$ 1,123	\$ -	\$ 23,220
2021	16,495	758	-	17,253
2022	11,156	466	-	11,622
2023	8,058	265	-	8,323
2024	4,150	113	-	4,263
2025-2026	2,140	48	-	2,188
	<u>\$ 64,096</u>	<u>\$ 2,773</u>	<u>\$ -</u>	<u>\$ 66,869</u>

On March 19, 2019, the City issued \$145.1 million of general obligation bonds for various municipal capital projects. Interest on the bonds are payable semiannually each March 1 and September 1 until maturity in fiscal year 2039.

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 \$64.1 million as of June 30, 2019. 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, 2019 was approximately \$14.7 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, 2019, the City may issue \$6.67 billion of additional general obligation debt under the debt limit. General obligation debt of \$1.02 billion, subject to the debt limit, and \$75.3 million, exempt from the debt limit, are authorized but unissued as of June 30, 2019.

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, 2018 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, 2018).

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, 2017:

Active plan members	20,995
Retirees and beneficiaries receiving benefits	14,448
Inactive members entitled to a return of contributions	9,514
Inactive members entitled to, but not yet receiving benefits	1,109
Total membership	46,066
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, 2018, the System was due \$426.3 million from all employers and the Commonwealth and received \$426.3 million in these contributions. For the year ended June 30, 2019, inclusive of contributions related to SCSD, and exclusive of contributions related to the City’s teachers, the City’s required contribution was \$234.1. The actual contribution was \$255.1 million, which includes a \$21.0 million contribution subsequent to the measurement date. For the year ended June 30, 2019, the Commonwealth’s required and actual contribution related to City Teachers was \$143.1 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, 2018 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,838,956	Active members’ contribution balance
Annuity reserve fund	446,799	Retired members’ contribution account
Military service fund	50	Members’ contribution account while on military leave
Pension reserve fund	4,081,772	Amounts appropriated to fund future retirement benefits
Pension fund	35,377	Remaining net position
	\$ 6,402,954	

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, 2019, the City reported a liability of \$1.67 billion for its proportionate share of the BRS net pension liability measured as of December 31, 2018. 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, 2018 were as follows (in thousands):

City's proportionate share of net pension liability	\$	1,665,325
Commonwealth's proportionate share of net pension liability associated with the City		2,556,731
Total	\$	<u>4,222,056</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, 2018, the City was allocated 100% of the net pension liability for SCSD retirees and 82.4% of the remaining non-teacher group based on its proportion of 2018 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2018 was 36.32% compared to 32.04% at December 31, 2017.

For the year ended June 30, 2019, in the Government-wide financial statements, the City recognized pension expense of \$513 million and revenue of \$254.8 million related to the Commonwealth special funding situations. At June 30, 2019, 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	\$ 329,314	\$ 135,025
Changes in assumptions	115,585	25,251
Changes in employer proportion	20,107	-
Employer contributions made subsequent to the measurement date	21,000	-
	<u>\$ 486,006</u>	<u>\$ 160,276</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:

2020	\$ 103,854
2021	41,609
2022	40,213
2023	130,205
2024	(11,151)
	<u>\$ 304,730</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, 2018 measurement date was determined by using an actuarial valuation as of January 1, 2018, with updated procedures used to roll forward the total pension liability to December 31, 2018. The measurement of the total pension liability at December 31, 2018 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
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 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, 2018 for BRS, excluding Teachers, are summarized below:

Asset class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	23%	6.16%
International developed markets equity	17	6.69
Emerging markets equity	8	9.47
Core fixed income	16	1.89
High yield fixed income	10	4.00
Real estate	10	4.58
Commodities	0	4.77
Hedge fund, GTAA, Risk parity	9	3.68
Private equity	7	10.00
	<u>100%</u>	

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, 2019	\$ 2,298,284	\$ 1,665,325	\$ 1,129,876	

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, 2019, 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 58 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 \$92.3 million, as of June 30, 2019.

The actuarial valuation as of June 30, 2018 was used to determine the City’s pension liability and pension expense as of June 30, 2019 (in thousands):

Total Pension liability	\$ 92,307
Plan fiduciary net position	-
Plan net pension liability	\$ 92,307
Plan fiduciary net position as a percentage of the total pension liability	-%
Interest	\$ 3,248
Current period difference between expected and actual experience in the total pension liability	2,229
Recognized portion of current year assumption changes	4,875
Pension expense (income)	\$ 10,352

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 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018, 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 audited financial report that can be obtained from www.boston.gov/departments/auditing

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.

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.:

	City	PHC
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	29,049	1,155

b. 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.

c. 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.

d. 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 for the June 30, 2019 measurement date determined by using an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The measurement at June 30, 2019 applied 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. Medical and Prescription Drug: 7.0% decreasing by 0.5% for 5 years to an ultimate rate of 4.5%. Medicare Part B Premium: 4.5%. Contributions: Retiree contributions are expected to increase with medical trend.
- 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	25%	6.16%
International developed markets equity	20%	6.69%
International emerging markets equity	5%	9.47%
Core Fixed Income	23%	1.89%
High Yield Fixed Income	7%	4.00%
Real Estate	6%	4.58%
Hedge Fund, GTAA, Risk parity	14%	3.68%
Total	100%	

Net OPEB Liability

The components of the net OPEB liability for the City’s Plan as of June 30, 2019, presented below on the June 30, 2019 measurement date and the actuarial assumptions are outlined above (in thousands):

Total OPEB Liability	City \$3,009,584
Plan Fiduciary Net Position	(594,249)
Net OPEB Liability	\$2,415,335
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	19.75%

Change in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2018	\$2,874,860	\$520,629	\$2,354,231
Changes for the year:			
Service cost	69,659	-	69,659
Interest	194,459	-	194,459
Differences between expected and actual experience	6,624	-	6,624
Contributions - employer	-	176,018	(176,018)
Net investment income	-	33,624	(33,624)
Benefit payments	(136,018)	(136,018)	-
Administrative expenses	-	(4)	4
Net changes	134,724	73,620	61,104
Balances at June 30, 2019	\$3,009,584	\$594,249	\$2,415,335

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, 2019 (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$2,835,237	\$2,415,335	\$2,070,930

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	Current Trend Rates	1% Increase
Net OPEB liability	\$1,991,597	\$2,415,335	\$2,947,904

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, 2019 the City recognized OPEB expense of \$226 million.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings	\$ -	\$ 3,588
Differences between expected and actual experience	6,178	982
Total	<u>\$ 6,178</u>	<u>\$ 4,570</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>
2020	\$ (1,994)
2021	(1,994)
2022	2,229
2023	1,375
2024	1,046
2025	945
Total	<u>\$ 1,607</u>

13 Transfers

Transfers and their purposes during the year ended June 30, 2019 were as follows (in thousands):

	<u>Governmental funds</u>			
	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other governmental</u>
Primary government:				
Parking Meter Fees	\$ -	\$ (53,803)	\$ 53,803	\$ -
Debt Service	(1,455)	-	-	1,455
Total	<u>\$ (1,455)</u>	<u>\$ (53,803)</u>	<u>\$ 53,803</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, 2019 in the following categories (in thousands):

Police Department	\$ 16,326
Execution of Courts	13,234
Fire Department	5,365
	<u>\$ 34,925</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, 2019 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:				
Community Preservation Fund	-	40,339	-	-
General government	-	-	15,929	2,844
Human services	-	-	1,487	-
Police	-	-	21,309	-
Fire	-	-	5,814	-
Other public safety	-	-	10,602	-
Public Works	-	-	98,434	-
Property and Development	-	24,066	40,889	36,530
Parks and recreation	-	-	46,437	43,219
Library	-	-	16,073	-
Schools	-	-	17,503	13,418
Public health programs	-	-	-	-
Subtotal	-	64,405	274,477	96,011
Assigned to:				
Property and development	9,240	-	-	-
Catastrophic loss	26,072	-	-	-
Housing initiative	34,275	-	-	-
Debt service	7,162	-	-	-
Employee Related Costs	150,479	-	-	-
Designated for subsequent year budget	40,000	-	-	-
Designated for subsequent year expenditure	124,772	196,634	-	-
Subtotal	392,000	196,634	-	-
Unassigned				
Total fund balances	\$ 1,186,610	\$ 261,039	\$ 274,477	\$ 106,052

16. Commitments and Contingencies

a. Encumbrances

The City has assigned \$124.8 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$118.4 million in the Special Revenue Fund, \$97.9 million in the Capital Projects Fund, and \$500 thousand in Other Governmental Funds.

b. 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, 2019. 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, 2019.

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.

During fiscal year 2019, the City executed an Infrastructure Development Assistance Agreements (IDAA) for an I-Cubed transaction. Under the IDAA, \$30.0 million in bonds were issued by MDFA in June 2019. 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 letter of credit for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2019.

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 2019, the City appropriated \$88.0 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 \$93.4 million for the BPHC for fiscal year 2020.

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 \$41.7 million at the end of fiscal 2019. 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, 2019 and 2018 are as follows (in thousands):

	Internal service fund	
	2019	2018
Health and life claims, beginning of year	\$ 19,890	\$ 23,881
Incurred claims	288,484	222,090
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(281,239)	(226,081)
Health and life claims, end of year	<u>\$ 27,135</u>	<u>\$ 19,890</u>

	Government-wide statements	
	2019	2018
Judgments and claims, beginning of year	\$ 192,390	\$ 189,261
Incurring claims	76,950	24,703
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(46,567)	(13,874)
Court judgments	(7,700)	(7,700)
Judgments and claims, end of year	\$ 215,073	\$ 192,390

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, 2019, \$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):

Year(s) ending June 30:	Lease payments
2020	\$ 638
2021	638
2022	638
2023	1,334
2024	2,030
2025-2029	10,150
2030-2034	10,150
2035-2039	10,150
2040-2044	10,150
2045-2048	7,105
Total	\$ 52,983

The Board of Directors and City of Boston have arranged the leveraged loans to be paid via the assignment of the notes and cancellation of the indebtedness based on the ending compliance period of the New Market Tax Credits ("NMTC") received by the City to operate as a qualified active low-income business ("QALICB"). The unwind of the NMTC is scheduled for fiscal year 2020.

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, 2019
(In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 37,200	\$ 42,015	\$ 7,160	\$ 22,845	\$ 109,220
Cash and investments held by trustee	-	-	14,636	-	14,636
Receivables, net:					
Other	21,518	9,017	2,709	6,146	39,390
Other assets	463	176	6	4,579	5,224
Due from primary government	4,712	-	-	-	4,712
Total current assets	63,893	51,208	24,511	33,570	173,182
Noncurrent assets:					
Cash and investments held by trustee	-	-	63,043	-	63,043
Notes receivable	44,332	117,907	963	-	163,202
Capital assets:					
Nondepreciable	11,793	5,988	-	4,022	21,803
Depreciable	13,590	15,902	149	37,054	66,695
Total noncurrent assets	69,715	139,797	64,155	41,076	314,743
Total assets	133,608	191,005	88,666	74,646	487,925
Deferred outflows of resources:					
Deferred amount for pension costs	40,824	5,156	-	-	45,980
Deferred amount for other postemployment benefits costs	6,995	1,887	-	-	8,882
Total deferred outflows of resources	\$ 47,819	\$ 7,043	\$ -	\$ -	\$ 54,862
Liabilities:					
Current liabilities:					
Warrants and accounts payable	20,803	3,360	1,101	3,685	28,949
Accrued liabilities:					
Other	1,065	161	1,509	1,612	4,347
Current portion of long-term debt and leases	1,930	-	-	835	2,765
Due to primary government	229	-	319	-	548
Unearned revenue	1,974	1,066	-	670	3,710
Total current liabilities	26,001	4,587	2,929	6,802	40,319
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	3,548	1,475	-	9,754	14,777
Other noncurrent liabilities	1,575	133,047	-	1,167	135,789
Other postemployment benefits	130,494	14,363	-	-	144,857
Unearned revenue	45,323	19,853	-	-	65,176
Net pension liability	146,140	19,083	-	-	165,223
Due to primary government	-	3,435	-	-	3,435
Total noncurrent liabilities	327,080	191,256	-	10,921	529,257
Total liabilities	353,081	195,843	2,929	17,723	569,576
Deferred inflows of resources:					
Deferred amount for pension costs	23,616	3,296	-	-	26,912
Deferred amount for other postemployment benefits costs	17,019	15,567	-	-	32,586
Total deferred inflows of resources	40,635	18,863	-	-	59,498
Net position:					
Net investment in capital assets	19,905	18,874	149	30,487	69,415
Restricted	-	-	77,516	704	78,220
Unrestricted	(232,194)	(35,532)	8,072	25,732	(233,922)
Total net position	\$ (212,289)	\$ (16,658)	\$ 85,737	\$ 56,923	\$ (86,287)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2019
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 181,325	\$ 26,437	\$ 10,984	\$ 32,356	\$ 251,102
Program revenues:					
Charges for services	42,284	11,316	3,297	33,614	90,511
Operating grants and contributions	41,884	11,266	13,501	12,364	79,015
Capital grants and contributions	1,575	-	-	-	1,575
Total program revenues	85,743	22,582	16,798	45,978	171,101
Net program revenues (expenses)	(95,582)	(3,855)	5,814	13,622	(80,001)
General revenues:					
Investment income	508	294	172	-	974
Sale of property	17	15,354	-	-	15,371
City appropriation	88,759	-	-	-	88,759
Miscellaneous income	546	-	1,466	746	2,758
Total general revenues	89,830	15,648	1,638	746	107,862
Change in net position	(5,752)	11,793	7,452	14,368	27,861
Net position - beginning of year, restated	(206,537)	(28,451)	78,285	42,555	(114,148)
Net position - end of year	\$ (212,289)	\$ (16,658)	\$ 85,737	\$ 56,923	\$ (86,287)

Required Supplementary Information
(Unaudited)

Schedule of OPEB Contributions - OPEB
(Amounts in thousands)

	2019	2018	2017
Actuarially determined contribution	\$ 199,400	\$ 190,991	\$ 167,787
Contributions in relation to the actuarially determined contribution	176,018	159,966	157,464
Contribution surplus (deficiency)	(23,382)	(31,025)	(10,323)
Covered payroll	\$ 1,696,838	\$ 1,611,911	\$ 1,582,695
Contributions as a percentage of covered payroll	10.37%	9.92%	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, 2019 was determined with the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Payments increasing at 3.25% per year
Remaining amortization:	27 years as of July 1, 2018
Asset valuation method:	Market Value
Inflation:	3.25%
Health care trend rates:	Non-Medicare costs 7% initial, decreasing 0.5% annually to an ultimate of 4.5%
	Medicare costs - 7% initial, decreasing 0.5% annually to an ultimate of 4.5%
	Medicare Part B premiums - 4.5%
Salary increases:	Non-teachers - 4% to 4.5%; Teachers 4% to 7.5%
Investment return:	6.75%
Mortality:	RP-2014 generational table using Scale MP-2017 for non-teachers and MP-2016 for teachers applied on a gender-specific basis.

See accompanying independent auditors' report

Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2019

(Amounts in thousands)

Total OPEB Liability

	2019	2018	2017
Service Cost	\$ 69,659	\$ 67,365	\$ 65,146
Interest	194,459	185,615	177,157
Differences between expected and actual experience	6,624	700	(1,717)
Benefit payments, including refunds of employee contributions	(136,018)	(119,966)	(117,464)
Net Change in total OPEB liability	134,724	133,714	123,122
Total OPEB liability - beginning	2,874,860	2,741,146	2,618,024
Total OPEB liability - ending	3,009,584	2,874,860	2,741,146
Plan Fiduciary Net Position			
Contributions - employers	176,018	159,966	157,464
Net investment income, net	33,624	27,656	47,156
Benefit payments, including refunds of employee contributions	(136,018)	(119,966)	(117,464)
Administrative expenses	(4)	(12)	(5)
Net change in plan fiduciary net position	73,620	67,644	87,151
Plan fiduciary net position - beginning	520,629	452,986	365,835
Plan fiduciary net position - ending	594,249	520,630	452,986
Net OPEB liability	\$ 2,415,335	\$ 2,354,230	\$ 2,288,160
Plan fiduciary net position as a percentage of the total			
OPEB Liability	19.75%	18.11%	16.53%
Net OPEB liability as a percentage of the total covered payroll	142.34%	146.05%	144.57%
Covered payroll	1,696,838	1,611,911	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

See accompanying independent auditors' report

Schedule of City's Proportionate Share of the Net Pension Liability - Boston Retirement System

(Amounts in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	36.31%	32.04%	35.66%	36.78%
City's proportionate share of the net pension liability	\$ 1,665	\$ 1,288	\$ 1,484	\$ 1,622
Commonwealth's proportionate share of net pension liability associated with the City	2,451	2,451	2,345	2,426
Total	<u>\$ 4,116</u>	<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, 2018, 2017, and 2016)	\$ 1,609	\$ 1,547	\$ 1,475	\$ 1,475
City's proportionate share of the net pension liability as a percentage of covered payroll	103.48%	83.26%	100.61%	109.97%
BRS fiduciary net position as a percentage of the total pension liability	58.27%	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.

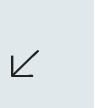
Schedule of City's Contributions - Boston Retirement System

(Amounts in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 234	\$ 214	\$ 193	\$ 179
Contributions in relation to the actuarially determined contribution	234	214	193	179
Contribution surplus (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (for the fiscal year ended June 30, 2018, 2017 and 2016)	\$ 1,609	\$ 1,542	\$ 1,467	\$ 1,467
Contributions as a percentage of covered payroll	14.54%	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.

See accompanying independent auditors' report



GENERAL FUND

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, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and investments	\$ 1,434,832	\$ 1,309,557
Receivables:		
Property taxes	16,974	16,151
Motor vehicle / boat excise	35,707	24,594
Intergovernmental	6,629	10,525
Departmental and other	15,085	19,003
Tax title and possession	60,818	61,831
Total Receivables	<u>135,213</u>	<u>132,104</u>
Allowance:		
Motor vehicle / boat excise	(21,001)	(19,996)
Tax title and possession	(60,819)	(61,831)
Total Allowance	<u>(81,820)</u>	<u>(81,827)</u>
Net receivable	<u>53,393</u>	<u>50,277</u>
Due from other funds	1,111	1,860
Due from component units	3,983	7,234
Total assets	<u>\$ 1,493,319</u>	<u>\$ 1,368,928</u>
LIABILITIES:		
Warrants and accounts payable	\$ 67,915	\$ 57,050
Accrued liabilities:		
Payroll and related costs	170,480	172,942
Deposits and other	32,231	24,674
Due to other funds	168	923
Due to component units	4,712	2,413
Total liabilities	<u>\$ 275,506</u>	<u>\$ 258,002</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>31,203</u>	<u>28,872</u>
FUND BALANCE:		
Assigned	392,000	300,652
Unassigned	794,610	781,402
Total fund balance	<u>1,186,610</u>	<u>1,082,054</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,493,319</u>	<u>\$ 1,368,928</u>

See accompanying independent auditors' report

GENERAL FUND

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	2019	2018
REVENUES:		
Real and personal property taxes	\$ 2,344,686	\$ 2,221,877
Excises	256,229	243,581
Payments in lieu of taxes	87,018	84,940
Fines	73,792	63,206
Investment income	30,408	15,390
Licenses and permits	82,658	74,144
Departmental and other	97,442	98,287
Intergovernmental	577,458	570,753
Total Revenues	3,549,691	3,372,178
EXPENDITURES:		
Current:		
General government	112,998	90,076
Human services	34,208	35,023
Public safety	726,406	689,929
Public works	106,504	111,772
Property and development	41,483	39,022
Parks and recreation	26,890	25,285
Library	38,597	36,025
Schools	1,118,332	1,087,192
Public health programs	87,487	81,129
Judgments and claims	1,202	7,693
Retirement costs	400,973	356,251
Other employee benefits	264,832	261,377
State and district assessments	283,360	267,205
Total current expenditures	3,243,272	3,087,979
Capital outlays	17,683	9,738
Debt service	182,725	176,240
Total Expenditures	3,443,680	3,273,957
Excess of revenues over expenditures	106,011	98,221
OTHER FINANCING USES:		
Transfers out	(1,455)	(1,455)
Total other financing uses	(1,455)	(1,455)
Net change in fund balances	104,556	96,766
Fund balance - beginning	1,082,054	985,288
Fund balance - ending	\$ 1,186,610	\$ 1,082,054

See accompanying independent auditors' report

GENERAL FUND**Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)**

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019					2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
PROPERTY TAXES						
Real Estate Taxes	\$ 2,152,155	\$ 2,152,155	\$ 2,154,758	\$ 2,603	\$ 2,031,384	
Real and Personal Property Taxes	164,494	164,494	166,125	1,631	160,608	
Revenue class total	2,316,649	2,316,649	2,320,883	4,234	2,191,992	
MOTOR VEHICLE EXCISE						
Motor Vehicle Excise - Current	52,000	52,000	42,926	(9,074)	39,440	
Motor Vehicle Excise - Prior Years	-	-	23,099	23,099	27,443	
Boat Excise - Current and Prior Years	40	40	50	10	57	
Revenue class total	52,040	52,040	66,075	14,035	66,940	
OTHER EXCISE TAXES						
Hotel / Motel Room Excise	92,000	92,000	100,579	8,579	94,010	
Aircraft Fuel Excise	15,750	15,750	34,476	18,726	28,835	
Condominium Conversion Excise	500	500	743	243	970	
Meals Tax Excise	29,000	29,000	33,013	4,013	30,930	
Urban Redevelopment Ch 121A	10,500	10,500	19,709	9,209	41,576	
Vehicle Rental Surcharge	1,500	1,500	1,562	62	1,553	
Community Host Agreements	-	-	62	62	-	
Revenue class total	149,250	149,250	190,144	40,894	197,874	
COMMONWEALTH OF MASSACHUSETTS						
State Owned Lands	319	319	319	-	291	
Exemption - Elderly	1,017	1,017	1,014	(3)	380	
Exemption - Other	-	-	-	-	-	
Lottery	-	-	-	-	-	
Veterans Services - Local Aid	1,628	1,628	1,662	34	1,927	
Police Career Incentive	-	-	-	-	-	
Unrestricted General Government Aid	195,892	195,892	186,905	(8,987)	189,268	
Local Share of Racing Taxes	323	323	330	7	443	
School Construction	5,107	5,107	5,107	-	6,720	
Charter School Reimbursement	22,662	22,662	19,018	(3,644)	22,613	
Chapter 70 Education Aid	220,002	220,002	220,002	-	218,066	
Revenue class total	446,950	446,950	434,357	(12,593)	439,708	

(Continued)

See accompanying independent auditors' report

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes	\$ 2,500	\$ 2,500	\$ 2,581	\$ 81	\$ 2,911
Penalties & Interest - Motor Vehicle	2,500	2,500	2,861	361	3,069
Penalties & Interest - Tax Title	4,000	4,000	5,978	1,978	5,395
Penalties & Interest - Boat Excise	5	5	0	(5)	-
Sidewalk Paid in Advance	-	-	21	21	1
Unapportioned Assessments	-	-	1	1	2
Unapportioned Street Assessments	-	-	14	14	-
Other Departmental Fees & Charges	1,960	1,960	1,918	(42)	2,289
Registry Division Fees	1,525	1,525	1,786	261	1,616
Liens	625	625	583	(42)	634
Other Departmental	1,900	1,900	4,332	2,432	3,200
City Clerk Fees	600	600	653	53	586
Muni Medicaid Reimbursement	7,500	7,500	7,533	33	8,115
Medicaid Part D	3,600	3,600	5,336	1,736	3,600
BCYF Membership Fees	-	-	225	225	-
Police Services	550	550	697	147	765
Fire Services	6,500	6,500	7,572	1,072	7,322
Parking Facilities	2,089	2,089	2,644	555	2,956
Street Occupancy	8,500	8,500	10,955	2,455	8,873
Street and Sidewalk Permits	1,100	1,100	1,188	88	1,520
Demolition of Abandoned Structures	20	20	-	(20)	2
Property Mgmt - Building Rents	1,610	1,610	2,277	667	1,621
St Furniture Program Fixed Fees	1,500	1,500	1,500	-	1,500
St Furniture Program Adm Fees	1,100	1,100	971	(129)	1,251
DoIT/PWD Small Cell Revenue	150	150	430	280	-
DOIT E-Rate	800	800	894	94	1,284
Fiber Optics Access Fees	60	60	39	(21)	137
Tuition and Transportation - Schools	1,000	1,000	1,909	909	1,311
McKinney-Vento reimbursement	1,380	1,380	-	(1,380)	2,811
Library Fees	150	150	183	33	164
Cobra / Self-pay	200	200	179	(21)	287
Affirmative Recovery Unit	100	100	263	163	154
Fringe-Retirement	4,800	4,800	5,141	341	5,409
Pensions and Annuities	4,650	4,650	5,076	426	4,718
Indirect Costs Reimbursement	400	400	484	84	482
3rd Party Fringe Reimbursement	300	300	260	(40)	325
Third-Party Payments	-	-	4	4	-
Prior Year Reimbursements	200	200	1,759	1,559	149
Police Detail Payroll	-	-	50	50	9
Police Detail Administration Fee	4,600	4,600	4,041	(559)	4,684
Miscellaneous Collecting	-	-	5	5	8
Administrative Fee 3rd Party Payments	300	300	1,396	1,096	430
Revenue class total	68,774	68,774	83,739	14,965	79,590

(continued)

See accompanying independent auditors' report

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) Years Ended June 30, 2019 and 2018 (Amounts in thousands)

Classification	2019					2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
FINES						
Parking Fines	\$ 66,295	\$ 66,295	\$ 70,136	\$ 3,841	\$ 60,722	
Boots & Tows Fees	-	-	1,038	1,038	-	
Court Fines	110	110	23	(87)	59	
Moving Violation Fines - Court	1,312	1,312	1,435	123	1,352	
Fire Safety Fines	28	28	72	44	52	
Code Enforcement	1,000	1,000	1,227	227	1,204	
Revenue class total	68,745	68,745	73,931	5,186	63,389	
PAYMENTS IN LIEU OF TAXES						
Massport	19,240	19,240	19,443	203	18,705	
Miscellaneous PILOT's	26,776	26,776	34,605	7,829	33,990	
Miscellaneous Ch 121B Section 16	6,000	6,000	9,608	3,608	9,542	
Miscellaneous Ch 121A Section 6A	11,000	11,000	24,639	13,639	21,347	
EDIC Chapter 121C PILOT	-	-	450	450	50	
Revenue class total	63,016	63,016	88,745	25,729	83,634	
INVESTMENT INCOME						
Interest on Investments	5,000	5,000	30,408	25,408	15,390	
Revenue class total	5,000	5,000	30,408	25,408	15,390	
LICENSES AND PERMITS						
Building Structures and Permits	45,000	45,000	61,819	16,819	52,818	
Weights and Measures	300	300	289	(11)	298	
Street and Curb Permits	3,500	3,500	3,310	(190)	3,660	
Pre-rental Inspections	2,000	2,000	1,640	(360)	1,322	
Other Departmental Licenses & Permits	700	700	514	(186)	562	
Boat Mooring Permits	-	-	16	16	-	
Health Inspections	1,800	1,800	1,850	50	1,871	
Alcoholic Beverages and Licenses	4,560	4,560	4,602	42	4,526	
Entertainment Licenses	1,700	1,700	1,883	183	1,902	
Police Firearm Permits	25	25	37	12	49	
Other Business Licenses and Permits	175	175	167	(8)	165	
Cable Television	6,500	6,500	6,469	(31)	7,335	
Revenue class total	66,260	66,260	82,596	16,336	74,508	
MISCELLANEOUS						
Air Rights	267	267	267	-	267	
Revenue class total	267	267	267	-	267	
TRANSFERS AND OTHER AVAILABLE FUNDS						
Surplus of Property	15,000	15,000	-	(15,000)	-	
Appropriated Cemetery Trustee	950	950	-	(950)	-	
Appropriated Parking Meter Receipts	22,500	22,500	-	(22,500)	-	
Appropriated Funds Balance	40,000	40,000	-	(40,000)	-	
Revenue class total	78,450	78,450	-	(78,450)	-	
Total Revenues and Other financing Sources	\$ 3,315,401	\$ 3,315,401	\$ 3,371,145	\$ 55,744	\$ 3,213,292	

See accompanying independent auditors' report

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
GENERAL GOVERNMENT					
Costs of Issuance - RANS	\$ 500	\$ 500	\$ 426	\$ 74	\$ 400
Annual Audit Costs	750	817	817	-	980
Mayor's Office	5,799	4,569	4,556	13	4,178
City Council	5,667	5,667	5,443	224	5,248
Office of New Bostonians	472	472	412	60	444
Consumer Affairs and Licensing	1,274	1,274	1,222	52	1,152
Election Department - Election Division	4,218	3,738	3,725	13	3,404
Election Department - Listing Board	514	514	481	33	502
Auditing Department	2,894	2,744	2,735	9	2,680
Assessing Department	7,614	7,164	7,151	13	7,190
Treasury Department - Collecting Division	2,897	3,248	3,228	20	3,287
Treasury Department - Treasury Division	17,004	16,974	16,942	32	1,929
Office of Budget Management	3,502	2,722	2,703	19	2,812
Human Resources	4,630	3,879	3,852	27	3,537
Purchasing Division	1,852	1,752	1,736	16	1,659
Office of Administration & Finance	1,298	786	757	29	1,206
Office of Labor Relations	1,447	1,237	1,123	114	1,250
Department of Innovation & Technology	31,337	39,063	39,059	4	33,816
Intergovernmental Relations	1,450	1,301	1,292	9	1,197
Law Department	8,113	6,513	6,479	34	6,503
Risk Retention Reserved	3,000	3,000	3,000	-	3,000
Housing Trust Fund	641	653	653	-	472
City Clerk	1,302	1,302	1,234	68	1,234
Registry Division	1,136	1,136	1,116	20	958
Finance Commission	283	283	276	7	271
Tregor Reserve Fund	-	3,410	3,410	-	-
Office of Civil Rights	303	303	291	12	259
Commission for Persons with Disabilities	473	473	400	73	428
Public Information	-	-	-	-	-
Neighborhood Services	3,408	3,108	3,045	63	3,062
Arts & Cultural Develop	1,489	1,319	1,308	11	1,347
Arts, Tourism & Special Events	1,422	1,352	1,334	18	1,135
Women's Commission	265	265	257	8	243
Reserve for Collective Bargaining	1,260	2,510	2,510	-	15,500
Function Total	118,214	124,048	122,973	1,075	111,283
HUMAN SERVICES					
Boston Centers for Youth & Families	27,295	27,470	27,468	2	29,152
Elderly Commission	3,734	3,734	3,724	10	3,568
Veterans Services Department	4,692	2,992	2,937	55	3,234
Function total	35,721	34,196	34,129	67	35,954

(continued)

See accompanying independent auditors' report

GENERAL FUND**Schedule of Expenditures Compared to Budget (Budgetary Basis)****Years Ended June 30, 2019 and 2018***(Amounts in thousands)*

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department	\$ 400,436	\$ 400,436	\$ 416,762	\$ (16,326)	\$ 399,924
Fire Department	254,444	254,444	259,809	(5,365)	233,420
Mayor's Office - Emergency Preparedness	700	700	685	15	651
Transportation - Traffic Division	29,106	29,472	29,469	3	26,905
Transportation - Parking Clerk	8,817	8,572	8,570	2	8,655
Inspection Services Department	19,473	19,174	19,170	4	18,566
Youth Fund	6,549	6,149	6,091	58	6,336
Function total	719,525	718,947	740,556	(21,609)	694,457
PUBLIC WORKS					
Public Works Department	87,957	87,543	87,494	49	84,760
Central Maintenance Facility	2,977	2,997	2,994	3	2,829
Snow Removal	24,066	22,768	22,763	5	28,169
Function total	115,000	113,308	113,251	57	115,758
PROPERTY AND DEVELOPMENT					
Property Management	27,608	29,702	29,677	25	25,716
Neighborhood Development	14,221	14,221	14,204	17	13,686
Function total	41,829	43,923	43,881	42	39,402
PARKS AND RECREATION					
Parks and Recreation Department	21,234	23,444	23,436	8	23,855
Environment Department	2,918	4,783	4,779	4	2,470
Cemetery Division	2,556	2,556	2,553	3	2,468
Function total	26,708	30,783	30,768	15	28,793
LIBRARY					
Library Department	38,180	38,664	38,664	-	35,758
Function total	38,180	38,664	38,664	-	35,758
SCHOOLS					
Boston Public Schools	1,126,705	1,126,705	1,126,676	29	1,093,290
Function total	1,126,705	1,126,705	1,126,676	29	1,093,290
PUBLIC HEALTH					
Public Health Commission	87,967	87,967	87,967	-	79,563
Function total	87,967	87,967	87,967	-	79,563

(continued)

See accompanying independent auditors' report

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts	\$ 5,000	\$ 5,000	\$ 18,234	\$ (13,234)	\$ 19,513
Function total	5,000	5,000	18,234	(13,234)	19,513
OTHER EMPLOYEE BENEFITS					
Medicare Payments	11,000	\$ 10,700	\$ 10,673	\$ 27	9,815
Human Resources - Health Insurance	220,979	212,079	212,029	50	210,986
Health Benefits & Insurance	890	891	843	48	715
Unemployment Compensation	350	-	-	-	-
Workers' Compensation Fund	2,200	1,655	1,619	36	1,386
OPEB Stabilization Fund	40,000	40,000	40,000	-	40,000
Function total	275,419	265,325	265,164	161	262,902
PENSION COSTS					
Boston Retirement System	242,085	263,085	263,085	-	233,302
Pensions and Annuities - City	4,100	3,745	3,699	46	3,636
Pensions and Annuities - County	100	20	13	7	30
Function total	246,285	266,850	266,797	53	236,968
DEBT REQUIREMENTS					
Redemption of City Loans	112,190	121,170	121,161	9	116,643
City Debt and Interest Payments	70,961	52,194	52,099	95	49,837
Temporary Notes	-	-	-	-	-
MWPAT Principal	1,187	1,229	1,229	-	1,218
MWPAT Interest	407	289	275	14	305
Section 108 - Dudley Square	-	-	-	-	505
Debt Service Sinking Funds	1,455	1,455	1,455	-	1,455
Lease Payments	551	638	638	-	551
Function total	186,751	176,975	176,857	118	170,514
STATE & DISTRICT ASSESSMENTS					
Health Insurance/Retirement	11	11	11	-	45
Parking Surcharge	2,265	2,265	2,265	-	2,265
Mosquito Control Projects	282	282	282	-	274
Special Education Chapter 766	782	782	707	75	743
Metropolitan Air Pollution Center	262	262	262	-	255
Metropolitan Area Planning	348	348	348	-	338
MBTA Assessments	88,210	88,210	88,210	-	85,805
MDC Assessments	12	12	12	-	12
School Choice	1,106	1,620	1,620	-	985
Charter School Sending Tuition	194,944	185,043	185,025	18	173,352
Suffolk County Jail	3,875	3,875	3,875	-	3,875
Function total	292,097	282,710	282,617	93	267,949
Total Expenditures	\$ 3,315,401	\$ 3,315,401	\$ 3,348,534	\$ (33,133)	\$ 3,192,104

See accompanying independent auditors' report



SPECIAL REVENUE FUND

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, 2019 and with comparative totals for 2018

(Amounts in thousands)

	Special Revenue	CPA Fund	Total	
			2019	2018
ASSETS:				
Cash and investments	\$ 214,231	\$ 40,865	\$ 255,096	\$ 247,631
Receivables, net:				
Intergovernmental	72,723	-	72,723	54,583
Departmental and other	24,066	51	24,117	29,215
Total receivables	96,789	51	96,840	83,798
Due from other funds	357	-	357	211
Total Assets	\$ 311,377	\$ 40,916	\$ 352,293	\$ 331,640
LIABILITIES:				
Warrants and accounts payable	\$ 24,185	\$ 553	\$ 24,738	\$ 24,382
Accrued liabilities:				
Payroll and related costs	-	-	-	95
Deposits and other	65,217	-	65,217	57,673
Due to other funds	1,275	24	1,299	1,899
Total liabilities	90,677	577	91,254	84,049
DEFERRED INFLOWS OF RESOURCES:				
Revenue not considered available	-	-	-	200
FUND BALANCE:				
Restricted	24,066	40,339	64,405	47,854
Assigned	196,634	-	196,634	199,537
Total fund balance	220,700	40,339	261,039	247,391
Total liabilities, deferred inflows of resources and fund balance	\$ 311,377	\$ 40,916	\$ 352,293	\$ 331,640

See accompanying independent auditors' report

SPECIAL REVENUE FUND

Combining Statements of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Special Revenue	CPA Fund	Total	
			2019	2018
REVENUES:				
Fines	\$ -	\$ -	\$ -	\$ 73
Investment income	185	757	942	213
Licenses and permits	223	-	223	212
Departmental and other	55,928	20,358	76,286	71,385
Intergovernmental	280,441	3,613	284,054	265,723
Total revenues	336,777	24,728	361,505	337,606
EXPENDITURES:				
Current:				
General government	8,466	3,206	11,672	9,472
Human services	8,701	-	8,701	8,953
Public safety	23,666	-	23,666	21,692
Public works	6,732	-	6,732	10,062
Property & development	83,716	-	83,716	88,005
Parks and recreation	1,423	-	1,423	4,845
Library	2,137	-	2,137	2,452
Schools	153,481	-	153,481	150,198
Public health programs	1,040	-	1,040	2,140
Total current expenditures	289,362	3,206	292,568	297,819
Capital outlays	1,596	-	1,596	1,659
Total Expenditures	290,958	3,206	294,164	299,478
Excess of revenues over expenditures	45,819	21,522	67,341	38,128
OTHER FINANCING SOURCES (USES):				
Premiums on long-term debt issued	110	-	110	233
Transfer out	(53,803)	-	(53,803)	(46,385)
Total other financing sources (uses)	(53,693)	-	(53,693)	(46,152)
Net change in fund balances	(7,874)	21,522	13,648	(8,024)
Fund balance - beginning	228,574	18,817	247,391	255,415
Fund balance - ending	\$ 220,700	\$ 40,339	\$ 261,039	\$ 247,391

See accompanying independent auditors' report



CAPITAL PROJECTS FUND

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, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and investments	\$ 297,463	\$ 198,417
Cash and investment held by trustees	17,994	10,185
Intergovernmental receivables	10,011	13,058
Total Assets	<u>\$ 325,468</u>	<u>\$ 221,660</u>
LIABILITIES:		
Warrants and accounts payable	\$ 46,278	\$ 26,081
Total liabilities	<u>46,278</u>	<u>26,081</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>4,713</u>	<u>12,302</u>
FUND BALANCE:		
Restricted	<u>274,477</u>	<u>183,277</u>
Total fund balance	<u>274,477</u>	<u>183,277</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 325,468</u>	<u>\$ 221,660</u>

See accompanying independent auditors' report

CAPITAL PROJECTS FUND

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
REVENUES:		
Intergovernmental	\$ 33,010	\$ 38,261
Total revenues	<u>33,010</u>	<u>38,261</u>
EXPENDITURES:		
Capital outlays	244,137	222,598
Total expenses	<u>244,137</u>	<u>222,598</u>
Deficiency of revenues under expenditures	<u>(211,127)</u>	<u>(184,337)</u>
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	165,836	176,698
Premiums on long-term debt issued	25,688	23,289
Proceeds from Sale of Property	57,000	-
Operating transfers, net	53,803	46,385
Total other financing sources (uses)	<u>302,327</u>	<u>246,372</u>
Net change in fund balances	91,200	62,035
Fund balance - beginning	<u>183,277</u>	<u>121,242</u>
Fund balance - ending	<u>\$ 274,477</u>	<u>\$ 183,277</u>

See accompanying independent auditors' report



OTHER GOVERNMENTAL FUNDS

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 a co-mingled investment fund and 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 a co-mingled investment fund and 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, 2019 with comparative totals for 2018

(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	2019	2018
ASSETS:								
Cash and investments	\$ -	\$ -	\$ -	\$ 12,659	\$ -	\$ -	\$ 12,659	\$ 11,012
Cash and investments held by trustees	53,420	765	2,842	-	1,577	1,483	60,087	58,749
Receivables, net	44	1	6	-	1	33,672	33,724	32,552
Due from other funds	-	-	-	-	8,682	-	8,682	7,696
Total assets	\$ 53,464	\$ 766	\$ 2,848	\$ 12,659	\$ 10,260	\$ 35,155	\$ 115,152	\$ 110,009
LIABILITIES:								
Warrants and accounts payable	\$ 203	\$ 6	\$ 5	\$ -	\$ 41	\$ -	\$ 255	\$ 449
Accrued liabilities	-	-	-	-	43	119	162	-
Due to other funds	1	-	-	-	-	8,682	8,683	7,700
Total liabilities	204	6	5	-	84	8,801	9,100	8,149
FUND BALANCE:								
Nonexpendable	9,897	144	-	-	-	-	10,041	10,041
Restricted	43,363	616	2,843	12,659	10,176	26,354	96,011	91,819
Total fund balance	53,260	760	2,843	12,659	10,176	26,354	106,052	101,860
Total liabilities and fund balance	\$ 53,464	\$ 766	\$ 2,848	\$ 12,659	\$ 10,260	\$ 35,155	\$ 115,152	\$ 110,009

See accompanying independent auditors' report

OTHER GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2019 with comparative totals for 2018

(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	2019	2018
REVENUES:								
Investment income	\$ 3,939	\$ 72	\$ 83	\$ 192	\$ 11	\$ 327	\$ 4,624	\$ 5,931
Departmental and other	218	-	531	-	1,581	1,887	4,217	7,059
Total revenues	\$ 4,157	\$ 72	\$ 614	\$ 192	\$ 1,592	\$ 2,214	\$ 8,841	\$ 12,990
EXPENDITURES:								
General government	2,438	23	1,393	-	574	1,676	6,104	6,500
Total expenditures	2,438	23	1,393	-	574	1,676	6,104	6,500
Net change in fund balances	1,719	49	(779)	192	1,018	538	2,737	\$ 6,490
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	1,719	49	(779)	1,647	1,018	538	4,192	7,945
Fund balance - beginning	51,541	711	3,622	11,012	9,158	25,816	101,860	93,915
Fund balance - ending	\$ 53,260	\$ 760	\$ 2,843	\$ 12,659	\$ 10,176	\$ 26,354	\$ 106,052	\$ 101,860

See accompanying independent auditors' report



INTERNAL SERVICE FUND

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, 2019 and 2018

(amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and Investments	\$ 102,341	\$ 89,380
Other assets	7,539	11,988
Total Assets	\$ 109,880	\$ 101,368
LIABILITIES:		
Accrued liabilities	\$ 27,576	\$ 19,975
Total liabilities	\$ 27,576	\$ 19,975
NET POSITION:		
Unrestricted	82,304	81,393
Total net position	\$ 82,304	\$ 81,393

See accompanying independent auditors' report

INTERNAL SERVICE FUND

Comparative Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
REVENUES:		
Employee contributions	\$ 83,972	\$ 68,905
Employer contributions	<u>198,178</u>	<u>172,640</u>
Total revenues	<u>282,150</u>	<u>241,545</u>
EXPENDITURES:		
Health benefits	<u>281,239</u>	<u>216,728</u>
Total expenditures	<u>281,239</u>	<u>216,728</u>
Change in net position	911	24,817
Net position - beginning	81,393	56,576
Net position - ending	<u><u>\$ 82,304</u></u>	<u><u>\$ 81,393</u></u>

See accompanying independent auditors' report

INTERNAL SERVICE FUND
Comparative Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer	\$ 286,599	\$ 241,545
Cash paid to vendors	(273,638)	(226,081)
Net cash provided by operating activities	<u>12,961</u>	<u>15,464</u>
Cash and cash equivalents, beginning of year	<u>89,380</u>	<u>73,916</u>
Cash and cash equivalents, end of year	<u><u>102,341</u></u>	<u><u>89,380</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 911	\$ 24,817
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Other assets	4,449	(5,447)
Accrued liabilities	7,601	(3,906)
Net cash provided by operating activities	<u><u>\$ 12,961</u></u>	<u><u>\$ 15,464</u></u>

See accompanying independent auditors' report



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FIDUCIARY FUNDS

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 a co-mingled investment fund and 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, 2018 (Pension) and June 30, 2019 (OPEB)

(Amounts in thousands)

	Pension Trust Fund	OPEB Trust Fund	Total
ASSETS:			
Cash and investments	\$ 6,404,605	\$ 618,650	\$ 7,023,255
Receivables:			
Interest and dividends	8,371	10	8,381
Securities sold	23,048	-	23,048
Employer contributions	17,189	-	17,189
Other	5,480	-	5,480
Total receivables	54,088	10	54,098
Prepaid expenses	1,415	-	1,415
Securities lending short-term collateral investment pool	149,987	-	149,987
Total Assets	\$ 6,610,095	\$ 618,660	\$ 7,228,755
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	\$ 17,069	\$ 195	\$ 17,264
Securities purchased	40,189	-	40,189
Collateral held on securities lending	149,883	-	149,883
Total liabilities	207,141	195	207,336
NET POSITION RESTRICTED FOR:			
Held in trust for pension and OPEB benefits and other purposes	\$ 6,402,954	\$ 618,465	\$ 7,021,419

See accompanying independent auditors' report

BOSTON RETIREMENT SYSTEM
Comparative Statements of Plan Net Position
Years Ended December 31, 2018 and 2017
(Amounts in thousands)

	Total Boston Retirement System	
	2018	2017
ASSETS:		
Cash and investments	\$ 6,404,605	\$ 6,653,714
Receivables:		
Interest and dividends	8,371	7,294
Securities sold	23,048	130,646
Employer contributions	17,189	16,709
Other	5,480	5,313
Total receivables	<u>54,088</u>	<u>159,962</u>
Prepaid expenses	1,415	28
Securities lending short-term collateral investment pool	149,987	173,640
Total Assets	<u>6,610,095</u>	<u>6,987,344</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 17,069	\$ 16,617
Securities purchased	40,189	30,714
Collateral held on securities lending	149,883	173,522
Total liabilities	<u>207,141</u>	<u>220,853</u>
NET POSITION RESTRICTED FOR:		
Held in trust for pension benefits	<u>\$ 6,402,954</u>	<u>\$ 6,766,491</u>

See accompanying independent auditors' report

OPEB TRUST FUND

Comparative Statements of Plan Net Position

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and investments	\$ 618,650	\$ 541,454
Interest and dividends receivable	10	-
Total Assets	<u>618,660</u>	<u>541,454</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 195	\$ 218
Total liabilities	<u>195</u>	<u>218</u>
NET POSITION RESTRICTED FOR:		
Held in trust for OPEB	<u><u>\$ 618,465</u></u>	<u><u>\$ 541,236</u></u>

See accompanying independent auditors' report

PRIVATE PURPOSE TRUST FUNDS

Combining Statements of Net Position

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ASSETS:		
Cash and investments	\$ 46,526	\$ 622
Receivables:		
Other	<u>34</u>	<u>1</u>
Total receivables	<u>34</u>	<u>1</u>
Other assets	<u>-</u>	<u>-</u>
Total Assets	<u>46,560</u>	<u>623</u>
LIABILITIES:		
Accounts payable	\$ 198	\$ 6
Accrued liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>198</u>	<u>6</u>
NET POSITION RESTRICTED FOR:		
Held in trust for other purposes	<u>\$ 46,362</u>	<u>\$ 617</u>

See accompanying independent auditors' report

		Total Private Purpose Trust			
		Funds			
Pool 5	Pool 7	2019	2018		
\$ 28,396	\$ 66,015	\$ 141,559	\$ 113,042		
18	1,124	1,177	99		
18	1,124	1,177	99		
30	-	30	-		
28,444	67,139	142,766	113,141		
\$ 412	\$ 1,376	\$ 1,992	\$ 2,176		
-	-	-	54		
412	1,376	1,992	2,230		
\$ 28,032	\$ 65,763	\$ 140,774	\$ 110,911		

See accompanying independent auditors' report

AGENCY FUND

Comparative Statement of Assets and Liabilities

June 30, 2019 and June 30, 2018

(Amounts in thousands)

	Law Enforcement Trust Fund	Student Activity Fund	Before and After School Fund	Total Agency Funds	
				2019	2018
ASSETS:					
Cash and investments	\$ 9,360	\$ 912	\$ 487	\$ 10,759	\$ 9,115
Total assets	<u>9,360</u>	<u>912</u>	<u>487</u>	<u>10,759</u>	<u>9,115</u>
LIABILITIES:					
Refunds payable and other	9,360	912	487	10,759	9,115
Total liabilities	<u>\$ 9,360</u>	<u>\$ 912</u>	<u>\$ 487</u>	<u>\$ 10,759</u>	<u>\$ 9,115</u>

See accompanying independent auditors' report

PENSION AND OPEB TRUST FUNDS**Combining Statement of Changes in Plan Net Position****Years Ended December 31, 2018 (Pension) and June 30, 2019 (OPEB)***(Amounts in thousands)*

	Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS:			
Contributions:			
Employers	\$ 295,189	\$ 180,670	\$ 475,859
Employees	166,826	-	166,826
Commonwealth of Massachusetts (nonemployer)	143,146	-	143,146
Net appreciation (depreciation) in fair value of investments	(407,939)	27,308	(380,631)
Interest and dividends	121,625	8,552	130,177
Management and related fees	(40,695)	(877)	(41,572)
Securities lending income	5,200	-	5,200
Borrower rebates and fees	(2,359)	-	(2,359)
Intergovernmental	7,702	-	7,702
Miscellaneous Income	3	-	3
Total additions	<u>288,698</u>	<u>215,653</u>	<u>504,351</u>
DEDUCTIONS:			
Benefits	608,027	138,420	746,447
Reimbursements to other systems	13,067	-	13,067
Refunds of contributions	21,592	-	21,592
Administration	9,549	4	9,553
Total deductions	<u>652,235</u>	<u>138,424</u>	<u>790,659</u>
Changes in net position	<u>(363,537)</u>	<u>77,229</u>	<u>(286,308)</u>
Net position - beginning of year	<u>6,766,491</u>	<u>541,236</u>	<u>7,307,727</u>
Net position - end of year	<u>\$ 6,402,954</u>	<u>\$ 618,465</u>	<u>\$ 7,021,419</u>

See accompanying independent auditors' report

BOSTON RETIREMENT SYSTEM

Comparative Statements of Changes in Plan Net Position

Years Ended December 31, 2018 and 2017

(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Contributions:		
Employers	\$ 295,189	\$ 260,165
Employees	166,826	154,955
Commonwealth of Massachusetts (nonemployer)	143,146	131,298
Net appreciation (depreciation) in fair value of investments	(407,939)	897,860
Interest and dividends	121,625	118,788
Management and related fees	(40,695)	(30,304)
Securities lending income	5,200	3,026
Borrower rebates and fees	(2,359)	(1,828)
Intergovernmental	7,702	8,961
Miscellaneous Income	3	213
Total additions	<u>288,698</u>	<u>1,543,134</u>
DEDUCTIONS:		
Benefits	608,027	587,307
Reimbursements to other systems	13,067	12,515
Refunds of contributions	21,592	20,439
Administration	9,549	7,465
Total deductions	<u>652,235</u>	<u>627,726</u>
Changes in net position	<u>(363,537)</u>	<u>915,408</u>
Net position - beginning of year	<u>6,766,491</u>	<u>5,851,083</u>
Net position - end of year	<u><u>\$ 6,402,954</u></u>	<u><u>\$ 6,766,491</u></u>

See accompanying independent auditors' report

OPEB TRUST FUND

Comparative Statements of Changes in Plan Net Position

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ADDITIONS:		
Contributions:		
Employers	\$ 180,670	\$ 164,591
Net appreciation in fair value of investments	27,308	23,133
Interest and dividends	8,552	6,332
Management and related fees	(877)	(728)
Total additions	<u>215,653</u>	<u>193,328</u>
DEDUCTIONS:		
Benefits	138,420	122,341
Administrative expenses and other	4	13
Total deductions	<u>138,424</u>	<u>122,354</u>
Changes in net position	<u>77,229</u>	<u>70,974</u>
Net position - beginning of year	<u>541,236</u>	<u>470,262</u>
Net position - end of year	<u><u>\$ 618,465</u></u>	<u><u>\$ 541,236</u></u>

See accompanying independent auditors' report

PRIVATE PURPOSE TRUST FUNDS

Combining Statements of Changes in Net Position

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ADDITIONS:		
Investment income	\$ 5,066	\$ -
Donations and other	19,033	51
Total additions	<u>24,099</u>	<u>51</u>
DEDUCTIONS:		
Administrative expenses and other	4,020	14
Total operating expenses	<u>4,020</u>	<u>14</u>
Net changes in net position	<u>20,079</u>	<u>37</u>
Net position - beginning of year	<u>26,283</u>	<u>580</u>
Net position - end of year	<u>\$ 46,362</u>	<u>\$ 617</u>

See accompanying independent auditors' report

		Total Private Purpose Trust	
		Funds	
Pool 5	Pool 7	2019	2018
\$ 210	\$ 7,704	\$ 12,980	\$ 5,627
2,906	27,370	49,360	20,937
3,116	35,074	62,340	26,564
3,166	25,277	32,477	25,909
3,166	25,277	32,477	25,909
(50)	9,797	29,863	655
28,082	55,966	110,911	110,256
\$ 28,032	\$ 65,763	\$ 140,774	\$ 110,911

See accompanying independent auditors' report

AGENCY FUND

Statement of Changes in Assets and Liabilities

Year ended June 30, 2019

(Amounts in thousands)

	Balance at June 30, 2018	Additions	Deductions	Balance at June 30, 2019
Assets:				
Cash and investments				
Law Enforcement Fund	\$ 9,115	\$ 2,418	\$ 2,173	\$ 9,360
Student Activity	-	1,442	530	912
Before and After School Fund	-	1,960	1,473	487
Total	\$ 9,115	\$ 5,820	\$ 4,176	\$ 10,759
Liabilities:				
Refunds payable and other				
Law Enforcement Fund	\$ 9,115	\$ 2,418	\$ 2,173	\$ 9,360
Student Activity	-	1,442	530	912
Before and After School Fund	-	1,960	1,473	487
Total	\$ 9,115	\$ 5,820	\$ 4,176	\$ 10,759

See accompanying independent auditors' report



DISCRETELY PRESENTED COMPONENT UNITS

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, 2019 with comparative totals for 2018

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Assets:		
Current assets:		
Cash and investments	\$ 37,200	\$ 42,015
Cash and investments held by trustee	-	-
Receivables, net:		
Other	21,518	9,017
Other assets	463	176
Due from primary government	4,712	-
Total current assets	<u>63,893</u>	<u>51,208</u>
Noncurrent assets:		
Cash and investments held by trustee	-	-
Notes and other receivables	44,332	117,907
Capital assets:		
Nondepreciable	11,793	5,988
Depreciable, net	13,590	15,902
Total noncurrent assets	<u>69,715</u>	<u>139,797</u>
Total assets	<u>133,608</u>	<u>191,005</u>
Deferred outflows of resources:		
Deferred amount for pension costs	40,824	5,156
Deferred amount for other postemployment benefits costs	6,995	1,887
Total deferred outflows of resources	<u>47,819</u>	<u>7,043</u>
Liabilities:		
Current liabilities		
Warrants and accounts payable	20,803	3,360
Accrued liabilities:		
Other	1,065	161
Current portion of long-term debt and obligations	1,930	-
Due to primary government	229	-
Unearned revenue	1,974	1,066
Total current liabilities	<u>26,001</u>	<u>4,587</u>
Noncurrent liabilities:		
Bonds notes and leases due in more than one year	3,548	1,475
Other noncurrent liabilities	1,575	133,047
OPEB liability	130,494	14,363
Unearned revenue	45,323	19,853
Net pension liability	146,140	19,083
Due to primary government	-	3,435
Total noncurrent liabilities	<u>327,080</u>	<u>191,256</u>
Total liabilities	<u>353,081</u>	<u>195,843</u>
Deferred inflows of resources:		
Deferred amount for pension costs	23,616	3,296
Deferred amount for other postemployment benefits costs	17,019	15,567
Total deferred inflows of resources	<u>40,635</u>	<u>18,863</u>
Net Position:		
Net investment in capital assets	19,905	18,874
Restricted for:		
Restricted	-	-
Unrestricted	(232,194)	(35,532)
Total net position	<u>\$ (212,289)</u>	<u>\$ (16,658)</u>

See accompanying independent auditors' report

Trustees of the Public Library of the City of Boston		Economic Development and Industrial Corporation of Boston		Total Discretely Presented Component Units			
				2019	2018		
\$	7,160	\$	22,845	\$	109,220	\$	83,544
	14,636		-		14,636		13,262
	2,709		6,146		39,390		47,093
	6		4,579		5,224		2,358
	-		-		4,712		2,413
	<u>24,511</u>		<u>33,570</u>		<u>173,182</u>		<u>148,670</u>
	63,043		-		63,043		61,926
	963		-		163,202		179,702
	-		4,022		21,803		29,419
	149		37,054		66,695		56,985
	<u>64,155</u>		<u>41,076</u>		<u>314,743</u>		<u>328,032</u>
	<u>88,666</u>		<u>74,646</u>		<u>487,925</u>		<u>476,702</u>
	-		-		45,980		16,789
	-		-		8,882		6,536
	-		-		<u>54,862</u>		<u>23,325</u>
	1,101		3,685		28,949		30,253
	1,509		1,612		4,347		3,386
	-		835		2,765		4,426
	319		-		548		1,509
	-		670		3,710		4,894
	<u>2,929</u>		<u>6,802</u>		<u>40,319</u>		<u>44,468</u>
	-		9,754		14,777		17,369
	-		1,167		135,789		147,078
	-		-		144,857		143,781
	-		-		65,176		65,475
	-		-		165,223		131,227
	-		-		3,435		5,725
	-		10,921		529,257		510,655
	<u>2,929</u>		<u>17,723</u>		<u>569,576</u>		<u>555,123</u>
	-		-		26,912		33,313
	-		-		32,586		20,055
	-		-		<u>59,498</u>		<u>53,368</u>
	149		30,487		69,415		66,598
	77,516		704		78,220		75,187
	8,072		25,732		(233,922)		(250,249)
\$	<u>85,737</u>	\$	<u>56,923</u>	\$	<u>(86,287)</u>	\$	<u>(108,464)</u>

See accompanying independent auditors' report

DISCRETELY PRESENTED COMPONENT UNITS

Combining Statements of Activities

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Expenses	\$ 181,325	\$ 26,437
Program revenues:		
Charges for services	42,284	11,316
Operating grants and contributions	41,884	11,266
Capital grants and contributions	1,575	-
Total program revenues	85,743	22,582
Net expenses	(95,582)	(3,855)
General revenues:		
Investment income	508	294
Sale of property	17	15,354
City appropriation	88,759	-
Miscellaneous income	546	-
Total general revenues	89,830	15,648
Changes in net position	(5,752)	11,793
Net position - beginning of year, restated	(206,537)	(28,451)
Net position - end of year	\$ (212,289)	\$ (16,658)

See accompanying independent auditors' report

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2019	2018
\$ 10,984	\$ 32,356	\$ 251,102	\$ 245,129
3,297	33,614	90,511	83,176
13,501	12,364	79,015	80,278
-	-	1,575	-
16,798	45,978	171,101	163,454
5,814	13,622	(80,001)	(81,675)
172	-	974	207
-	-	15,371	5,848
-	-	88,759	79,563
1,466	746	2,758	1,714
1,638	746	107,862	87,332
7,452	14,368	27,861	5,657
78,285	42,555	(114,148)	(114,121)
\$ 85,737	\$ 56,923	\$ (86,287)	\$ (108,464)

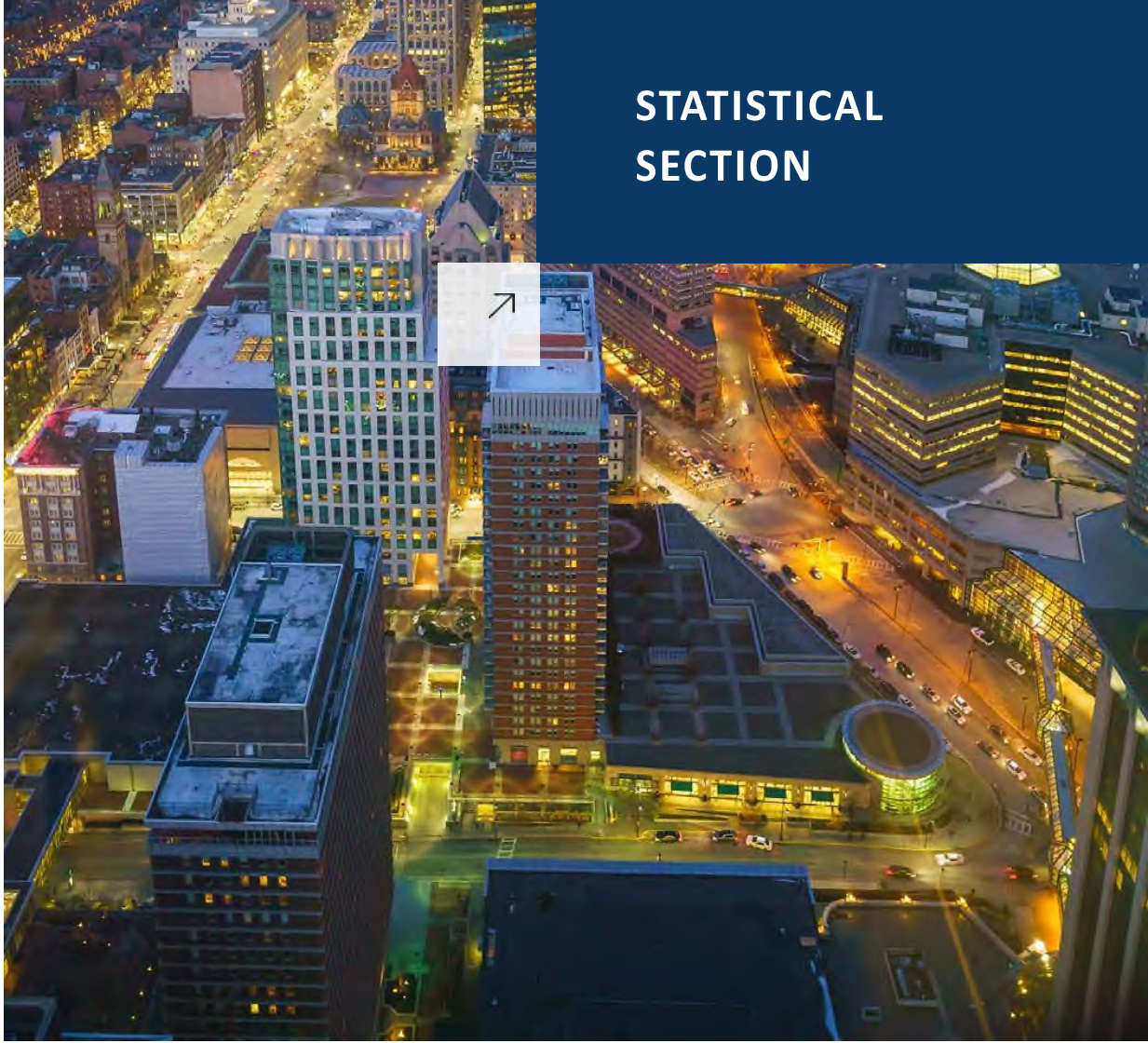
See accompanying independent auditors' report



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**STATISTICAL
SECTION**





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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.

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GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2019	2018	2017	2016	2015
General Government	\$ 112,998	\$ 90,076	\$ 85,855	\$ 80,684	\$ 58,242
% of Total	3.3	2.8	2.8	2.7	2.0
% Change	25.4	4.9	6.4	38.5	(43.3)
Public Safety	\$ 726,406	\$ 689,929	\$ 643,100	\$ 610,233	\$ 633,471
% of Total	21.1	21.1	20.6	20.6	22.2
% Change	5.3	7.3	5.4	(3.7)	13.4
Public Works	\$ 106,504	\$ 111,772	\$ 106,059	\$ 101,157	\$ 123,767
% of Total	3.1	3.4	3.4	3.4	4.3
% Change	(4.7)	5.4	4.8	(18.3)	9.3
Library	\$ 38,597	\$ 36,025	\$ 35,791	\$ 33,870	\$ 33,966
% of Total	1.1	1.1	1.1	1.1	1.2
% Change	7.1	0.7	5.7	(0.3)	-
Schools	\$ 1,118,332	\$ 1,087,192	\$ 1,048,987	\$ 1,016,412	\$ 960,228
% of Total	32.5	33.2	33.6	34.3	33.6
% Change	2.9	3.6	3.2	5.9	2.1
Retirement Costs	\$ 400,973	\$ 356,251	\$ 347,402	\$ 309,083	\$ 282,648
% of Total	11.6	10.9	11.1	10.4	9.9
% Change	12.6	2.5	12.4	9.4	10.6
Employee Benefits	\$ 264,832	\$ 261,377	\$ 247,965	\$ 236,661	\$ 230,089
% of Total	7.7	8.0	7.9	8.0	8.1
% Change	1.3	5.4	4.8	2.9	(1.8)
State & District Assessments	\$ 283,360	\$ 267,205	\$ 244,320	\$ 234,450	\$ 215,538
% of Total	8.2	8.2	7.8	7.9	7.5
% Change	6.0	9.4	4.2	8.8	8.9
Property & Development	\$ 41,483	\$ 39,022	\$ 42,460	\$ 33,870	\$ 35,594
% of Total	1.2	1.2	1.4	1.1	1.2
% Change	6.3	(8.1)	25.4	(4.8)	6.6
Other	\$ 350,195	\$ 335,108	\$ 317,804	\$ 311,077	\$ 282,621
% of Total	10.2	10.2	10.2	10.5	9.9
% Change	4.5	5.4	2.2	10.1	2.7
Total Expenditures	\$ 3,443,680	\$ 3,273,957	\$ 3,119,743	\$ 2,967,497	\$ 2,856,164
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	5.2	4.9	5.1	3.9	4.0

*General fund only

See accompanying independent auditors' report

Fiscal Year						FUNCTION
2014	2013	2012	2011	2010		
\$ 102,786	\$ 77,515	\$ 68,828	\$ 65,459	\$ 70,514		General Government
3.7	3.0	2.8	2.7	2.9		% of Total
32.6	12.6	5.1	(7.2)	1.4		% Change
\$ 558,802	\$ 553,851	\$ 524,476	\$ 516,725	\$ 511,365		Public Safety
20.4	21.4	21.3	21.0	21.2		% of Total
0.9	5.6	1.5	1.0	(2.0)		% Change
\$ 113,239	\$ 102,789	\$ 84,727	\$ 105,318	\$ 96,641		Public Works
4.1	4.0	3.4	4.3	4.0		% of Total
10.2	21.3	(19.6)	9.0	(13.8)		% Change
\$ 33,978	\$ 30,888	\$ 30,069	\$ 30,532	\$ 29,853		Library
1.2	1.2	1.2	1.2	1.2		% of Total
10.0	2.7	(1.5)	2.3	(4.5)		% Change
\$ 940,276	\$ 879,898	\$ 830,839	\$ 812,949	\$ 815,694		Schools
34.2	34.0	33.8	33.0	33.8		% of Total
6.9	5.9	2.2	(0.3)	(0.3)		% Change
\$ 255,647	\$ 235,078	\$ 220,340	\$ 195,976	\$ 235,282		Retirement Costs
9.3	9.1	9.0	8.0	9.7		% of Total
8.7	6.7	12.4	(16.7)	185.8		% Change
\$ 234,400	\$ 232,831	\$ 251,194	\$ 294,200	\$ 224,156		Employee Benefits
8.5	9.0	10.2	12.0	9.3		% of Total
0.7	(7.3)	(14.6)	31.2	17.0		% Change
\$ 197,939	\$ 176,300	\$ 160,547	\$ 152,042	\$ 146,323		State & District Assessments
7.2	6.8	6.5	6.2	6.1		% of Total
12.3	9.8	5.6	3.9	3.0		% Change
\$ 33,376	\$ 32,568	\$ 30,089	\$ 35,138	\$ 30,247		Property & Development
1.2	1.3	1.2	1.4	1.3		% of Total
2.5	8.2	(14.4)	16.2	4.4		% Change
\$ 275,250	\$ 262,653	\$ 267,743	\$ 251,514	\$ 256,727		Other
10.0	10.2	10.9	10.2	10.6		% of Total
4.8	(1.9)	6.5	(2.0)	3.9		% Change
\$ 2,745,693	\$ 2,584,371	\$ 2,468,852	\$ 2,459,853	\$ 2,416,802		Total Expenditures
100.0	100.0	100.0	100.0	100.0		% of Total
6.2	5.0	0.4	1.8	7.6		% Change

See accompanying independent auditors' report

GENERAL GOVERNMENT REVENUES BY SOURCE

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2019	2018	2017	2016	2015
Property Taxes	\$ 2,344,686	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259
% of Total	66.1	65.9	65.7	64.4	64.0
% Change	5.5	6.8	5.7	5.4	5.6
Motor Vehicle Excises	\$ 66,026	\$ 52,040	\$ 52,061	\$ 67,686	\$ 52,922
% of Total	1.9	1.5	1.6	2.2	1.8
% Change	26.9	-	(23.1)	27.9	(0.1)
Other Excises	\$ 190,203	\$ 191,541	\$ 160,736	\$ 168,577	\$ 176,040
% of Total	5.4	5.7	5.1	5.5	6.0
% Change	(0.70)	19.2	(4.7)	(4.2)	3.5
Departmental & Other	\$ 97,442	\$ 98,287	\$ 87,985	\$ 86,791	\$ 86,392
% of Total	2.7	2.9	2.8	2.8	3.0
% Change	(0.9)	11.7	1.4	0.5	2.4
State Distributions	\$ 577,458	\$ 570,753	\$ 554,661	\$ 543,683	\$ 523,256
% of Total	16.3	16.9	17.5	17.8	17.9
% Change	1.2	2.9	2.0	3.9	2.8
Payment in Lieu of Taxes	\$ 87,018	\$ 84,940	\$ 80,501	\$ 90,215	\$ 79,232
% of Total	2.5	2.5	2.5	3.0	2.7
% Change	2.4	5.5	(10.8)	13.9	8.1
Fines	\$ 73,792	\$ 63,206	\$ 63,046	\$ 60,953	\$ 60,116
% of Total	2.1	1.9	2.0	2.0	2.1
% Change	16.7	0.3	3.4	1.4	0.3
Investment Income	\$ 30,408	\$ 15,390	\$ 2,329	\$ 184	\$ 61
% of Total	0.9	0.5	0.1	-	-
% Change	97.6	560.8	1,165.8	201.6	7.0
Licenses & Permits	\$ 82,658	\$ 74,144	\$ 84,470	\$ 70,005	\$ 71,205
% of Total	2.3	2.2	2.7	2.3	2.4
% Change	11.5	(12.2)	20.7	(1.7)	14.4
Total Revenues	\$ 3,549,691	\$ 3,372,178	\$ 3,165,482	\$ 3,055,781	\$ 2,916,483
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	5.3	6.5	3.6	4.8	4.9

*General fund only

See accompanying independent auditors' report

Fiscal Year						SOURCE
2014	2013	2012	2011	2010		
\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605		Property Taxes
63.6	63.0	63.1	66.7	65.5		% of Total
5.4	5.4	4.3	4.0	5.3		% Change
\$ 52,972	\$ 47,105	\$ 40,507	\$ 46,977	\$ 40,134		Motor Vehicle Excises
1.9	1.8	1.6	2.1	1.8		% of Total
12.5	16.3	(13.8)	17.1	7.4		% Change
\$ 170,161	\$ 174,149	\$ 147,065	\$ 77,237	\$ 80,986		Other Excises
6.1	6.5	5.8	3.4	3.6		% of Total
(2.3)	18.4	90.4	(4.6)	3.7		% Change
\$ 84,385	\$ 87,585	\$ 78,438	\$ 65,498	\$ 74,861		Departmental & Other
3.0	3.3	3.1	2.9	3.3		% of Total
(3.7)	11.7	19.8	(12.5)	(8.8)		% Change
\$ 509,199	\$ 504,656	\$ 486,379	\$ 395,374	\$ 404,619		State Distributions
18.3	18.9	19.3	17.3	18.0		% of Total
0.9	3.8	23.0	(2.3)	(10.9)		% Change
\$ 73,324	\$ 72,335	\$ 63,066	\$ 65,461	\$ 67,265		Payment in Lieu of Taxes
2.6	2.7	2.5	2.9	3.0		% of Total
1.4	14.7	(3.7)	(2.7)	18.7		% Change
\$ 59,922	\$ 58,835	\$ 64,566	\$ 64,751	\$ 70,627		Fines
2.2	2.2	2.6	2.8	3.1		% of Total
1.8	(8.9)	(0.3)	(8.3)	1.3		% Change
\$ 57	\$ 179	\$ 982	\$ 4,733	\$ 3,246		Investment Income
-	-	-	0.2	0.1		% of Total
(68.2)	(81.8)	(79.3)	45.8	(82.3)		% Change
\$ 62,257	\$ 47,220	\$ 48,753	\$ 41,676	\$ 32,907		Licenses & Permits
2.2	1.8	1.9	1.8	1.5		% of Total
31.8	(3.1)	17.0	26.6	(19.4)		% Change
\$ 2,780,060	\$ 2,669,645	\$ 2,521,754	\$ 2,288,068	\$ 2,242,250		Total Revenues
100.0	100.2	100.0	100.0	100.0		% of Total
4.1	5.9	10.2	2.0	0.5		% Change

See accompanying independent auditors' report

NET POSITION BY COMPONENT

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental activities:					
Net investment in capital assets	\$ 802,391	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985
Restricted	98,106	75,098	52,746	53,200	51,446
Unrestricted	(2,675,142)	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)
Total governmental activities net position	\$ (1,774,645)	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 802,391	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985
Restricted	98,106	75,098	52,746	53,200	51,446
Unrestricted	(2,675,142)	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)
Total primary government net position	\$ (1,774,645)	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)

See accompanying independent auditors' report

Fiscal Year					
2014	2013	2012	2011	2010	
\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	
62,701	75,878	127,843	156,989	234,339	
82,638	74,097	(46,024)	(108,780)	(69,124)	
\$ 603,128	\$ 600,297	\$ 524,597	\$ 450,855	\$ 592,312	
\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	14,832	14,901	
-	-	-	-	(52,069)	
\$ -	\$ -	\$ -	\$ 14,832	\$ (37,168)	
\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	
62,701	75,878	127,843	171,821	249,240	
82,638	74,097	(46,024)	(108,780)	(121,193)	
\$ 603,128	\$ 600,297	\$ 524,597	\$ 465,687	\$ 555,144	

See accompanying independent auditors' report

CHANGES IN NET POSITION
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

EXPENSES:	Fiscal Year			
	2019	2018	2017	2016
Governmental activities:				
General government	\$ 175,161	\$ 156,670	\$ 128,465	\$ 128,288
Human services	57,359	58,494	49,974	52,056
Public safety	1,113,749	1,048,825	962,654	941,313
Public works	160,918	163,337	130,182	139,816
Property and development	146,886	137,296	168,276	118,582
Parks and recreation	48,804	48,861	41,236	39,769
Library	55,944	55,626	51,397	49,959
Schools	2,026,241	1,931,452	1,833,105	1,803,331
Public health programs	91,468	86,228	81,859	96,083
Interest on long-term debt	39,562	44,263	42,321	40,995
Total governmental activities expenses	<u>3,916,092</u>	<u>3,731,052</u>	<u>3,489,469</u>	<u>3,410,192</u>
Business-type activities:				
Convention Center	-	-	-	-
Hospital	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>\$ 3,916,092</u>	<u>\$ 3,731,052</u>	<u>\$ 3,489,469</u>	<u>\$ 3,410,192</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety	158,455	139,793	147,471	133,656
Public works	28,609	31,120	28,268	24,269
Schools	11,385	4,275	5,163	10,540
Other	37,547	46,350	36,647	34,730
Operating grants and contributions	822,932	788,666	760,230	746,277
Capital grants and contributions	36,224	64,548	52,348	39,381
Total governmental activities program revenues	<u>1,095,152</u>	<u>1,074,752</u>	<u>1,030,127</u>	<u>988,853</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>\$ 1,095,152</u>	<u>\$ 1,074,752</u>	<u>\$ 1,030,127</u>	<u>\$ 988,853</u>

See accompanying independent auditors' report

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 103,923	\$ 161,913	\$ 127,882	\$ 108,499	\$ 80,968	\$ 106,435	
49,884	49,291	50,690	48,103	49,974	52,310	
941,531	821,196	826,700	817,768	875,111	930,779	
178,569	157,491	132,506	110,187	133,830	131,883	
134,506	118,816	114,673	114,753	117,871	118,456	
35,890	32,297	32,242	34,651	31,956	31,204	
48,931	52,192	51,875	44,526	47,320	50,050	
1,620,851	1,554,563	1,455,300	1,369,047	1,317,108	1,314,601	
83,276	69,896	69,978	73,975	70,619	71,453	
49,300	48,188	41,900	39,798	40,329	39,832	
<u>3,246,661</u>	<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>	
-	-	-	-	1,516	13,751	
-	-	-	2,523	3,336	3,635	
-	-	-	2,523	4,852	17,386	
<u>\$ 3,246,661</u>	<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>	
138,066	139,431	129,602	134,384	89,485	85,305	
23,975	19,165	17,716	19,515	12,029	12,190	
6,623	2,832	9,130	7,839	9,451	20,318	
40,718	41,811	49,490	48,522	33,410	39,236	
670,640	583,480	549,596	574,653	501,441	547,812	
53,099	11,972	37,256	35,337	33,338	12,555	
<u>933,121</u>	<u>798,691</u>	<u>792,790</u>	<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	
-	-	-	-	1,172	5,567	
-	-	-	-	1,172	5,567	
<u>\$ 933,121</u>	<u>\$ 798,691</u>	<u>\$ 792,790</u>	<u>\$ 820,250</u>	<u>\$ 680,326</u>	<u>\$ 722,983</u>	

See accompanying independent auditors' report

CHANGES IN NET POSITION (CONTINUED)

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year		
	2019	2018	2017
NET EXPENSE:			
Governmental activities	\$ (2,820,940)	\$ (2,656,300)	\$ (2,459,342)
Business-type activities	-	-	-
Total primary government net expense	<u>\$ (2,820,940)</u>	<u>\$ (2,656,300)</u>	<u>\$ (2,459,342)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes	2,338,507	2,219,700	2,087,659
Excises	264,703	239,005	213,198
Payment in lieu of taxes	87,018	84,940	80,501
Grants and contributions not restricted	208,839	214,106	201,013
Investment income	46,405	31,417	19,588
Miscellaneous	3,011	2,121	3,738
Special items	57,000	-	-
Transfers	-	-	-
Loss on disposal of capital assets	-	-	-
Total governmental activities	<u>3,005,483</u>	<u>2,791,289</u>	<u>2,605,697</u>
Business-type activities:			
Taxes:			
Excises	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Special items	-	-	-
Transfers	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,005,483</u>	<u>\$ 2,791,289</u>	<u>\$ 2,605,697</u>
CHANGES IN NET POSITION:			
Governmental activities	\$ 184,543	\$ 134,989	\$ 146,355
Business-type activities	-	-	-
Total primary government	<u>\$ 184,543</u>	<u>\$ 134,989</u>	<u>\$ 146,355</u>

See accompanying independent auditors' report

							Fiscal Year						
2016		2015		2014		2013		2012		2011		2010	
\$	(2,421,339)	\$	(2,313,540)	\$	(2,267,152)	\$	(2,110,956)	\$	(1,941,057)	\$	(2,085,932)	\$	(2,129,587)
	-		-		-		-		(2,523)		(3,680)		(11,819)
<u>\$</u>	<u>(2,421,339)</u>	<u>\$</u>	<u>(2,313,540)</u>	<u>\$</u>	<u>(2,267,152)</u>	<u>\$</u>	<u>(2,110,956)</u>	<u>\$</u>	<u>(1,943,580)</u>	<u>\$</u>	<u>(2,089,612)</u>	<u>\$</u>	<u>(2,141,406)</u>
	1,967,021		1,866,277		1,771,166		1,684,908		1,586,988		1,525,494		1,468,340
	224,052		236,208		220,761		221,937		191,301		122,399		123,121
	90,215		79,232		73,324		72,335		63,066		65,461		67,265
	199,835		191,172		199,007		185,827		188,895		187,322		171,174
	15,753		15,404		16,713		14,732		10,887		21,724		17,221
	6,058		2,983		4,012		7,820		7,084		23,195		21,901
	-		-		-		-		11,450		-		-
	-		-		-		-		(44,872)		(1,120)		30,000
	-		-		-		(903)		-		-		-
	2,502,934		2,391,276		2,284,983		2,186,656		2,014,799		1,944,475		1,899,022
	-		-		-		-		-		58,508		43,887
	-		-		-		-		2,688		3,561		3,567
	-		-		-		-		(257)		(7,509)		-
	-		-		-		-		(59,612)		-		-
	-		-		-		-		44,872		1,120		(30,000)
	-		-		-		-		(12,309)		55,680		17,454
<u>\$</u>	<u>2,502,934</u>	<u>\$</u>	<u>2,391,276</u>	<u>\$</u>	<u>2,284,983</u>	<u>\$</u>	<u>2,186,656</u>	<u>\$</u>	<u>2,002,490</u>	<u>\$</u>	<u>2,000,155</u>	<u>\$</u>	<u>1,916,476</u>
\$	81,595	\$	77,736	\$	17,831	\$	75,700	\$	73,742	\$	(141,457)	\$	(230,565)
	-		-		-		-		(14,832)		52,000		5,635
<u>\$</u>	<u>81,595</u>	<u>\$</u>	<u>77,736</u>	<u>\$</u>	<u>17,831</u>	<u>\$</u>	<u>75,700</u>	<u>\$</u>	<u>58,910</u>	<u>\$</u>	<u>(89,457)</u>	<u>\$</u>	<u>(224,930)</u>

See accompanying independent auditors' report

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2019	2018	2017	2016
General Fund				
Assigned	\$ 392,000	\$ 300,652	\$ 283,208	\$ 266,222
Unassigned	794,610	781,402	702,080	682,781
Total general fund	\$ 1,186,610	\$ 1,082,054	\$ 985,288	\$ 949,003
All other Governmental Funds				
Nonspendable	\$ 10,041	\$ 10,041	\$ 10,041	\$ 4,974
Restricted	434,893	322,950	240,172	204,810
Assigned	196,634	199,537	220,359	203,134
Total all other governmental funds	\$ 641,568	\$ 532,528	\$ 470,572	\$ 412,918

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

See accompanying independent auditors' report

Fiscal Year																						
2015	2014	2013	2012	2011																		
\$ 228,236	\$ 251,353	\$ 218,292	\$ 177,942	\$ 141,891																		
633,936	532,955	533,104	511,765	511,040																		
\$ 862,172	\$ 784,308	\$ 751,396	\$ 689,707	\$ 652,931																		
\$ 4,974	\$ 4,974	\$ 34,307	\$ 4,974	\$ 4,974																		
194,044	199,703	137,727	177,685	195,333																		
161,742	154,667	132,889	98,557	80,975																		
\$ 360,760	\$ 359,344	\$ 304,923	\$ 281,216	\$ 281,282																		
<table border="1" style="margin-left: auto;"> <thead> <tr> <th style="text-align: center;">2010</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 36,808</td> </tr> <tr> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">123,103</td> </tr> <tr> <td style="text-align: right;">547,282</td> </tr> <tr> <td style="text-align: right;">\$ 707,193</td> </tr> <tr> <td colspan="5" style="text-align: right;"> </td> </tr> <tr> <td style="text-align: right;">\$ 136,138</td> </tr> <tr> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">24,108</td> </tr> <tr> <td style="text-align: right;">123,714</td> </tr> <tr> <td style="text-align: right;">(65,024)</td> </tr> <tr> <td style="text-align: right;">37,098</td> </tr> <tr> <td style="text-align: right;">\$ 256,034</td> </tr> </tbody> </table>					2010	\$ 36,808	-	123,103	547,282	\$ 707,193	 					\$ 136,138	-	24,108	123,714	(65,024)	37,098	\$ 256,034
2010																						
\$ 36,808																						
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(65,024)																						
37,098																						
\$ 256,034																						

See accompanying independent auditors' report

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years*

(Amounts in thousands)

	Fiscal Year			
	2019	2018	2017	2016
REVENUES:				
Real and personal property taxes	\$ 2,344,686	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687
Excises	256,229	243,581	212,797	236,263
Payments in lieu of taxes	87,018	84,940	80,501	90,215
Fines	73,792	63,206	63,046	65,223
Investment Income	30,408	15,390	2,329	1,713
Licenses and permits	82,658	74,144	84,470	70,191
Departmental and other	97,442	98,287	87,985	134,701
Intergovernmental	577,458	570,753	554,661	827,100
Total revenues	3,549,691	3,372,178	3,165,482	3,393,093
EXPENDITURES:				
General government	112,998	90,076	85,855	92,429
Human services	34,208	35,023	31,422	40,482
Public safety	726,406	689,929	643,100	640,599
Public works	106,504	111,772	106,059	116,787
Property and development	41,483	39,022	42,460	102,751
Parks and recreation	26,890	25,285	23,447	23,378
Library	38,597	36,025	35,791	36,641
Schools	1,118,332	1,087,193	1,048,987	1,143,249
Public health programs	87,487	81,129	77,754	80,525
Judgments and claims	1,202	7,693	3,766	1,100
Retirement costs	400,973	356,251	347,402	309,083
Other employee benefits	264,832	261,377	247,965	236,661
State and district assessments	283,360	267,205	244,320	234,450
Capital outlays	17,683	9,738	10,283	234,126
Debt service:				
Principal	126,469	122,041	117,527	109,825
Interest	56,256	54,199	53,604	54,883
Total Expenditures	3,443,680	3,273,957	3,119,742	3,456,969
Deficiency of revenues under expenditures	106,011	98,221	45,740	(63,876)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued	-	-	-	181,193
Issuance of refunding bonds	-	-	-	8,100
Payments to refunded bonds escrow agent	-	-	-	(9,487)
Premiums on long-term debt issued	-	-	-	23,059
Transfers, net	(1,455)	(1,455)	(9,455)	-
Total other financing sources (uses)	(1,455)	(1,455)	(9,455)	202,865
Net change in fund balances	\$ 104,556	\$ 96,766	\$ 36,285	\$ 138,989
Debt Service as a percentage of noncapital expenditures	5.70%	6.12%	5.94%	5.12%

*General fund only

See accompanying independent auditors' report

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 1,867,259	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	
228,962	223,133	221,254	187,572	124,214	121,120	
79,232	73,324	72,335	63,066	65,461	67,265	
60,116	59,952	58,852	64,593	64,772	70,649	
2,312	6,508	5,523	4,137	11,956	8,907	
71,291	62,325	47,290	48,838	41,750	32,907	
139,321	137,366	131,632	123,042	103,003	91,468	
829,582	804,289	749,369	772,491	707,754	742,464	
3,278,075	3,134,680	2,963,836	2,855,737	2,645,271	2,602,385	
67,461	113,743	95,199	85,951	78,573	78,148	
39,578	39,205	37,621	35,406	36,008	38,014	
665,655	596,239	588,771	552,785	526,332	523,515	
142,223	127,703	114,731	90,214	109,635	105,123	
111,513	107,771	106,423	109,707	111,607	117,394	
21,574	20,937	21,407	22,795	19,766	17,534	
36,518	36,026	33,447	31,799	33,556	33,431	
1,087,896	1,091,899	1,035,828	1,004,168	974,832	962,703	
74,821	68,697	69,105	73,736	70,380	71,214	
3,678	-	-	-	-	69,040	
282,648	9,493	3,010	3,871	811	10,181	
230,089	255,647	235,078	220,340	195,976	235,282	
215,538	234,400	235,002	251,194	294,200	224,156	
247,474	197,939	176,300	160,547	152,042	146,323	
248,864	248,864	241,547	188,377	140,405	126,668	
111,381	110,948	107,189	99,435	91,690	91,784	
46,890	42,967	39,495	38,784	42,092	41,300	
3,384,937	3,302,478	3,140,153	2,969,109	2,877,905	2,891,810	
(106,862)	(167,798)	(176,317)	(113,372)	(232,634)	(289,425)	
170,190	178,444	235,136	146,835	156,109	144,492	
126,735	-	37,080	110,100	52,720	68,345	
(147,658)	-	(35,975)	(95,876)	(15,490)	(73,640)	
36,875	17,172	25,482	33,885	11,401	7,634	
-	-	-	(44,872)	(1,120)	30,000	
186,142	195,616	261,723	150,072	203,620	176,831	
\$ 79,280	\$ 27,818	\$ 85,406	\$ 36,700	\$ (29,014)	\$ (112,594)	
5.03%	5.05%	5.06%	4.80%	4.80%	4.83%	

See accompanying independent auditors' 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		
2019	\$ 107,628,598	\$ 49,035,301	\$ 1,206,341	\$ 6,643,880	\$ 164,514,120	15.52
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

⁽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.

^(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

See accompanying independent auditors' report

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS ^{(1) (2)}

Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct ⁽³⁾
2019	Residential	\$ 10.54	\$ 10.54	0.6 %	\$ 15.52
	C.I.P.	25.00	25.00	(0.8) %	
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 %	

⁽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

See accompanying independent auditors' report

LARGEST PRINCIPAL TAXPAYERS ^{(1) (2)}

Current and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Boston Properties	\$4,107,890,420	1	2.50%	\$1,316,223,930	3	1.71%
Eversource	2,511,071,400	2	1.53%	1,625,062,601	2	-
Oxford Properties	1,876,111,350	3	1.14%			1.73%
Tishman Speyer Properties	1,420,204,000	4	0.86%	969,641,740	4	-
Teacher's Insurance and Annuity Association	1,353,685,000	5	0.82%	622,803,500	8	1.20%
Fort Hill Associates	1,154,332,500	6	0.70%	749,879,670	5	-
MetLife Real Estate Investments	1,090,242,050	7	0.66%			0.92%
Rockpoint	1,010,561,000	8	0.61%			0.58%
Morgan Stanley	862,569,310	9	0.52%			-
John Hancock Financial	936,437,250	10	0.57%	484,009,400	9	0.55%
Senior Housing Properties Trust	818,997,500	11	0.50%			-
National Grid	756,152,000	12	0.46%	389,510,150	14	0.45%
Synergy Investments						-
Blackstone Group Equity Office				2,819,116,550	1	3.23%
Brookfield Properties Corporation				723,963,720	6	0.83%
Broadway Real Estate Partners				681,009,700	7	0.78%
Beacon Properties						
Dewey Square Tower Associates				426,285,360	13	0.49%
Fortis Property Group				431,448,090	12	0.49%
One Hundred Federal Street, LPS				467,651,690	10	0.54%
UIDC of Massachusetts, Inc				462,349,550	11	0.53%
	<u>\$17,898,253,780</u>		<u>10.88%</u>	<u>\$12,168,955,651</u>		<u>14.03%</u>

- (1) The Largest Taxpayers table includes entities with a fiscal year 2019 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

See accompanying independent auditors' report

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, 2019		
	Gross ⁽¹⁾	Net	% Net Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	Net % Levy
2019	\$ 2,364.7	\$ 2,331.4	98.6%	\$ 2,362.2	99.9%	101.3%	\$ 2,347.7	99.3%	100.7%
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%

⁽¹⁾ Includes omitted assessments billed in June of each fiscal year and subsequently reduced through residential exemption.

Source: City of Boston Treasury Department

See accompanying independent auditors' report

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
2019	\$ 1,491,091	\$ 65,822	\$ 64,096	\$ -	\$ -
2018	1,457,450	67,398	69,626	-	-
2017	1,416,971	74,266	69,465	-	-
2016	1,395,367	76,619	62,266	-	-
2015	1,339,367	63,361	56,425	-	-
2014	1,296,153	75,680	45,887	-	-
2013	1,233,215	76,587	39,365	-	-
2012	1,139,800	40,382	32,566	-	-
2011	1,069,125	36,602	28,123	-	73,080
2010	944,248	40,285	35,504	93,305	80,605

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 146 for the City's total personal income data.

⁽³⁾ See page 146 for the City's population data.

See accompanying independent auditors' report

	Total Primary Government	% of Total Personal Income (2)	Per Capita (3)
\$	1,621,009	5.37%	2,329.28
	1,594,474	5.28%	2,291.15
	1,560,702	5.41%	2,285.02
	1,534,252	5.55%	2,280.26
	1,459,153	5.55%	2,179.57
	1,417,720	5.72%	2,160.99
	1,349,167	5.80%	2,092.67
	1,212,748	5.50%	1,902.30
	1,206,930	5.55%	1,931.18
	1,193,947	5.33%	1,921.43

See accompanying independent auditors' report

RATIOS OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Calendar Year	General Bonded Debt Outstanding	Assessed Value ⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ⁽²⁾
2019	\$ 1,491,091	\$ 164,514,120	0.9%	\$ 2,142.60
2018	1,457,450	153,925,958	0.9%	2,094.26
2017	1,416,971	143,941,947	1.0%	2,074.58
2016	1,395,367	128,047,081	1.1%	2,073.85
2015	1,339,367	110,736,862	1.2%	2,000.64
2014	1,296,153	99,832,813	1.3%	1,975.69
2013	1,233,215	92,199,271	1.3%	1,912.82
2012	1,139,800	88,500,410	1.3%	1,787.88
2011	1,069,125	86,800,581	1.2%	1,710.68
2010	944,248	87,256,531	1.1%	1,519.59

⁽¹⁾ See page 136 for the City's total assessed value of property.

⁽²⁾ See page 146 for the City's population data.

See accompanying independent auditors' report



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LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Amounts in thousands)

	2019	2018	2017	2016	2015
Debt limit	\$ 8,989,652	\$ 7,178,810	\$ 7,178,810	\$ 5,540,530	\$ 5,540,530
Total net debt applicable to limit	2,311,238	2,122,823	1,913,350	1,809,054	1,388,019
Legal debt margin	\$ 6,678,414	\$ 5,055,987	\$ 5,265,460	\$ 3,731,476	\$ 4,152,511
Total net debt applicable to the limit as a percentage of debt limit	25.71%	29.57%	26.65%	32.65%	25.05%

Legal Debt margin Calculation for Fiscal Year 2018

Equalized valuation as of January 31, 2018 ⁽¹⁾	\$ 143,576,210
Maximum debt limits as of July 1, 2019 ⁽²⁾	7,178,810
Less: Debt outstanding June 30, 2018	(1,225,942)
Less: Debt authorized but unissued as of June 30, 2018	(896,881)
Debt incurring capacity as of June 30, 2018	5,055,987
Add: Debt redeemed during fiscal year 2019	106,919
Less: City Council Authorizations during fiscal year 2019 ⁽³⁾	(293,700)
less: Debt adjustments approved through June 30, 2019	(1,634)
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2019	1,810,842
Add: Premium per Issuance through June 30, 2019	25,688
Add: Refunded amounts	-
Debt incurring capacity as of June 30, 2019	\$ 6,704,102

⁽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, 2018 and City Council authorizations during fiscal year 2019 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

Source: City of Boston Office of Budget Management

See accompanying independent auditors' report

	2014	2013	2012	2011	2010
\$	5,156,374	\$ 5,156,374	\$ 5,301,711	\$ 5,301,711	\$ 5,293,826
	1,590,189	1,705,035	1,399,004	1,345,702	1,257,207
\$	<u>3,566,185</u>	<u>\$ 3,451,339</u>	<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>
	30.84%	33.07%	26.39%	25.38%	23.75%

See accompanying independent auditors' report

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⁾
2019	N/A	N/A	N/A	N/A
2018	695,926	\$ 30,180,223	\$ 43,367	3.00%
2017	683,015	28,847,822	42,236	3.40%
2016	672,840	27,625,465	40,237	3.40%
2015	669,469	26,273,980	39,246	4.40%
2014	656,051	24,804,632	36,395	5.30%
2013	644,710	23,245,664	34,139	6.10%
2012	637,516	22,034,466	32,413	6.00%
2011	624,969	21,741,422	31,934	6.60%
2010	621,383	22,412,663	31,982	7.60%

N/A = Information not available for this fiscal year

⁽¹⁾ Source: U.S. Census Bureau, 2008-2018 1 year American Community Survey estimates; BPDA Research Division Analysis.

⁽²⁾ Source: U.S. Census Bureau, 2008-2018 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.

See accompanying independent auditors' report

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Massachusetts General Hospital	16,648	1	2.00%	16,146	1	2.52%
Brigham and Women's Hospital	12,252	2	1.50%	11,225	2	1.75%
Boston University	10,182	3	1.30%	3,832	9	0.60%
Children's Hospital, Boston	9,057	4	1.10%	9,087	4	1.42%
Beth Israel Deaconess Medical Ctr	7,887	5	1.00%	-		0
State Street Bank & Trust Co. ⁽¹⁾	7,500	6	0.90%	10,861	3	1.69%
Boston Medical Center	5,806	7	0.70%	4,000	8	0.62%
Northeastern University ⁽³⁾	5,768	8	0.70%	-		0
Harvard University Graduate Schools ⁽¹⁾	5,680	9	0.70%	4,417	7	0.69%
Wayfair	5,500	10	0.70%	8,000	5	1.25%
New England Medical Center	-		-	5,508	6	0.86%
Harvard University	-		-	3,654	10	0.57%
Total	86,280		10.60%	76,730		11.97%
Total Boston Employment ⁽²⁾	812,153					

⁽¹⁾ Employment numbers for these employers are current as of 2017. This is the most recent data available.

⁽²⁾ Boston's total payroll and non-payroll employment as of 2017. A 2018 number is not available until 2018 Bureau of Economic Analysis (BEA) data is released in November.

⁽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.

See accompanying independent auditors' report

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT ⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
CITY-FUNDED:					
Public safety ⁽²⁾	4,476	4,442	4,501	4,456	4,529
Public works	357	362	373	377	394
Other city departments ⁽³⁾	2,708	2,730	2,688	2,650	2,678
Boston Public Health Commission ⁽⁴⁾	832	845	827	777	770
Schools	9,249	9,005	8,782	8,746	8,789
Total city-funded	17,622	17,384	17,171	17,006	17,160
GRANT-FUNDED:					
Schools	636	595	610	656	601
All others ⁽⁵⁾	270	358	385	370	282
Total grant-funded	906	953	995	1,026	883
Total employees	18,528	18,337	18,166	18,032	18,043

⁽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⁾ Boston Public Health Commission employees are funded by the City, but are not employees of the City.

⁽⁵⁾ 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

See accompanying independent auditors' report

Fiscal Year				
2014	2013	2012	2011	2010
4,541	4,413	4,446	4,476	4,431
366	342	350	359	378
2,696	2,643	2,565	2,596	2,712
762	798	803	794	797
8,664	8,381	8,052	8,047	8,211
17,029	16,577	16,216	16,272	16,529
698	796	759	792	754
277	293	307	292	378
975	1,089	1,066	1,084	1,132
18,004	17,666	17,282	17,356	17,661

See accompanying independent auditors' report

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Service calls answered	497,728	494,226	516,741	408,144	421,573
Moving/traffic violations	103,485	92,111	95,865	107,204	110,254
Parking violations as of June 30	1,289,023	1,414,184	1,358,385	1,346,400	1,272,107
Fire					
Calls answered	83,173	86,103	85,598	82,438	80,079
Inspections conducted	25,896	24,009	24,332	25,519	23,019
Library					
Personnel full-time	410	411	411	413	417
Personnel part-time	43	45	45	50	58
Central and branch libraries	26	25	25	24	24
Books, audio and video materials, newspapers, and magazines in circulation	4,223,612	3,806,215	3,796,379	3,707,607	3,715,079
Library cards in force	332,468	292,763	281,439	268,275	323,789
Schools					
Student enrollment as of June 30	54,300	55,594	56,433	56,531	57,102
Streets, sidewalks, and bridges					
Streets in miles	988	988	988	988	988
Hospitals					
Births as of June 30	20,217	20,686	20,089	20,968	19,586
Deaths as of June 30	7,763	7,790	7,526	7,383	7,438

Source: City of Boston Auditing Department

See accompanying independent auditors' report

Fiscal Year				
2014	2013	2012	2011	2010
566,297	579,704	598,280	543,424	621,794
90,180	95,454	108,520	107,822	138,441
1,326,235	1,309,406	1,424,098	1,435,022	1,571,688
73,443	73,971	72,511	71,244	69,859
23,896	23,744	25,112	24,297	23,900
408	401	384	385	431
59	66	49	54	57
25	26	26	26	26
3,732,000	3,694,546	3,796,679	3,534,413	3,587,136
361,939	383,931	524,054	510,966	543,628
56,975	56,801	56,535	56,789	56,219
988	988	988	988	968
20,392	21,480	20,540	21,568	21,064
7,330	7,051	7,090	7,572	6,987

See accompanying independent auditors' report

CAPITAL ASSET STATISTICS BY DEPARTMENT

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Officers and personnel	2,936	2,869	2,896	2,895	2,907
Stations	11	11	11	11	11
Fire					
Officers and personnel	1,649	1,652	1,623	1,618	1,604
Stations	34	34	35	35	35
Parks and Recreation					
Personnel (Parks Division)	274	269	280	251	306
Neighborhood (city) parks	257	257	258	251	251
Neighborhood (city) playgrounds – Tot Lots	137	132	131	129	127
Community Centers – (BCYF operated)	36	36	30	29	29
Golf courses	2	2	2	2	2
Swimming pools (BCYF operated)	19	19	18	18	17
Tennis courts	58	65	65	65	65
Public Education					
Total number of Boston Public Schools employees	10,695	10,344	10,255	9,634	9,530
Total number of schools	125	125	124	125	128
Public Works					
Traffic signals (signalized intersections)	872	866	859	854	849
Parking meters (approximately)	6,736	6,722	6,420	7,626	7,699
Bridges	40	40	40	40	36
Hospitals					
Number of hospitals	19	19	20	20	20
Patient beds	6,108	6,053	6,021	5,227	6,049

Source: City of Boston Auditing Department

See accompanying independent auditors' report

Fiscal Year				
2014	2013	2012	2011	2010
2,933	2,925	2,913	2,948	2,885
11	11	11	11	11
1,604	1,597	1,559	1,559	1,557
35	35	35	35	35
233	220	219	218	212
262	262	251	251	251
129	129	128	128	128
29	35	38	38	45
2	2	2	2	2
18	17	17	17	21
66	66	78	78	78
9,374	9,467	9,806	9,982	9,240
128	127	128	135	135
841	846	837	833	823
7,614	6,810	7,861	7,195	7,304
37	4	4	4	4
21	21	22	20	20
5,402	5,437	5,618	5,584	5,564

See accompanying independent auditors' report

EXHIBIT II

Schedules of Comparative Financial Statements for Fiscal Years 2016 - 2020

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Fund Equity for the fiscal years ended June 30, 2019, 2018, 2017, and 2016 have been prepared by the City of Boston Auditing Department based on information taken from the City's audited financial statements. The fiscal year 2020 schedules are unaudited.

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City of Boston

General Fund

Balance Sheets

Fiscal Years Ended June 30, 2020, 2019, 2018, 2017 and 2016

(in thousands)

1 Fiscal Year 2020 Unaudited	2020	2019	2018	2017	2016
ASSETS:					
Cash and investments.....	\$ 1,520,152	\$ 1,434,832	\$ 1,309,557	\$ 1,153,840	\$ 1,106,679
Receivables:					
Property taxes.....	31,211	16,974	16,151	18,520	13,818
Motor vehicle excise.....	37,330	35,707	24,594	26,650	23,895
Intergovernmental.....	12,087	6,629	10,525	38,483	42,415
Departmental and other.....	10,563	15,085	19,003	22,555	19,224
Tax title and possession.....	63,041	60,818	61,831	60,668	80,542
Total receivables.....	<u>154,231</u>	<u>135,213</u>	<u>132,104</u>	<u>166,876</u>	<u>179,894</u>
Allowance:					
Abatement res/property tax allow.....					
Tax title and possession.....	(63,041)	(60,819)	(61,831)	(60,668)	(80,542)
Motor vehicle excise.....	(21,765)	(21,001)	(19,996)	(19,018)	(18,242)
Other.....	-	-	-	-	-
Total allowances.....	<u>(84,806)</u>	<u>(81,820)</u>	<u>(81,827)</u>	<u>(79,686)</u>	<u>(98,784)</u>
Net receivable.....	<u>69,425</u>	<u>53,393</u>	<u>50,277</u>	<u>87,190</u>	<u>81,110</u>
Due from other funds.....	2,061	1,111	1,860	1,868	2,412
Due from component units.....	4,726	3,983	7,234	6,709	8,615
Total assets.....	<u>\$ 1,596,365</u>	<u>\$ 1,493,319</u>	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 69,272	\$ 67,915	\$ 57,050	\$ 48,704	\$ 43,997
Accrued liabilities:					
Payroll and related costs.....	76,344	170,480	172,942	148,379	141,068
Other.....	33,218	32,231	24,674	26,032	22,801
Due to other funds.....	168	168	923	170	945
Due to component units.....	4,712	4,712	2,413	2,331	2,978
Total liabilities.....	<u>\$ 183,714</u>	<u>\$ 275,506</u>	<u>\$ 258,002</u>	<u>\$ 225,616</u>	<u>\$ 211,789</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	47,906	31,203	28,872	38,703	38,024
Total fund balance.....	<u>1,364,745</u>	<u>1,186,610</u>	<u>1,082,054</u>	<u>985,288</u>	<u>949,003</u>
Total liabilities, deferred inflows of resources and fund balance.....	<u>\$ 1,596,365</u>	<u>\$ 1,493,319</u>	<u>\$ 1,368,928</u>	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>

1 Fiscal Year 2020 Unaudited

City of Boston

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017, and 2016
(in thousands)

1 Fiscal Year 2020 Unaudited	2020	2019	2018	2017	2016
REVENUES:					
Local:					
Real and personal property taxes, net.....	2,498,434	2,344,686	2,221,877	\$ 2,079,693	\$ 1,967,687
Excises.....	241,768	256,229	243,581	212,797	236,263
Payments in lieu of taxes.....	72,349	87,018	84,940	80,501	90,215
Fines.....	67,367	73,792	63,206	63,046	60,953
Investment income.....	29,472	30,408	15,390	2,329	184
Licenses and permits.....	88,272	82,658	74,144	84,470	70,005
Departmental and other revenue.....	103,476	97,442	98,287	87,985	86,791
Total local revenues.....	3,101,138	2,972,233	2,801,425	2,610,821	2,512,098
Intergovernmental:					
Intergovernmental.....	627,590	577,458	570,753	554,661	543,683
Total intergovernmental revenues.....	627,590	577,458	570,753	554,661	543,683
Total revenues.....	3,728,728	3,549,691	3,372,178	3,165,482	3,055,781
EXPENDITURES:					
Current:					
General government.....	116,162	112,998	90,076	85,855	80,684
Human services.....	34,425	34,208	35,023	31,422	31,356
Public safety.....	763,381	726,406	689,929	643,100	610,233
Public works.....	111,378	106,504	111,772	106,059	101,157
Property and development.....	47,509	41,483	39,022	42,460	33,870
Parks and recreation.....	28,616	26,890	25,285	23,447	22,106
Library.....	38,270	38,597	36,025	35,791	33,870
Schools.....	1,084,216	1,118,332	1,087,192	1,048,987	1,016,412
Public Health Programs.....	94,337	87,487	81,129	77,754	77,932
Judgments and claims.....	11,670	1,202	7,693	3,766	1,100
Retirement costs.....	447,159	400,973	356,251	347,402	309,083
Other employee benefits.....	259,420	264,832	261,377	247,965	236,661
State and district assessments.....	299,740	283,360	267,205	244,320	234,450
Capital outlays.....	29,270	17,683	9,738	10,283	13,873
Debt Service.....	183,585	182,725	176,240	171,131	164,708
Total expenditures.....	3,549,138	3,443,680	3,273,957	3,119,742	2,967,495
Excess (deficiencies) of revenues over (under) expenditures.....	179,590	106,011	98,221	45,740	88,286
OTHER FINANCING SOURCES (USES):					
Payments to escrow agent to refund debt.....					-
Transfers in.....					-
Transfers out.....	(1,455)	(1,455)	(1,455)	(9,455)	(1,455)
Total other financing uses, net.....	(1,455)	(1,455)	(1,455)	(9,455)	(1,455)
Net change in fund balances.....	178,135	104,556	96,766	36,285	86,831
Fund balance, beginning of year.....	1,186,610	1,082,054	1,021,573	949,003	862,172
Fund balance, end of year.....	\$ 1,364,745	\$ 1,186,610	\$ 1,118,339	\$ 985,288	\$ 949,003

1 Fiscal Year 2020 Unaudited

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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, 2020, 2019, 2018, 2017, and 2016

(in thousands)

1 Fiscal Year 2020 Unaudited

	2020 (1)			2019			2018		
	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:									
Real and personal property taxes, net.....	\$ 2,461,443	\$ 2,466,832	\$ 5,389	\$ 2,316,649	\$ 2,320,883	\$ 4,234	\$ 2,185,887	\$ 2,191,992	\$ 6,105
Excises.....	216,040	239,949	23,909	201,290	256,219	54,929	198,591	264,814	66,223
Commonwealth of Massachusetts.....	464,201	458,849	(5,352)	446,950	434,357	(12,593)	440,583	439,708	(875)
Departmental and other revenue.....	69,990	76,584	6,594	68,774	83,739	14,965	68,064	79,590	11,526
Fines.....	69,175	67,258	(1,917)	68,745	73,931	5,186	63,721	63,389	(332)
Payments in lieu of taxes.....	68,530	72,473	3,943	63,016	88,745	25,729	67,998	83,634	15,636
Investment income.....	15,000	29,473	14,473	5,000	30,408	25,408	2,000	15,390	13,390
Licenses and permits.....	64,047	88,364	24,317	66,260	82,596	16,336	67,056	74,508	7,452
Miscellaneous.....	267	267	-	267	267	-	267	267	-
Transfers from other available funds.....	64,850	-	(64,850)	78,450	-	(78,450)	63,450	-	(63,450)
Total revenues, transfers and other available funds.....	3,493,543	3,500,049	6,506	3,315,401	3,371,145	55,744	3,157,617	3,213,292	55,674
Expenditures and Encumbrances:									
General government.....	134,700	130,543	4,157	124,048	122,973	1,075	111,557	111,283	274
Human services.....	35,477	35,321	156	34,196	34,129	67	36,051	35,954	97
Public safety.....	752,940	767,968	(15,028)	718,947	740,556	(21,609)	679,128	694,457	(15,329)
Public works.....	130,793	123,312	7,481	113,308	113,251	57	110,254	115,758	(5,504)
Property and development.....	51,214	50,560	654	43,923	43,881	42	39,476	39,402	74
Parks and recreation.....	32,285	31,966	319	30,783	30,768	15	28,811	28,793	18
Library.....	39,120	39,120	-	38,664	38,664	-	35,760	35,758	2
Schools.....	1,178,564	1,178,562	2	1,126,705	1,126,676	29	1,093,311	1,093,290	21
Boston Public Health Commission.....	93,405	93,405	-	87,967	87,967	-	79,563	79,563	-
Judgments and claims.....	5,000	7,083	(2,083)	5,000	18,234	(13,234)	5,000	19,513	(14,513)
Other employee benefits.....	276,529	265,278	11,251	265,325	265,164	161	263,157	262,902	255
Retirement costs.....	284,803	284,119	684	266,850	266,797	53	237,034	236,968	66
State and district assessments.....	300,664	299,740	924	282,710	282,617	93	267,977	267,949	28
Debt requirements.....	178,048	177,794	254	176,975	176,857	118	170,538	170,514	24
Total expenditures.....	3,493,543	3,484,771	8,772	3,315,401	3,348,534	(33,133)	3,157,617	3,192,104	(34,486)
Excess of revenues available for appropriation over expenditures.....	\$ 0	\$ 15,278	\$ 15,278	\$ -	\$ 22,611	\$ 22,611	\$ -	\$ 21,188	\$ 21,188

1 Fiscal Year 2020 Unaudited

(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, 2020, 2019, 2018, 2017, and 2016
(in thousands)**

<u>2017</u>			<u>2016</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Fav. (Unfav.)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Fav. (Unfav.)</u>
\$ 2,047,936	\$ 2,053,396	\$ 1,614	\$ 1,923,431	\$ 1,925,045	\$ 1,614
198,820	209,498	29,896	204,351	234,247	25,644
429,855	424,933	(2,453)	424,029	421,576	(2,453)
64,088	77,082	12,184	64,735	76,919	12,184
59,560	63,082	839	60,060	60,899	839
65,470	82,132	22,229	66,662	88,891	22,229
200	2,329	134	50	184	134
63,785	84,093	22,112	52,330	74,442	22,112
267	267	802	-	802	-
67,450	-	(61,450)	61,450	-	(61,450)
<u>2,997,431</u>	<u>2,996,814</u>	<u>25,907</u>	<u>2,857,098</u>	<u>2,883,005</u>	<u>25,907</u>
125,158	121,507	2,129	89,564	87,435	2,129
32,668	32,521	8	31,946	31,938	8
643,419	641,567	(19,507)	604,372	623,879	(19,507)
107,462	109,478	19	103,658	103,639	19
45,426	45,295	100	37,101	37,001	100
24,634	24,451	86	25,632	25,546	86
34,776	34,775	3	34,866	34,863	3
1,031,684	1,031,628	8	1,016,285	1,016,277	8
77,267	77,267	-	76,155	76,155	-
5,000	3,188	(6,954)	3,500	10,454	(6,954)
257,023	256,044	117	241,294	241,177	117
202,988	202,925	-	200,649	200,649	-
165,254	165,160	-	234,450	234,450	-
244,672	244,320	-	157,626	157,626	-
<u>2,997,431</u>	<u>2,990,127</u>	<u>(23,991)</u>	<u>2,857,098</u>	<u>2,881,089</u>	<u>(23,991)</u>
<u>\$ -</u>	<u>\$ 6,687</u>	<u>\$ 1,916</u>	<u>\$ -</u>	<u>\$ 1,916</u>	<u>\$ 1,916</u>

City of Boston

Special Revenue Fund

Balance Sheets
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016
(in thousands)

1 Fiscal Year 2020 Unaudited	2020	1	2019	2018	2017	2016
ASSETS:						
Cash and investments.....	\$ 414,132		\$ 255,096	\$ 247,631	\$ 245,567	\$ 211,703
Receivables, net:						
Intergovernmental.....	82,698		72,723	54,583	52,356	54,698
Departmental and other.....	22,296		24,117	29,215	35,054	43,585
Total receivables.....	<u>104,994</u>		<u>96,840</u>	<u>83,798</u>	<u>87,410</u>	<u>98,283</u>
Due from other funds.....	1,813		357	211	1,745	746
Total assets.....	<u>\$ 520,939</u>		<u>\$ 352,293</u>	<u>\$ 331,640</u>	<u>\$ 334,722</u>	<u>\$ 310,732</u>
LIABILITIES:						
Warrants and accounts payable.....	\$ 22,285		\$ 24,738	\$ 24,382	\$ 25,344	\$ 15,693
Accrued liabilities:						
Payroll and related costs.....	-		-	95	1,282	1,459
Other.....	77,828		65,217	57,673	49,022	43,797
Unearned revenue.....	-		-	-	-	-
Deferred revenue.....	120,931		-	-	-	-
Due to other funds.....	3,626		1,299	1,899	3,405	2,974
Total liabilities.....	<u>224,670</u>		<u>91,254</u>	<u>84,049</u>	<u>79,053</u>	<u>63,923</u>
DEFERRED INFLOWS OF RESOURCES:						
Revenue not considered available.....	-		-	200	254	90
FUND BALANCES:						
Restricted.....	21,532		64,405	47,854	35,056	43,585
Assigned.....	274,737		196,634	199,537	220,359	203,134
Unassigned.....	-		-	-	-	-
Total fund balance.....	<u>296,269</u>		<u>261,039</u>	<u>247,391</u>	<u>255,415</u>	<u>246,719</u>
Total liabilities and fund balance.....	<u>\$ 520,939</u>		<u>\$ 352,293</u>	<u>\$ 331,640</u>	<u>\$ 334,722</u>	<u>\$ 310,732</u>
1 Fiscal Year 2020 Unaudited						

City of Boston

Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016
(in thousands)

1 Fiscal Year 2020 Unaudited	2020	2019	2018	2017	2016
REVENUES:					
Local:					
Fines.....	\$ 19	\$ -	\$ 73	\$ -	\$ 4,270
Investment income.....	954	942	213	100	55
Licenses and permits.....	199	223	212	212	186
Departmental and other revenue.....	78,481	76,286	71,385	61,694	40,985
Total local revenues.....	<u>79,654</u>	<u>77,451</u>	<u>71,883</u>	<u>62,006</u>	<u>45,496</u>
Intergovernmental:					
Intergovernmental.....	321,112	284,054	265,723	258,671	263,413
Total intergovernmental revenues.....	<u>321,112</u>	<u>284,054</u>	<u>265,723</u>	<u>258,671</u>	<u>263,413</u>
Total revenues.....	<u>400,766</u>	<u>361,505</u>	<u>337,606</u>	<u>320,677</u>	<u>308,909</u>
EXPENDITURES:					
Current operations:					
General government.....	54,328	11,672	9,472	6,094	5,822
Human services.....	7,103	8,701	8,953	8,329	9,126
Public safety.....	23,747	23,666	21,692	34,371	30,366
Public works.....	7,078	6,732	10,062	8,534	15,630
Parks and recreation.....	4,488	1,423	4,845	1,062	1,272
Libraries.....	3,354	2,137	2,452	3,180	2,771
Schools.....	126,271	153,481	150,198	139,127	126,837
Public health.....	1,516	1,040	2,140	1,615	2,593
Property & development.....	93,340	83,716	88,005	93,717	68,881
Other employee benefits.....	-	-	-	-	-
Capital outlays.....	1,411	1,596	1,659	1,767	1,827
Debt service.....	-	-	-	-	-
Total expenditures.....	<u>322,636</u>	<u>294,164</u>	<u>299,478</u>	<u>297,796</u>	<u>265,125</u>
Excess (deficiency) of revenues over expenditures.....	<u>78,130</u>	<u>67,341</u>	<u>38,128</u>	<u>22,881</u>	<u>43,784</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	-	-	-	-
Premiums on long-term debt issued.....	-	110	233	8,247	2,130
Payments to escrow agents.....	-	-	-	(7,432)	(1,388)
Transfers out, net.....	(42,900)	(53,803)	(46,385)	(15,000)	(6,500)
Total other financing sources (uses), net.....	<u>(42,900)</u>	<u>(53,693)</u>	<u>(46,152)</u>	<u>(14,185)</u>	<u>(5,758)</u>
Net change in fund balances.....	35,230	13,648	(8,024)	8,696	38,026
Cumulative effect of implementation of GASB 65.....	-	-	-	-	-
Fund balance, beginning of year.....	261,039	247,391	255,415	246,719	208,693
Fund balance, end of year.....	<u>\$ 296,269</u>	<u>\$ 261,039</u>	<u>\$ 247,391</u>	<u>\$ 255,415</u>	<u>\$ 246,719</u>
1 Fiscal Year 2020 Unaudited					

City of Boston

Capital Projects Fund

Balance Sheets

Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016

(in thousands)

1 Fiscal Year 2020 Unaudited	2020	1	2019	2018	2017	2016
ASSETS:						
Cash and investments.....	\$ 143,080		\$ 297,463	\$ 198,417	\$ 136,428	\$ 87,418
Cash and investments held by trustees.....	12,070		17,994	10,185	10,008	17,846
Intergovernmental receivable.....	7,094		10,011	13,058	6,292	12,050
Department and other receivables.....	-		-	-	657	667
Due from other funds.....	-		-	-	-	-
Total assets.....	<u>\$ 162,244</u>		<u>\$ 325,468</u>	<u>\$ 221,660</u>	<u>\$ 153,385</u>	<u>\$ 117,981</u>
LIABILITIES:						
Warrants and accounts payable.....	\$ 36,979		\$ 46,278	\$ 26,081	\$ 28,573	\$ 30,353
Due to other funds.....	-		-	-	-	-
Deferred revenue.....	-		-	-	-	-
Total liabilities.....	<u>36,979</u>		<u>46,278</u>	<u>26,081</u>	<u>28,573</u>	<u>30,353</u>
DEFERRED INFLOWS OF RESOURCES:						
Revenue not considered available.....	<u>6,803</u>		<u>4,713</u>	<u>12,302</u>	<u>3,570</u>	<u>8,645</u>
FUND BALANCES:						
Restricted.....	<u>118,463</u>		<u>274,477</u>	<u>183,277</u>	<u>121,242</u>	<u>78,983</u>
Total fund balance.....	<u>118,463</u>		<u>274,477</u>	<u>183,277</u>	<u>121,242</u>	<u>78,983</u>
Total liabilities and fund balance.....	<u>\$ 162,245</u>		<u>\$ 325,468</u>	<u>\$ 221,660</u>	<u>\$ 153,385</u>	<u>\$ 117,981</u>
1 Fiscal Year 2020 Unaudited						

City of Boston

Capital Projects Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016
(in thousands)

1. Fiscal Year 2020 Unaudited

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES:					
Departmental and other revenue.....	\$ -	\$ -	\$ -	\$ -	\$ 1,742
Investment income.....	-	-	-	-	25
Intergovernmental.....	27,841	33,010	38,261	43,579	20,004
Total revenues.....	<u>27,841</u>	<u>33,010</u>	<u>38,261</u>	<u>43,579</u>	<u>21,771</u>
EXPENDITURES:					
Capital outlays.....	242,862	244,137	222,598	221,321	216,101
Total expenditures.....	<u>242,862</u>	<u>244,137</u>	<u>222,598</u>	<u>221,321</u>	<u>216,101</u>
Excess (deficiency) of revenues over expenditures.....	<u>(215,021)</u>	<u>(211,127)</u>	<u>(184,337)</u>	<u>(177,742)</u>	<u>(194,330)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	15,998	165,836	176,698	181,935	181,193
Refunding bonds issued.....	82,590	-	-	58,370	8,100
Payments to escrow agent.....	(82,481)	-	-	(58,367)	(8,099)
Premiums on long-term debt issued.....	-	25,688	23,289	15,063	20,929
Proceeds from Sale of Property..	-	57,000	-	-	-
Transfers in (out).....	42,900	53,803	46,385	23,000	6,500
Total other financing sources, net.....	<u>59,007</u>	<u>302,327</u>	<u>246,372</u>	<u>220,001</u>	<u>208,623</u>
Net change in fund balances.....	<u>(156,014)</u>	<u>91,200</u>	<u>62,035</u>	<u>42,259</u>	<u>14,293</u>
Fund balance, beginning of year.....	274,477	183,277	121,242	78,983	64,690
Fund balance, end of year.....	<u>\$ 118,463</u>	<u>\$ 274,477</u>	<u>\$ 183,277</u>	<u>\$ 121,242</u>	<u>\$ 78,983</u>

1 Fiscal Year 2020 Unaudited

City of Boston

Internal Service Fund

Balance Sheets
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016
(in thousands)

1 Fiscal Year 2020 Unaudited	2020	1	2019	2018	2017	2016
ASSETS:						
Cash and cash equivalents.....	\$ 90,637		\$ 102,341	\$ 89,380	\$ 73,916	\$ 67,408
Receivables, net.....	-		-	-	-	578
Due from other funds and sources.....	-		-	-	-	-
Due from component units.....	-		-	-	-	-
Other assets.....	33,991		7,539	11,988	6,541	5,523
Total assets.....	<u>\$ 124,628</u>		<u>\$ 109,880</u>	<u>\$ 101,368</u>	<u>\$ 80,457</u>	<u>\$ 73,509</u>
LIABILITIES:						
Accrued Liabilities:						
Warrants and accounts payable.....	\$ -		\$ -	\$ -	\$ -	\$ -
Accrued liabilities.....	23,708		27,576	19,975	23,881	24,730
Total liabilities.....	<u>23,708</u>		<u>27,576</u>	<u>19,975</u>	<u>23,881</u>	<u>24,730</u>
NET ASSETS:						
Unrestricted.....	100,920		82,304	81,393	56,576	48,779
Total fund equity.....	100,920		82,304	81,393	56,576	48,779
Total liabilities and fund equity.....	<u>\$ 124,628</u>		<u>\$ 109,880</u>	<u>\$ 101,368</u>	<u>\$ 80,457</u>	<u>\$ 73,509</u>
1 Fiscal Year 2020 Unaudited						

City of Boston

Internal Service Fund

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Years Ending June 30, 2020, 2019, 2018, 2017 and 2016
(in thousands)

1 Fiscal Year 2020 Unaudited	<u>2020</u>	1	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>
REVENUES:						
Employer contributions.....	\$ 207,684		\$ 198,178	\$ 172,640	\$ 156,345	\$ 265,240
Employee contributions.....	82,041		83,972	68,905	63,287	65,165
Total operating revenues.....	<u>289,725</u>		<u>282,150</u>	<u>241,545</u>	<u>219,632</u>	<u>330,405</u>
EXPENSES:						
Health Benefits.....	265,847		281,239	216,728	211,835	344,518
Total operating expenditures.....	<u>265,847</u>		<u>281,239</u>	<u>216,728</u>	<u>211,835</u>	<u>344,518</u>
Changes in net assets.....	23,878		911	24,817	7,797	(14,113)
Net assets (deficit), beginning of year.....	82,304		81,393	56,576	48,779	62,892
Net assets, end of year.....	<u>\$ 106,182</u>		<u>\$ 82,304</u>	<u>\$ 81,393</u>	<u>\$ 56,576</u>	<u>\$ 48,779</u>

*Restated as a result of GASB No. 75 implementation

1 Fiscal Year 2020 Unaudited

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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"), 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 which existed at the time estimates were prepared. In light of the important factors that may materially affect economic conditions of the City, many of which are beyond the control 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 or as representation of fact or guarantees of results. Historical results or trends may not continue in the future.

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 as to information from other sources, it is not to be construed as a representation of the BPDA or the City.

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DEVELOPING MATTERS – COVID-19

The COVID-19 pandemic hit Boston early in the spring of 2020. A shutdown of non-essential businesses was ordered by Governor Baker in mid-March. New daily coronavirus cases peaked in late April and the economy began a cautious reopening in May. However, cases began to rise again in the fall, and the governor announced a new stay at home advisory in early November.

The COVID-19 pandemic and resulting business closures caused a sudden unprecedented spike in unemployment in Boston as in much of the country. Boston's unemployment rate peaked in June 2020 at 19.3% , a dramatic increase over the 2.4% unemployment in March 2020¹. Boston's unemployment rate fell to 11% in September 2020, still well above the Great Recession peak of 8.4% reached in September 2009. Approximately 44,000 Boston residents remain unemployed as of September 2020.

The unemployment rate reflects only a portion of the employment impact of the pandemic. The City's resident labor force fell by approximately 12% in April as people stayed at home and did not seek work. However, by September 2020, the City's resident labor force had returned to its February 2020 levels, with some workers finding employment and others beginning to seek work.

The industries with the largest share of Boston residents continuing to claim unemployment benefits in October 2020 were the industries broadly categorized as in-person and support services - restaurants, hotels, retail stores, entertainment venues and cultural institutions, personal services such as hair salons, and support services such as janitorial work². These industries were hard hit on several levels. They generally require in-person work, often in close physical proximity or with large groups of people. As such, they were initially closed by government mandate and continue to be limited by government restrictions and customer health concerns.

Additionally, in-person and support service jobs in Boston rely on commuters and visitors who have not been coming to Boston in large numbers. Cell phone data suggest that the number of commuters in Boston fell by about half during the pandemic³. Utilization of office space in Boston has been low -- approximately 8-12% in Downtown office towers as of the third quarter of 2020⁴. Low office occupancy and longer term office vacancies have hurt support businesses such as restaurants, coffee shops, convenience stores, and pharmacies. Boston's office vacancy rate rose from 7.3% in 2019 to 8.4% in the third quarter of 2020. The COVID-19 pandemic has created business and health concerns that have led many companies to put up space on the sublease market. As of November 2020, there is 3.3 million square feet of available sublease space in Boston⁵.

The COVID-19 pandemic has taken a toll on the travel and tourism industry. The number of passengers at Logan International Airport in September 2020 was 82% below September 2019⁶. Hotel occupancy fell to 5% in April and May before rising somewhat to 27% in September. Seated restaurant dining, which was prohibited from March 17th to June 8th, is still less than half of 2019 levels, with winter weather threatening outdoor dining.

Industries that depend on in-person activity and the presence of commuters and visitors to Boston will likely continue to operate at a reduced level until the virus can be brought under control. The strength of the City's economy in healthcare and biomedical research may again prove an asset in the coming recovery. Hospitals, universities and private researchers in Boston have received more National Institutes of Health (NIH) funding than any other city in the country for 24 of the past 25 years, and medical research is expected to be crucial over the coming years as the world grapples with the pandemic. Even as vacancy and subleasing in the office market rise, demand for laboratory space continues to be strong, fueling development interest in a number of the City's neighborhoods. The region's strong response to the pandemic that helped bring surging case counts under control in the spring is a source of confidence that cooperation and clear communication at the state and local levels

¹ Massachusetts Executive Office of Labor and Workforce Development (EOLWD), Labor Force and Unemployment Data

² NAICS industries: 1. Accommodation and Food Service, 2. Administrative and Support and Waste Management, 3. Transportation and Warehousing, 4. Other Services, 5. Arts, Entertainment, and Recreation, 6. Retail Trade

³ Cuebiq mobility data. Cuebiq collects first-party data from anonymized users who have opted-in to provide access to their location data anonymously through a GDPR-compliant framework

⁴ <https://www.cbre.us/research-and-reports/Boston-OfficeLab-MarketView-Q3-2020>

⁵ CBRE, Downtown Boston Market Sublease Space, November 6, 2020

⁶ Massachusetts Port Authority, Aviation General Management (MassPort)

can again rise to meet the challenges of the current national surge. Ultimately, controlling the virus remains the single most important step to returning to the strong economy that Boston experienced in the decade prior to the arrival of COVID-19.

THE BOSTON ECONOMY

Boston is the twenty-first 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 Population Estimates Program, Boston’s population for 2019 was 692,600. The BPDA Research Division estimates there are 828,923 full and part-time, payroll and non-payroll jobs in Boston as of 2018 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

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 2.4% from 2010 through 2018, exceeding the national recovery. Boston’s unemployment rate for 2019 was 2.6%, 1.1 percentage points less than the national rate.⁷ With the onset of the COVID-19 pandemic, Boston’s unemployment rate skyrocketed to 19.3% in June 2020, well above the Great Recession peak of 8.4% reached in September 2009. As of September 2020, Boston’s unemployment rate had fallen to 11%.

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 showed strong growth until the beginning of the pandemic. Reduced demand for office space during the pandemic has led to an increase in office vacancies and increased the square footage on the sublease market. Housing sales volumes dipped during the spring of 2020, but returned to normal levels as of September 2020. The 2019 annual median sales price for a single family home in Boston was \$608,000 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 2019 on certain topics for the region, the Commonwealth, and Metropolitan Boston.⁸ The Census Bureau also publishes the American Community Survey, which provides data through 2019 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 2018. The BLS publishes data and reports

⁷ Massachusetts Executive Office of Labor and Workforce Development (EOLWD), U.S. Bureau of Labor Statistics (BLS)

⁸ 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.

about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. The most recent monthly data are for September 2020.

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 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 Census Bureau estimates the City of Boston’s total population to be 692,600 as of July 1, 2019. The compound annual growth for the City from the 2010 decennial census through 2019 is 1.9%.

Population of Massachusetts, Metropolitan Boston ⁽¹⁾ and the City of Boston 1990, 2000, 2010, 2018 & 2019

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>	<u>2019</u>	<u>2010 to 2019 Compound Annual Growth</u>
Massachusetts	6,016,425	6,349,097	6,547,629	6,882,635	6,892,503	0.9%
Metropolitan Boston ⁽¹⁾	4,133,895	4,391,344	4,552,402	4,859,536	4,873,019	1.1
City of Boston	574,283	589,141	617,594	691,147	692,600	1.9

(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; Population Estimates Program, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2019.

The American Community Survey (ACS) provides detailed demographic information for Boston and its neighborhoods. The 2019 ACS showed that Boston’s racial composition was White, Non-Hispanic 44.7%; Black, Non-Hispanic 22.1%; Hispanic 19.7%; Asian/Pacific Islander 9.8%; Multi-racial 2.7%; other single race 0.8%; and Native American 0.2%. The Hispanic and Asian populations have grown dramatically, growing about 60.3% and 53.4% respectively, from 2000 to 2019, while other populations have seen small growth or decline. Immigration has been a prime driver of increases in the Hispanic and Asian populations. In 2019, Boston’s foreign-born population represented 27.3% of the total population, and the foreign-born population is comprised of 28.2% Hispanic (of any race), 26.3% Asian, 27.4% Black, 16.7% White, and 1.4% other.

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 2019 was the age group 65-69, which saw a 68% increase. This is consistent with national trends and the aging of the baby boomer population. Boston’s older population (ages 65 and over) grew to 83,656 people, but has remained at about 12% of the total population. Boston’s population of school age children (ages 5 to 14) is 57,571, 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 271,553 according to the 2019 ACS. The share of these households that are families (related or married people living together) remains

stable at 47.1% of all households in 2019. The group quarters population, primarily students in dormitories, increased from 2010, up to 44,961 in 2019. Household size increased from 2.26 persons in 2010 to 2.39 persons in 2019.

In 2018, Massachusetts had a population of approximately 6.9 million people and 4.9 million jobs, according to BEA annual data. Between 2014 and 2018 the number of jobs in Massachusetts grew by 2.3%. Massachusetts personal income, net inflation, grew at an average annual rate of 5.1% from 2014 to 2018, greater than the national income growth of 2.9% over the same period.

Metropolitan Boston had 4.8 million people and 3.7 million jobs in 2018. From 2014 through 2018, Metropolitan Boston experienced an average annual growth in jobs of 2.5%. The MSA’s total personal income, net inflation, from 2014 through 2018 grew at an average annual rate of 3.9%, slightly outpacing national trends during that period.

**Population, Income and Employment
2014-2018⁽¹⁾
(Income in 2019 dollars)**

	2014	2015	2016	2017	2018
United States					
Total Personal Income (billions \$).....	\$16,180	\$16,945	\$17,162	\$17,595	\$18,136
Population (thousands).....	318,386	320,743	323,071	325,147	327,167
Per Capita Income.....	\$50,819	\$52,830	\$53,122	\$54,116	\$55,433
Employment (thousands).....	186,234	190,316	193,372	196,825	200,746
Massachusetts					
Total Personal Income (billions \$).....	\$406	\$432	\$447	\$468	\$495
Population (thousands).....	6,764	6,796	6,826	6,863	6,902
Per Capita Income.....	\$64,746	\$68,584	\$69,742	\$71,166	\$72,982
Employment (thousands).....	4,448	4,631	4,710	4,788	4,873
Boston-Cambridge-Newton, MA-NH (MSA)⁽²⁾					
Total Personal Income (billions \$).....	\$335	\$358	\$366	\$378	\$391
Population (thousands).....	4,748	4,780	4,811	4,845	4,875
Per Capita Income.....	\$70,540	\$74,854	\$76,173	\$77,994	\$80,120
Employment (thousands).....	3,345	3,491	3,557	3,619	3,690

(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, January 2020. BEA Data Last updated: November 14, 2019-- new statistics for 2018; revised statistics for 1969-2017.

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 2014 through 2018. 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 EOLWD).

Total employment in Boston rose to the highest level in recent decades and unemployment fell below 3% in the last quarter of 2019. Prior to the pandemic, Boston’s job growth had been positive across most industries since the Great 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, 17.5% percent of total jobs, while transportation and warehousing has surpassed professional and technical services as the fastest growing industry since the Great Recession at 14.3% from 2017 to

2018. 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.

City of Boston Employment 2014-2018⁽¹⁾
North American Industry Classification System (NAICS)

Industry	2014 ⁽³⁾	2015 ⁽³⁾	2016	2017	2018	Absolute Change '17-'18	Percent Change '17-'18
Natural Resources and Mining.....	354	366	346	343	355	11	3.3%
Utilities.....	1,911	1,977	2,014	1,788	1,661	-127	-6.3
Construction.....	17,116	17,978	19,317	20,379	21,714	1,335	6.9
Manufacturing.....	7,767	8,054	7,927	8,222	8,098	-124	-1.6
Wholesale Trade.....	9,595	10,038	9,674	9,967	10,192	225	2.3
Retail Trade.....	33,020	34,405	35,319	36,630	38,487	1,857	5.3
Transportation and Warehousing.....	24,375	29,749	32,911	36,812	41,515	4,703	14.3
Information.....	16,170	16,894	18,393	19,658	20,952	1,294	7.0
Finance and Insurance.....	86,452	89,231	93,679	93,494	93,042	-452	-0.5
Real Estate and Rental and Leasing.....	33,123	34,730	35,682	36,973	38,178	1,205	3.4
Professional and Technical Services.....	86,428	93,877	98,077	102,064	105,985	3,921	4.0
Management of Companies and Enterprises.....	8,069	8,378	9,218	9,471	9,735	264	2.9
Administrative and Waste Services.....	35,819	37,627	39,594	39,876	40,475	599	1.5
Educational Services.....	56,643	58,552	58,741	58,623	59,486	863	1.5
Health Care and Social Assistance.....	134,945	140,721	144,542	148,217	145,150	-3,067	-2.1
Arts, Entertainment, and Recreation.....	16,555	17,327	17,905	18,579	19,495	916	5.1
Accommodation and Food Services.....	59,266	60,187	62,734	65,069	65,927	858	1.4
Other Services (except public administration) (2)	33,192	33,821	33,172	33,295	33,360	66	0.2
Government.....	76,383	76,592	76,949	75,889	75,116	-772	-1.0
Total.....	737,183	770,503	796,193	815,348	828,923	13,575	1.7

(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 9.6% from 2010 to 2018. 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.

Prior to the pandemic, major companies had been moving in to new office spaces throughout Boston. In 2019, PTC, a computer software company, finished moving its headquarters to the Seaport.⁹ The fantasy sports website DraftKings doubled the size of its headquarters when it moved to Boston's Back Bay in 2019, 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.¹⁰ Shyft Analytics, a Waltham based company developing software for the life sciences industry, opened its new headquarters in the Financial District after being acquired by Medidata. The new 117,000 square foot office is planned to host 800 new employees in the future.¹¹ Luminoso, a MIT Media Lab spin-off company specializing in artificial intelligence and natural language understanding, moved its headquarters from Cambridge to Downtown Boston. It allows the company to double its employment size with additional 40 new hires.¹² 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 is building a 430,000 square foot 18 story office building in Seaport Square to house 2,000 employees. Verizon has reportedly a 20 year lease for the office tower to be built over North Station.

⁹ Boston Business Journal, "See inside PTC's new Seaport District headquarters", <https://www.bizjournals.com/boston/news/2019/04/29/see-inside-ptc-s-new-seaport-district-headquarters.html>

¹⁰ 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>

¹¹ BioSpace, "With New HQ, Boston's Medidata Expects to Hire 600-800 Over Next 5 Years," <https://www.biospace.com/article/with-new-hq-boston-s-medidata-expects-to-hire-600-800-over-next-5-years/>

¹² Luminoso, "Luminoso Moves into New Boston Headquarters", <https://luminoso.com/get-to-know-us/press/luminoso-moves-into-new-boston-headquarters>

The following table indicates that between 1970 and 2019, the share of white collar workers in Boston's resident labor force increased from 55% to 71%, while the share of blue collar workers decreased from 45% to 29%. Between 2000 and 2019, the proportion of white collar to blue collar workers in the City remained approximately the same.

Occupational Change in the City's Resident Labor Force, 1970 -2019

	1970		1980		1990		2000		2019	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	146,657	55	154,456	60	191,251	67	197,049	69	287,347	71
Managerial, Professional & Related	59,929		77,217		107,206		123,850		214,132	
Sales & Office	86,728		77,239		84,045		73,199		73,215	
Blue-Collar & Service	119,848	45	101,561	40	97,453	33	88,810	31	119,590	29
Construction, Extraction, Maintenance	27,157		19,772		18,453		14,118		14,696	
Production, Transportation, & Related	36,695		24,825		19,971		23,630		25,454	
Service and Farm & Fishing	55,996		56,964		59,029		51,062		79,440	
Total	266,505	100%	256,017	100%	288,704	100%	285,859	100%	406,937	100%

Source: U.S. Census Bureau, 1970-2000 Decennial Censuses, 2019 American Community Survey.

Unemployment

According to the Massachusetts Executive Office of Labor and Workforce Development, Boston’s average unemployment rate from January through December 2019 was 2.6%, 1.1 percentage points lower than the national unemployment rate. Boston’s unemployment rate in 2019 was the lowest it had been since 2000. The 2019 unemployment rates for Metropolitan Boston and Massachusetts were 2.4 and 2.9%, respectively. With the onset of the global COVID-19 pandemic, unemployment spiked between March and April of 2020. Unemployment in Boston rose above the national and state levels, and remained there through September, the most recent data available.

**Annual Unemployment Rates, 2015-2020⁽¹⁾
(Not Seasonally Adjusted)**

	2015	2016	2017	2018	2019	2020⁽³⁾
City of Boston	4.4%	3.5%	3.4%	3.0%	2.6%	11.1%
Metropolitan Boston ⁽²⁾	4.1	3.3	3.2	2.9	2.4	9.9
Massachusetts	4.8	3.9	3.7	3.4	2.9	10.8
United States	5.3	4.9	4.4	3.9	3.7	8.6

- (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) 2020 values represent the monthly average from January through September. These are preliminary estimates and subject to revision.
- Sources: Bureau of Labor Statistics for United States, Massachusetts and Metro; and Massachusetts Executive Office of Labor and Workforce Development for the City, November 2020.

The following table presents monthly data from January 2018 through September 2020. The latest data for September 2020 show Boston’s unemployment rate was 11.0%, up 8.5% from September 2019. Unemployment in Boston rose by 12.2 points between March and April 2020, and reached 19.3% in June, before falling sharply between July and September. The unemployment rate for Massachusetts was higher than any other state in the nation during June and July, and remained 1.8% above the national level through September, the most recent data available.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston,⁽¹⁾ Massachusetts,
And the United States for 2018, 2019, and 2020⁽²⁾⁽³⁾**

	City of Boston			Metropolitan Boston ⁽¹⁾			Massachusetts			United States		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Jan.	3.4%	3.1%	2.7%	3.3%	3.0%	2.7%	4.1%	3.7%	3.4%	4.5%	4.4%	4.0%
Feb.	3.2	2.7	2.6	3.2	2.7	2.6	4.0	3.4	3.3	4.4	4.1	3.8
Mar.	3.0	2.6	2.4	3.0	2.6	2.4	3.7	3.3	3.0	4.1	3.9	4.5
Apr.	2.7	2.3	14.6	2.7	2.3	14.2	3.2	2.7	16.0	3.7	3.3	14.4
May	3.0	2.7	16.6	2.9	2.5	15.3	3.3	2.9	16.5	3.6	3.4	13.0
Jun.	3.7	3.0	19.3	3.3	2.7	16.9	3.7	3.1	17.8	4.2	3.8	11.2
Jul.	3.5	3.0	18.2	3.2	2.7	15.5	3.6	3.1	16.3	4.1	4.0	10.5
Aug.	3.1	2.6	12.9	2.9	2.4	10.7	3.2	2.8	11.2	3.9	3.8	8.5
Sep.	2.8	2.5	11.0	2.7	2.3	9.2	3.1	2.7	9.5	3.6	3.3	7.7
Oct.	2.6	2.2		2.4	2.0		2.8	2.4		3.5	3.3	
Nov.	2.4	2.1		2.3	1.9		2.7	2.3		3.5	3.3	
Dec.	2.3	2.0		2.3	1.9		2.8	2.4		3.7	3.4	

- (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.

Sources: Bureau of Labor Statistics for United States, Massachusetts, and Metropolitan Boston; and Massachusetts Department of Workforce Development for the City of Boston, November 2020.

Largest Private Employers in Boston

The following table lists the top ten largest employers in Boston as of 2020, which in the aggregate represents 87,765 jobs, or about 10.6% of all employment.

Top 10 Largest Employers in Boston

Employer	Jobs	Share of Total
Massachusetts General Hospital	17,575	2.1%
Brigham and Women's Hospital	11,394	1.4
Boston University	10,348	1.2
Beth Israel Deaconess Medical Center	8,500	1.0
Boston Children's Hospital	7,757	0.9
State Street Bank & Trust Company*	7,500	0.9
Harvard University Graduate Schools	6,477	0.8
Boston Medical Center	6,308	0.8
Northeastern University**	5,956	0.7
Fidelity Investments	5,950	0.7
Sum of Top 10 Employers	87,765	10.6
Total Boston Employment***	828,923	

* Employment number for State Street Bank & Trust Company is 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 2018.

Source: Bureau of Economic Analysis; Center for Medicare and Medicaid Services, Form CMS-2552-10; National Center for Education Statistics; Harvard University Fact Book; Direct Contact with Employers; Boston Business Journal; 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 75,116 federal, state and local government workers in the City in 2018. 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 2018. While the size of Boston's resident labor force dipped in the spring of 2020 with the onset of the pandemic, by September 2020 it was back to pre-pandemic levels. 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 11.7% between 2010 and 2019 to 694,295, of which 426,347 residents were in the labor force and 406,937 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 2000 to 2019, according to the 1-year ACS, this share grew even further from 35.6% to 51.7%. 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 2019

	1980		1990		2000		2019	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Fewer than nine years	54,932	16.6%	37,824	10.3%	34,321	9.1%	32,791	6.8%
9 to 12 years, no diploma	49,407	14.9	51,051	14.0	45,308	12.0	22,504	4.6
High school graduate (or GED)	115,787	35.0	97,233	26.6	90,568	24.0	92,791	19.1
Some college or Associates	43,451	13.2	69,889	19.1	73,125	19.4	86,206	17.8
Bachelors, Masters, or Prof.	67,073	20.3	109,711	30.0	134,252	35.6	251,058	51.7
Total	330,650	100.0%	365,708	100.0%	377,574	100.0%	485,350	100.0%

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, 2019 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 year 2019, OWD supported over 85 community organizations with more than \$13 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 14,881 job-seekers and 698 employers. In addition, funding from OWD served 1,542 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 354 young people, placing 187 into subsidized jobs and 44 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 \$82,623 in 2018, 49.0% above the national per capita personal income of \$55,433, according to the BEA. According to the 2018 1-year ACS, Boston residents constitute approximately 86.2% of the county's population. The summary table below shows the per capita income from 1980 through 2018 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 2018. The City's median household income (in fixed 2019 dollars) based on Census data from the ACS was \$67,077 in 2018. 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 2010-2018⁽¹⁾
(In Fixed 2019 Dollars)

Year	United States	Massachusetts	Metropolitan Boston ⁽²⁾	Suffolk County ⁽³⁾
1980.....	\$31,498	\$33,179	\$34,563	\$32,273
1990.....	38,333	45,160	48,303	48,037
2000.....	45,433	57,229	63,142	58,981
2010.....	47,222	62,203	68,187	75,876
2011.....	48,260	62,775	68,731	71,969
2012.....	49,309	63,684	69,534	69,766
2013.....	48,829	62,754	68,436	67,088
2014.....	50,210	64,035	69,853	66,688
2015.....	52,261	67,789	74,116	71,988
2016.....	52,457	68,424	74,732	73,071
2017.....	53,860	70,537	77,206	77,086
2018.....	55,433	72,982	80,120	82,632

- (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 86.2% of Suffolk County's population.

Source: Bureau of Economic Analysis, Personal Income Summary: Personal Income, Population and Per Capita Personal Income, December 2019.

Payroll wages for jobs located in Boston totaled \$66.9 billion in 2018, resulting in an average annual payroll wage of \$102,794. 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 2018, Suffolk County had a higher average wage per job at \$102,336 than Metropolitan Boston's average wage per job at \$80,466. Metropolitan Boston's average wage per job was 8.9% greater than the Commonwealth's.

Average Wage per Job, 1980, 1990, 2000 and 2010-2018⁽¹⁾
(In Fixed 2019 Dollars)

Year	United States	Massachusetts	Metropolitan Boston ⁽²⁾	Suffolk County ⁽³⁾
1980.....	\$43,429	\$41,965	\$43,724	\$47,965
1990.....	45,831	51,482	54,218	61,135
2000.....	52,043	64,248	69,912	82,346
2010.....	55,104	66,570	72,214	87,736
2011.....	54,918	66,607	72,301	87,130
2012.....	55,175	66,311	72,230	87,792
2013.....	54,936	66,305	72,100	87,611
2014.....	55,709	67,677	73,789	91,597
2015.....	57,337	70,336	76,751	94,912
2016.....	57,376	70,298	76,748	95,111
2017.....	58,035	71,398	78,087	97,628
2018.....	58,304	73,922	80,466	102,336

- (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) Jobs in Boston constitute approximately 96% of jobs in Suffolk County.

Source: Bureau of Economic Analysis, Economic Profile: Average Wages and Salaries, December 2020.

From 2010 to 2020 (estimated), prices rose at an annual average rate of 1.9% in Metropolitan Boston based on the BLS Consumer Price Index (CPI), while the national index grew at a 1.2% annual rate. Comparing the latest monthly CPI-U data for September 2019 and September 2020 reveals that the rate rose by 1.8% in the Metropolitan Boston area.

Consumer Price Index for All Urban Consumers
2009-2019
(CPI-U) ⁽¹⁾

Year	United States Index	Percent Change	Metropolitan Boston ⁽²⁾ Index	Percent Change
2010.....	218.056	1.6%	237.446	1.6%
2011.....	224.939	3.2	243.881	2.7
2012.....	229.594	2.1	247.733	1.6
2013.....	232.957	1.5	251.139	1.4
2014.....	236.736	1.6	255.184	1.6
2015.....	237.017	0.1	256.715	0.6
2016.....	240.007	1.3	260.496	1.5
2017.....	245.120	2.1	267.033	2.5
2018.....	251.107	2.4	275.815	3.3
2019.....	255.657	1.8	281.082	1.9
2020.....	258.806	1.2	286.126	1.8

(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, September 2020.

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 6,095 beds as of 2019. 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. Boston received a total of \$2.18 billion in NIH awards for fiscal year 2019, 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 2018-2019, 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 138,857 full- and part-time students.¹³ This is an increase of close to 5,440 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 2018 at 31,666, followed by Boston University at 30,118. Boston, with 10% of the Commonwealth’s population, has about 22% of the statewide college student enrollment. Along with colleges and universities across the country, Boston schools sent students home in March 2020, and most are offering a mixture of in-person and online classes for the 2020-2021 school year with fewer students living on campus. Complete enrollment data are not yet available for the 2020-2021 school year, but indications are that overall enrollment is lower than previous years.

According to the Department of Neighborhood Development, no new dormitory beds were permitted in 2018, but 1,780 beds were completed. There were 759 more students living in private-housing compared to 2017, composed exclusively of graduate students. In total, 6,022 beds have been built between 2011 and 2018, accounting for 33% of the goal of 18,500 beds set out in the Housing a Changing City: Boston 2030 plan. Another 1,119 beds are under construction or soon to be under construction as of the 2018-2019 school year. An 825-bed dorm managed

¹³ City of Boston Department of Neighborhood Development

by American Campus Communities was completed at Northeastern and UMass Boston has plans to build another 1,000 dorm beds in the future.

In 2019, the BPDA approved 672,000 square feet of institutional development across the City and, as of October, the BPDA has approved 848,000 square feet of institutional space in 2020. 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.

Completed:

The following projects were completed in 2019:

- Northeastern University completed construction of a new 20-story residential tower, a 320,000 square foot dormitory with 825 beds located at 744 Columbus Avenue adjacent to the southeastern border of Northeastern University's campus.
- Harvard University completed the construction of the ArtLab, a 9,000 square foot structure on North Harvard Street in Barry's Corner in Allston.
- Emerson College completed the renovation of the Little Building located at 80 Boylston Street, which added a new floor and 294 new beds to the dormitory.
- The Boston College Connell Recreation Center, 244,000-square foot, four-story recreation center on Thomas More Drive, opened in summer 2019. It provides athletic facilities to BC students, faculty and staff.

The following projects were completed in 2020:

- Harvard Science and Engineering Complex in Allston was completed in September. This project added 536,000 square feet of institutional space for the university.
- The Conservatory Lab Charter School in Dorchester was also completed in September, the project is 41,000 square feet and will serve elementary school children.

Under Construction:

The following projects started construction in 2019:

- Boston College began construction on a 31,140 square foot building located within the University's Harrington Athletics Village of which the first phase, athletics fields, were completed in 2018.
- Boston University continued construction on a 41,900 square foot expansion and 53,100 square foot renovation of Boston University's Goldman School of Dental Medicine, located at 100 E. Newton Street in Boston.
- Harvard University continued work on two projects within Harvard University's Allston Campus Master Plan: a 550,500 square foot Science and Engineering Complex and the 105,100 square foot Klarman Hall.
- 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.

The following projects started construction in 2020:

- In May, Suffolk University approved and permitted 1 Court Street Residence Hall in Downtown, the development is approximately 100,000 square feet of institutional space and is estimated to include 280 dormitory beds.
- Boston University's Data Science Center at 665 Commonwealth Avenue was permitted, starting construction on a 305,000 square feet of laboratory and education tower.

Project Approvals:

The following projects were approved in 2019:

- Boston University has received approval for a new Data Science Center at 665 Commonwealth Avenue. The project will be approximately 305,000 square feet with a height of 19 stories.
- Northeastern University has received approval for a new building on the Columbus Lot located on the Northeastern campus at 795 Columbus Avenue. The approved plans call for an eight-story, approximately 350,000 gross square foot building containing additional classrooms, laboratories, and a dynamic new makerspace hub.

The following project was approved in 2020:

- 401 Congress Street – a half million square foot commercial project in SBW with 207,000 SF of institutional space.
- The new inpatient building at the Beth Israel Deaconess Medical Center in the Longwood Area received construction permits in April 2020. The project will add 325,000 square feet to the hospital complex.

Tourism and Culture

Boston ranks among the top 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 2019 the Hynes and the BCEC hosted a combined total of 336 events with an aggregate of 832,243 attendees. This resulted in approximately 800,000 hotel room nights and generated an overall economic impact of approximately \$870 million, according to the Massachusetts Convention Center Authority (“MCCA”). Total fiscal 2019 operating revenues totaled \$79.1 million, a 3% increase from the previous year.¹⁴ The COVID-19 pandemic forced the cancellation of conventions and events, and the BCEC was converted to the Boston Hope field hospital in April and May.

In 2019, Greater Boston received 19.9 million domestic visitors and 2.9 million international visitors.¹⁵ The top countries of origin for international visitors were China and the United Kingdom.¹⁶ Economically, tourism in Suffolk County generated domestic travel revenues of \$9.8 billion in 2018, accounting for \$453.8 million in state and local tax revenues.¹⁷ Boston is a popular vacation destination with historical and cultural attractions such as the Freedom Trail, Faneuil Hall, Fenway Park, Boston Common and Public Garden, the Museum of Fine Arts, and the Museum of Science. Visitors also come to Boston to enjoy the local restaurants and attend performances such as the Boston Symphony Orchestra and theater productions. With the COVID-19 crisis, many of these attractions were temporarily closed for the spring, and some institutions began to reopen in July with phase three of the Massachusetts reopening plan. The Museum of Science, the New England Aquarium, and the Museum of Fine Arts have reopened. Together these three institutions welcomed approximately 4 million visitors in 2018, and are the highest attended attractions in Boston.

Hotel Market

Between 2010 and 2019, 21 new hotels opened, and as of January 2020, Boston had 93 hotels open for business with a total of 22,524 hotel rooms in establishments of fifty or more rooms.¹⁸

At the end of 2019, approximately 800,000 square feet of new hotel development was completed in Boston, notably in the Back Bay, Downtown, Roxbury, and South Boston neighborhoods. May 2019 marked the opening of the Four Seasons Hotel at One Dalton Street, the 61 story tower in Back Bay. The hotel occupies the first 21 floors and it includes 215 rooms and 41 suites. The 346 room Marriott Moxy Hotel in Boston’s Theater District opened near the Wilbur Theatre. The rooms are considered micro rooms, offering guests 175 square feet of space on average, the hotel also has a large lobby for socializing and a rooftop bar and lounge. The 108-room Residence Inn by Marriott opened on Melnea Cass Boulevard in Roxbury in January 2019. The hotel has three event or meeting venue spaces with a total of 1,484 square feet of space. The Cambria Hotel opened in 2019, is an 87,000 square foot, 159-room select-service boutique hotel with a restaurant and retail space located in South Boston.

¹⁴ Massachusetts Convention Center Authority, January 2020.

¹⁵ Greater Boston Convention and Visitors Bureau, “ Statistics and Reports .”

¹⁶ Greater Boston Convention and Visitors Bureau, “ Overseas Visitation .”

¹⁷ Massachusetts Office of Travel and Tourism. “ The Economic Impact Of Travel on Massachusetts Counties 2018 .” October 30, 2019.

Note: Tourism travel is defined as activities associated with all overnight and day trips to places 50 miles away or more, one way, from the traveler’s origin and any overnight trips away from home in paid accommodations.

¹⁸ City of Boston Licensing Board.

Nearly one million square feet of hotel space was under construction at the end of 2019. Notably, three hotels in the South Boston Waterfront neighborhood broke ground: Marine Wharf hotels and the 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. Raffles Boston in Back Bay broke ground in July 2019, this project will include 154 hotel rooms as well as residential units and ground floor retail and restaurant space.

The average occupancy rate of hotels in Boston was 79.8% from 2009 through 2019, according to the Pinnacle Perspective Monthly Report. The occupancy rate dipped in 2009 with the Great Recession but soon recovered, reaching a year to date average of 83.7% in November 2019. Boston hotels were closed to general public accommodation from late March to early June 2020. Hotel occupancy has recovered somewhat, reaching 27% in September 2020. 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 2020 dollars, grew 15.7% from \$235.16 in 1990 to \$265.72 in 2019. 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 September 2020. The hotel industry provided 11,609 direct jobs in Boston for 2018, accounting for 1.8% of Boston's total payroll jobs and 31.3% of Massachusetts' hotel industry employment.

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%	\$235.16	-	\$174.73	-
2000	14,002	78.4	297.58	-	233.45	-
2006	16,936	76.4	252.41	7.8%	192.87	9.2%
2007	17,244	76.0	262.59	4.0	199.67	3.5
2008	18,014	74.6	253.80	-3.3	189.26	-5.2
2009	18,363	70.5	227.64	-10.3	160.52	-15.2
2010	18,363	75.4	234.15	2.9	176.54	10.0
2011	18,363	77.4	228.69	-2.3	177.06	0.3
2012	18,363	78.1	243.03	6.3	189.71	7.1
2013	18,658	80.3	248.63	2.3	199.63	5.2
2014	19,107	81.8	262.46	5.6	214.67	7.5
2015	19,420	81.8	278.91	6.3	228.13	6.3
2016	20,172	81.2	275.52	-1.2	223.80	-1.9
2017	20,498	82.4	273.97	-0.6	225.63	0.8
2018	21,356	82.8	272.15	-0.7	225.28	-0.2
2019	22,524	82.7	265.72	-2.4	219.69	-2.5
2020 Jan-Sep	22,947	27.5	169.54	-36.2	46.70	-78.7

Due to the data release schedule, 2020 rates are the average of January 2020 to September 2020.

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 2020 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, this plan has been updated every year since.¹⁹ The 2020 Draft CIP allocates a total of \$17.8 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 (44% of total funding); (2) modernizing assets to meet updated safety or accessibility requirements (28%); (3) expanding capacity to accommodate increased ridership (16%). 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 \$8.2 billion over the next five years, beginning with \$1.5 billion in fiscal year 2020, although actual expenditures may vary from plans. Planned and recommended spending for fiscal years 2019 to 2023 is broken down into the following categories: (i) Revenue vehicles (\$1.07 billion); (ii) Track, signal and power programs (\$760 million); (iii) Facilities (\$355 million); (iv) Commuter Rail Safety and Resiliency (\$637.5 million); (v) Accessibility programs (\$244 million); and (vi) Expansion projects (\$2.4 billion). Additional priority projects for the MBTA include the fleet overhaul of the Red and Orange lines improvements which will involve a new set of vehicles and updated infrastructure, the Green Line Extension from a relocated Lechmere Station to Union Square in Somerville and College Avenue in Medford, the new automated fare collection system (AFC 2.0), and the South Coast Rail project which will provide public transportation between Fall River/New Bedford and Boston

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 2020 to fiscal year 2024 Boston Transportation Capital Plan draws on City, State and Federal sources, to invest \$1.2 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 \$21 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.²⁰

¹⁹ MassDOT, "2019-2023 Capital Investment Plan," 2017

²⁰ "FY18-FY22 Capital Program", Massport.com. <http://www.massport.com/media/2718/fy18-fy22-capital-program-board-book.pdf>

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 402,346 passengers in 2019, an increase of 3.3% compared to 2018.²¹ The cruise port mainly operates in the months of April through November.²²

The Port of Boston ranks among the top 25 U.S. ports by container volume.²³ The Port handled 300,762 boxed containers in calendar year 2019, an increase of 0.9% percent over 2018, and includes imports, exports, and empties.²⁴ The port also handled 52,018 automobiles in 2019, a decrease of 0.7% from 2018. Additionally, the port handled 99,586 cement metric tons in 2019, which is a 30% increase from 2018’s tonnage.

As of November 2019, Logan Airport had served a total of 42.5 million domestic and international passengers for the year, a 3.9% increase from the 40.9 million passengers served during the same period in 2018. The COVID-19 pandemic has reduced air travel – in September 2020 Logan Airport served 82% fewer passengers than in September 2019. Logan Airport also plays an important role as a center for processing domestic and international air cargo. In 2019, the year to date total for combined cargo and mail volume was 688.9 million pounds, a 2.2% increase from the 704.2 million pounds handled in 2018.²⁵

Construction Activity

The following table provides annual building permit revenues and an estimate of construction activity in the City for fiscal years 2010 to 2019. Building permits issued do not necessarily result in construction activity. The estimated revenue from building permit fees during fiscal year 2019 indicated the potential for \$7.2 billion in construction activity compared to an estimate of \$5.5 billion for fiscal year 2018. Between 2018 and 2019, building permit revenue increased by 15% in fixed terms. In 2019, there was increase in property tax levy of \$77.3 million in 2019 due to new construction.²⁶

**Boston Building Permit Revenues and Estimated Construction Activity
Fiscal Years, 2010-2019 in Millions of Fixed 2019 Dollars**

Fiscal Year	Building Permit Revenues ⁽¹⁾	Estimated Potential Construction Activity ⁽²⁾
2010.....	\$17.4	\$2,037
2011.....	26.7	3,137
2012.....	36.3	4,266
2013.....	32.2	3,777
2014.....	43.3	5,091
2015.....	55.8	6,563
2016.....	55.7	6,552
2017.....	64.6	7,602
2018.....	53.9	5,524
2019.....	61.8	7,273
Total 2010-2019.....	\$385.8	\$44,549
Annual Average 2010-2019.....	\$42.9	\$4,950

- (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. BPDA Research Division Analysis January 2020.

²¹ <https://www.massport.com/massport/media/newsroom/massport-ends-the-2019-cruise-season-with-another-record/>
²² “About Flynn Cruiseport”, Massport.com. <https://www.massport.com/cruiseport/about-flynn-cruiseport/>
²³ 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>
²⁴ “Port Statistics”, Massport.com. <http://www.massport.com/conley-terminal/about-the-port/port-statistics/>
²⁵ “Boston Logan International Airport Monthly Summary, October 2018”, Massport.com. <https://www.massport.com/logan-airport/about-logan-airport-statistics/>
²⁶ Boston Assessing Department, “Property Tax Facts and Figures Fiscal Year 2019.”

Large Public Sector Projects

Boston has witnessed several other major public sector projects in recent years including the original BCEC Project, the Central Artery Tunnel—a downtown highway tunnel through the City, and the Callahan Tunnel Rehabilitation Project in the 1990s and early 2000s. Currently there are a number of ongoing and proposed projects spread across downtown and into Boston’s neighborhoods. The list of large public projects below is not comprehensive, but highlights some unique projects covering transportation and other major infrastructure. Funding for these projects is from various sources and generally does not include City funds.

The Casey Arborway Project construction began in February 2015, with full closure of the Casey overpass in May 2015 for demolition. The project, located at Forest Hills Station in Jamaica Plain, reconnects and simplifies roadways, improves bicycle and pedestrian access and include station improvements to Forest Hills. For this large redevelopment MassDOT partnered with the City of Boston, Department of Conservation and Recreation (“DCR”), and the MBTA. The Arborway and Forest Hills improvement project was completed in 2019.

The North Washington Street Bridge Project began in 2018 and will continue until early 2023. This major bridge replacement project will be constructed while also maintaining access throughout the construction process by providing a parallel temporary bridge structure. This important connection provides access between Charlestown and the North End/Central Business District and is estimated to cost \$177 million.

The Massachusetts Water Resources Authority (“MWRA”), an independent state authority, has spent \$8.4 billion on capital improvements, including the Boston Harbor Project, since its inception in 1984 through fiscal year 2019. The MWRA’s fiscal year 2020 Capital Improvements Program enumerates five major initiatives: the Boston Harbor Program, the MetroWest Water Supply Tunnel, and the Carroll Water Treatment Plant, the Combined Sewer Overflow Control Plan, and Covered Storage facilities. To date the MWRA has spent \$6.0 billion on these five initiatives, with the Boston Harbor project being the most expensive at \$3.8 billion. The Boston Water and Sewer Commission’s South Boston Sewer Separation project will install new drains and replace sewers and water mains in 403 acres of South Boston from West Broadway to Andrew Square to Telegraph Hill at a cost of \$120 million with construction from 2020 to 2027.

The Community Preservation Act (“CPA”), which passed in November 2016, is helping the City of Boston achieve its housing and economic goals by generating revenue that is specifically allocated to three project categories: creating and preserving affordable housing units, restoring and building parks and recreational open space, and preserving historical sites. Through a 1% surcharge on real property tax that began in July 2017 (fiscal year 2018), Boston has collected a total of \$39.1 million in fiscal years 2018 and 2019, which was matched with \$3.6 million from the state through the CPA Trust Fund. In fiscal year 2020, the City expects to collect \$25.5 million in revenue. Since 2018, the first year of allocations, Boston’s 9-member Community Preservation Committee, comprised of Boston residents, has recommended 91 projects totaling more than \$43 million in all three CPA categories. In fiscal year 2020, the City plans to appropriate \$24.3 million to 40 additional projects, most notably affordable housing projects.

Office Market and New Development

The City and its neighborhoods had approximately 67.4 million square feet of office space in the third quarter of 2020. Boston’s direct vacancy rate was 9.5%, according to realty firm Jones Lang LaSalle (JLL). Boston’s YTD net absorption of office space was -1.6 million square feet. Compared to this time last year (third quarter of 2019), YTD net absorption has decreased by 226% and the vacancy rate has increased by 3 percentage points. The average asking rent citywide in 2020 Q3 was \$72.78, \$10.25 less per square foot than the average rent in the Cambridge office market.

Boston Office Market—Third Quarter 2020

Market Area	Inventory Square Foot	YTD Absorption	Vacancy	Average Asking Rent
Back Bay.....	12,469,737	-186,723	5.3%	\$70.72
Charlestown.....	1,961,144	-66,108	7.0	44.29
Fenway.....	1,738,388	-149,759	5.3	85.64
Downtown*.....	37,696,983	-834,857	9.4	75.74
North	1,743,828	-83,391	10.6	57.39
Seaport	10,633,812	-229,806	14.8	68.39
South	1,203,716	-21,768	17.8	61.89
Boston.....	67,447,608	-1,572,412	9.5	72.78

Source: Office Statistics: Boston Q3 2020, Jones Lang LaSalle IP, Inc.

The Boston Planning & Development Agency (BPDA) Board approved approximately 1.8 million square feet of office space in 2019, and has approved another 3.1 million square feet as of October 2020.

The following projects were approved in 2019:

The Board approved 10 Stack Street, part of the Hood Park Master Plan in Charlestown. Once complete, this office building will bring 340,000 square feet of office space as well as ground-floor retail. In December the Board approved Allston Yards, adjacent to the Boston Landing Commuter Rail Station. In addition to the 352,000 square feet of office space, this mixed-use project will also have residential, retail, public open space, and a flagship grocery store. In August, the Board approved Turnpike Air Rights Parcel 12, a project in Back Bay on Boylston Street. This project will provide retail, hotel, and parking space as well as 450,000 square feet of office space and create half an acre of publicly accessible open space consisting of a civic plaza and an elevated landscaped plaza.

The following projects were approved in 2020:

15 Necco Street in the South Boston Waterfront was approved in September for approximately 296,000 square feet of office space. The Suffolk Downs development project notably approved 2.74 million square feet of office space. This 10.5 million square foot mixed use redevelopment in East Boston includes residential, office, hotel, and retail spaces. The project has multiple phases and is anticipated to come on line over the course of 30 years. In South Boston Waterfront, the mixed-use project at 401 Congress Street was approved for 258,500 square feet of office space.

Boston had strong years for office space approvals and currently many projects approved in 2017 and 2018 are permitted for construction. These projects will bring 3.6 million square feet of office space to the market once completed. Notably, the Landmark Center renovation in Fenway is a 1.2 million square foot development comprising of entirely office space. Nearby, the Kenmore Square Redevelopment in Fenway will also bring 256,000 square feet of office space to the neighborhood. Seaport Square, a multi-phase and mixed use project in the South Boston Waterfront was permitted in February 2020 for Block P. Once fully completed, Seaport Square will bring 1.6 million square feet of office space plus an additional 365,200 square feet of residential space to the neighborhood.

In July of 2020, a large project at 100 Hood Park Drive in Charlestown completed construction, adding 50,000 square feet of office space. Parcel Q1 in the South Boston Waterfront delivered 211,700 square feet of office space and 8,400 square feet of retail space in early 2020.

Retail Market

In 2018, there were a total of 96,544 employees in retail trade and accommodation and food services in Boston, with 33,765 in retail and 62,779 in accommodation and food services. The retail sector is complemented by an estimated 21,845 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 2017 Economic Census, about 2,191 retail establishments were located in the City with estimated total sales of \$12.6 billion in 2019 dollars.

As of November 2020, the food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of just over 3,000 active food establishments.²⁷

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2017⁽¹⁾
(In thousands of Fixed 2019 Dollars)

<u>Year</u>	<u>Massachusetts</u>	<u>Metropolitan Boston⁽²⁾</u>	<u>City of Boston</u>
1992.....	\$86,801,934	\$61,551,612	\$7,614,025
1997.....	104,846,836	76,969,660	8,928,422
2002.....	118,225,966	85,122,656	10,177,067
2007.....	123,013,526	88,392,828	11,290,676
2012.....	118,978,767	86,754,891	11,971,257
2017.....	133,553,181	98,980,787	16,626,218
Annual rate '92-'17	2.2%	2.4%	4.7%
Annual rate '12-'17	2.4%	2.8%	7.8%

(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, 2012, and 2017 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 (2019), 86 new and expanded businesses opened in Main Streets districts, creating 393 new jobs. Business assistance was provided to 2,601 small businesses. 280 special district promotional events generated over 18,779 volunteer hours and the local Main Streets Districts storefront occupancy rates were at an average of 95%.

The retail real estate market in 2020 has remained relatively strong. According to CoStar, Boston’s retail vacancy rate in 2020 Q3 was 1.9%. Retail rents dipped slightly from 2019, with market rent per square foot for 2020 year-to-date at \$48.71.

Twenty-six new or expanded supermarkets have opened in Boston’s neighborhoods since 1992, including five major openings since 2015. In 2019, Trader Joe’s opened its third location at 44 Thomson Place in the Fort Point/South Boston Waterfront neighborhood and a Star Market opened at The Hub on Causeway at TD Garden. A 1.9 million square foot redevelopment of the 11-acre Stop & Shop supermarket in Allston (dubbed “Allston Yards”) was approved in 2019. Once complete, it will introduce a new Stop & Shop supermarket with up to 1,200 parking spaces, in addition to office space and 868 residences.

Industrial Market and Recent Developments

The Suffolk County sub-market had approximately 23 million square feet of industrial space and 6 million square feet of flex space in November of 2020, according to CoStar. The vacancy rates in 2020 Q3 were approximately 3.8% for industrial and 16.3% for flex. The average asking rent for industrial was \$17.15 per square foot NNN (“Net-Net-Net”, or net property tax, insurance, and maintenance), and \$21.57 per square foot NNN for flex. From 2014 to 2020 Q3, market rental rates for flex increased by 33%, while rates for all industrial increased 43%.

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. The BPDA submitted a proposed update to the RLFMP Master Plan to the Commonwealth of Massachusetts for approval in 2018. The

²⁷ Health Division Department of Inspectional Services, “Active Food Licenses”, accessed November 2020, <https://data.boston.gov/dataset/active-food-establishment-licenses>

Master Plan update increases the existing zoned Floor to Area Ratio (FAR) from 2 to 4, allowing for additional density and development potential. This provision will help preserve ground level industrial uses and will allow a more diverse mix of business uses on the upper levels.

Construction was completed on Innovation Square Phase One of a new 125,000 square foot research and development (R&D) industrial building in Spring 2019 at the RLFMP. In June 2019, the developer of Innovation Square Phase Two submitted a notice of project change to change the proposed office space to approximately 228,000 square feet of industrial space, with the intention of it too to be R&D and manufacturing space. Once complete, Innovation Square Phase One and Two will have a total build out of approximately 350,000 square feet of industrial R&D space. Vertex Pharmaceuticals moved to the South Boston Waterfront from Kendall Square in 2014 and is looking to expand its research and manufacturing capacity close to company headquarters. In November 2019, Vertex Pharmaceuticals announced that it is likely to lease a 256,000 square foot of space in the Innovation Square of the RLFMP.

Newmarket is a commercial/industrial district situated in northern Dorchester between Massachusetts Avenue, Melnea Cass Avenue and Interstate-93. Newmarket is one of Boston's industrial economic centers, it is home to many wholesale trade, warehousing, and logistics companies as well as construction companies. It was identified in the Imagine Boston 2030 Plan as an expanded neighborhood meaning it serves as a connection between neighborhoods and is a place of interest for creating and retaining jobs. In June 2019 the BPDA kicked off the Newmarket Planning initiative to realize the goal outlined by the Imagine Boston 2030 plan. The focus of the planning study, broadly, is to envision a 21st century industrial area, while preserving existing industrial jobs and encouraging new industries to enter the expanded neighborhood. The Planning initiative will be moving forward in 2020.

Housing Stock, Housing Values, and Development

There were 303,791 housing units in Boston according to the 1-year 2019 ACS. Of the 271,553 occupied units, 35% were owner-occupied and 65% were renter-occupied. Vacant housing units totaled 32,238, while the homeowner unit vacancy rate was 1.0% and the rental unit vacancy rate was 3.9%. The 2019 ACS shows that the median monthly cost for home owners with a mortgage was \$2,461 and the gross monthly rent (for existing renters rather than advertised rents) was \$1,735. 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 (DND). Rental data are provided to DND by Multiple Listing Service (MLS) and Rental Beast, an online database of rental listings. Because the sample of rental listings in a given month or year does not necessarily represent the compositions of units in each neighborhood or the City as a whole, DND uses a weighted average methodology to compare rents across time periods. By holding the compositions of units by bedroom and neighborhood constant based on their share in the ACS, this methodology isolates changes in rent levels from other changes in the sample. The citywide weighted average advertised rents fell 0.4% in real terms between 2018 and 2019. Rents rising at or below overall inflation reflects stabilization in the rental market compared to increases experienced in recent years. Weighted average rents for an apartment in Boston's neighborhoods ranged from a high of \$4,811 in the South Boston Waterfront to a low of \$1,901 in Hyde Park.

**Average Monthly Rent of Newly Rented Apartments in Boston Neighborhoods
(In Fixed 2019 Dollars)**

<u>Neighborhood</u>	<u>2017 Weighted Average Monthly Rent⁽¹⁾</u>	<u>2018 Weighted Average Monthly Rent⁽¹⁾</u>	<u>2019 Weighted Average Monthly Rent⁽¹⁾</u>	<u>Percent Change, 2018- 2019</u>
Allston	\$2,207	\$2,208	\$2,271	2.9%
Back Bay	3,415	3,398	3,364	-1.0
Beacon Hill	2,900	2,893	2,884	-0.3
Brighton	2,163	2,198	2,198	0.0
Charlestown	2,917	2,955	2,876	-2.7
Dorchester	2,159	2,160	2,175	0.7
Downtown	3,902	3,783	3,762	-0.6
East Boston	2,095	2,194	2,188	-0.3
Fenway	2,526	2,621	2,581	-1.5
Hyde Park	1,892	1,906	1,901	-0.2
Jamaica Plain	2,445	2,510	2,498	-0.5
Longwood Medical Area	2,334	2,479	2,504	1.0
Mattapan	1,965	2,005	1,975	-1.5
Mission Hill	2,399	2,424	2,449	1.0
North End	2,804	2,918	2,821	-3.3
Roslindale	1,979	1,981	1,956	-1.3
Roxbury	2,452	2,372	2,302	-2.9
South Boston	2,872	2,924	2,880	-1.5
South Boston Waterfront	4,327	4,599	4,811	4.6
South End	3,217	3,185	3,231	1.4
West End	3,431	3,418	3,493	2.2
West Roxbury	2,103	2,040	2,069	1.4
Citywide	2,470	2,490	2,481	-0.4

(1) Averages weighted to match bedroom composition of units by neighborhood in ACS 2018 5-Year Estimates.

(2) MLS rental listings are created by local real estate agents and the system helps to market and manage property listings.

(3) 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 2020.

Annual real median home prices (in fixed 2019 dollars) in the Greater Boston area peaked in 2006 at \$510,068, according to data from the National Association of Realtors (NAR) adjusted for inflation using the CPI. Annual real prices declined 23.3% through 2012, reaching a low of \$391,068. Prices have since recovered, climbing 25.8% from 2012 to 2019 to reach \$491,900. While nominal home prices in Greater Boston are well above the level reached in 2006, real prices still remain 3.6% below their pre-Great Recession peak.

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Greater Boston Annual Median Single-Family Sales Prices for Existing Homes, 2010-2019 ⁽¹⁾
(In Fixed 2019 Dollars)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual Median	Annual Change
2010.....	\$377,292	\$423,017	\$429,700	\$406,017	\$418,914	5.7%
2011.....	366,087	404,275	417,914	369,383	393,478	-6.1
2012.....	346,861	403,206	407,326	383,051	391,068	-0.6
2013.....	364,571	419,443	432,064	407,481	392,775	0.4
2014.....	392,229	429,918	431,862	413,827	420,955	7.2
2015.....	404,061	447,207	453,894	424,555	435,665	3.5
2016.....	403,181	464,217	463,685	444,618	448,559	3.0
2017.....	432,007	484,886	484,052	467,781	472,370	5.3
2018.....	450,723	504,887	500,305	468,642	486,051	2.9
2019.....	461,200	506,700	507,400	482,800	491,900	1.2

(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.

Source: National Association of Realtors, January 2020.

The median sale price for a single-family home in Boston reached \$622,000 in the second quarter of 2019 according to sales record data provided Banker & Tradesman and DND. This reflects a 26.3% increase in real terms over the pre-Great Recession peak in the second quarter of 2006, and a 53.9% real increase since the second quarter of 2012. Real sales prices of two and three-family structures rose, respectively, 113.6% and 155.5% between the 2nd quarter of 2010 and the 2nd quarter of 2019. These represent more modest gains of 20.7% and 29.2% over the prior peak in the second quarter of 2006.

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Median Residential Sales Prices for Boston
First Quarter 2010 through Fourth Quarter 2019
(In Fixed 2019 Dollars)⁽¹⁾

Year	Quarter	Single-Family	Two-Family	Three-Family	Condominium
2010	First	\$375,200	\$310,700	\$316,550	\$389,250
	Second	437,050	351,150	340,000	416,200
	Third	426,550	383,400	340,000	439,650
	Fourth	395,400	386,900	362,000	451,400
2011	First	362,850	338,150	375,050	400,900
	Second	405,750	369,950	359,000	437,600
	Third	402,900	377,950	371,100	426,200
	Fourth	375,900	371,650	397,800	431,900
2012	First	360,200	352,150	414,250	425,350
	Second	404,050	404,050	422,600	462,100
	Third	410,900	423,150	433,700	444,300
	Fourth	383,600	413,100	417,550	439,850
2013	First	395,100	373,150	433,500	448,300
	Second	469,150	452,700	475,200	470,800
	Third	443,350	463,100	482,900	477,400
	Fourth	417,300	491,100	485,600	526,750
2014	First	427,100	433,050	512,950	472,400
	Second	475,150	510,800	545,350	496,750
	Third	472,450	539,950	534,550	470,850
	Fourth	470,850	539,400	539,400	496,750
2015	First	430,400	469,200	577,100	528,550
	Second	496,200	550,100	639,100	555,500
	Third	528,550	563,600	633,700	550,100
	Fourth	485,950	559,800	620,200	630,450
2016	First	479,350	575,200	612,500	555,750
	Second	533,150	541,150	639,100	623,150
	Third	552,050	606,750	704,050	697,700
	Fourth	520,600	585,850	718,500	601,850
2017	First	531,400	573,650	663,350	599,700
	Second	593,450	680,550	782,250	610,150
	Third	584,050	696,200	805,700	610,150
	Fourth	573,650	636,200	829,050	655,250
2018	First	559,950	590,500	797,950	650,250
	Second	610,850	741,700	865,300	692,300
	Third	630,750	699,950	819,600	687,250
	Fourth	610,850	694,350	813,500	646,500
2019	First	577,000	690,000	800,000	600,000
	Second	622,000	750,000	868,750	685,000
	Third	605,000	760,000	985,000	640,000
	Fourth	610,000	700,000	912,500	690,000

(1) Rounded to the nearest multiple of 50.
Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2020.

The total number of residential sales fell by 5.7% between 2018 and 2019, decreasing from 8,220 to 7,755. The sales volume of single-family homes fell 8.2%. Sales of condominiums decreased by 4.5%, and sales of multi-family non-condominiums properties decreased by 8.4% between 2018 and 2019.

**Annual Residential and Condominium Sales in Boston ⁽¹⁾
2010-2019**

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
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.....	1,325	4.6	1,170	-1.8	5,725	10.1	8,220	7.3
2019.....	1,217	-8.2	1,072	-8.4	5,466	-4.5	7,755	-5.7

(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 2020.

Prices and sales volumes for single-family homes and for condominiums are shown by neighborhood for calendar years 2018 and 2019. 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 \$608,000 for 2019. The inflation adjusted median sales price fell by 0.5%, while the sales volume fell 8.2% between 2018 and 2019.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single-Family Homes
In Boston's Neighborhoods, Calendar Years 2018 and 2019
(In Fixed 2019 Dollars)

Neighborhood	2018 Single-Family Price	2019 Single-Family Price	Price Percent Change	2018 Sales Volume	2019 Sales Volume	Sales Percent Change
Allston/Brighton	\$717,776	\$750,000	4.5%	54	65	20.4%
Back Bay/Beacon Hill	3,387,801	2,975,000	-12.2	28	29	3.6
Charlestown	1,008,195	1,175,000	16.5	66	74	12.1
Dorchester	545,713	550,000	0.8	187	180	-3.7
Downtown	*	*	*	-	-	*
East Boston	580,330	600,000	3.4	63	44	-30.2
Fenway	*	*	*	-	-	*
Hyde Park	449,501	455,000	1.2	193	158	-18.1
Jamaica Plain	893,402	809,000	-9.4	94	89	-5.3
Mattapan	421,503	410,000	-2.7	63	69	9.5
Mission Hill/Longwood	*	*	*	1	2	100.0
North End	*	*	*	-	1	*
Roslindale	615,964	617,500	0.2	131	110	-16.0
Roxbury	465,791	537,500	15.4	38	48	26.3
South Boston	862,858	841,000	-2.5	88	84	-4.5
South Boston Waterfront	*	*	*	-	-	*
South End	2,758,093	3,000,000	8.8	33	30	-9.1
West End	*	*	*	-	-	*
West Roxbury	590,511	606,500	2.7	286	234	-18.2
Citywide	610,873	608,000	-0.5	1,325	1,217	-8.2

* 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 2020.

Condominium sales volume and prices also showed variability across the neighborhoods of Boston in 2018 and 2019. The four most expensive neighborhoods for condominiums were the South Boston Waterfront (\$1,974,100), Downtown (\$1,299,000), Back Bay/Beacon Hill (\$1,189,000), the South End (\$1,048,360) and Downtown (\$1,045,000). Charlestown, South Boston, the North End and the West End all exceeded the citywide median of \$656,100. After surging 8.4% between 2017 and 2018, the median condominium price moderated, falling 2.2% in real terms. The condominium sales volume was down by 4.5% citywide.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2018 and 2019
(In Fixed 2019 Dollars)

Neighborhood	2018 Condo Price	2019 Condo Price	Price Percent Change	2018 Sales Volume	2019 Sales Volume	Sales Percent Change
Allston/Brighton.....	\$514,152	\$472,750	-8.1%	547	340	-37.8%
Back Bay/Beacon Hill	1,069,028	1,189,000	11.2	552	628	13.8
Charlestown	722,358	715,000	-1.0	326	341	4.6
Dorchester	483,608	479,000	-1.0	490	595	21.4
Downtown	1,002,850	1,299,000	29.5	369	277	-24.9
East Boston	509,061	575,000	13.0	279	433	55.2
Fenway	945,268	439,000	-53.6	218	205	-6.0
Hyde Park	366,346	378,000	3.2	64	65	1.6
Jamaica Plain	615,964	600,000	-2.6	419	376	-10.3
Mattapan	355,325	409,500	15.2	81	46	-43.2
Mission Hill/Longwood.....	544,695	580,500	6.6	45	44	-2.2
North End.....	701,486	765,000	9.1	158	123	-22.2
Roslindale	463,246	475,000	2.5	183	209	14.2
Roxbury	493,789	459,000	-7.0	180	151	-16.1
South Boston	740,684	749,000	1.1	797	725	-9.0
South Boston Waterfront.....	1,933,409	1,974,100	2.1	205	199	-2.9
South End	1,069,028	1,048,360	-1.9	582	497	-14.6
West End	733,173	749,500	2.2	105	88	-16.2
West Roxbury	391,977	370,750	-5.4	125	124	-0.8
Citywide	670,942	656,100	-2.2	5,725	5,466	-4.5

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 2007.²⁸ Foreclosure deeds fell to a 17-year low in 2019, decreasing from 103 in 2018 to 40 in 2019. Petitions to foreclose also declined from 328 to 299.

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 29,385 were permitted by the end of 2018. In September 2018, the City revised its housing goal to 69,000 new units by 2030 to accommodate population growth that was exceeding initial growth estimates. The units permitted under the plan through the end of 2018 reflect 135% of the revised target over that time period.²⁹

In 2019, the BPDA Board approved 4.6 million square feet of new housing, for a total of 4,715 new housing units across the City. Of these units, 1,216 are income-restricted units. As of October, the BPDA Board approved 9.1 million square feet of new housing, and the Suffolk Downs redevelopment project is a primary driver behind that total. In all, there are 9,274 new housing units approved, of which 2,628 are income-restricted units, accounting for nearly one-third of all units approved. The Suffolk Downs project alone was approved for 7,150 new units, of which 1,430 units are to be income-restricted. In addition to Suffolk Downs, the other largest residential projects approved include Lenox Apartments in Roxbury with 285 income-restricted units and Scape Boylston in Fenway with 451 rental units. With the exception of Suffolk Downs, many of the residential units approved in 2020 are smaller projects, with less than 70 units, and these projects are located throughout Boston's neighborhoods.

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 58 family and elderly and disabled developments that are home to more than 24,000

²⁸ City of Boston Department of Neighborhood Development, "Foreclosure Trends 2015," boston.gov.

²⁹ City of Boston Department of Neighborhood Development, "Boston 2030 2018 Year End Report", https://www.boston.gov/sites/default/files/embed/c/cy2018_hb2030_190502.pdf.

residents. Most of the 11,800 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 14,700 families that lease apartments from private landlords. The BHA helps provide housing to approximately 34,500 people under these programs.³⁰

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 2018, the Boston Housing Authority (BHA) broke ground on the redevelopment of the Whittier Street Housing Development in Lower Roxbury, which was originally built in 1953 and is one of the BHA's oldest properties. 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, which is still under construction. Phase II of the Orient Heights Redevelopment is currently under construction, 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 Neighborhood Housing Trust/Commercial Linkage funds. In December 2018, the BHA began construction on the O'Connor Way Senior Housing Development. This development, which is still under construction, will add 46 units of elderly affordable housing and was funded in part by the Inclusionary Development Program contributions from 150 Seaport Boulevard and Pier 4 development projects. In March of 2019, construction began on 125 Amory Street, which is both a renovation of 199 affordable senior apartments and the addition of ten affordable units within the same building. In a second phase, 287 new rental units (73 affordable) will be built on land adjacent to the site.

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 through December 2019, the linkage program has collected \$191 million for the NHT and \$43.9 million for the NJT.

The NHT has awarded approximately \$191.5 million in grant funds from the start of the program through FY2019. The NHT funding contributed to the construction or renovation of 15,128 housing units of which 12,851 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. In Fiscal Year 2019, NJT disbursed approximately \$1.9 million to job training and education programs. Among the NJT-funded programs were 17 job training programs chosen through an open request for proposals process. From Fall 2018 through Fall 2019, these grantees trained more than 200 adults for such industry sectors as banking/finance, culinary arts, hospitality, healthcare, human services, and retail. Many of these adults faced at least one of the following barriers to employment: CORI record, Temporary Assistance for

³⁰ Boston Housing Authority, January 2020.

Needy Families, housing vouchers, or homelessness/near-homelessness. Placed graduates made an average of \$18.89 per hour, with 68% earning benefits as well.

In addition, NJT funded special projects through such organizations as 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 college. To date, 490 students have enrolled in TFCC. In FY 2019, 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.

PROPOSED FORM OF LEGAL OPINION



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(Date of Delivery)

Emme Handy, Chief Financial Officer
and Collector-Treasurer
City of Boston
Boston, Massachusetts

City of Boston, Massachusetts
General Obligation Bonds
2020 Series A and 2020 Series B (Green Bonds) and
General Obligation Refunding Bonds
2020 Series D

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 (i) \$121,660,000 General Obligation Bonds, 2020 Series A, (ii) \$23,885,000 General Obligation Bonds, 2020 Series B (Green Bonds), and (iii) \$29,565,000 General Obligation Refunding Bonds, 2020 Series D, each dated December 30, 2020 (together, 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 December 9, 2020 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.

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

* 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.

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: December 30, 2020

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]

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DESIGNATION OF SERIES B BONDS AS GREEN BONDS**Green Bonds Designation**

Kestrel Verifiers is a Climate Bonds Initiative Approved Verifier. As such, Kestrel Verifiers is qualified to evaluate bonds to ensure conformance with the International Capital Market Association (ICMA) Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria.

Per the International Capital Market Association (ICMA):

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel Verifiers has determined that the City of Boston, Massachusetts General Obligation Bonds 2020 Series B (Green Bonds) are in conformance with the four pillars of the ICMA Green Bond Principles, as described in Kestrel Verifiers' "Second Party Opinion", which is included as part of this Appendix D.

Independent Second Party Opinion on Green Bond Designation and Disclaimer

For 20 years, Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is an Approved Verifier by the Climate Bonds Initiative (CBI), and an Observer for the ICMA Green Bond Principles and is qualified to verify transactions in all asset classes worldwide. Kestrel Verifiers is one of 40 Climate Bonds Initiative Approved Verifiers worldwide, (at the time of printing this document).

The second party opinion(s) issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the bonds and such labeling does not address the market price or suitability of these bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the second party opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information provided by the Issuer or made publicly available by the Issuer or that was otherwise made available to Kestrel Verifiers.

SECOND PARTY OPINION

SUMMARY

Kestrel Verifiers is of the opinion that the City of Boston General Obligation Bonds 2020 Series B (Green Bonds) (the “Series B Bonds” or “Green Bonds”) conform with the four pillars of the Green Bond Principles 2018 as follows:

Use of Proceeds

The City of Boston (the “City” or “Boston”) intends to issue Green Bonds to finance four projects which improve the City’s mitigation and adaptation to climate change. Projects include a building built to at least LEED Silver standards, energy efficiency upgrades, and flooding adaptation renovations to buildings and natural areas. The bonds align with the green buildings, energy efficiency, and climate adaptation project categories under the Green Bond Principles.

Process for Project Evaluation and Selection

Multiple sustainability and City planning documents and initiatives guide the project selection process. Initiatives pertinent to the Series B Bonds include Carbon Free Boston and Climate Ready Boston.

Management of Proceeds

Bond proceeds shall be allocated to a separate Project Fund account administered and used solely to finance the eligible green projects.

Reporting

Boston commits to reporting on the status of green projects and the allocation of Series B Bond proceeds to each. Boston will also post continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) annually through the Electronic Municipal Market Access (EMMA) system.

Impact and Alignment with UN SDGs

Boston’s climate mitigation and adaptation projects at a park, community center, school, and many municipal buildings support UN Sustainable Development Goals 7: Affordable and Clean Energy, 9: Industry innovation and infrastructure, and 13: Climate Action.



ISSUER

City of Boston, Massachusetts

OPINION ON

General Obligation Bonds 2020 Series B (Green Bonds)

GREEN CATEGORIES

1. Green buildings
2. Energy efficiency
3. Climate change adaptation

EVALUATION DATE

November 30, 2020

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SECOND PARTY OPINION

Issuer: City of Boston, Massachusetts
Issue Description: General Obligation Bonds 2020 Series B (Green Bonds)
Project: Mitigation and Adaptation Projects
Green Categories: Green buildings
Energy efficiency
Climate change adaptation
Par: \$23,885,000
Evaluation date: November 30, 2020

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the General Obligation Bonds 2020 Series B (Green Bonds) issued by the City of Boston are aligned with the four pillars of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

The City of Boston (“Boston” or “City”) is the largest city in Massachusetts and has a population of nearly 700,000. As a financial, professional, educational, and medical hub in New England, Boston stands to lead by example through prioritizing projects that support sustainable development. The City’s population grew nearly 12% between 2010 and 2019 and this trend is expected to continue. Climate change adaptation projects and mitigation of the growing City’s impact are critical to its long-term sustainability.

Boston has set clear goals to mitigate the effects of climate change and increase the City’s resilience to the anticipated risks. The City has a goal of reducing emissions to reach carbon neutrality by 2050, and the City’s strategic plan sets a goal of 50% reduction by 2030. Boston’s original Climate Action Plan was released in 2007 and has undergone multiple updates. The most recent update occurred in 2019.

Three broad initiatives are in place: Climate Ready Boston, which prepares the city for extreme weather events and flooding, Carbon Free Boston, which lays out steps to achieve carbon neutrality by 2050, and Zero Waste Boston, which establishes a roadmap to become a zero waste city.

To achieve the ambitious carbon reduction and resilience projects, the City engages in multiple partnerships. These include collaboration with the Metropolitan Mayors Coalition, Urban Sustainability Directors’ Network, Climate Mayors, C40 Cities Climate Leadership Group, and Global Covenant of Mayors for Climate and Energy.

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles (“pillars”) which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting (International Capital Market Association definition).

Use of Proceeds

The Series B Bonds will be used to finance multiple green projects. Projects financed are eligible green projects as defined by the Green Bond Principles in the project categories of green buildings, energy efficiency, and climate change adaptation.

In order to avoid the worst impacts of climate change, municipalities must act swiftly and invest in infrastructure that is adapted to new weather-related risks and sea level rise. The projects to be financed with the Series B Bonds are examples of the projects needed to reduce carbon footprints and increase the resilience of the world’s coastal cities. The following paragraphs and Table 1 below provide an overview of the projects to receive partial financing from the Green Bonds.

Boston Center for Youth and Families Curley Community Center: The Series B Bonds will partially finance energy conservation and resilience improvements to the Curley Community Center. The Center is owned by the City and operated by Boston Center for Youth and Families. Green Bond proceeds will finance energy efficient lighting, installation of an efficient HVAC system, waterproofing of the floor slab and walls, and installation of doors with removable flood barriers.

Renew Boston Trust Phases 1 and 2: Green Bond proceeds will be allocated to partially finance Phases 1 and 2 of the Renew Boston Trust program. Renew Boston finances water and energy-saving renovation projects in municipal buildings and uses financial savings from the projects to finance additional conservation projects. Phase 1 of Renew Boston focused on projects at 14 locations ranging from building envelope improvements, water conservation measures, appliance efficiency improvements, and installation of solar panels. Phase 2 includes similar projects for over thirty buildings in the City. Water and energy savings are expected to be reported for projects at each location. Energy and water use efficiency projects primarily contribute to the climate change mitigation and natural resource conservation objectives.


Langone Park / Puopolo Playground: Proceeds will be used to make resiliency improvements to Langone Park and Puopolo Playground. This project is a project of the Department of Parks and Recreation and the Series B Bonds provide partial funding for a larger project involving plantings, improved drainage, and lighting improvements. The park is located in Boston’s inner harbor near the confluence of the Mystic and Charles Rivers and it has been demonstrated that the park is susceptible to storm surge and elevated sea levels. This project will reinforce the sea wall and elevate a walkway, softball, and baseball fields to improve resilience.

Boston Arts Academy: Boston Arts Academy is the City’s only public high school for visual and performing arts. Proceeds will finance the construction of a new building for the Academy which will be built to at least LEED Silver standards. The City expects to pursue LEED certification. Green buildings reduce the impact of construction on natural resources. Benefits of green buildings include reduced greenhouse gas emissions, healthier indoor spaces to learn and work, and reduced energy and water consumption. The construction is expected to be completed in 2022.

Table 1. Summary of projects to receive 2020 Series B Green Bond proceeds

Project Name	Anticipated Green Spending	Description
Boston Youth and Families Curley Community Center	\$3,000,000	Flooding resilience improvements to community center
Renew Boston Trust	\$10,000,000	Energy efficiency and water conservation improvements to municipal buildings
Langone Park / Puopolo Playground	\$2,000,000	Flooding resilience improvements to park
Boston Arts Academy	\$17,000,000	Construction of a new building built to LEED Silver standards or above

The projects conform with the Green Bond Principles:

STANDARD	ELIGIBLE PROJECT CATEGORIES
	<ul style="list-style-type: none"> Green buildings Energy efficiency Climate change adaptation

Process for Project Evaluation and Selection

Boston has several planning documents which guide decision-making and establish targets for success. In general, projects are prioritized with a vision for a strong, thriving, and sustainable city in mind. The City’s Imagine Boston 2030 document is a set of long-term (50-year) goals that guide project selection and shape the operations of City departments. The City’s Climate Action Plan also identifies areas of need and influences the type of projects that are eligible for funding. In order to issue bonds to finance City projects, loan orders approved by the City Council must be approved by the Mayor.

Each project has oversight and criteria which was met prior to approval for funding by the City and the Series B Bonds. The resilience projects advance the goals of Climate Ready Boston and the Resilient Boston Harbor plan that lays out a comprehensive vision for coastal resilience. The building and renovation projects advance the goals of Carbon Free Boston. In addition, the Massachusetts School Building Authority (MSBA) has played a central role in approving design specifications and supporting the financing of the Boston Arts Academy project. For Renew Boston Trust projects, full energy audits are assessed on municipal buildings to determine which should be prioritized for energy conservation projects.

Management of Proceeds

Proceeds from the Series B Bonds will be held in a separate account which is to be administered and used solely to finance the eligible green projects. 100% of the proceeds will finance the projects described in the Use of Proceeds section above and financing costs. Tracking expenditure of Green Bond proceeds will be the responsibility of the City’s Office of Budget Management and the City’s Treasury Department. Prior to allocation to specific projects, bond proceeds may be invested in temporary short-term investments according to Boston’s Investment Policy. Allowable investments include money market funds, US government and agency securities, and certain high-quality, short-term debt securities.




Reporting

Boston plans to report annually on the allocation of the net proceeds of the Series B Bonds to eligible green projects. The report is expected to be filed within 270 days of the end of the fiscal year on the Electronic Municipal Market Access (EMMA) system and is expected to include project status and the amount of proceeds disbursed for each project. These reports are expected to be prepared annually until full allocation of Series B Bond proceeds. Each project has an associated project website with organized project meeting minutes and regular updates on a project’s status. Standard continuing disclosures for the Series B Bonds will also be made available on EMMA but the Green Bond reports are not required under the terms of the City’s continuing disclosure certificate for the Series B Bonds.

Impact and Alignment with UN SDGs



Boston’s commitment to the mitigation and adaptation projects supports the sustainable vision of the UN Sustainable Development Goals (UN SDGs). The *2030 Agenda for Sustainable Development* adopted by all United Nations member states in 2015 provides “a shared blueprint for peace and prosperity for people and the planet.” The United Nations’ Agenda describes 17 Sustainable Development Goals (SDGs). The Series B Bonds directly support UN SDG 7: Affordable and Clean Energy, UNSDG 9: Industry innovation and infrastructure, and UNSDG 13: Climate Action. A comprehensive list of targets and background on UN SDGs 7, 9, and 13 is available on the United Nations’ website: <https://www.un.org/sustainabledevelopment/>

UN SDG Goals	GBP Project Category (SDG Targets)	Possible Indicators
	<ul style="list-style-type: none"> • Energy Efficiency (Target 7.3) 	<ul style="list-style-type: none"> • Electricity savings (kilowatt hours) • Money saved because of efficiency projects (dollars)
	<ul style="list-style-type: none"> • Climate Change Adaptation (Target 9.1) 	<ul style="list-style-type: none"> • Value of infrastructure expected to withstand projected sea level rise by 2050 or 2100 • Number of people accessing improved green and recreational spaces
	<ul style="list-style-type: none"> • Climate Change Adaptation (Targets 13.1, 13.2) 	<ul style="list-style-type: none"> • Metrics measuring impact • Reduction in weather-related disruption (days and/or risk frequency) • Flood resilient floor space

CONCLUSION

Based on our independent verification, the General Obligation Bonds 2020 Series B (Green Bonds) conform, in all material respects, with the Green Bond Principles (2018) and are in complete alignment with three eligible project categories: green buildings, energy efficiency, and climate adaptation. The projects financed with the Series B Bonds help mitigate greenhouse gas emissions and improve Boston's resilience to increased climate change-related risks.



ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (November 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

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