Ratings†	
Moody's	S&P
Aa1	AA+

NEW ISSUE

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series A Bonds and the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Series A Bonds and the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and interest on the Series A Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion as to the treatment of interest on the Series B Bonds when determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, under existing law, interest on the Series C Bonds and the Series D Bonds is included in gross income of the owners thereof for federal income tax purposes under the Code. Under existing law, interest on all of 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

$39,995,000
GENERAL OBLIGATION BONDS
2010 SERIES A

$68,345,000
GENERAL OBLIGATION BONDS
2010 SERIES B

$30,905,000
GENERAL OBLIGATION BONDS
2010 SERIES C

(BUILD AMERICA BONDS- FEDERALLY TAXABLE-DIRECT PAYMENT)

$16,685,000
GENERAL OBLIGATION BONDS
2010 SERIES D

(RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS- FEDERALLY TAXABLE -DIRECT PAYMENT)

Dated: Date of Delivery
Due: As shown on pages (ii) and (iii) hereof

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 and its participants. Details of payment of the Bonds are set forth in this Official Statement. Interest on the Bonds will be payable on October 1, 2010 and semiannually on each April 1 and October 1 thereafter until maturity or redemption prior to maturity. The Bonds will be subject to redemption as more fully described herein.

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

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

The Bonds were sold by the City after competitive bidding pursuant to the Official Notice of Sale dated March 10, 2010, and are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described in the Official Notice of Sale. Public Financial Management, Inc., Boston, Massachusetts, serves as Financial Advisor to the City. The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, will act as paying agent for the Bonds.

March 18, 2010

† See "Credit Ratings."

City of Boston, Massachusetts

$39,995,000
General Obligation Bonds
2010 Series A

Dated: Date of Delivery **Due: April 1, as shown below**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2011	$5,005,000	2.000%	0.380%	100853JX9
2012	5,105,000	3.000	0.620	100853JY7
2013	5,255,000	4.000	0.860	100853JZ4
2014	5,465,000	4.000	1.140	100853KA7
2015	5,685,000	5.000	1.490	100853KB5
2016	2,240,000	4.000	1.920	100853KC3
2017	2,330,000	4.000	2.240	100853KD1
2018	2,425,000	4.000	2.520	100853KE9
2019	2,520,000	5.000	2.700	100853KF6
2020	2,650,000	5.000	2.870	100853KG4

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2021	$145,000	3.000%	3.060%	100853KH2
2022	150,000	3.000	3.150	100853KJ8
2023	150,000	3.250	3.240	100853KK5 †
2024	155,000	3.250	3.340	100853KL3
2025	160,000	3.250	3.440	100853KM1
2026	105,000	3.500	3.530	100853KN9
2027	105,000	3.500	3.620	100853KP4
2028	110,000	3.500	3.710	100853KQ2
2029	115,000	3.500	3.800	100853KR0
2030	120,000	3.750	3.880	100853KS8

† Priced to the April 1, 2020 optional redemption date. See "The Bonds—Redemption Prior to Maturity—Optional Redemption.

$68,345,000
General Obligation Bonds
2010 Series B

Dated: Date of Delivery **Due: April 1, as shown below**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2011	$ 240,000	2.000%	0.400%	100853KT6
2012	240,000	3.000	0.600	100853KU3
2013	250,000	3.000	0.810	100853KV1
2014	4,760,000	3.000	1.100	100853KW9
2015	6,605,000	3.000	1.450	100853KX7
2016	6,705,000	4.000	1.890	100853KY5
2017	9,835,000	4.000	2.200	100853KZ2
2018	3,335,000	4.000	2.500	100853LA6
2019	9,350,000	4.000	2.700	100853LB4
2020	13,715,000	4.000	2.850	100853LC2
2021	4,570,000	4.000	3.000	100853LD0
2022	4,755,000	3.000	3.200	100853LE8
2023	3,985,000	3.000	3.300	100853LF5

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

CITY OF BOSTON, MASSACHUSETTS

$30,905,000
GENERAL OBLIGATION BONDS
2010 SERIES C

Dated: Date of Delivery **Due: April 1, as shown below**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2025	$3,250,000	4.750%	4.760%	100853LH1
2026	2,915,000	4.950	4.960	100853LJ7
2027	3,005,000	5.050	5.060	100853LK4
2028	3,105,000	5.150	5.160	100853LL2
2029	3,210,000	5.250	5.260	100853LM0
2030	3,320,000	5.350	5.360	100853LN8

$12,100,000 4.500% Term Bonds due April 1, 2024 @ 4.53%, CUSIP* 100853LG3.

$16,685,000
GENERAL OBLIGATION BONDS
2010 SERIES D

Dated: Date of Delivery **Due: April 1, as shown below**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2016	$2,200,000	3.250%	3.260%	100853LP3
2017	2,235,000	3.700	3.710	100853LQ1
2018	2,280,000	3.900	3.910	100853LR9
2019	2,335,000	4.000	4.010	100853LS7
2020	2,385,000	4.100	4.160	100853LT5
2021	610,000	4.350	4.360	100853LU2
2022	625,000	4.500	4.510	100853LV0
2023	645,000	4.650	4.660	100853LW8
2024	660,000	4.750	4.760	100853LX6
2025	670,000	4.850	4.860	100853LY4
2026	385,000	4.950	4.960	100853LZ1
2027	395,000	5.050	5.060	100853MA5
2028	410,000	5.150	5.160	100853MB3
2029	420,000	5.250	5.260	100853MC1
2030	430,000	5.350	5.360	100853MD9

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

Table of Contents

New Hampshire Residents:

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

OFFICIAL STATEMENT
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
$39,995,000
GENERAL OBLIGATION BONDS, 2010 SERIES A
$68,345,000
GENERAL OBLIGATION BONDS, 2010 SERIES B
$30,905,000
GENERAL OBLIGATION BONDS, 2010 SERIES C
(BUILD AMERICA BONDS – FEDERALLY TAXABLE – DIRECT PAYMENT)
and
$16,685,000
GENERAL OBLIGATION BONDS, 2010 SERIES D
(RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS – FEDERALLY TAXABLE – DIRECT PAYMENT)

This Official Statement (which includes the cover page and Appendices hereto) provides information concerning the City of Boston, Massachusetts (the "City"), and the $39,995,000 General Obligation Bonds, 2010 Series A (the "Series A Bonds"), $68,345,000 General Obligation Bonds, 2010 Series B (the "Series B Bonds"), $30,905,000 General Obligation Bonds, 2010 Series C (Build America Bonds – Federally Taxable – Direct Payment) (the "Series C Bonds"), and the $16,685,000 General Obligation Bonds, 2010 Series D (Recovery Zone Economic Development Bonds – Federally Taxable – Direct Payment)(the "Series D Bonds," and, together with the Series A Bonds, the Series B Bonds and the Series C Bonds, the "Bonds"), to be issued by the City as described herein. Certain credit factors concerning the Bonds are described throughout this Official Statement, which should be read in its entirety. This Official Statement speaks only as of its date and the information contained herein is subject to change after this date.

THE CITY

The City of Boston, incorporated as a town in 1630 and as a city in 1822, is the largest city in Massachusetts and the capital of The Commonwealth of Massachusetts (the "Commonwealth"). The City and its component governmental units are responsible for the provision of a wide range of government services, including education, public safety, public health, urban planning and development and the maintenance of the City's infrastructure, and for funding certain employee benefits, state authority assessments and debt service requirements. Its primary sources of revenue are property taxes, state aid and certain excises. Management of the City's finances includes preparation of annual operating and capital budgets, the exercise of expenditure controls and cash management. For a full discussion concerning the City and its finances, see "Appendix A—City of Boston, Massachusetts, Information Statement Dated March 1, 2010 (the "Information Statement").

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

SECURITY FOR THE BONDS

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

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

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

Payment of the principal 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”), authorizes 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. The only special obligation indebtedness of the City outstanding as of March 1, 2010 was $97.1 million of the City’s Convention Center Loan, Act of 1997, Special Obligation Bonds, Series A, and $80.6 million of the City’s Special Obligation Refunding Bonds, Boston City Hospital Issue. 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 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 revolving funds or 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 currently 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 and will mature on April 1 of the years, and in the amounts, and will bear interest calculated on the basis of 30-day months and a 360-day year at the rates, shown on the inside front cover of this Official Statement. Interest on the Bonds will be payable on October 1, 2010 and semiannually thereafter on each April 1 and October 1, provided that if such day is not a business day, interest will be payable on the next business day.

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

The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, will act as paying agent for the Bonds (the "Paying Agent").

Authorization and Purpose

The Bonds will be issued pursuant to Chapter 643 of the Acts of 1983 of the Commonwealth, as amended, and various loan orders of the City Council approved by the Mayor. The Series A Bonds, the Series C Bonds and the Series D will be issued to finance various capital projects of the City. The Series B Bonds will be issued for the purpose of advance refunding certain outstanding general obligation bonds of the City more fully described under "Plan of Refunding," below.

Build America Bonds and Recovery Zone Economic Development Bonds

The City intends to elect to treat the Series C Bonds as "Build America Bonds" and the Series D Bonds as "Recovery Zone Economic Development Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, enacted February 17, 2009 ("ARRA"), and to receive cash subsidies from the United States Treasury ("Interest Subsidy Payments") in connection therewith. As a result of such elections, interest on the Series C Bonds and the Series D Bonds will be included in the gross income of holders thereof for federal income tax purposes, and the holders will not be entitled to any federal tax credits otherwise applicable to Build America Bonds or Recovery Zone Economic Development Bonds in connection with their holding of the Series C Bonds and the Series D Bonds. Pursuant to ARRA, the City will be entitled to receive Interest Subsidy Payments equal to 35% of the interest payable on the Series C Bonds and 45% of the interest payable on the Series D Bonds provided that the City makes certain required filings in accordance with applicable federal rules pertaining to the Interest Subsidy Payments. Interest Subsidy Payments are treated as overpayments of tax, and accordingly are subject to offset against certain amounts that may be owed by the City to the federal government or its agencies. In addition, it is possible that the Interest Subsidy Payments could be reduced or eliminated or the timing of the payment thereof altered as a result of a change in federal law. The Interest Subsidy Payments received by the City are not pledged to pay the Series C Bonds or the Series D Bonds, nor are their receipt a condition of payment of any portion of the principal of or interest on the Series C Bonds or the Series D Bonds. Federal tax law imposes certain requirements for qualification of the Series C Bonds as Build America Bonds and the Series D Bonds as Recovery Zone Economic Development Bonds. There can be no assurance that the Series C Bonds will qualify as Build America Bonds or that the Series D Bonds will qualify as Recovery Zone Economic Development Bonds or as to the receipt, or timing of receipt, of Interest Subsidy Payments. The City is obligated to make payments of the principal of and interest on the Series C Bonds and the Series D Bonds whether or not it receives Interest Subsidy Payments.

Redemption Prior To Maturity

Optional Redemption

The Series A Bonds and the Series D Bonds maturing on or before April 1, 2020 will not be subject to redemption prior to maturity. The Series A Bonds, the Series C Bonds, and the Series D Bonds maturing after April 1, 2020 will be subject to redemption prior to maturity at the option of the City, on or after April 1, 2020, 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 Series A Bonds to be redeemed, plus accrued interest to the redemption date.

The Series B Bonds are not subject to optional redemption prior to their stated dates of maturity.

Mandatory Sinking Fund Redemption

The Series C Bonds maturing on April 1, 2024 are subject to mandatory sinking fund redemption on April 1 in each of the years and at each of the principal amounts set forth below, plus accrued interest to the redemption date, as follows:

Year	Amount
2021	$2,900,000
2022	2,980,000
2023	3,065,000
2024†	3,155,000

† Final maturity.

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 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect 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.

PLAN OF REFUNDING

The Series B Bonds are being issued to advance refund, at par, the outstanding general obligation bonds of the City described below (collectively, the "Refunded Bonds"):

Bond Series	Maturity Date	Interest Rate	Principal Amount to be Refunded	Redemption Date	CUSIP*
2002 Series A	2/1/2014	4.375%	$4,500,000	2/1/2012	1008523V2
2003 Series A	2/1/2015	4.000	6,345,000	2/1/2013	1008525U2
	2/1/2016	5.000	6,500,000	2/1/2013	1008525V0
	2/1/2017	4.250	6,685,000	2/1/2013	1008525W8
	2/1/2019	5.000	6,120,000	2/1/2013	1008525Y4
	2/1/2020	4.500	6,340,000	2/1/2013	1008525Z1
2005 Series A	1/1/2017	5.000	2,995,000	1/1/2015	1008527U0
2006 Series A	1/1/2018	5.000	3,130,000	1/1/2016	100853BM1
	1/1/2019	5.000	3,130,000	1/1/2016	100853BN9
	1/1/2020	5.000	3,130,000	1/1/2016	100853BP4
2007 Series A	3/1/2020	5.000	4,230,000	3/1/2017	100853CJ7
	3/1/2021	5.000	4,440,000	3/1/2017	100853CK4
	3/1/2022	5.000	4,665,000	3/1/2017	100853CL2
	3/1/2023	5.000	3,985,000	3/1/2017	100853CM0

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

Upon delivery of the Series B Bonds, the City will enter into a Refunding Escrow Agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as escrow agent (the "Escrow Agent") to provide for the refunding of the Refunded Bonds. Upon receipt of the proceeds of the Series B Bonds, the City will transfer a portion of such proceeds to the Escrow Agent for deposit in a Refunding Escrow Fund established under the Refunding 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 ("Governmental Obligations") maturing in amounts and on dates, and bearing interest at 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 the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Accuracy

Robert Thomas CPA, LLC will verify from information provided to them the mathematical accuracy as of the date of the closing on the Series B Bonds of (i) the computation contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds, and (ii) the computation of yield on the Government Obligations contained in provided schedules used by Bond Counsel in its determination that the interest on the Series A Bonds and Series B Bonds is excluded from gross income for federal income tax purposes. Robert Thomas CPA, LLC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series A Bonds or the Series B Bonds.

DEBT SERVICE REQUIREMENTS

Simultaneously with the issuance of the Bonds, the City expects to issue its $17,415,000* General Obligation Bonds, 2010 Series E (Qualified School Construction Bonds) (the "Series E Bonds" and, together with the Bonds, the "2010 Bonds"). The Series E Bonds will be issued for the purpose of paying costs of capital projects for City schools.

* Preliminary; subject to change.

The following table sets forth the gross debt service requirements for the City's outstanding general obligation bonds as of March 1, 2010, the gross debt service requirements on the 2010 Bonds, the portion of such gross debt service requirements that are related to the Refunded Bonds, and the resulting net gross debt service requirements on the general obligation bonds of the City following the issuance of the 2010 Bonds.

Schedule of Debt Service Payments
($ in thousands)*

	Bonds/Notes Outstanding As of March 2010 (1)		The 2010 Bonds (2)		The Refunded Bonds		Total Principal and
Fiscal	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Interest (2)**
2010	$ 17,815	$ 5,789	$ -	$ -	$ -	$ -	$ 23,604
2011	87,832	37,426	5,245	6,260	-	(3,136)	133,627
2012	85,595	33,464	5,345	6,155	-	(3,136)	127,423
2013	80,175	29,776	5,505	5,995	-	(3,136)	118,315
2014	71,670	26,306	10,225	5,777	(4,500)	(3,136)	106,341
2015	65,645	23,030	12,290	5,416	(6,345)	(2,939)	97,096
2016	62,060	20,141	11,145	4,934	(6,500)	(2,686)	89,093
2017	58,290	17,318	14,400	4,504	(9,680)	(2,361)	82,472
2018	54,065	14,582	8,040	3,935	(3,130)	(1,927)	75,565
2019	48,775	12,204	14,205	3,616	(9,250)	(1,770)	67,779
2020	42,670	9,964	18,750	3,022	(13,700)	(1,308)	59,398
2021	38,535	8,029	8,225	2,243	(4,440)	(655)	51,937
2022	35,010	6,255	8,510	1,899	(4,665)	(433)	46,576
2023	30,850	5,235	7,845	1,590	(3,985)	(199)	41,336
2024	23,530	4,024	3,970	1,297	-	-	32,821
2025	19,719	3,065	4,080	1,119	-	-	27,982
2026	17,335	2,213	3,405	927	-	-	23,880
2027	15,470	1,454	3,505	760	-	-	21,189
2028	11,295	773	3,625	585	-	-	16,278
2029	4,740	225	3,745	400	-	-	9,110
2030	-	-	3,870	205	-	-	4,075
Totals	$871,070	$261,275	$155,930	$60,640	$ (66,195)	$ (26,822)	$1,255,897

* Rows and columns may not add due to rounding.

(1) Includes sinking fund payments with respect to the City's outstanding $20,000,000 General Obligation Bonds, 2009 Series A (Qualified School Construction Bonds), which mature on September 15, 2024, and principal and interest payments with respect to the Refunded Bonds.

(2) Does not include principal and interest payable with respect to the Series E Bonds.

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 2010 Bonds, and then subsequent to the issuance of the 2010 Bonds. In the case of the City's $20,000,000 General Obligation Bonds, 2009 Series A (Qualified School Construction Bonds) maturing September 15, 2024, sinking fund payments for the retirement of such bonds have been credited toward such retirement on the dates such payments are scheduled to be made under the respective paying agent agreements for such bonds.

Term of Retirement	Debt Outstanding as of March 1, 2010 to be Retired (in thousands)	Percentage of Debt Outstanding as of March 1, 2010 to be Retired	Debt Outstanding After Issuance of the 2010 Bonds to be Retired (in thousands)	Percentage of Debt Outstanding After Issuance of the 2010 Bonds to be Retired
Fiscal 2010-2015	$408,730	46.9%	$436,495	45.4%
Fiscal 2016-2020	265,858	30.5	290,138	30.2
Fiscal 2021-2025	147,642	17.0	167,182	17.5
Fiscal 2026-2030	48,840	5.6	66,990	6.9
Total	$871,070	100.0%	$960,805	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 Underwriter, (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 threatened which is likely to result, either individually or in the aggregate, in final judgments against the City which would affect materially its ability to pay the principal of and interest on the Bonds when due or which would affect materially its financial condition.

TAX MATTERS

Series A Bonds and Series B Bonds

In the opinion of Edwards Angell Palmer & Dodge 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 Series A Bonds and the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series A Bonds and the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and that interest on the Series A Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion as to the treatment of interest on the Series B Bonds when determining adjusted current earnings for purposes of the federal alternative minimum tax imposed in corporations, and 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 Series A Bonds and the Series B Bonds. Failure to comply with these requirements may result in interest on the Series A Bonds or the Series B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A Bonds and the Series B Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Series A Bonds and the Series B 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 Series A Bonds and the Series B Bonds is exempt from Massachusetts personal income taxes, and the Series A Bonds and the Series B Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Series A Bonds and the Series B Bonds. Prospective Bondholders should be aware, however, that the Series A Bonds and the Series B Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series A Bonds and the Series B Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series A Bonds and the Series B Bonds or the income therefrom under the laws of any state other than Massachusetts.

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

To the extent the issue price of any maturity of the Series A Bonds or the Series B 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 such 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 Series A Bonds and the Series B Bonds is the first price at which a substantial amount of such maturity of such Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series A Bonds and the Series B 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. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series A

Bonds or the Series B 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 first price at which a substantial amount of such Bonds is sold to the public.

Series A Bonds and Series B 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 Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 Series A Bonds and the Series B Bonds may adversely affect the value of, or the tax status of interest on, such Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Series A Bonds or the Series B Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Series A Bonds and the Series B 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 Series A Bonds and the Series B 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 Series A Bonds and the Series B Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on such 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 or deduction. 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.

Series C Bonds and Series D Bonds

In the opinion of Bond Counsel, under existing law, interest on the Series C Bonds and the Series D Bonds is included in the gross income of the owners thereof for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series C Bonds and the Series D Bonds.

Bond Counsel is also of the opinion that, under existing law, interest on the Series C Bonds and the Series D Bonds is exempt from Massachusetts personal income taxes, and the Series C Bonds and the Series D Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to any other Massachusetts tax consequences arising with respect to the Series C Bonds and the Series D Bonds. Prospective Bondholders should be aware, however, that the Series C Bonds and the Series D Bonds are included in the income of Massachusetts estate and inheritance taxes, and the Series C Bonds and the Series D Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series C Bonds and the Series D Bonds or the income therefrom under the laws of any state other than Massachusetts.

A complete copy of the proposed opinion of Bond Counsel with the respects to the Series C Bonds and the Series D Bonds is set forth in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the Series C Bonds and the Series D Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their Series C Bonds or Series D Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a beneficial owner of Series C Bonds or Series D Bonds. In addition, this summary generally is limited to investors who become beneficial owners of Series C Bonds or Series D Bonds pursuant to the initial offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of such Bonds is first sold to the public) and who will hold their Bonds as "capital assets" within the meaning of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series C Bonds or Series D Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series C Bonds or Series D Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the Series C Bonds or the Series D Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series C Bonds and the Series D Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

"Original issue discount" will arise for U.S. federal income tax purposes in respect of any Series C Bonds or Series D Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any Series C Bonds or Series D Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series C Bond or Series D Bond is the sum of all scheduled amounts payable on such Bond other than qualified stated interest. U.S. Holders of Series C Bonds and Series D Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series C Bonds and Series D Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

"Premium" generally will arise for U.S. federal income tax purposes in respect of any Series C Bonds and Series D Bonds to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series C Bonds or Series D Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Disposition of the Series C Bonds and Series D Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the City), reissuance or other disposition of a Series C Bond or Series D Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a Series C Bond or Series D Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Bond and decreased by any payments previously made on such Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. A material modification of the terms of any Series C Bond or Series D Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the modified Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner's adjusted tax basis in the Bond.

In the case of a non-corporate U.S. Holder of a Series C Bond or Series D Bond, the maximum marginal U.S. federal income tax rate applicable to any such gain may be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bond exceeds one year. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a "controlled foreign corporation" or a "passive foreign investment company," and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the Series C Bonds or the Series D Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series C Bond or Series D Bond to a Non-U.S. Holder, other than a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of Series C Bonds or Series D Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Commonwealth) or other disposition of a Series C Bond or Series D Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series C Bond or Series D Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding—U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a Series C Bond or Series D Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Series C Bonds and Series D Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder's federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the Series C Bond and Series D Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042-S may still apply to interest payments on the Series C Bonds and Series D Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a Series C Bond or Series D Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular holder of Series C Bonds or Series D Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, foreign and other tax laws.

Circular 230 Disclaimer

The preceding tax matters discussion related to the Bonds is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Bonds. Such discussion was written to support the promotion or marketing of the Bonds. Each purchaser of the Bonds should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

CREDIT RATINGS

Moody's Investors Service Inc., ("Moody's"), 7 World Trade Center at 250 Greenwich Street, New York, New York, and Standard & Poor's Rating Services, a division of the McGraw-Hill companies ("Standard & Poor's"), 55 Water Street, New York, New York, have assigned the ratings of "Aa1" and "AA+," 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 it own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale by the City on March 18, 2010, in accordance with the Official Notice of Sale dated March 11, 2010 (the "Official Notice of Sale").

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") was the successful bidder for the Series A Bonds. Information provided by Merrill Lynch regarding the interest rates and reoffering yields of the Series A Bonds is set forth on page ii of this Official Statement. The Series A Bonds are being purchased from the City by Merrill Lynch at an aggregate price of $43,950,221.08, reflecting the principal amount of $39,995,000, plus net original issue premium of $4,090,916.12, less underwriter's discount of $135,695.04.

J.P. Morgan Securities Inc. ("JPMorgan") was the successful bidder for the Series B Bonds. Information provided by JPMorgan regarding the interest rates and reoffering yields of the Series B Bonds is also set forth on page ii of this Official Statement. The Series B Bonds are being purchased from the City by JPMorgan at an aggregate price of $73,738,647.45, reflecting the principal amount of $68,345,000, plus net original issue premium of $5,713,720.75, less underwriter's discount of $320,073.30.

Citigroup Global Markets Inc. ("Citigroup") was the successful bidder for the Series C Bonds and the Series D Bonds. Information provided by Citigroup regarding the interest rates and reoffering yields of the Series C Bonds and the Series D Bonds is set forth on page iii of this Official Statement. The Series C Bonds are being purchased from the City by Citigroup at an aggregate price of $30,629,631.05, reflecting the principal amount of $30,905,000 less original issue discount equal to $59,033.95, and less underwriters discount of $216,335.00. The Series D Bonds are being purchased from the City by Citigroup at an aggregate price of $16,563,860.25, reflecting the principal amount of $16,685,000 less original issue discount equal to $23,031.95, and less underwriter's discount of $98,107.80.

Merrill Lynch, JPMorgan, and Citigroup, and any of their respective associates underwriting the Bonds, may offer to sell the Bonds to certain dealers and others at prices other than the initial offering prices, and the public offering prices may be changed from time to time by the underwriters.

LEGAL MATTERS

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

INDEPENDENT AUDITORS

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

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has served as financial advisor to the City for 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. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities or other public 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 365 days after the end of each fiscal year (the "Annual Report"), and to provide notices of occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D (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 has never failed to comply in all material respects with any such undertaking, except that, due to an administrative oversight, the annual reports required to be filed for fiscal years 2002, 2003 and 2004 were not filed within the time periods required under certain of such undertakings. The City has since filed a report to comply with such continuing disclosure undertakings, and it has implemented procedures to ensure timely filing of all future annual reports and notices of material events required thereunder.

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, L.L.C. ("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

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representation of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof.

CITY OF BOSTON, MASSACHUSETTS

By: /s/ *Lisa Calise Signori*
Director of Administration and Finance and Collector-Treasurer

Dated: March 18, 2010

APPENDIX A

CITY OF
BOSTON, MASSACHUSETTS

INFORMATION STATEMENT
Dated March 1, 2010

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 prospective purchasers in connection with bonds or notes offered for sale by the City, and to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System (EMMA) for purposes of its Rule 15c2-12. This Information Statement may not be reproduced or used in whole or in part for any other purpose without the express written consent of Lisa Calise Signori, Director of Administration and Finance 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," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Information Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TABLE OF CONTENTS

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. Thomas M. Menino, the Mayor of the City, was reelected to serve a fifth four-year term from January 2010 through January 2014. 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, the Mayor served on the City Council. He served as Chairman of the City Council's Ways and Means Committee from 1988 to 1992, and was elected President of the City Council in 1993.

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 for 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 members of the City Council, all of whose current terms will end in January 2014, are set forth below.

Michael P. Ross (President)	District 8
Felix G. Arroyo.	At Large
John R. Connolly	At Large
Stephen J. Murphy	At Large
Ayanna Pressley	At Large
Salvatore J. LaMattina	District 1
William P. Linehan	District 2
Maureen E. Feeney	District 3
Charles C. Yancey	District 4
Robert J. Consalvo	District 5
John M. Tobin	District 6
Charles H. Turner	District 7
Mark B. Ciommo	District 9

Organization of City Government

Mayor Menino established 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

Mayor

- Office of the Mayor
- Chief of Staff (1)
- Chief of Programs & Partnerships (1)
- Corporation Counsel (1)
- Office of Emergency Preparedness (1)
- Chief of Policy & Planning
- Intergovernmental Relations
- Neighborhood Services
- Office of New Bostonians
- Public Information

Non-Mayoral

- City Council (elected positions)
- City Clerk (appointed by City Council)
- Finance Commission (appointed by Governor)
- Licensing Board (appointed by Governor)

Director of Administration & Finance

- Assessing
- Auditing
- Budget
- Treasury
- Human Resources
- Labor Relations
- Retirement Board†
- Purchasing
- Boston Public Library
- Registry Division
- Graphic Arts

Chief Information Officer

- Management Information Services

Education

- Boston Public Schools

Public Safety

- Fire
- Police

Economic Development

- BRA/EDIC†
- Boston Residents Job Policy Office
- Small & Local Business Enterprise Office

Public Property

- Property & Construction Management
- Parks & Recreation
- Consumer Affairs & Licensing
- Arts, Tourism & Special Events
- Voter Mobilization

Public Works & Transportation

- Public Works
- Transportation

Boston Housing Authority†

Environment & Energy

- Environment
- Open Space Planning (2)
- Inspectional Services

Human Services

- Boston Centers for Youth & Families
- Women's Commission
- Elderly Commission
- Civil Rights
- Emergency Shelter
- Veterans' Services
- Youth Fund

Public Health Commission †

Housing & Neighborhood Development

- Neighborhood Development

---

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

(1) Has cabinet rank.

(2) Programmatically within this cabinet; financially in Parks & Recreation.

With the exception of the Superintendent of Schools, the City officials profiled below serve at the pleasure of the Mayor.

Chief of Staff

Mitchell Weiss was appointed Chief of Staff in January 2010. From 2006 to 2009, Mr. Weiss was Executive Director of the Tobin Project, a virtual research center based in Cambridge, Massachusetts. Before joining the Tobin Project in 2006, Mr. Weiss was a Service Leadership Fellow in Mayor Menino's office. Prior to his transition to the public sector, Mr. Weiss worked at Merrill Lynch & Co. where he focused primarily on mergers and acquisitions for many well-recognized food companies. The Chief of Staff is a member of the Mayor's cabinet, and has an advisory role over all operations of City government. The Chief of Staff is also charged with supervising and directing the operations of the Mayor's office, including scheduling, security, policy and planning, press, constituent services and intergovernmental relations.

Chief of Policy and Planning

Michael J. Kineavy was appointed Chief of Policy and Planning in August 2004. Prior to his appointment, Mr. Kineavy served as Director of the Mayor's Office of Neighborhood Services. The Chief of Policy and Planning oversees the development and implementation of all policy initiatives for the City.

Chief Information Officer

William G. Oates was appointed Chief Information Officer in June 2006. Prior to his appointment Mr. Oates served as Senior Vice President and Chief Information Officer of Starwood Hotels and Resorts, Worldwide, Inc. The Chief Information Officer oversees the Management and Information Services Department, which is responsible for leveraging the use of technology and information, as well as working to improve the business of government and delivery of service.

Director of Administration and Finance and Collector-Treasurer

Lisa Calise Signori was named Director of Administration & Finance in July 2007. She is a member of the Mayor's Cabinet and is responsible for the City's human and financial resources, including Human Resources, Labor Relations, Treasury, Assessing, Auditing, Budget, Purchasing, and the State-Boston Retirement Board. Ms. Signori continues to hold her previous title of Collector-Treasurer.

Serving with the City of Boston since 1994, Ms. Signori served as Budget Director from 1999 to 2003. In October 2003, Ms. Signori was appointed Chief Financial Officer and Collector-Treasurer. In addition to her other duties, the Collector-Treasurer is custodian of approximately 300 City trust funds, serving as trustee of nearly half of them. Ms. Signori is also an ex officio member of the Massachusetts Convention Center Authority.

The City officials with principal responsibility for its finances, subject to the approval of the Collector-Treasurer, are as follows:

Budget Director

Karen A. Connor was appointed Budget Director in December 2005. Prior to her appointment, Ms. Connor served, respectively, as Acting Budget Director and as a Deputy Budget Director. The Budget Director is responsible for the supervision of the Office of Budget Management ("OBM"), which develops and oversees the operating budget for all departments and operations of the City except the School Department. OBM is also responsible for the City's Capital Plan. OBM prepares and monitors the City's capital budget and coordinates strategic and long-range capital planning for City departments.

City Auditor

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

Commissioner of Assessing

Ronald W. Rakow was appointed Commissioner of Assessing in March 1993. Prior to his appointment, Mr. Rakow served as the Acting Commissioner of Assessing from September 1992 to March 1993. Prior to his appointment as the Acting Commissioner of Assessing, Mr. Rakow served as the Director of Research and Standards for the City's Assessing Department. The Commissioner of Assessing is responsible for supervision of the City's Assessing Department and the valuation for purposes of the tax levy of real and personal property located in the City.

Chief Economic Development Officer

John F. Palmieri was appointed Chief Economic Development Officer and Director of the Boston Redevelopment Authority (the "BRA") in September 2007. Prior to his appointment, Mr. Palmieri served as Director of Development Services in Hartford, Connecticut. The Chief Economic Development Officer is responsible for planning, zoning, and economic development for the City. The Economic Development Cabinet is comprised of the BRA, the Economic Development and Industrial Corporation ("EDIC"), including the EDIC's office of Jobs and Community Services, the Office of Small and Local Business Enterprises, and the Office of Boston Residents Job Policy.

Chief of Education

Dr. Carol R. Johnson was named Superintendent of the Boston Public Schools by the Boston School Committee in June 2007, and her term extends to June 2012. Prior to her appointment by the Boston School Committee, Dr. Johnson served as Superintendent of the Memphis City Schools in Memphis, Tennessee, the largest district in the state. Dr. Johnson previously served as Superintendent of the Minneapolis Public Schools, where she was named Minnesota Superintendent of the Year. The Education Cabinet is responsible for managing the Boston Public Schools. Among the Education Cabinet's responsibilities is the development of a plan for schools and other City and non-City agencies to develop cooperative programs to guarantee that the best possible resources are available to Boston's children. For a description of the student population, staffing, curricula, and governance of the Boston Public Schools, see "The City—Principal Government Services—Schools" below.

Chiefs of Public Safety

Edward F. Davis, III, the City's Police Commissioner, and Roderick J. Fraser, Jr., the City's Fire Commissioner, are the Chiefs of the Public Safety Cabinet. Commissioner Davis, a veteran with more than 30 years of law enforcement experience, was appointed Police Commissioner in October 2006. Commissioner Fraser, a 20-year Navy veteran finishing as the Commanding Officer of the USS Underwood, and who had also served as Director of Engineering, Damage Control and Firefighting Training at the Surface Warfare Officers School Command in Newport, Rhode Island, was appointed Fire Commissioner in September 2006. The City's Police and Fire Departments provide and promote public safety and protection services, firefighting and fire prevention services. For a description of Police and Fire Department resources and personnel see "The City—Principal Governmental Services—Public Safety" below.

Director of the Office of Emergency Preparedness

Donald E. McGough was appointed Director of the City's Office of Emergency Preparedness in January 2008. Prior to his appointment Mr. McGough was employed as a Senior Homeland Security Consultant at the Public Consulting Group, Inc. Mr. McGough previously served as Assistant Chief of the Bureau of Administration and Technology for the Police Department, and as Chief of Staff to the Police Commissioner. The Office of Emergency Preparedness is responsible for obtaining, allocating and managing state and federal funds designated for Emergency Preparedness 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.

Chief of Programs and Partnerships

Judith Kurland was appointed Chief of Programs and Partnerships in December 2009. Ms. Kurland previously served as Chief of Staff to Mayor Menino. Prior to her appointment as Chief of Staff Ms. Kurland worked as a Senior Consultant to DCABoston, a management consulting firm dedicated to social progress and community change, as Regional Director of the United States Department of Health and Human Services, and as Commissioner of the City's former Department of Health and Hospitals. The Chief of Programs and Partnerships will work in building enduring partnerships to sustain programs, mutually beneficial collaborations with colleges and universities, foundations and corporations, community-based institutions, organizations and advocates. The Chief of Programs and Partnerships is also charged with work as chief policy advisor to the Mayor, program initiator including interdepartmental collaboration and coordination.

Chief of Human Services

J. Larry Mayes was appointed Chief of Human Services in September 2004. The Human Services Cabinet is responsible for providing human and other support services for all of Boston's residents through its seven departments: Boston Centers for Youth and Families, the Boston Youth Fund, the Elderly Commission, the Emergency Shelter Commission, the Women's Commission, the Veteran's Services Department, and the Office of Civil Rights, which is comprised of the Fair Housing Commission, the Commission for People with Disabilities, and the Human Rights Commission.

Chief of Public Health

Dr. Barbara Ferrer was named Executive Director of the Boston Public Health Commission by its Board in March 2007. In that capacity, Dr. Ferrer joined the Mayor's cabinet as the Chief of Public Health. Prior to her appointment Dr. Ferrer served for five years as the Commission's Deputy Director where she played a key role in developing strategies to improve Boston's infant mortality rate and end racial and ethnic health disparities. The Commission, an independent agency, is a body politic and corporate and political subdivision of the Commonwealth. The Commission is responsible for the implementation of public health programs in the City and serves as the board of health of the City. The Commission is divided into six programmatic areas, including: the Emergency Medical Service, which includes the City's ambulances, EMTs and paramedics responding to the "911" emergency system; Homeless Services; Communicable Disease Control; Substance Abuse Services; Community Health; and Child and Family Health. For additional information concerning the Boston Public Health Commission see "The City—Principal Government Services—Public Health" below.

Chief of Public Property

Michael Galvin was appointed Chief of Public Property in August 1994. Prior to his appointment, Mr. Galvin was employed by NYNEX and had previously served as the City's first "Executive on Loan." The Public Property Cabinet consists of the Parks and Recreation Department (except for the department's planning function, which falls under the Environmental and Energy Services Cabinet), the Election Department, the Office of Arts, Tourism and Special Events, the Office of Consumer Affairs and Licensing, and the Property and Construction Management Department, of which Mr. Galvin is Commissioner and Director of Public Facilities, and which includes Capital Construction, the Animal Control Unit, and Building Maintenance and Systems. The Cabinet's charge includes investigating opportunities to apply technological innovations to reduce costs or improve the delivery of basic services.

Chief of Environmental and Energy Services

James W. Hunt, III, was appointed Chief of Environmental and Energy Services in March 2005. Prior to his appointment, Mr. Hunt served as Assistant Secretary for the Commonwealth's Executive Office of Environmental Affairs and was responsible for administering the Massachusetts Environmental Policy Act. The Chief of Environmental and Energy Services is responsible for environmental and energy policies for the City and serves as chair of the City's Energy Management Board. The Environmental and Energy Services Cabinet is comprised of the Environment Department, Inspectional Services Department, the Parks and Recreation Department's Open Space Planning, Olmsted Park Revitalization, and Boston's Recycling Program. The Chief of Environmental and Energy Services also serves as a liaison to the Boston Water and Sewer Commission, and as a Board member of the Massachusetts Water Resources Authority, the Boston Groundwater Trust and the Boston Harbor Islands Partnership.

Chief of Housing and Neighborhood Development

Evelyn Friedman was appointed Chief of Housing in February 2008. Prior to her appointment, Ms. Friedman served for seventeen years as the Executive Director of Nuestra Comunidad Development Corporation of Roxbury. In her capacity as Chief of Housing, Ms. Friedman is the Director of the Department of Neighborhood Development and is responsible for overseeing the Rental Housing Resource Center ("RHRC"). The Department of Neighborhood Development is responsible for business development, homeowner/homebuyer programs, housing development, surplus land and building management and disposition, and certain City capital construction projects. The RHRC provides a variety of services to tenants and owners of the City's residential housing stock.

Chief of Public Housing

William E. McGonagle was appointed Chief of Public Housing by virtue of his appointment by Mayor Menino as Interim Administrator of the Boston Housing Authority (the "BHA") in June 2009. Mayor Menino elevated the position of Administrator of the BHA to the level of a cabinet post in

December 1996. Prior to his appointment as Interim Administrator of the BHA, Mr. McGonagle has been an employee of the BHA since 1970 in increasingly responsible positions including that of Housing Manager, Area Director for Operations, and Deputy Administrator. The BHA is a public body established under the laws of the Commonwealth of Massachusetts. It is responsible for the financing, construction, operation, and management of public housing for low-income families and individuals.

Corporation Counsel

William F. Sinnott was appointed Corporation Counsel in March 2006. Prior to his appointment Mr. Sinnott served as an Assistant U.S. Attorney, and had been assigned to the District of Massachusetts in Boston. 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 of Public Works and Transportation

Joanne Massaro was appointed Interim Commissioner of Public Works in January 2010 upon the resignation of the Chief of Public Works and Transportation. Prior to her appointment as Interim Commissioner of Public Works, Ms. Massaro served as Special Projects Director for the City's Office of Administration and Finance. The Public Works and Transportation Cabinet includes the Public Works Department, the Transportation Department, Central Fleet Maintenance and Snow Removal. For additional information concerning the Public Works Department, see "The City—Principal Government Services—Public Works," below.

Principal Government Services

The following table shows the distribution of the City's fiscal 2010 appropriations by primary government functions and departments.

Purposes of City Appropriations—Fiscal 2010 (1)
(Budgetary Accounting Basis) (2)
($ in thousands)

	Amount	Percent of Total Appropriations
General Government	$ 105,411	4.4%
Public Safety	476,773	19.8
Public Works	101,520	4.2
Property and Development	27,651	1.2
Parks and Recreation	16,414	0.7
Library	29,715	1.2
Human Services	28,784	1.2
Schools	817,882	34.0
Boston Public Health Commission	70,000	2.9
Judgments and Claims	3,500	0.1
Employee Benefits	205,189	8.5
Current Period Retirement Contributions	239,035	9.9
Debt Requirements	130,957	5.4
State and District Assessments	150,228	6.3
Total	$2,403,059	100.0%

(1) Represents the fiscal 2010 Budget amended by Mayoral Reallocations through March 1, 2010.
(2) See "Financial Operations – Operating Budgets" 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 56,387 students for the 2008-2009 school year, a decrease of approximately 137 students from the preceding school year.

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, School Committee Administrative Assistants, and Special Assistant Corporation Counsels. The School Committee appoints these excepted positions.

Public Safety

The Public Safety Cabinet 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 Police Department maintains eleven neighborhood police stations and one headquarters building. It also maintains nine support programs, consisting of the Police Academy, Firearms Training Range, Harbor Patrol Unit, Fleet Management Unit, Telecommunications Unit, Evidence and Property Management Facility, Special Operations Division, Stress Support Unit and Sexual Assault Unit.

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

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

Public Health

The Boston Public Health Commission, 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 Commission 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 Commission 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 Commission 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."

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 City extended two existing contracts and advertised, awarded, and executed two new contracts for the provision of sanitation, solids waste collection and disposal services, all for terms ending June 30, 2014. The recycling contract is currently being rebid and will start July 1, 2010. The Boston Water and Sewer Commission ("BWSC"), an independent agency, 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 Department operates a central library, 26 neighborhood branch libraries, and two service buildings. The Parks and Recreation Department manages approximately 2,200 acres of active, passive and historic parkland. The 2,200 acres of land include 272 parks, playgrounds, squares, malls, plazas, and other miscellaneous sites; 16 historic and three active cemeteries; one greenhouse facility; and approximately 38,000 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 and 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, other than 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)]

	2008	2009	2010
City Funded:			
Public Safety[(2)]	4,723	4,686	4,431
Public Works	415	408	378
Other City Departments[(3)]	2,769	2,833	2,712
Boston Public Health Commission[(4)]	752	820	797
Subtotal	8,659	8,747	8,318
Schools	8,476	8,572	8,211
Total City Funded	17,135	17,319	16,529
Grant Funded:			
Schools	912	755	754
All Others[(5)]	1,384	1,427	378
Total	19,431	19,501	17,661

(1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.
(2) Public Safety includes both the Police Department and the Fire Department.
(3) Includes State-Boston Retirement System employees.
(4) Boston Public Health Commission employees are funded by the City, but are not employees of the City.
(5) All Others includes the Office of the Suffolk County Sheriff in 2008 and 2009. Employees of the Office of the Suffolk County Sheriff were transferred to the Commonwealth as of January 1, 2010. (See "Suffolk County" above.)

Source: City of Boston Office of Budget Management.

Employee Relations

Under Massachusetts General Laws Chapter 150E, most municipal employees in the Commonwealth enjoy the right to join labor unions and bargain collectively over wages and other terms and conditions of employment. The Office of Labor Relations represents the Mayor and the City in all collective bargaining matters with all unions of City employees except School Department employee unions. The School Department's labor relations personnel similarly represent the School Committee and consult with the Office of Labor Relations regarding contract negotiations and other general labor matters. Additionally, the Office of Labor Relations has actively assisted the Boston Public Health Commission in collective bargaining negotiations with its 11 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 City's non-public safety employees.

Police officers are represented by four distinct unions, the Boston Police Patrolmen's Association ("BPPA"), the Boston Police Superior Officers Federation ("Federation"), the Boston Police Detectives Benevolent Society ("Detectives") and the Boston Police Detectives Benevolent Society, Superior Officers Unit ("Detective Superiors"). Firefighters and Fire Chiefs are divided into two bargaining units represented by a single union: the International Association of Firefighters ("IAFF") Local 718.

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

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)

Union	Department	Number of Employees Represented [1]	Contract Expiration Date
Boston Patrolmen's Association	Police	1,527	6/30/10
Boston Police Superior Officers	Police	226	6/30/10
Boston Police Detectives Benevolent Society	Police	267	6/30/10
Superior Detective Benevolent Society	Police	133	6/30/10
Forensic Group (BPD)	Police	20	9/30/10
Police Cadet Association	Police	4	6/30/10
School Traffic Supervisors Assoc.	Police	203	8/31/10
International Association of Firefighters, Local 718	Fire	1,480	6/30/06
Municipal Police Patrolmen's Association	Property & Construction Mgmt	53	6/30/10
Municipal Police Superior Officers Association	Property & Construction Mgmt	7	6/30/10
SEIU, Local 888	Citywide	1,121	9/30/10
SENA, Locals 9158 and 9158E	Citywide	667	9/30/10
AFSCME C93 (Citywide & various locals)	Citywide	1,203	6/30/10
AFSCME Local 1526	Library	268	6/30/10
Professional Staff Association (BPL)	Library	137	9/30/10
Park Rangers[2]	Parks	11	N/A
Graphic Communications, Local 600	Graphic Arts	5	6/30/10
Other Graphic Arts Unions	Graphic Arts and Police	13	9/30/10
OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	22	6/30/10
Other City Unions	Inspectional Services and Property & Construction Mgmt	16	6/30/10
Boston Teachers Union	School	7,531	8/31/10
BASAS (School Administrators & Supervisors)	School	243	8/31/10
Administrative Guild	School	354	8/31/10
Planning & Engineering	School	34	8/31/10
Boston School Police	School	52	8/31/10
School Police Superior Officers Assoc.	School	22	6/30/10
School Custodians Local 1952, Painters & Allied Trades District Council #35	School	473	8/31/10
Plant Administrators Association	School	12	8/31/10
School Bus Monitors USWA Local 8751	School	380	6/30/10
Lunch Hour Monitors Association	School	365	8/31/10
AFSCME C93, Local 230 Cafeteria Workers	School	391	8/31/10
AFSCME C93, Storekeepers & Deliverymen	School	9	8/31/10
		17,249	

(1) Number of members (not Full-Time Equivalents) as of January 1, 2010.
(2) New association; an initial contract has not been agreed to at this time.

Source: Office of Budget Management, Boston Administrative Systems/Human Resources Management System (BAIS/HRMS) and Boston School Department.

All of the collective bargaining agreements between the City and the unions have been successfully re-negotiated except for the International Association of Firefighters, Local 718. The new contracts will remain in effect until various dates in 2010. The Boston Teacher's Union and the four public safety unions that have concluded negotiations agreed to roughly a 14% wage package over a four year period. The City was able to secure meaningful language reforms with each of these unions in exchange for this wage pattern. All other civilian contracts that the City has settled included roughly an 11% wage increase over a four year period. Each of the contracts that have been settled has included a modest increase in the employee contribution to health insurance premiums. Prior to the new contract period, employees paid 10% of the cost of health insurance premiums; by the end of the new contract period the employee contribution will be 15%. In the case of the firefighters union, the parties are coming to the end of an arbitration process. Arbitration hearings were completed February 5, 2010; final briefs are due on April 5, 2010. An arbitration award is expected at the beginning of May, 2010. The award will be binding on the Firefighters Union and on the Mayor. The funding of an arbitration award is subject to the approval of the City Council.

FINANCIAL OPERATIONS

Budget Process

Program-Based Budgeting

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.

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 Boston Public Health Commission must submit a revenue and expenditure budget for public health services to the Mayor by the second Wednesday in March. If the proposed budget provides for expenditures in excess of the Commission'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 Commission 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. 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. 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.

The City, Boston Public Health Commission and School Department operating budgets for fiscal 2010 were approved by the City Council on June 24, 2009. See "Financial Operations—Fiscal 2010 Budget." The Mayor also initiates loan orders for City Council consideration, based on an annual update of the Five-Year Capital Plan. There is no statutory time frame for requesting or approving such orders. New authorizations related to the fiscal 2010 portion of the Five-Year Capital Plan were submitted to the City Council on April 8, 2009; one authorization was approved by the City Council on June 3, 2009, and all other authorizations were approved by the City Council on June 24, 2009.

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.

Capital Budgeting

The Capital Budgeting Program ("CBP") is a program of the Office of Budget and Management used for managing the capital budget of the City, 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 and capital requirements. Through the CBP, the City evaluates and refines its capital needs and resources as it moves through each fiscal year. This process is documented by an annually updated five-year capital plan. In April 2009, Mayor Menino released the fiscal 2010-2014 capital plan. In addition to its use in planning, the CBP is also used for 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 CBP.

Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2006-2009 and Fiscal 2010 Budget

The table below shows the City's General Fund budget for fiscal 2010, together with budgetary actual results for fiscal 2006 through 2009. In accordance with state law and regulations, the City's General Fund budget as shown below is prepared on a "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, and "budgetary" records as an expenditure any amount raised to cover a prior year deficit, and as a revenue any available funds raised from prior year surpluses, 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.

Fiscal 2010 Budget Compared to
Fiscal 2006, Fiscal 2007, Fiscal, 2008 and Fiscal 2009 Actual Results
General Fund—Budgetary Basis
($ in millions)*

	Fiscal 2006 Actual Results	Fiscal 2007 Actual Results	Fiscal 2008 Actual Results	Fiscal 2009 Actual Results	Fiscal 2010 Budget (1)
Revenues:					
Recurring Revenue					
Property Taxes	$ 1,208.2	$ 1,270.8	$ 1,334.6	$ 1,400.7	$ 1,465.1
Overlay Reserve (2)	(40.8)	(46.6)	(39.1)	(35.4)	(35.7)
Excises	89.7	80.2	92.3	106.9	81.3
Fines	68.0	67.4	67.7	70.4	73.4
Interest on Investments	30.0	43.5	39.5	17.8	6.5
Payments in Lieu of Taxes	32.1	32.4	31.4	34.0	34.3
Urban Redevelopment Chapter 121A	65.1	63.9	64.5	65.5	66.1
Misc. Department Revenue	44.5	53.6	59.5	71.6	59.8
Licenses and Permits	38.8	41.4	47.6	41.0	31.3
Penalties & Interest	9.2	8.7	8.5	7.8	8.0
Available Funds	3.1	3.2	12.1	14.2	17.1
State Aid	464.6	483.0	493.3	454.4	418.3
Teachers' Pension Reimbursement (3)	85.2	93.3	105.4	118.8	126.9
Total Recurring Revenue	$ 2,097.6	$ 2,194.7	$ 2,317.4	$ 2,367.6	$ 2,352.1
Non-Recurring Revenue (4)	6.7	7.5	25.7	35.0	51.0
Total Revenues	$ 2,104.3	$ 2,202.2	$ 2,343.1	$ 2,402.6	$ 2,403.1
Expenditures:					
Departmental Expenditures					
City Departments	$ 891.9	$ 936.7	$ 979.0	$ 1,002.4	$ 962.6
Boston Public Health Commission	61.3	63.8	68.2	69.4	70.0
School Department	717.8	747.5	795.5	810.0	817.9
Collective Bargaining Reserve	-	10.0	11.8	16.9	16.1
OPEB Stabilization Fund/Trust (5)	-	-	20.0	25.0	20.0
Total Department Expenditures	$ 1,671.0	$ 1,758.0	$ 1,874.5	$ 1,923.7	$ 1,886.5
Fixed Costs					
Pensions (3)	$ 186.3	$ 192.9	$ 202.9	$ 213.2	$ 234.8
Debt Service (6)	112.8	109.6	115.9	119.4	131.5
State Assessments	114.3	119.9	128.3	137.7	145.8
Suffolk County Sheriff	4.5	4.4	4.5	4.3	4.5
Reserve	1.5	2.2	1.1	0.0	0.0
Total Fixed Costs	$ 419.4	$ 429.0	$ 452.7	$ 474.7	$ 516.5
Total Recurring Expenditures	$ 2,090.4	$ 2,187.0	$ 2,327.3	$ 2,398.5	$ 2,403.1
Excess of Revenues Over Expenditures	$ 13.9	$ 15.2	$ 15.8	$ 4.1	$ 0.0

* Columns may not add due to rounding.

(1) Represents the budget at the time of the approval of the tax rate on December 15, 2009, plus any supplemental appropriations.

(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 2010, the City has reserved 2.5% of the net levy for abatements.

(3) Legislation is currently pending which, if enacted, would substantially modify the City's expenditures and reimbursement for teacher pensions. See "Employee Benefits – Retirement Systems."

(4) Non-recurring revenue in fiscal 2008 and 2010 represent a portion of the proceeds from the Surplus Property Fund ($5.7 million and $6.0 million) and in 2006, 2007, 2008, 2009, and 2010 Budgetary Fund Balance ($6.7 million, $7.5 million, $20.0 million, $35.0 million, and $45.0 million, respectively).

(5) See "Employee Benefits—Other Post Employment Benefits."

(6) 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 2005-2009." See "City Indebtedness – Debt Service Requirements."

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

Fiscal 2006-2009 Actual Results

During the period of fiscal 2006 to 2008, the City had budget surpluses in each year. Revenues grew steadily through the period. Net state aid (state aid net of state assessments) to the City increased during the fiscal 2006 through fiscal 2008 period, but never returned to levels attained in fiscal 2002, due to reductions during the last recession and thereafter. Employee benefits and pension costs increased during the period. Deteriorating economic conditions in fiscal 2009 caused substantial and sudden decreases in state revenues. As a result, the Commonwealth reduced state aid mid-year. In addition, the City continued to experience increases in employee benefit and pension costs in fiscal 2009. Despite these cost increases and reductions in state aid, the City was able to maintain a balanced budget and produce a small operating surplus in fiscal 2009. (For discussion of state aid from the Commonwealth, see "City Revenues—State Aid").

Fiscal 2010 Budget

The following is a summary of the City's fiscal 2010 budget on a budgetary accounting basis. The figures cited are from the fiscal 2010 tax rate budget at the time of certification of both the aggregate amount of and the rates of tax for the City's fiscal 2010 property tax levy by the Massachusetts Department of Revenue, plus supplemental appropriations. This certification was completed on December 15, 2009.

Expenditures

In fiscal 2010, the City's budgeted expenditures total $2.40 billion including direct expenditures for departmental services and fixed expenses, representing an increase of $4.6 million or 0.2% from fiscal 2009 actual expenditures. Budgeted fiscal 2010 departmental expenditures compare with actual fiscal 2009 expenditures as follows: City Departments decreased $39.9 million or 4.0%; the Public Health Commission increased $0.6 million or 0.8%; and the School Department increased $7.9 million or 1.0%; Collective Bargaining Reserve decreased $0.8 million or 4.5%; and the appropriation to the OPEB Stabilization Fund decreased $5.0 million or 20.0%. Budgeted fixed expenses for fiscal 2010 compare with fiscal 2009 actual expenses as follows: Pensions increased $21.6 million or 10.1%; Debt Service increased $12.0 million or 10.1%; and State Assessments increased $8.1 million or 5.9%.

Despite inflationary factors contributing to cost increases in City Departments including health insurance, utilities and trash removal, overall the cost reductions scheduled for fiscal year 2010 were achieved through a mix of position eliminations, wage deferral agreements, the strategic use of external grant resources largely provided by the American Recovery and Reinvestment Act and deferrals of spending for equipment and supplies. The increases in the School Department and Public Health Commission are largely reflective of health insurance increases and transportation costs at the School Department.

The increase in pension expenses is mandated by the City's pension funding schedule as approved by the state actuary and is a legal obligation of the City. The City's current pension schedule fully funds the system by the end of fiscal 2023, seven years earlier than required by law. State Assessments are also mandatory; the amounts are determined by the Commonwealth. All but a small portion of the increase in State Assessments is the result of increases in the assessment to the City for Massachusetts Bay Transportation Authority ("MBTA") service and for charter school tuition.

Revenues

Budgeted revenues for fiscal 2010 equal $2.40 billion, an increase of $0.5 million or 0.02% from fiscal 2009 actual revenues. Selected fiscal 2010 budgeted revenues compare with fiscal 2009 actual revenues as follows: the Gross Property Tax Levy (including new growth) increased $64.4 million or 4.6%; Excises decreased $25.6 million or 23.9%; Interest on Investments decreased $11.3 million or 63.6%; Licenses and Permits decreased $9.7 million or 23.8%; Available Funds from parking meter and cemetery fees increased $2.9 million or 20.4%; State Aid decreased $36.2 million or 8.0%; and Non-Recurring Revenue increased by $16.0 million or 45.7%.

The Property Tax, the City's largest source of revenue, has become increasingly important to the City's recent revenue growth given the minimal growth of the City's second largest source of revenue: State Aid. Property tax revenues are expected to increase $64.4 million or 4.6% in fiscal 2010 after having increased by an average of $62 million or 5.1%, in each fiscal year between 2006 and 2009. The near term outlook for the City's property tax levy is one of continued stable growth.

The decrease in Excises is due to expected declines in all excise tax revenues as the economy remains weak. Lower demand for new automobiles and an increasing average age of vehicles registered in Boston will serve to drive down motor vehicle excise tax collections while reduced demand for travel and lodging will do the same for hotel and jet fuel excises. The latter had been achieving record revenues for the City due to higher than average fuel prices which more recently have declined. The decrease in Miscellaneous Departmental Revenue is due to one-time revenue in fiscal 2009 from a prior year insurance claim and the transfer of receipts for some past Public Works administrative fees. In addition, the City took in reimbursement for Medicare Part D for the first time in fiscal 2009. Those receipts are expected to be ongoing.

The City adopted a new 0.75% excise on the sale of prepared food and beverages originating in the City ("meals excise") and increased its local option room occupancy excise from 4.0% to 6.0% in 2009, following the enactment of legislation by the Commonwealth authorizing these additional sources of revenue to municipalities by local option. Receipts from the City's room occupancy excise are pledged to the payment of certain special obligations of the City related to the Boston Convention and Exhibition Center. See "City Indebtedness—Special Obligation Debt." The Massachusetts Department of Revenue is responsible for collecting and remitting meals excise and local option room occupancy excise receipts to the City on a quarterly basis. Together, the new revenues are expected to amount to between $15.4 million and $17.6 million for the partial year in fiscal 2010. Because the acceptance of these new sources of revenue occurred after the City budget was adopted by the City Council in June, 2009, the City has not budgeted any of this new revenue for fiscal 2010. See “City Revenues—Excise Revenues.”

The decrease in Interest on Investment is based on the continued action of the Federal Reserve to maintain its target federal funds rate at between 0.0% and .25% and thus limiting returns on the City’s conservative investments. The decrease in Licenses & Permits is due to expected lower building permit activity associated with a slow real estate market. The increase in Available Funds is due to projected increased Parking Meter receipts. The decrease in State Aid is due to decreases in education aid and unrestricted general government aid. The increase in Non-Recurring Revenue is due to the use of $6.0 million in Surplus Property Disposition funds for housing programs that was not used in the prior year. A portion of the Budgetary Fund Balance is budgeted for use in the OPEB Trust Fund (for a discussion of OPEB, see “Employee Benefits–Other Post Employment Benefits”). Budgetary Fund Balance is available for appropriation after certification of its value by the Massachusetts Department of Revenue. Fiscal 2010 becomes the sixth year of use of this source of funds since fiscal 1992.

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 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 accounting principles generally accepted 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, net assets/fund balance, revenues and expenditures/expenses. For a discussion of the significant accounting policies employed in preparing the City’s fiscal 2009 audited financial statements, see Note 2 of such audited financial statements, which are attached hereto as Exhibit I. The City’s fiscal 2009 financial statements received an unqualified 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 of the fiscal 2009 audited financial statements, attached hereto as Exhibit I.

Attached hereto as Exhibit II are Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Equity for the fiscal years ended June 30, 2009, 2008, 2007, 2006 and 2005, which have been prepared by the City’s Auditing Department based on information taken from the City’s audited financial statements for those fiscal years.

Summary and Comparison of Operating Results (GAAP Basis)—Fiscal 2005-2009

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 years 2005 through 2009, prepared by the City and audited by KPMG LLP, an independent certified public accounting firm, in accordance with the GAAP basis of accounting.

**Summary of Statements of Revenues, Expenditures, Other Financing Sources and Changes in Fund Equity Fiscal Years 2005-2009 (GAAP Basis)
($ in millions)***

	2005	2006	2007	2008	2009
Total revenues	$1,912.7	$2,108.3	$2,116.3	$2,213.2	$2,230.7
Total expenditures	1,895.4	1,987.3	2,068.8	2,184.0	2,245.2
Excess (deficiencies) of revenues over (under) expenditures	17.3	120.9	47.5	29.2	(14.6)
Total other financing (uses) sources	22.5	(72.6)	23.1	40.8	41.2
Excess of revenues and other financing sources over expenditures and other financing uses	39.8	48.4	70.7	70.0	26.6
Fund balance, beginning of year as previously reported	573.3	613.0	661.4	732.0	802.0
Fund balance, end of year [(1)]	$ 613.0	$ 661.4	$ 732.0	$ 802.0	$ 828.7

* Columns may not add due to rounding.

(1) The undesignated fund balances for the General Fund for fiscal 2005, 2006, 2007, 2008 and 2009 were $415.2 million, $438.7 million, $495.3 million, $553.1 million and $550.3 million, respectively.

Source: City of Boston Auditing Department.

The following is a summary analysis of the City's financial operations on a GAAP basis over the period fiscal 2007 through fiscal 2009. The figures appearing in this section for the period are derived from the 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 aid, payments in lieu of taxes ("PILOTs"), local excise taxes and departmental revenues, and other intergovernmental sources. The principal expenditures were for public safety, debt requirements, retirement costs, 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 2007

During fiscal year 2007, the City's revenues increased by 0.4% from fiscal year 2006. The City's largest sources of revenues were property taxes, state aid, excise taxes, and payment in lieu of taxes totaling $1.41 billion (66.9% of total revenue). Property taxes increased $68.5 million, an increase of 5.8% from fiscal 2006. Departmental and other increased by $13.7 million, representing a 26.3% change from fiscal 2006. The main factors were: an increase in municipal Medicaid reimbursement of $4.9 million, an increase in fringe retirement reimbursement from grants of $4.6 million and an increase in street cut permits and fees of $2.4 million. Investment income totaled $43.1 million, a 33.1% increase from fiscal 2006. The primary factor for the increases in investment income was higher investment rates.

The increase in revenues allowed for an increase in expense categories. The City's expenses covered a range of services. The largest expenses were for schools ($743.8 million), public safety ($477.4 million), other employee benefits ($175.9 million), state and district assessments ($124.2 million), debt service ($113.2 million), public works ($97.9 million), and retirement costs ($92.9 million). Public safety realized a $30.6 million increase. The driving force behind the increased expenses for schools and public safety were increases in salaries. Even though public works represented a rather large expense, this category realized a decrease primarily due to less spending on snow removal. State and district assessments realized a nearly 5.0% increase due to increases in Commonwealth assessments for tuition payments to charter schools and MBTA assessments. Debt service expenses increased due to increases in scheduled principal and interest payments. Retirement costs expenses increased due to an increase in the City's actuarially required contribution.

The General Fund's equity balance as of June 30, 2007 was $732.0 million, as compared to $661.4 million in fiscal 2006. The increase of $70.6 million or 10.7% is primarily due to a continued increase in receipts from property and excise taxes. Please refer to the statements of General Fund activity in the Comparative Balance Sheets and Statements of Revenues and Expenditures (Exhibit II to this Appendix A), and Note 2 in Notes to Basic Financial Statements (Exhibit I to this Appendix A) for a more in-depth explanation of these entries and the manner in which they impact the Fund equity balance calculation.

Fiscal 2008

During fiscal year 2008, the City's revenues increased by 4.6% from fiscal year 2007. The City's largest sources of revenues were property taxes, state aid, excise taxes, and payment in lieu of taxes totaling $1.49 billion (67.3% of total revenue). Property taxes increased $57.9 million, an increase of 4.6% from the previous year. Departmental and other increased by $13.4 million, representing a 20.4% change from fiscal 2007. The main factors were: an increase in fringe retirement reimbursement from grants of $1.1 million, an increase in pension and annuities of $5.4 million. Licenses and permits totaled $46.0 million, a 13.0% increase from fiscal 2007. The primary factor was a $3.9 million increase in building permit revenues.

The increase in revenues allowed for an increase in expense categories. The City's expenses covered a range of services. The largest expenses were for schools ($782.5 million), public safety ($509.3 million), other employee benefits ($190.2 million), state and district assessments ($132.8 million), debt service ($115.8 million), public works ($108.8 million), and retirement costs ($95.2 million). Schools realized a $38.7 million (5.2%) increase while public safety realized an expenditure increase of $31.9 million (6.7%). The driving force behind the increased expenses for schools and public safety were increases in salaries and employer charges. The rise of the cost of health care was the main proponent for other employee benefits increasing by $14.3 million. Public works represented a $10.9 million increase primarily due to snow removal costs. State and district assessments realized a nearly 7.0% increase due to increases in Commonwealth assessments for charter school tuition and MBTA assessments. Debt service expenses increased due to increases in scheduled principal and interest payments. Retirement costs expenses increased due to an increase in the City's actuarially required contribution.

The General Fund's equity balance as of June 30, 2008 was $802.0 million, as compared to $732.0 million in fiscal 2007. The increase of $70.0 million or 9.6% is primarily due to a continued increase in receipts from property and excise taxes.

Fiscal 2009

During fiscal year 2009, the City's revenues increased by 0.8% from fiscal year 2008. The City's largest sources of revenue were property taxes, excise taxes and fines totaling $1.58 billion, or 70.7% of total revenue. Property taxes increased $76.6 million, representing a positive change of 5.8% from fiscal year 2008. Departmental and other revenue increased by $3.1 million, or 3.9% from the prior fiscal year. This growth was primarily caused by an increase in Medicaid part D and an increase in affirmative recovery receipts from the law department. Revenues from investment income and licenses and permits totaled $59.1 million, a combined decrease of $24.7 million from fiscal year 2008. The primary factor for the decrease in investment income was lower returns on the City's investments. The decrease in licenses and permits was due to a decline in the amount of building permits issued, a side effect of the slow real estate market.

In fiscal year 2009, expenditures increased by a total of $61.2 million, or 2.8% from fiscal year 2008. The City's largest expenses were for schools ($818.3 million), public safety ($521.9 million), other employee benefits ($191.6 million), state and district assessments ($142.1 million), debt service ($119.3 million), public works ($112.2 million), and retirement costs ($82.3 million). Schools experienced an expenditure increase of $35.8 million (4.6%) while public safety realized an increase of $12.6 million (2.5%). The cause of the increase in both schools and public safety was due to a continued growth in payroll and payroll related costs. State and district assessments realized a $9.3 million (7.0%) increase due to Commonwealth assessments for charter school tuition and MBTA assessments. The $3.3 million (3.1%) increase in public works expenditures was primarily due to snow removal costs.

The General Fund's equity balance as of June 30, 2009 was $828.7 million, as compared to $802.0 million in fiscal 2008. The increase of $26.7 million, or 3.3%, was primarily due to continued increases in Real and Personal Property Tax revenues.

Cash Balances

The following table represents the end-of-month unaudited cash balances for the City's General Fund commencing with fiscal 2007 and ending with 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.

General Fund End-of-Month Cash Balances for Fiscal 2007-2010
($ in thousands)

	2007	2008	2009	2010
July	$872,949	$964,125	$914,382	$1,055,772
August	860,760	931,790	873,859	1,037,852
September	823,615	906,303	870,116	966,445
October	868,799	950,603	809,804	977,341
November	947,222	867,062	842,027	927,851
December	855,483	786,370	896,395	781,347
January	879,069	876,276	901,785	902,410
February	830,317	827,375	929,254	982,327
March	871,122	858,115	929,342	
April	873,483	942,479	1,029,689	
May	946,108	915,466	1,036,455	
June	936,891	924,644	998,855	

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. 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 City uses a comprehensive, interactive debt capacity model that assists debt management administrators in evaluating the potential impact of debt issues on cash flow, credit and statutory debt capacity.

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 direct 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, maintenance of the relationship between debt and repayment sources, target savings for refundings, and reporting and liaison with the financial community and the rating agencies.

Financial Management

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

The City of Boston has consistently received unqualified 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.

Investment Policy

The City has enacted and annually reviews and updates its investment policy statement that dictates the types of investments made by the City Treasury. The policy also focuses on the appropriate balance of liquidity and the rate of return on investments. Bond proceeds, in conformance with the City's policy, are invested in highly liquid, fully collateralized investments.

Performance Management and Program Evaluation

Boston About Results (BAR) is the City's performance management and evaluation program. At its core, BAR aims to create a sustainable and reliable performance management system which captures the core functions of City departments and citywide strategic goals, assists in the decision-making process, identifies areas of improvement, and effectively communicates performance results to a broad range of stakeholders.

Using performance management as its foundation, BAR encourages organization changes and operational improvements that increase the effectiveness and productivity of City departments. The program does this by providing reliable, objective, and independent information and reports to City managers about department performance and operations.

Risk Management

The City of Boston's 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 citywide program first focuses on limiting unnecessary asset losses due, for example, to third party legal liability claims, property losses, workplace injuries, employee healthcare and unemployment compensation. The City's Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations. Assets and losses are tracked and quantified and areas are targeted for improvement efforts.

The City budgets for and funds the costs described above through the general fund, except for self-insured healthcare costs, which are managed by Blue Cross Blue Shield, and financed through an employee/employer trust fund established in compliance with Section 3A of Chapter 32B of the General Laws.

To protect the City's assets from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides $100 million all risk protection after a $10 million deductible; boiler and machinery losses are insured up to $10 million, and 75% of the City's healthcare costs are insured through HMOs.

For unexpected large losses, the City maintains a catastrophic risk reserve, the available balance of which equaled $12.6 million at the end of fiscal 2009.

Energy Management

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use, and conservation of energy as well as the minimization of the impact of fossil fuel consumption on public health. The Energy Management Board is comprised of the City's Director of Administration and Finance and Collector-Treasurer, Chief of Environmental and Energy Services, Chief of Public Property, and Chief of Public Health.

The Energy Management Board commissioned an Integrated Energy Management Plan that is intended to assure progress toward the fulfillment of its mission. The Integrated Energy Management Plan was finalized in fiscal 2006.

The first project identified for the Integrated Energy Management Plan, lighting controls in City Hall, was completed in 2009. Planning for the second project, a comprehensive energy management project at the main branch of the Boston Public Library, is currently underway. In addition, a second phase of the efficiency project for City Hall is planned for 2010.

Since March 2005, the City has independently contracted with third party electricity suppliers to meet all of the City's electricity supply requirements. To date, the supply costs the City has paid to its third party electricity supplier have been less than the default supply costs offered by the City's local electricity distribution company, NSTAR - Boston Edison Company.

CITY REVENUES

The principal sources of City revenue available to meet operating expenditures are property taxes, state aid, 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. References to fiscal 2010 are unaudited.

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 2010 equals $1.46 billion, or 61.0% of City General Fund revenues 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 Properties" below.

As discussed below, Proposition 2½ limits the level of property taxation in the City. In fiscal 2010, the City will again levy taxes below the 2.5% ceiling on the overall effective tax rate. The City is not expected to reach the levy ceiling in the foreseeable future due to previous growth in the real estate market.

Proposition 2½

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

Within the limits of the 2½ ceiling, the Growth Levy Limit is a secondary limitation imposed by Proposition 2½. The Growth Levy Limit prohibits the levy in a fiscal year from exceeding an amount equal to 102.5% of the maximum allowable limit for the preceding year, subject to exceptions for the following: property newly added to the tax rolls and valuation increases other than as a result of a general revaluation ("new growth"); temporary exclusions from the tax levy limitation to pay for capital costs or debt service on indebtedness; and "overrides," which are permanent increases in the tax levy for general expenditures of the city or town. Exclusions and overrides must be approved by a referendum of the voters of the city or town. The levy is permanently increased by the addition of new growth and overrides, except that any override to fund a stabilization fund will not be taken into account in calculating the maximum levy limit in subsequent fiscal years unless the City Council votes to appropriate such increased amount in such subsequent year to the stabilization fund. The exclusion of debt service by referendum temporarily increases the levy amount and the duration of the specific debt excluded. The Growth Levy Limit may be exceeded by an override in any year by a majority vote of the voters. An increase in the Growth Levy Limit under this procedure, however, does not permit a tax levy in excess of the 2½ ceiling, since the two limitations apply independently. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The City's gross levy in fiscal 2010 equals $1.46 billion. In fiscal 2010, the allowable 2.5% increase is $35.0 million, and "new growth" is $29.2 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 2 ½ 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 2006-2010(1)
($ in thousands)

	2006	2007	2008	2009	2010
Total Assessed Valuation	$74,738,001	$86,516,106	$90,067,297	$90,387,171	$87,256,532
Growth Levy Limit (2)	1,207,764	1,271,017	1,334,309	1,400,631	1,465,230
Levy Ceiling	1,868,450	2,162,903	2,251,682	2,259,679	2,181,413
Tax Levy (3)	1,207,620	1,270,260	1,334,278	1,400,015	1,465,058
Under Levy Ceiling	660,830	892,643	917,404	859,664	716,355

(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 levy as determined by Proposition 2½.

(3) 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

State law mandates a revaluation of all taxable property every three years. These revaluations are reviewed and certified by the Commonwealth. In the years between revaluations, the Commonwealth permits 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 2009, the City concluded work on its tenth triennial revaluation for fiscal 2010, with an assessment date of January 1, 2009. For fiscal 2010, assessments were based on market activity leading up to the assessment date. Assessments for most residential properties have declined. As was the case in fiscal 2009, the magnitude of the reduction was once again dependent on local real estate market conditions. In some areas, residential values remained stable or declined slightly. In other neighborhoods, including those impacted by foreclosure activity, there were more significant value declines. As of the assessment date, the commercial market experienced moderate decline in total value. See “City Revenues—Property Taxation—Taxes by Use; Tax Rates.”

Certified Triennial Revaluations

Assessment Date	Real and Personal Property Value	Applicable Years
January 1, 2009	$87.26 billion	fiscal 2010 through 2012
January 1, 2006	86.52 billion	fiscal 2007 through 2009
January 1, 2003	66.14 billion	fiscal 2004 through 2006
January 1, 2000	50.49 billion	fiscal 2001 through 2003

Source: City of Boston Assessing Department.

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, 2009. The fiscal 2010 tax rates were applied to the January 1, 2009 valuation to determine levy and tax liability for fiscal 2010.

Assessed Valuation of Taxable Real Property by Real Estate Classes, Assessment Dated January 1, 2009

Real Estate Classes	Land Area (Square feet)	Land Valuation	Building Valuation	Total Valuation
Apartments	33,085,185	$1,253,805,680	$3,094,062,186	$4,347,867,866
Agricultural	546,757	61,900	181,100	243,000
Commercial	75,638,790	5,321,797,572	15,980,646,279	21,302,443,851
Commercial Condominium	9,995,886	3,035,900	2,034,734,600	2,037,770,500
Residential Condominium	58,108,963	-	23,110,559,593	23,110,559,593
Commercial Land	27,778,695	464,888,937	317,685,075	782,574,012
Condominium Main (1)	56,843,570	-	-	-
Condominium Parking	406,663	1,025,300	92,173,900	93,199,200
Industrial	42,879,904	609,457,272	687,563,950	1,297,021,222
Residential & Commercial	18,771,590	1,263,220,959	3,038,086,152	4,301,307,111
Residential Land	32,614,607	242,401,995	11,200,448	253,602,443
1-Family	156,179,447	4,195,261,186	7,132,670,653	11,327,931,839
2-Family	86,839,042	2,335,988,373	4,359,405,105	6,695,393,478
3-Family	52,603,421	1,675,519,205	3,961,385,260	5,636,904,465
4-Family (4-6 units)	9,328,784	570,209,416	1,252,385,581	1,822,594,997
TOTAL	661,621,304	$17,936,673,695	$65,072,739,882	$83,009,413,577

(1) Condominium Main represents the total land area of all residential and commercial condominiums and condominium-parking units.

Source: City of Boston Assessing Department.

Tax Rates, Fiscal 2006-2010 (per $1,000 of assessed value)

Fiscal Year	Commercial, Industrial and Personal Property	Residential Property
2010	$29.38	$11.88
2009	27.11	10.63
2008	25.92	10.97
2007	26.87	10.99
2006	30.70	11.12

Source: City of Boston Assessing Department.

The City utilizes five classes of property for taxation purposes: (i) residential real property, (ii) open space land, and (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 business tax rate 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. The amount of the residential exemption can equal up to 30% of the average assessed value of all residential property in the City. In fiscal 2010, qualifying residents who receive the residential exemption have their taxable assessed values reduced by $125,090. The residential exemption has no impact on the overall tax rate.

Tax Base

The following table shows, for purposes of year-to-year comparison, the assessed valuations with respect to all property in the City subject to taxation, used for determining the tax levies and tax rates in fiscal years 2006 through 2010.

Assessed Valuations—Fiscal Years 2006-2010[(1)]
($ in thousands)*

Fiscal Years	Value of Taxable Land	Value of Taxable Buildings	Total Value Taxable Land and Buildings	Value of Taxable Personal Property	Total Assessed Taxable Value
2010............................	$17,936,674	$65,072,740	$83,009,414	$4,247,118	$87,256,532
2009............................	19,412,075	67,060,992	86,473,068	3,914,103	90,387,171
2008............................	18,745,434	67,529,364	86,274,798	3,792,499	90,067,297
2007............................	18,931,722	64,068,735	83,000,457	3,515,648	86,516,106
2006............................	12,513,403	58,897,095	71,410,498	3,327,508	74,738,001

* Rows may not add due to rounding.

(1) Represents assessed values determined as of January 1 in the prior fiscal year. For example, fiscal 2009 assessed values are as of January 1, 2009.

Source: City of Boston Assessing Department.

The following table is a list of all of the taxpayers in the City that had an aggregate tax liability in excess of $10.0 million for fiscal 2010. Assessed valuations and fiscal 2010 taxes reflect the valuation of property as of January 1, 2009 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2010 [(1)]

Name	Personal Property [(2)]	Real Property	Total Assessed Value	Fiscal 2010 Tax Liability
Blackstone Real Estate Partners [(3)]	$ 1,033,050	$ 2,818,083,500	$ 2,819,116,550	$ 82,825,644
NSTAR / Boston Edison Company	1,561,371,900	63,690,701	1,625,062,601	47,744,339
Boston Properties	4,570,330	1,311,653,600	1,316,223,930	38,538,543
Tishman Speyer Properties	287,240	969,354,500	969,641,740	28,488,074
Fort Hill Associates	20,170	749,859,500	749,879,670	22,031,465
Brookfield Properties Corporation	217,220	723,746,500	723,963,720	21,270,054
Broadway Real Estate Partners [(4)]	–	681,009,700	681,009,700	20,008,065
Teachers Insurance And Annuity Association	–	622,803,500	622,803,500	18,297,967
John Hancock Financial Services[(5)]	3,049,000	480,960,400	484,009,400	14,220,196
One Hundred Federal Street, LPS	7,635,190	460,016,500	467,651,690	13,739,607
UIDC Of Massachusetts, Inc.	406,050	461,943,500	462,349,550	13,583,830
Fortis Property Group	342,690	431,105,400	431,448,090	12,675,945
Dewey Square Tower Associates	422,860	425,862,500	426,285,360	12,524,264
National Grid, Inc.	354,024,150	35,486,000	389,510,150	11,443,808
	$1,933,379,850	$10,235,575,801	$12,168,955,651	$357,391,801

(1) The methodology used in creating the table involves the search of the title holder, or holders, of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in a particular parcel.

(2) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. Examples of taxable personal property include equipment owned by businesses, poles, wires and machinery of utility companies, and aircraft.

(3) In February 2007, the Blackstone Group LP completed the acquisition of office space held by Equity Office Properties.

(4) Broadway Partners' real estate figure includes the Hancock Tower, which was sold at auction due to loan default after the assessment date.

(5) In prior years, properties owned by John Hancock Life Insurance were attributed to Manulife Financial, a related corporate entity.

Source: City of Boston Assessing and Treasury Departments.

Real Estate Tax Levies and Collections

The following table shows the level of property tax levies, tax levies net of budgeted reserves for abatements ("Net % Gross"), the gross amount and proportion of each levy collected during the year of levy, the cumulative amount (net of refunds) and proportion of each levy collected as of June 30, 2009 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 2005 through 2008. 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 2005-2009
(Statutory Accounting Basis)
($ in millions)

	Tax Levy			Tax Levy Collected Within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2009		
Fiscal Year	**Gross (1)**	**Net**	**Net % Gross**	**Gross Amount**	**% Gross Levy**	**% Net Levy**	**Net Amount**	**% Gross Levy**	**% Net Levy**
2009..............	$1,400.7	$1,365.3	97.5%	$1,392.7	99.4%	102.0%	$1,383.2	98.8%	101.3%
2008..............	1,334.6	1,295.5	97.1	1,338.8	100.3	103.3	1,317.5	98.7	101.7
2007..............	1,270.8	1,223.9	96.3	1,260.2	99.2	103.0	1,252.6	98.6	102.3
2006..............	1,208.2	1,167.0	96.6	1,202.2	99.5	103.0	1,192.5	98.7	102.2
2005..............	1,150.1	1,105.2	96.1	1,142.1	99.3	103.3	1,136.1	98.8	102.8

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

Source: City of Boston Treasury 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 $12.3 million, $16.9 million and $16.2 million, respectively, in fiscal 2007, 2008 and 2009.

Revenues from Chapter 121A Corporations

A local government in cooperation with its redevelopment authorities may suspend the imposition of real property taxes at normal levels on properties determined to be "blighted" in order to encourage redevelopment of such properties by special corporations organized under Chapter 121A ("Chapter 121A Corporations"). The City receives three forms of revenue from Chapter 121A Corporations. The first consists of excise PILOTs for each Chapter 121A Corporation that are collected by the Commonwealth and distributed to the City. The second form of revenue is contract payments resulting from agreements that may be entered into between the Chapter 121A Corporation and the City relating to City services available to the development. A third form of revenue does not generate significant payments.

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

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

Fiscal Year Ended June 30	**Excise Payments In Lieu of Taxes (Section 10)**	**Contracts Payments (Section 6A) (1)**	**Total**
2009	$42,923	$22,541	$65,464
2008	39,292	25,250	64,542
2007	40,069	23,783	63,852

(1) Contract Payments (Section 6A) include Chapter 121B, Section 16 payments.
Source: Office of Budget Management.

State Aid

State aid from the Commonwealth comprises the second largest revenue source to the City's General Fund. The recession has had a substantially negative effect on state revenues and the Commonwealth has reduced its expenditures and drawn substantially on its reserves to address its resulting budget shortfalls. Among these measures, the Commonwealth reduced state aid to municipalities mid-year in fiscal 2009 and in fiscal 2010. The City incurred reductions in budgeted state aid totaling $43.3 million, or 9.2% in mid-year fiscal 2009, and an additional $36.2 million, or 8.0% in fiscal year 2010.

In fiscal 2011, the Commonwealth projects a budget shortfall of approximately $2.75 billion. The Governor's fiscal 2011 budget proposal addressed the shortfall through spending reductions and the use of non-recurring revenues from federal and state stabilization funds. In the Governor's proposed budget, the major categories of local aid to municipalities were not reduced compared with fiscal 2010 levels. However, the Legislature has not yet released its budget proposals and has not acted on the Governor's plan. Therefore, no assurance can be given that state aid to municipalities will not be further reduced as the state budget process continues.

Under the Massachusetts Constitution and state finance law, the State Treasurer has the authority to delay the allotment of state aid 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. The State Treasurer is also empowered to deduct from state aid amounts appropriated to the City the amount of "charges" or "assessments." The largest of these assessments are those for MBTA service and tuition for students attending charter schools.

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 Water Pollution Abatement Trust ("MWPAT"). The City has no "qualified bonds" outstanding and has never been assessed for unpaid amounts due the MWPAT.

Total state assessments are expected to amount to $145.8 million in fiscal 2010. State assessments totaled $128.3 million and $137.7 million in fiscal years 2008 and 2009, respectively. Total state aid net of assessments, or "net state aid," is expected to decrease $44.3 million, or 14.0%, to $272.5 million to the City in fiscal 2010. Net state aid totaled $316.7 million in fiscal 2009 and $365.0 million in fiscal 2008. The City's net state aid remains $155.9 million below its fiscal 2002 peak distribution.

In addition to direct state aid, the City also receives reimbursement for the cost of teachers' pensions. Legislation is currently pending that would eliminate the teachers' pension appropriation and reimbursement and would transfer responsibility for managing Boston teachers' pension fund assets to the Commonwealth. See "Employee Benefits—Retirement Systems." The City received $105.4 million, $118.8 million, and $126.9 million respectively, in fiscal 2008, 2009 and 2010. The City also receives cost of living adjustments approved prior to fiscal 1998 by the legislature for municipal employees. See "The City— Retirement Systems."

State School Building Assistance

Under its school building assistance program, the Commonwealth of Massachusetts 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 (the "MSBA") in 2004 to finance and administer the school building assistance program. The MSBA has assumed all powers and obligations of the State Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the MSBA to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. As of March 1, 2010, the City had approximately $36.2 million of bonds outstanding for school projects approved for grants under the prior law at a reimbursement rate of 90% of approved project costs. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the City to finance such projects.

Projects on the State Board of Education's project priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the MSBA based on the eligible project costs and reimbursement rates applicable under the prior law. In 2005, the MSBA approved grants at a reimbursement rate of 90% of approved project costs for three City projects on the priority waiting list as of July 1, 2004. In January 2009, the City and the MSBA executed a project funding agreement for Burke High School, the last City school project on the priority waiting list as of July 1, 2004, that will provide up to $42.4 million in State support for the project. As of March, 2010, the City has received approximately $39.8 million.

The MSBA in 2008 promulgated regulations with respect to the application and approval process for new projects. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. In addition, the MSBA expects to pay grants for such projects as project costs are incurred pursuant to a project funding agreement between the MSBA and the municipality. In most cases, the receipt of these progress payments from the MSBA will eliminate the need for the municipality to borrow on a temporary basis to finance the MSBA's share of project costs. However, none of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Currently, two City school projects have been approved by the MSBA to move into the feasibility study phase to determine the most appropriate, cost effective solution for the projects. During the feasibility stage of each project, the City will be reimbursed by the MSBA for 75% of feasibility study costs. The ongoing analysis and consideration of the City's project proposal by the MSBA does not represent or imply a commitment by the MSBA to fund the project. The MSBA's financial commitment to a project is only determined through the project funding agreement after careful analysis and the development of architectural and engineering documents.

Excise Revenues

In addition to the major sources of revenue described above, the City receives various other types of revenues. See "Financial Operations—Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2006-2009 and Fiscal 2010 Budget" above. In fiscal 2010 the City gained one new significant excise revenue source (meals excise) and expanded an existing source (room occupancy excise). The following is a description of those and other significant excise revenue sources of the City.

Room Occupancy Excise

In accordance with state law, the City historically 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 to 6.0%. The City adopted the increased local option room occupancy excise of 6.0%, effective October 1, 2009. The Massachusetts Department of Revenue is responsible for collecting and remitting local option room occupancy excise receipts to the City on a quarterly basis in arrears. The City's room occupancy excise receipts totaled $35.1 million, $40.3 million, and $36.6 million respectively, in fiscal 2007, 2008 and 2009. See "Summary and Comparison of Operating Results (Budgetary Basis) - Fiscal 2006-2009 and Fiscal 2010 Budget—Fiscal 2010 Budget—Revenues."

Pursuant to Chapter 152 of the Acts of 1997, as amended (the "Convention Center Act"), the City established the City of Boston Room Occupancy Excise Fund (the "Excise Fund"), which is pledged to the payment of the principal of and interest on indebtedness issued by the City to fund the City's share of costs of the Boston Convention and Exhibition Center Project (the "BCEC Project"). See "City Indebtedness—Special Obligation Debt." Of the $36.6 million in room occupancy excise taxes collected in fiscal 2009, $9.6 million was retained in the Excise Fund, and $27.0 million was transferred into the General Fund as authorized by the Convention Center Act. In fiscal 2008, $17.3 million of the $40.3 million in room occupancy excise taxes collected was retained in the Excise Fund and $23.0 million was transferred into the General Fund. In fiscal 2007, $15.1 million of the $35.1 million in room occupancy excise taxes collected was retained in the Excise Fund and $20.0 million was transferred into the General Fund.

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 quarterly. The City's aircraft fuel excise receipts totaled $24.3 million, $18.8 million, and $34.5 million respectively, in fiscal 2007, 2008 and 2009. It should be noted that the City received only three quarterly excise payments in fiscal 2008, and received a payment attributable to the fourth quarter of fiscal 2008 in fiscal 2009. In fiscal 2009, the City received three quarterly payments attributable to fiscal 2009 plus one quarterly payment attributable to fiscal 2008. The City expects this collection pattern to be repeated in fiscal 2010. See “Summary and Comparison of Operating Results (Budgetary Basis) - Fiscal 2006-2009 and Fiscal 2010 Budget.”

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 $34.5 million, $49.6 million, and $44.7 million respectively, in fiscal 2007, 2008 and 2009. See “Summary and Comparison of Operating Results (Budgetary Basis) - Fiscal 2006-2009 and Fiscal 2010 Budget.”

Meals Excise

The Commonwealth granted authority to municipalities in 2009 to levy a meals excise on locally sold prepared food and beverages at local option. The Massachusetts Department of Revenue is responsible for collecting and remitting meals excise receipts to the City on a quarterly basis. See “Summary and Comparison of Operating Results (Budgetary Basis) - Fiscal 2006-2009 and Fiscal 2010 Budget—Fiscal 2010 Budget—Revenues.”

Vehicular Rental Surcharge

The Commonwealth imposes a $10 surcharge on each vehicular rental transaction contract in the City. One dollar of each surcharge is paid to the City for deposit in the City’s Excise Fund and is pledged to the payment of the principal of and interest on indebtedness issued by the City to fund the City’s share of costs of the BCEC Project. The City’s annual share of vehicular rental surcharges totaled $1.2 million, $1.2 million, and $1.1 million respectively, in fiscal 2007, 2008 and 2009. See “City Indebtedness—Special Obligation Debt.”

Departmental Revenues

Several City departments generate significant revenues from fees and charges.

Parking Fines

The City’s annual parking fine receipts totaled $62.8 million, $63.3 million, and $65.9 million respectively, in fiscal 2007, 2008 and 2009.

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 $27.9 million, $31.7 million and $27.0 million respectively, in fiscal 2007, 2008 and 2009.

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 $18.4 million, $15.8 million and $14.7 million respectively, in fiscal 2007, 2008 and 2009.

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, 2009, there was $30.1 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

Major sources of federal grant funds for City programs exclusive of City schools in fiscal 2009 included: the Community Development Block Grant (CDBG) Entitlement Program award of $19.8 million; the Home Investment Partnership Program (HOME) award of $8.0 million; the Housing Opportunities for

Persons with AIDS Program (HOPWA) award of $1.7 million; the Supportive Housing Program award of $14.0 million; Neighborhood Stabilization Program (NSP) award of $4.2 million; and the Shelter Plus Care Program award of $6.6 million.

Major sources of federal grant funds for programs of the Boston Public Schools in fiscal 2009 included: The Title I Elementary & Secondary Education Act of 1965 award of $44.7 million; Special Education Entitlement Grant awards of $21.0 million; the American Recovery and Reinvestment Act of 2009 (ARRA) State Stabilization Program award of $23.3 million; and the School Lunch Program awards of $23.4 million. The Boston Public Schools were also awarded $19.3 million from a variety of other federal grants sources during the 2009 fiscal year. Homeland Security grants awards totaled $25.5 million.

State Grants

In addition to State Aid, the City receives state grants. In fiscal 2009, the Police Department received Community Services grant awards that totaled $7.7 million from the Commonwealth's Office of Public Safety. The Fire Department also received Firefighter grant awards that totaled $1.2 million from the Office of Public Safety. The Boston Public Schools were awarded approximately $9.9 million. In addition, three major programs were supported by state education grants including the Special Education Student 50/50 Grant totaling $11.8 million, the Community Partnership Grants totaling $5.8 million and the Quality Full-Day Kindergarten Grant totaling $2.8 million.

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, 2009, the City had outstanding approximately $925.0 million of general obligation long-term bonds, all of which bear fixed rates of interest. On March 1, 2010, the City had approximately $871.1 million of 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. Biannually, 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 2009 equals $105.88 billion. Based on the current equalized valuation, the City's debt limit equals approximately $5.29 billion, and its double debt limit equals $10.59 billion.

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, 2009, the City had outstanding debt of $737.9 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of $538.1 million. As of March 1, 2010, the City had outstanding debt of $702.5 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of $568.6 million. Based on the City's current debt limit of $5.29 billion, the City had the capacity to authorize an additional $4.02 billion of debt as of March 1, 2010.

Debt Incurring Capacity
As of March 1, 2010
($ in thousands)

	Debt Limit
Normal Debt Limit as of June 30, 2009	$5,293,826
Debt Outstanding as of June 30, 2009	(737,854)
Debt Authorized but Unissued as of June 30, 2009	(538,091)
Available Capacity under Debt Limit as of June 30, 2009	4,017,881
Debt Adjustments approved in fiscal year 2010	–
New Authorization approved through March 1, 2010	(48,430)
Principal Paid through March 1, 2010	55,317
Available Capacity under Debt Limit as of March 1, 2010	$4,024,768

Source: City of Boston Auditing Department.

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 March 1, 2010, the City had a total of $871.1 million in long term debt outstanding, of which $168.5 million was exempt from the debt limit. As of that date the City also had $82.0 million of long-term debt that was authorized but unissued and exempt from the debt limit.

Summary of Authorized but Unissued Within and Outside Debt
As of June 30, 2009 and March 1, 2010 (1)

	Authorized / Unissued 6/30/09	New Authorizations And Adjustments 7/1/09 – 3/1/10	Issuance 11/4/09	Authorized / Unissued 3/1/10
"Within" Debt Limit=	$538,091,326	$48,430,000	$(17,911,200)	$568,610,126
"Outside" Debt Limit=	81,978,324	–	–	81,978,324
TOTAL:	**$620,069,650**	**$48,430,000**	**$(17,911,200)**	**$650,588,450**

(1) Some columns may not add due to rounding.

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

Debt Statement

The following table sets forth the City's general obligation debt as of March 1, 2010.

Debt Statement as of March 1, 2010
General Obligation Debt (1)

Purpose for Which Issued	Principal Outstanding as of 6/30/09	Retired in Fiscal 2010 as of 3/1/10	Principal Outstanding as of 3/1/10	Deemed Payable from Related Revenues (2)	Net Principal Amount
General Purpose	$629,334,255	$(41,600,115)	$607,734,140	$(4,907,299)	$602,826,842
MWPAT	8,218,669	(627,660)	7,591,009	(1,040,522)	6,550,487
Economic Development	2,576,028	(344,179)	2,231,850	–	2,231,850
State Urban Development Relocation	18,097,655	(1,466,848)	16,630,817	–	16,630,817
Schools	83,207,961	(8,648,319)	74,559,642	(44,735,785)	29,823,857
Public Buildings	70,772,003	(7,503,147)	63,268,856	(21,800,995)	41,467,861
Public Works	112,326,319	(13,626,823)	98,699,495	–	98,699,495
Cemeteries	505,770	(151,578)	354,192	–	354,192
Totals	$925,038,670	$(73,968,670)	$871,070,001	$(72,484,600)	$798,585,400

(1) Columns may not add due to rounding.
(2) 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 Avenue;
  b. Debt service subsidies on City debt issued to the MWPAT; and
  c. 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 year from June 30, 2005 through 2009. The debt service requirements table shows the gross Debt Service Requirements, offset by revenues received from related sources.

Debt Service Requirements—Fiscal 2005-2009 (1)

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009
Gross Debt Service Requirements(2)					
Bonded Debt:					
Principal	$ 85,425,487	$ 77,146,592	$ 82,875,539	$ 84,072,086	$ 88,327,660
Interest	37,935,112	38,004,782	38,676,232	39,010,910	41,606,075
Total	$123,360,599	$115,151,374	$121,551,771	$ 123,082,996	$ 129,933,735
Less Revenue Deemed Available From Related Sources: (3)					
Boston Public Health Commission Payments	$ 2,923,781	$ 1,650,625	$ 1,482,942	$ 1,185,666	$ 1,433,847
Fund for Parks & Recreation	278,102	273,154	267,875	262,125	253,959
1010 Massachusetts Ave	1,486,053	1,532,227	1,622,576	1,652,301	1,707,465
MWPAT Loan Subsidy Amounts	554,594	542,030	524,894	516,522	492,351
School Construction Assistance	16,144,882	15,463,685	15,134,146	13,711,961	13,198,866
Pension/Administration System (4)	–	–	–	–	1,432,247
Total Net Debt Service Requirements	$101,973,187,	$95,689,653	$ 102,519,339	$ 105,754,421	$ 112,847,247

(1) Columns may not add due to rounding.
(2) Derived from the debt service requirements table in the City of Boston tax rate budget, and does not represent actual expenditures.
(3) 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 Avenue;
    b. Debt service subsidies on City debt issued to the MWPAT; and
    c. Grants from the MSBA for school construction projects.
(4) Fiscal 2009 was the first year that the City recognized expenditures for Pension/Administration System.

Source: City of Boston Auditing Department.

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.

Certain Debt Ratios

The following table sets forth information as of March 1, 2010 with respect to the approximate ratio of the City's long-term general obligation debt to certain economic factors.

Debt Ratios
As of March 1, 2010

	Amount	Per Capita (1)	Ratio to Assessed Property Value (2)	Debt Per Capita as a % of Personal Income Per Capita(3)
Gross General Obligation Debt	$871,070,001	$1,403.74	1.00%	2.75%
Net General Obligation Debt (4)	798,585,400	1,286.93	0.92	2.52

(1) U.S. Census Bureau as of December 2009—Boston's Estimated 2008 Population equaled 620,535.
(2) Assessed Property Values equaled $87.26 billion as of January 1, 2010. 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, December 2009, Revised Series-Suffolk County's 2007 Per Capita Personal Income = $51,038.
(4) As represented in "Debt Statement as of March 1, 2010."

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 2007 - 2009 (GAAP Basis)
($ in thousands)

	2007	2008	2009
Outstanding General Obligation Debt	$870,373	$912,061	$925,039
Authorized But Unissued Debt	$540,908	$565,408	$620,070
Debt Service	$113,212	$115,771	$119,294
Debt Service as a % of Total General Fund Revenues, Transfers and Other Available Funds	5.3%	5.2%	5.3%
Debt Service as a % of Total General Fund Expenditures	5.5%	5.3%	5.3%
Debt Service as a % of Total Net Tax Levy	9.1%	8.8%	8.6%
Bonds Issued			
General Obligation - New Money	$100,000	$126,185	$100,000
General Obligation – Refunding Bonds	$ 85,425	$ 28,155	$ 40,425
Total Bonds Issued	$185,425	$154,340	$140,425

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 ("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. The only special obligation indebtedness of the City outstanding as of March 1, 2010 was $80.6 million Special Obligation Refunding Bonds, Boston City Hospital Issue (the "BCH Bonds") and $97.1 Convention Center Loan, Act of 1997, Special Obligation Bonds, Series A (the "Convention Center Bonds").

The BCH Bonds were issued in 2002 in connection with the restructuring of debt originally incurred by the City in 1990 (and refunded in 1993) to finance a major construction and renovation program for the City's former acute-care hospital then known as Boston City Hospital ("BCH"). On July 1, 1996, the operations of BCH and Boston University Medical Center Hospital were consolidated into Boston Medical Center, which is owned and operated by the Boston Medical Center Corporation ("BMCC"), a private Massachusetts non-profit corporation. Simultaneously with the consolidation, all other public health operations of the City's Department of Health and Hospitals, as well as title to BCH, were transferred to the Boston Public Health Commission (the "Commission"), and the BCH campus was leased to BMCC for an initial term of 50 years.

The BCH Bonds are special obligations of the City payable from, and secured solely by a pledge and assignment of amounts payable on a promissory note issued to the City by the Commission. The promissory note is in turn a special obligation of the Commission secured by an assignment and pledge of rents payable by BMCC to the Commission under the lease of the BCH campus and, upon any failure of BMCC to pay all or any part of such rent, the proceeds of certain assistance grants payable by the City to BMCC. The payment of assistance grants to BMCC is subject to annual appropriation by the City and the payment of rent by BMCC is contingent upon the appropriation and payment of such assistance grants. The rent payments and the assistance grants are each at least equal, in amount and terms of payment, to the principal and interest payable on the BCH Bonds. The City has also covenanted and agreed, subject to appropriation, to meet any deficiency in the amounts otherwise pledged for the payment of the BCH Bonds. The BCH Bonds do not constitute general obligations of the City and the full faith and credit of the City are not pledged to the payment of the principal of and interest on the BCH Bonds.

The Convention Center Bonds were issued by the City in April, 2002 pursuant to the Convention Center Act to permanently finance certain costs incurred by the City in connection with the development of the Boston Convention and Exhibition Center (the "BCEC Project"), a joint development of the City, acting through the Boston Redevelopment Authority (the "BRA"), which was responsible for the acquisition, preparation and remediation of the site for the BCEC Project, and the Commonwealth, acting through the Massachusetts Convention Center Authority (the "MCCA"), which was responsible for the construction of the project and which owns and operates the facility. As provided in the Convention Center Act, the City has reimbursed the BRA for $181.3 million of site costs for the BCEC Project, funded in part from the proceeds of the Convention Center Bonds and in part from special revenues accumulated by the City since enactment of the Convention Center Act, including the proceeds from the sale of hackney (taxi) medallions authorized by the Convention Center Act.

The Convention Center Bonds are special obligations of the City payable from, and secured solely by a pledge of, certain "Pledged Receipts," including all amounts received by the City from the 6.0% local option room occupancy excise imposed in Boston and from a portion of a surcharge imposed by the Commonwealth on vehicular rental transaction contracts in Boston. See "City Revenues-Excise Revenues." The Convention Center Bonds do not constitute general obligations of the City and the full faith and credit of the City are not pledged to the payment of the principal of and interest on the Convention Center Bonds.

The Convention Center Act authorizes the City to annually transfer to the City's General Fund all Pledged Receipts that are not required for the payment of the Convention Center Bonds. The City anticipates that room occupancy excise receipts that are attributable to lodging establishments that were first opened for business after July 1, 1997 (a measuring date provided in the Convention Center Act), together with the other Pledged Receipts held under the Convention Center Trust Agreement, will be sufficient to pay the future debt service on the Convention Center Bonds. Accordingly, the City anticipates that excise tax receipts that were historically available to fund annual operating expenditures of the City will be available for transfer to the General Fund. In fiscal 2007, 2008 and 2009, excise tax receipts in excess of the debt service requirements on the Convention Center Bonds were transferred to the General Fund in the amount of $20.1 million, $23.0 million and $27.0 million, respectively. See "City Revenues-Excise Revenues-Room Occupancy Excise," above.

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 described below, such obligations do not constitute a debt of the City.

Boston Water and Sewer Commission

The Boston Water and Sewer Commission (the "Commission") is an independent body politic and corporate and a political subdivision of the Commonwealth created in July 1977. The Commission, 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 Commission. The Commission's user charges, as required by statute, are designed to produce revenues to the Commission sufficient to pay all of its current operating expenses. These user charges are anticipated to increase moderately. The City's property tax base is not used to subsidize water and sewer services. Water and sewer charges outstanding from certain of the Commission's prior fiscal years have been committed to the City for collection. The City uses its lien and foreclosure powers to collect those overdue water and sewer charges for those years on the Commission's behalf.

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 Redevelopment Authority ("BRA"). 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 Redevelopment Authority

The BRA 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 BRA 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 BRA provides the planning support for major construction, development and redevelopment activity in the City. Although the BRA is authorized to issue revenue bonds and notes which would not constitute indebtedness of the City, BRA 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 Commission 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 Commission 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 Commission is not a debt or other obligation of the City. Other than the promissory note described below, no debt of the Commission is currently outstanding.

Pursuant to agreements between the City, the Commission, BMCC and a trustee for the benefit of the registered owners of the BCH Bonds, the Commission has agreed to apply rents received from BMCC to the payment of a promissory note issued by the Commission to the City and assigned by the City as security for the BCH Bonds. Payments made by the Commission on the note are applied by the City to pay the principal of and interest on the BCH Refunding Bonds. See "City Indebtedness-Special Obligation Debt."

The Commission 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. Such bonds were outstanding on March 1, 2010 in the aggregate principal amount of $4.8 million. The Commission 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 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.

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 is 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 and capital grants (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 March 1, 2010, the amount outstanding under the lease agreements equaled $31.3 million. Lease payments are subject to annual appropriation and are not included in the City's debt limit.

Capital Planning and Borrowing Program

Capital Planning Process

The capital planning process is organized to coincide with the annual budget cycle. It begins when City departments submit capital requests, and concludes when the City publishes an updated version of its five-year capital plan. Capital appropriations are requested of the City Council each year for the cost of projects included in the updated capital plan. This process allows for a continuing reassessment of capital needs and projections. On April 8, 2009, the Mayor submitted his fiscal 2010 budget to the City Council, which included approximately $53.3 million in new authorizations to support the fiscal 2010-2014 capital plan. All authorizations were approved by the City Council in June, 2009.

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.

Capital Funding Plan

The City funds its capital plan primarily through the issuance of general obligation bonds. The size of the City's future bond issues will be consistent with the City's financial management policies regarding its level of debt and debt service. The timing and size of the capital plan will be actively managed within these constraints.

Current Capital Investment Plans

The City's fiscal 2010-2014 capital plan released in April 2009 proposes new long-term investments over the next five to seven years as well as several studies to lay the groundwork for future growth. In all, $1.4 billion from City and non-City sources are proposed to be spent on capital projects. These expenditures will be used for improvements to schools, libraries, parks and recreation, roads and bridges. In view of the proven economic and social benefits of consistent, long-range capital planning, the City remains committed to moving forward with its capital program.

The fiscal 2010-2014 capital plan includes projects to improve the physical condition of the City's schools, including ongoing roof replacements, masonry repairs and fire alarm systems upgrades. Significant investment in the City's core technology infrastructure is also underway including data center consolidation, fiber optic network build out, implementation of client relation management and work order management systems, and the acquisition of a new public safety computer-aided dispatch system. A new branch library opened in Mattapan in the spring of 2009 replacing an older facility and a LEED certifiable renovation began on a branch library. Construction of a new LEED-silver police station in Dudley Square began in 2009 on a former brownfield. The station is planned to open in 2011. Planning for energy efficiency improvements at the central library is underway.

The maintenance of the City's roadways and sidewalks is a significant part of the capital plan. In fiscal 2009, 21.1 miles of roads were reconstructed or resurfaced and 461,133 square feet of sidewalks were also repaired. Approximately 290 new street lights were installed to improve visibility and public safety. Additionally the City will benefit from $43 million in road and signal improvements as a result of the American Recovery and Reimbursement Act. In the coming months, construction will begin on the resurfacing of 19 miles of Boston streets, the upgrading of traffic signal communications and major reconstruction of Dorchester Avenue.

Since its inception, the capital plan has comprehensively examined the capital needs of the City and has emphasized long-term planning and financial management. This planning process has enabled the City to alter the pattern of decades of previous under investment and to respond to emerging program goals of its departments.

EMPLOYEE BENEFITS

Retirement Systems

The City's employees are not participants in the federal social security system. The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System ("SBRS"). The SBRS provides pension benefits to retired City employees under a state contributory retirement statute, and is administered by a Retirement Board comprised of five members: 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. All retirement allowances are primarily paid by employer and employee contributions and the resulting investment earnings. Employee contributions in the form of a mandatory deduction from regular compensation constitute an annuity fund from which the annuity portion of the retirement allowance is paid.

The City is currently committed to a funding schedule approved by the SBRS and the state actuary, which includes paying the current year's estimated present value of benefits earned during the year ("normal cost") and an annual contribution toward reducing the unfunded liability to zero by the year 2023. This schedule is calculated in accordance with the entry age actuarial cost method. The schedule is updated by SBRS and subject to approval at least every three years by the state Public Employee Retirement Administration Commission ("PERAC"), a state agency established to oversee all 106 Massachusetts public retirement systems. The SBRS most recently received approval for a funding schedule for fiscal 2010, 2011, and 2012. The latest approved schedule targets full funding of the system seven years prior to the legally required funding date of 2030. The annual appropriation, based on the funding schedule, is a legal obligation of the City that must be included as part of the property tax rate certification by the Commonwealth. The SBRS, in consultation with the City, reviews and periodically revises the funding schedule with each new valuation. The next valuation shall incorporate asset and liability data as of January 1, 2010 and shall include the funding requirements for fiscal 2012-2014.

Beginning January 1, 2000, the Board adopted an asset valuation method that gradually incorporates over time annual investment gains over and losses under the actuarial investment return assumption of 8%. The actuarial value of assets is used in determining the funding schedule, thereby avoiding the direct and immediate impact of dramatic upswings and downswings inherent in the investment markets.

A cost of living adjustment ("COLA") is set each year at the CPI or an amount up to, but not greater than, 3% on the first $12,000 of a retiree's annual payment. COLAs are considered by the Board on an annual basis. As part of the annual review process, the Board considers the fiscal conditions of the City and whether the granting of a COLA would substantially impair the City's funding schedule. COLAs were approved for each year from fiscal 1999 through fiscal 2009. Recent SBRS actuarial valuations have assumed a COLA will be approved in future years. The Commonwealth, meanwhile, has incorporated in its pension funding schedule sufficient funds to fulfill its obligation for local COLAs it had awarded prior to fiscal 1998.

Schedule of Funding Progress
($ 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, 2009	$4,089,989	$6,900,229	$2,810,240	59.3%	$1,357,573	206.0%
January 1, 2008	4,458,002	6,596,148	2,138,146	67.6	1,299,112	164.6
January 1, 2007	4,138,146	6,223,154	2,085,008	66.5	1,221,404	170.7
January 1, 2006	3,836,807	5,957,373	2,120,566	64.4	1,168,808	181.4
January 1, 2005	3,587,118	5,664,288	2,077,170	63.3	1,115,529	186.2

Source: City of Boston Retirement Board.

Recent SBRS valuations assume a long-term rate of return of 8.0%. The long-term average annualized return for the SBRS (measuring since January 1, 1985) is equal to 8.7%. The SBRS recorded a five-year average annualized return (January 1, 2004 through December 31, 2008) equal to 3.2% due largely to the rate of return for the SBRS of minus 24.2% in 2008 as a result of the lower interest rates and substantial declines in assets market values suffered by all public pension systems. However, when calendar year 2009 investment results are finalized they are expected to reflect the SBRS's best rate of return since 2003. The resulting increase during 2009 in asset value is expected to partially mitigate the decrease in asset value experienced in 2008.

In accordance with Chapter 68 of the Act of 2007, PERAC annually reviews 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 Pension Reserve Investment Trust ("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. Such transfer and control would be permanent. As of December 31, 2008, the SBRS has trailed the PRIT fund by less than 1% on an average annualized basis over the previous ten year period.

Currently, the City is the only municipality in the Commonwealth that is responsible for funding its teachers' pension liabilities. In accordance with current state law, the City must annually appropriate amounts for such purpose on an actuarial cost basis and investment of teachers' pension assets is managed by the SBRS. The Commonwealth annually reimburses the City for teachers' pension liabilities on a cost of benefits basis. Such amounts are deposited in the City's General Fund. On December 4, 2008, the City, the SBRS, the Commonwealth and PERAC entered into a Memorandum of Agreement which is intended to transfer the direct responsibility for funding Boston teachers' pension liabilities to the Commonwealth effective as early as fiscal year 2010. Legislation mirroring this agreement has been filed in the Legislature. If enacted, the legislation would eliminate the City's role in the funding of teachers' pension allowances and would transfer pension fund assets held by the SBRS allocable to teachers' pension liabilities to the PRIT fund.

In addition to the SBRS, the Boston Retirement System, the predecessor system, is funded by the City. This predecessor system has as its members only those active and retired employees whose employment commenced prior to 1946 and who have not elected coverage under the SBRS program. This system is funded on a "pay-as-you-go" basis. In addition to the SBRS and its predecessor system, the City also provides noncontributory retirement benefits to certain employees whose employment predates the SBRS and its predecessor system or who are veterans who meet certain state law requirements. The City is currently providing such benefits to approximately 161 pensioners.

Amounts expended or estimated to be expended by the City for pension and annuities contributions to SBRS and its predecessor system in the most recent fiscal periods (net of state reimbursements for teacher retirement costs) are as set forth below.

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

Fiscal Year Ending June 30	SBRS Contributory System	Predecessor/ Noncontributory System	Teachers Pension Reimbursement	Net Pension Cost
2010 Budgeted	$234.8	$4.1	$(126.9)	$112.1
2009	213.2	4.1	(118.8)	98.5
2008	202.9	4.1	(105.4)	101.6
2007	192.9	4.6	(93.3)	104.2
2006	186.3	4.6	(85.2)	105.7

Source: City of Boston Office of Budget Management.

Other Post Employment Benefits

In addition to the pension benefits described above, the City provides post-employment health care and life insurance benefits in accordance with state statute to approximately 13,900 participating retirees and their beneficiaries on a pay-as-you-go basis. Expenditures for such purposes are projected to be approximately $134.8 million in fiscal 2010.

For retirees and their beneficiaries, the City currently pays 75% of Blue Cross/Blue Shield of Massachusetts premiums and 90% of HMO premiums. In 2007, the City successfully negotiated a decrease in the employer contribution for HMO premiums with the majority of its active employees, gradually adjusting to an 85% contribution by 2009. No contribution changes were adopted for Medicare products, in which the majority of the City's retirees are enrolled. The City also pays 50% of the premiums for $5,000 of life insurance for each eligible retiree.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, became effective June 30, 2007 and June 30, 2008, respectively. These statements require the City to account for and report the value of its future other post-employment benefit (OPEB) obligations currently rather than on a pay-as-you-go basis.

In the absence of legal authority to establish a trust fund for the purpose of prefunding OPEB liabilities in the same manner as traditional pension benefits, the City established an OPEB Stabilization Fund in the fiscal 2008 Budget for the purpose of paying a portion of these future costs. An appropriation of $20 million to the OPEB Stabilization Fund was included in the fiscal 2008 Budget. An additional appropriation of $25 million was included in the fiscal 2009 Budget. In addition, in October 2008, the City procured investment consulting services in order to optimize investment of the OPEB Stabilization Fund.

An independent actuarial valuation of the City's OPEB obligations at June 30, 2009 estimates that the City's portion of the total OPEB actuarial accrued liability as of that date on account of then current retirees, beneficiaries and dependents and current active members was between $5.80 billion (partially funded) and $3.69 billion (fully funded), depending on the funding policy elected by the City. Based on the estimates contained in the actuarial valuation, the City's annual actuarially required contribution to OPEB for fiscal year 2010 was projected to be approximately $354.4 million under a partially funded policy and approximately $261.2 million under an actuarially fully funded policy.

In June 2009, the City accepted Chapter 479 of the Acts of 2008 ("Chapter 479") authorizing the City to establish a separate trust fund and to appropriate amounts to the fund in accordance with a schedule developed by an actuary retained by the City and approved by the state actuary in order to reduce the City's unfunded actuarial OPEB liability and to meet the normal cost of future OPEB benefits. In accordance with Chapter 479, on February 18, 2010 the City established an irrevocable Other Post Employment Benefits Trust Fund under a Trust Agreement between the City and the City's Collector-Treasurer as trustee and custodian. An appropriation of $20 million included in the fiscal 2010 Budget for the purpose of prefunding OPEB liabilities will be deposited in the Trust Fund.

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, 2008, which is available from the City. A copy of the CAFR has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and is also posted at the City's internet site at www.cityofboston.gov/auditing.

Questions regarding this Information Statement and requests for additional financial information concerning the City of Boston should be directed to Sally D. Glora, City Auditor, Boston City Hall, Room M-4, One City Hall Square, Boston, Massachusetts 02201-1020, telephone (617) 635-4671. Questions regarding legal matters relating to this Information Statement should be directed to Robert H. Hale, Edwards Angell Palmer & Dodge, LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0407.

City of Boston

Massachusetts

Basic Financial Statements and Required Supplementary Information

For the Fiscal Year Ended June 30, 2009

Thomas M. Menino, Mayor

Lisa C. Signori, Director of Administration and Finance

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department

City of Boston, Massachusetts
Basic Financial Statements and Required Supplementary Information
For the Fiscal Year Ended June 30, 2009

Table of Contents

Page

KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.*us*.kpmg.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Boston, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston (the City), Massachusetts, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities, which represent 2.9% of the assets of the aggregate remaining fund information and 22.6% of the assets of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the aggregate remaining fund information and the discretely presented component units and their effects on the governmental and fiduciary activities, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the permanent funds and private-purpose trust funds were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 2(n), the City, in 2009, implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages A – 3 through A – 15 and the schedules of funding progress and employers' contributions on page A – 70 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Boston, Massachusetts
December 2, 2009

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(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, 2009. 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) Governmentwide 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 are described below:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the City – the ***Governmentwide Financial Statements*** and the ***Fund Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Governmentwide Financial Statements

The *Governmentwide 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 flow of 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 Governmentwide Financial Statements include two statements:

The *Statement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the City's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Both the above financial statements have separate sections for the three different types of city programs or activities. These three types of activities are:

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, county, public health programs, state and district assessments, and debt service.

Business-type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the activities related to the City's Convention Center Bond Fund and Hospital Bond Fund.

Discretely Presented Component Units – These are operations 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 and the business-type activities described above.

The City's four discretely presented major component units are:

Boston Public Health Commission

Boston Redevelopment Authority

Economic Development Industrial Corporation

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 Governmentwide 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.

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

The *Fund Financial Statements* focus on individual parts of the city government, reporting the City's operations in more detail than the Governmentwide 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:

1. **Governmental Fund Financial Statements** – 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 Governmentwide Financial Statements. However, unlike the Governmentwide 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. Expenditures are recorded when liabilities are incurred and due. 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 Governmentwide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmentwide 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 nonmajor governmental funds are combined in the "Other Governmental Funds" column on these statements. The Governmental Fund Financial Statements can be found immediately following the Governmentwide 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 on page A – 24. This statement provides a comparison of the original and final budget and the actual expenditures for the current and prior year.

   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 that covers a prior year deficit as an

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

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.

2. **Proprietary Funds Financial Statements** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary Funds provide the same type of information as the Governmentwide Financial Statements, only in more detail. Like the Governmentwide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. No reconciliation is needed between the Governmentwide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

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

3. **Fiduciary Funds Financial Statements** – 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 Governmentwide 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 accrual basis of accounting.

   The City's fiduciary funds are the Employee Retirement Fund (the State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net assets of the City employees' pension plan, and the Private Purpose Trust Funds, which includes 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 Governmentwide 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 State-Boston Retirement System as well as the schedule of funding progress for the City's OPEB plan.

Governmentwide Financial Analysis

This analysis is based on the Statement of Net Assets found on page A – 17 and the Statement of Activities found on pages A – 18 and A – 19 of the financial statements.

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Governmentwide Highlights

Net Assets – Primary Government – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2009 by $780.1 million (presented as net assets). Of this amount, $178.6 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets – Primary Government – The City's total net assets decreased by $140.7 million in fiscal year 2009. Net assets of governmental activities decreased by $148.9 million, while net assets of the business-type activities increased by $8.2 million.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (governmental and business-type activities) totaled $780.1 million at the end of 2009, compared to $924.3 million at the end of the previous year.

The components of net assets 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 that asset that is still outstanding – this amount is $384.4 million indicating that the net book value of the City's capital assets exceeds the amount of 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 assets (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. Part of the unrestricted net assets (approximately $87.8 million) represents the receivable from the Massachusetts School Building Authority (MSBA) for the reimbursement of bonded school construction costs. The payments to be received from the MSBA coincide with the City's future debt service payments. In fiscal year 2010, the amount to be received by the City to pay debt service is approximately $13.0 million. Although this receivable increases unrestricted net assets, it will not affect the City's free cash position.

At the end of the current fiscal year, the City is reporting a positive balance for the government as a whole. The negative balance reported for business-type activities is offset by the positive balance reported for governmental activities. The negative balance in business-type activities is a result of special obligation bonds outstanding at year-end. These costs are intended to be covered by user charges, grants, and lease receipts from third parties.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Net Assets – Primary Government
(In thousands)

		Governmental activities		Business-type activities		Total	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
Current assets	$	1,472,556	1,445,085	64,289	59,398	1,536,845	1,504,483
Capital assets		1,285,270	1,221,717	0	0	1,285,270	1,221,717
Other assets		130,984	146,682	82,298	89,725	213,282	236,407
Total assets	$	2,888,810	2,813,484	146,587	149,123	3,035,397	2,962,607
Noncurrent liabilities	$	1,520,738	1,291,528	176,126	187,165	1,696,864	1,478,693
Current liabilities		545,195	546,709	13,264	12,955	558,459	559,664
Total liabilities	$	2,065,933	1,838,237	189,390	200,120	2,255,323	2,038,357
Invested in capital assets net of related debt	$	384,389	334,467	0	0	384,389	334,467
Restricted		217,070	234,902	0	0	217,070	234,902
Unrestricted		221,418	405,878	(42,803)	(50,997)	178,615	354,881
Total net assets	$	822,877	975,247	(42,803)	(50,997)	780,074	924,250

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Changes in Net Assets – Primary Government
(In thousands)

	Governmental activities 2009	Governmental activities 2008	Business-type activities 2009	Business-type activities 2008	Total 2009	Total 2008
Revenues:						
Program revenues:						
Charges for services	$ 169,826	180,069	0	0	169,826	180,069
Operating grants and contributions	594,914	593,767	1,116	1,196	596,030	594,963
Capital grants and contributions	56,517	18,267	0	0	56,517	18,267
General revenues:						
Taxes:						
Property taxes, levied for general purposes	1,389,218	1,316,165	0	0	1,389,218	1,316,165
Excises	115,237	97,262	36,605	40,342	151,842	137,604
Payment in lieu of taxes	56,686	56,668	0	0	56,686	56,668
Grants and contributions not restricted	230,475	259,931	0	0	230,475	259,931
Investment income	22,584	47,072	6,299	9,796	28,883	56,868
Miscellaneous	12,107	1,531	0	0	12,107	1,531
Total revenues	2,647,564	2,570,732	44,020	51,334	2,691,584	2,622,066
Program expenses:						
General government	103,420	109,121	0	0	103,420	109,121
Human services	48,896	50,827	0	0	48,896	50,827
Public safety	920,790	908,353	0	0	920,790	908,353
Public works	145,867	148,497	0	0	145,867	148,497
Property and development	105,581	110,272	0	0	105,581	110,272
Parks and recreation	30,026	30,134	0	0	30,026	30,134
Library	52,881	47,340	0	0	52,881	47,340
Schools	1,316,314	1,272,997	0	0	1,316,314	1,272,997
Public health programs	71,618	68,718	0	0	71,618	68,718
Interest on long-term debt	28,041	31,058	0	0	28,041	31,058
Convention center	0	0	4,902	5,122	4,902	5,122
Hospital	0	0	3,924	4,201	3,924	4,201
Total program expenses	2,823,434	2,777,317	8,826	9,323	2,832,260	2,786,640
Excess (deficiency) before special items and transfers	(175,870)	(206,585)	35,194	42,011	(140,676)	(164,574)
Loss on disposal	0	(298)	0	0	0	(298)
Transfers	27,000	23,000	(27,000)	(23,000)	0	0
Change in net assets	(148,870)	(183,883)	8,194	19,011	(140,676)	(164,872)
Net assets (deficit) – beginning of year	975,247	1,159,130	(50,997)	(70,008)	924,250	1,089,122
Prior year adjustment – implementation of GASB49	(3,500)				(3,500)	
Net assets (deficit) – end of year	$ 822,877	975,247	(42,803)	(50,997)	780,074	924,250

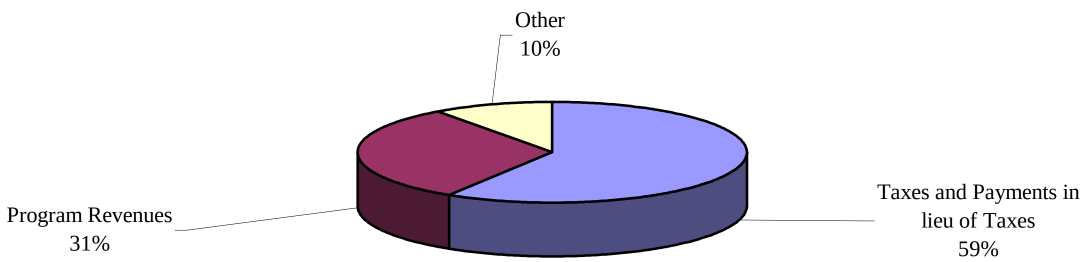
Required Supplementary Information

Management's Discussion and Analysis

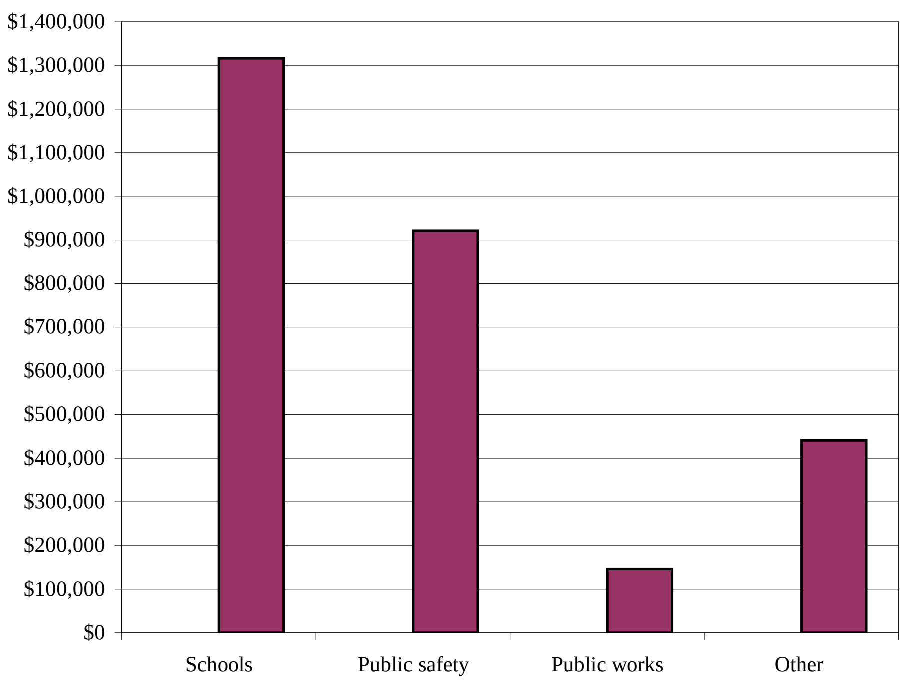
June 30, 2009

(Unaudited)

Revenues – Governmental Activities
Fiscal Year 2009



Expenses – Governmental Activities
Fiscal Year 2009
(In thousands)



Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Governmental Activities

The City's governmental activities net assets decreased by $148.9 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2009: In the assets accounts, cash and investments increased by $132.4 million, receivables increased by $25.1 million, and capital assets increased by $63.6 million. In the liability accounts, there were decreases in warrants and accounts payable of $6.3 million and unearned revenue of $37.0 million; and increases in current long-term debt of $5.3 million and accrued liabilities of $36.4 million. Additionally, an increase of $218.0 million was recorded relative to the City's other postemployment obligation in 2009.

During fiscal year 2009, the City's revenues increased by 3.0%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of $1.56 billion (59.0% of total revenue) and $821.3 million of program revenues (31.0% of total revenue). The primary factors for the increase in tax revenue were an increase in property tax, aircraft fuel excise, and hotel room occupancy excise. The increase in program revenue is attributed to increase in Chapter 90 and MSBA reimbursements. Investment income and other miscellaneous revenues totaled $34.7 million down $13.9 million from fiscal year 2008. The primary factor for the decrease in investment income was lower investment returns.

The increase in revenues allowed for an increase in expense categories. The City's expenses cover a range of services. The largest expenses were for schools ($1.32 billion), public safety ($920.8 million), public works ($145.9 million), property and development ($105.6 million), general government ($103.4 million), public health programs ($71.6 million), and human services ($48.9 million). Expenses increased only slightly ($46.1 million) from 2008. The City was aggressive in containing costs in 2009 with the news of a decrease in state funding. All categories of government continue to experience an increase in expenses due to the recognition of the City's OPEB expense, which increased $218.0 million in 2009.

In 2009, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by $2.0 billion. This shortfall was covered primarily through taxes ($1.56 billion) and unrestricted grants and contributions ($230.5 million).

Comparative data on these revenues and expenses is itemized in the reporting of the *Changes in Net Assets – Primary Government* on page A – 9.

Business-type Activities

Net assets from business-type activities increased $8.2 million during fiscal year 2009. This change in net assets resulted primarily from hotel/motel excise tax collections exceeding program expenses.

Financial Analysis of the City's Fund Statements

This analysis is based on the Governmental and Proprietary Fund Financial Statements on pages A – 20 through A – 27.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Fund Highlights

Governmental Funds – Fund Balances – As of the close of fiscal year 2009, the City's governmental funds reported a combined ending fund balance of $1.08 billion, an increase of $39.9 million from the prior year. Of this total amount, $614.8 million represents the "unreserved and undesignated fund balances" with $550.3 million of this amount in the General Fund. The increase in fund balance is largely due to an increase in tax receipts.

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, unreserved 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 undesignated fund balance in the General Fund that is 10%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP undesignated fund balance at the end of fiscal year 2009 was $550.3 million, which represents approximately 24.5% 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 undesignated 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, that 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 undesignated fund balance in the General Fund that is 10% or higher than the current fiscal year's GAAP General Fund operating expenditures; and that 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 undesignated fund balance to go below 10% of the fiscal year's GAAP General Fund expenditures while maintaining a budgetary undesignated fund balance between 5% and 10% 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 postemployment health benefits and/or (2) to fund extraordinary and nonrecurring 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 legally restricted to expenditures for predefined purposes. The fiscal year 2009

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Special Revenue Fund balance is reported at $180.8 million, a $9.3 million decrease from fiscal year 2008. This decrease is due to a reduction in federal aid.
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 2009 Capital Projects Fund balance is $30.1 million, a $31.0 million increase from fiscal year 2008. The increase in fund balance is attributed to the City receiving reimbursement from the Commonwealth of Massachusetts for construction costs associated with the Burke School and the Mattapan Library, as well as the issuance of general obligation bonds to fund capital projects.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds. The fiscal year 2009 Other Governmental Funds fund balance is $36.3 million, an $8.6 million decrease from fiscal year 2008. The trust funds experienced the same lower investment rates as the rest of the nation in fiscal year 09.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Governmentwide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but in more detail.

The City's proprietary funds net deficit for fiscal year 2009 was $42.8 million. The net deficit in the proprietary funds is a result of the convention center special obligation bonds outstanding at year-end.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2009 with a $4.1 million surplus. This represents the City's 24th consecutive year with a balanced budget. Although the budgetary estimates for revenue exceeded actual receipts in fiscal year 2009, the revenue deficit is due to a large decrease in state aid, with the City receiving $25.5 million or 4.25% less than in fiscal year 2008. This number is skewed by an increase in Boston Public School teachers' pension reimbursement. When the increase in pension reimbursement is taken into account, the City actually experienced a $38.9 million net decrease in aid from the Commonwealth. However, it should be noted that the majority of the decrease in state aid is the result of a decision by the Commonwealth to reduce the General Fund education aid by $23.3 million and replace it with a Special Revenue grant of the same amount. The source of the funding for the grant was the Commonwealth's ARRA Stabilization Fund. These funds are reported as Special Revenue Funds.

Favorable results were reported for other General Fund revenue sources. Excise taxes posted a favorable variance of $17.8 million, primarily due to an increase in aircraft fuel excise and hotel room receipts. In addition, departmental and other revenue saw a favorable variance of $11.6 million, due to an increase in Medicare Part D reimbursements and Affirmative Recovery revenue.

The overall expenditure surplus of $21.7 million is also the result of the Commonwealth's decision to decrease General Fund education aid and replace it with a Special Revenue grant of the same amount. Fiscal year 2009 shows expenditures for schools are $23.3 million lower than expected due to this

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

General Fund state aid change. Expenditures of $23.3 million which were budgeted as General Fund were funded with the state aid and were reported as Special Revenue expenditures. There was overspending in public safety, public works and judgments and claims. Public safety deficits of $4.6 million are generally due to overtime spending. A severe winter in the region increased the demand for snow removal creating the unfavorable variance of $7.4 million for public works. Judgments and claims saw a slight increase in settled claims creating a $1.3 million deficit. As a result of the decrease in state aid, actions were taken early in the second quarter of fiscal year 2009 to control spending. This resulted in favorable variances in all other expenditure categories.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2009, has a net book value of $1.29 billion, made up of costs totaling $2.56 billion less accumulated depreciation of $1.28 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 5.2% in terms of net book value. However, actual expenditures to purchase or construct capital assets were $135.3 million for the year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements. Depreciation charges for the year totaled $71.6 million. Additional information on the City's capital assets can be found in note 8 of the Notes 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 $916.8 million in General Obligations Bonds principal outstanding – an increase of $13.6 million over last year.

The key factor in this increase was the issuance of the March 1, 2009 Series A general obligation bonds totaling $100.0 million exceeding principal repayments and the net effect of refundings. Further, $40.4 million (Series B and Series C) was issued for the purpose of refunding certain outstanding general obligations of the City. The Series A and B bonds were given a bond rating of Aa1 and AA+ by Moody's and Fitch, respectively.

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 the debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Notes and Leases Payable and Other Long-Term Obligations – The City's general long-term notes and leases and other long-term obligations increased by $219.0 million, or 39.6%, during the current fiscal year. As in 2008, the key factor for this increase is the recognition of additional OPEB of $218.0 million.

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

New Accounting Standards

In 2009, the City implemented the Governmental Accounting Standards Board Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations.* This standard requires the City to report a liability in its financial statements related to cleaning up pollution or contamination. The statement also requires restatement of beginning net assets in fiscal year 2009 if an obligation exists and establishes a probability-weighted method that a government would be required to use to determine the established amount of pollution obligation liabilities to be reported in its financial statements.

In fiscal year 2009, beginning net assets were restated by $3.5 million due to the implementation of GASB 49. The majority of this pollution remediation liability is the result of existing pollution on property the City acquired through a tax taking. The City is remediating the property to build a new police station on the site. The remaining liability is estimated to be $2 million and will be expended by fiscal year 2012.

Future Accounting Pronouncements

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this pronouncement is to enhance the usefulness of fund balance information and provide clearer fund balance classifications. Currently, fund balance is reported as restricted and unrestricted. Effective for fiscal year 2011 reporting, fund balance will be reported as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

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@cityofboston.gov.

(This page intentionally left blank)

Statement of Net Assets

June 30, 2009

(In thousands)

	Primary government: Governmental activities	Primary government: Business-type activities	Primary government: Total	Component units
Assets:				
Current assets:				
Cash and investments	$ 1,125,829	180	1,126,009	106,841
Cash and investments held by trustees	41,297	88,869	130,166	41,460
Receivables, net:				
Property taxes	22,541	0	22,541	0
Intergovernmental	180,843	0	180,843	0
Other	61,948	0	61,948	26,045
Other assets	6,445	2,240	8,685	11,880
Internal balances	27,000	(27,000)	0	0
Due from primary government	0	0	0	292
Due from component units	6,653	0	6,653	0
Total current assets	1,472,556	64,289	1,536,845	186,518
Noncurrent assets:				
Intergovernmental receivables	74,842	0	74,842	0
Notes and other receivables	56,142	0	56,142	90,678
Other assets	0	0	0	109,666
Capital assets:				
Nondepreciable	60,627	0	60,627	31,982
Depreciable, net	1,224,643	0	1,224,643	52,670
Due from component units	0	82,298	82,298	0
Total noncurrent assets	1,416,254	82,298	1,498,552	284,996
Total assets	2,888,810	146,587	3,035,397	471,514
Liabilities:				
Current liabilities:				
Warrants and accounts payable	95,491	0	95,491	22,521
Accrued liabilities – current:				
Tax abatement liability	28,200	0	28,200	0
Compensated absences	46,625	0	46,625	0
Judgments and claims	7,307	0	7,307	0
Payroll and related costs	129,687	0	129,687	0
Deposits and other	111,377	2,449	113,826	2,306
Current portion of long-term debt and leases	106,973	10,815	117,788	1,201
Due to component units	292	0	292	0
Due to BMC	0	0	0	6,464
Due to primary government	0	0	0	9,535
Unearned revenue	19,243	0	19,243	5,336
Total current liabilities	545,195	13,264	558,459	47,363
Noncurrent liabilities:				
Bonds due in more than one year	859,171	176,126	1,035,297	17,966
Notes and leases payable due in more than one year	56,324	0	56,324	0
Other noncurrent liabilities	174,449	0	174,449	158,391
Other postemployment benefits obligation	430,794	0	430,794	34,250
Unearned revenue	0	0	0	39,819
Due to primary government	0	0	0	79,416
Total noncurrent liabilities	1,520,738	176,126	1,696,864	329,842
Total liabilities	2,065,933	189,390	2,255,323	377,205
Net assets:				
Investment in capital assets, net of related debt	384,389	0	384,389	55,392
Restricted for:				
Capital projects	0	0	0	0
Expendable trust	36,270	0	36,270	49,794
Federal and state grants	180,800	0	180,800	0
Unrestricted	221,418	(42,803)	178,615	(10,877)
Total net assets (deficit)	$ 822,877	(42,803)	780,074	94,309

See accompanying notes to basic financial statements.

Statement of Activities

Year ended June 30, 2009

(In thousands)

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions
Primary government:				
Governmental activities:				
General government	$ 103,420	22,368	4,515	656
Human services	48,896	44	9,970	0
Public safety	920,790	115,013	154,133	681
Public works	145,867	10,174	51	14,053
Property and development	105,581	5,561	58,268	10
Parks and recreation	30,026	353	410	0
Library	52,881	236	5,380	9,513
Schools	1,316,314	16,077	362,187	31,604
Public health programs	71,618	0	0	0
Interest on long-term debt	28,041	0	0	0
Total governmental activities	2,823,434	169,826	594,914	56,517
Business-type activities:				
Convention Center	4,902	0	1,116	0
Hospital Bonds	3,924	0	0	0
Total business-type activities	8,826	0	1,116	0
Total primary government	$ 2,832,260	169,826	596,030	56,517
Component units:				
Boston Public Health Commission	$ 144,954	8,884	47,381	5,776
Boston Redevelopment Authority	29,108	7,616	10,303	0
Trustees of the Public Library of the City of Boston	16,421	1,032	11,813	0
Economic Development and Industrial Corporation of Boston	37,125	14,710	15,906	0
Total component units	$ 227,608	32,242	85,403	5,776
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				
Gain on disposal				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets (deficit) – beginning of year				
Prior period adjustment				
Net assets (deficit) – end of year				

See accompanying notes to basic financial statements.

Net (expense) revenue and changes in net assets				
	Primary government			
	Governmental activities	Business-type activities	Total	Component units
	(75,881)	0	(75,881)	0
	(38,882)	0	(38,882)	0
	(650,963)	0	(650,963)	0
	(121,589)	0	(121,589)	0
	(41,742)	0	(41,742)	0
	(29,263)	0	(29,263)	0
	(37,752)	0	(37,752)	0
	(906,446)	0	(906,446)	0
	(71,618)	0	(71,618)	0
	(28,041)	0	(28,041)	0
	(2,002,177)	0	(2,002,177)	0
	0	(3,786)	(3,786)	0
	0	(3,924)	(3,924)	0
	0	(7,710)	(7,710)	0
	0	0	(2,009,887)	0
	0	0	0	(82,913)
	0	0	0	(11,189)
	0	0	0	(3,576)
	0	0	0	(6,509)
	0	0	0	(104,187)
$	1,389,218	0	1,389,218	0
	115,237	36,605	151,842	0
	56,686	0	56,686	0
	230,475	0	230,475	0
	22,584	6,299	28,883	(4,893)
	0	0	0	69,446
	12,107	0	12,107	6,398
	0	0	0	6,905
	27,000	(27,000)	0	0
	1,853,307	15,904	1,869,211	77,856
	(148,870)	8,194	(140,676)	(26,331)
	975,247	(50,997)	924,250	120,684
	(3,500)	0	(3,500)	(44)
$	822,877	(42,803)	780,074	94,309

Balance Sheet – Governmental Funds

June 30, 2009

(In thousands)

Assets		General	Special revenue	Capital projects	Other governmental funds	Total governmental funds
Cash and investments	$	863,606	168,216	38,017	229	1,070,068
Cash and investments held by trustees				4,914	36,383	41,297
Receivables, net:						
Property taxes		7,396	0	0	0	7,396
Intergovernmental		231,096	67,976	12,755	0	311,827
Departmental and other		15,256	61,528	0	140	76,924
Total receivables		253,748	129,504	12,755	140	396,147
Due from other funds		27,000	1,181	2,031	0	30,212
Due from component units		6,653	0	0	0	6,653
Total assets	$	1,151,007	298,901	57,717	36,752	1,544,377
Liabilities and Fund Balances						
Liabilities:						
Warrants and accounts payable	$	57,124	24,679	13,206	482	95,491
Accrued liabilities:						
Payroll and related costs		125,527	4,160	0	0	129,687
Deposits and other		23,655	33,120	1,693	0	58,468
Deferred revenue		112,047	56,142	12,754	0	180,943
Due to other funds		3,675	0	0	0	3,675
Due to component unit		292	0	0	0	292
Total liabilities		322,320	118,101	27,653	482	468,556
Fund balances:						
Reserved for:						
Encumbrances		37,534	42,206	74,145	527	154,412
Future appropriations		0	0	30,087	0	30,087
Unreserved:						
Designated for subsequent years' expenditures		240,824	0	0	0	240,824
Undesignated		550,329	138,594	(74,168)	0	614,755
Reported in permanent funds		0	0	0	35,743	35,743
Total fund balances		828,687	180,800	30,064	36,270	1,075,821
Total liabilities and fund balances	$	1,151,007	298,901	57,717	36,752	1,544,377

See accompanying notes to basic financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2009

(In thousands)

Total fund balance – governmental funds	$	1,075,821
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land		25,064
Construction in progress		35,563
Land improvements		151,266
Buildings and improvements		1,679,952
Furniture and equipment		236,152
Infrastructure		435,111
Less accumulated depreciation		(1,277,838)
		1,285,270
Adjust deferred revenues and receivables to record revenues on an accrual basis		160,195
Internal service funds are included in the governmentwide statements		51,390
Bond issuance costs are capitalized in the governmentwide statements		6,445
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		(949,431)
Capital leases		(39,545)
Bond issue premiums		(43,447)
Deferred bond gains (losses)		9,956
Accrued interest on bonds		(11,992)
Compensated absences		(172,804)
Landfill		(8,919)
Judgments and claims		(79,068)
Other postemployment benefits		(430,794)
Tax abatements		(28,200)
Pollution Remediation		(2,000)
		(1,756,244)
Net assets of governmental activities	$	822,877

See accompanying notes to basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2009

(In thousands)

		General	Special revenue	Capital projects	Other governmental funds	Total governmental funds
Revenues:						
Real and personal property taxes	$	1,393,371	0	0	0	1,393,371
Excises		115,454	0	0	0	115,454
Payments in lieu of taxes		56,686	0	0	0	56,686
Fines		69,711	12	0	0	69,723
Investment income		18,289	194	0	(3,208)	15,275
Licenses and permits		40,822	308	0	0	41,130
Departmental and other		82,087	21,931	0	190	104,208
Intergovernmental		454,252	365,102	56,558	0	875,912
Total revenues		2,230,672	387,547	56,558	(3,018)	2,671,759
Expenditures:						
Current:						
General government		69,524	9,021	0	3,360	81,905
Human services		29,722	7,585	0	0	37,307
Public safety		521,898	7,527	0	0	529,425
Public works		112,168	9,254	0	0	121,422
Property and development		28,959	64,449	0	0	93,408
Parks and recreation		17,571	624	0	0	18,195
Library		31,268	5,366	0	0	36,634
Schools		818,338	154,989	0	0	973,327
Public health programs		69,985	1,408	0	0	71,393
County		0	129,603	0	0	129,603
Judgments and claims		9,946	0	0	0	9,946
Retirement costs		82,332	0	0	0	82,332
Other employee benefits		191,597	0	0	0	191,597
State and district assessments		142,055	0	0	0	142,055
Capital outlays		566	1,151	139,592	0	141,309
Debt service		119,294	0	0	0	119,294
Total expenditures		2,245,223	390,977	139,592	3,360	2,779,152
Deficiency of revenues under expenditures		(14,551)	(3,430)	(83,034)	(6,378)	(107,393)
Other financing sources (uses):						
Long-term debt and capital leases issued		0	0	113,962	0	113,962
Refunding bonds issued		0	0	40,425	0	40,425
Payments to escrow agent		0	(1,922)	(40,308)	0	(42,230)
Premiums on long-term debt issued		0	8,087	0	0	8,087
Transfers in (out)		41,189	(12,000)	0	(2,189)	27,000
Total other financing sources (uses)		41,189	(5,835)	114,079	(2,189)	147,244
Net change in fund balances		26,638	(9,265)	31,045	(8,567)	39,851
Fund balance (deficit) – beginning of year		802,049	190,065	(981)	44,837	1,035,970
Fund balance – end of year	$	828,687	180,800	30,064	36,270	1,075,821

See accompanying notes to basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2008

(In thousands)

Net change in fund balances – total governmental funds	$	39,851
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 ($135,260) exceeded depreciation expense ($71,647) and disposals ($60).		63,553
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds		(4,371)
Proceeds of long-term debt ($154,387) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond, note, and lease principal ($101,699) and payment to the escrow agent ($42,230) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net assets. This is the amount by which proceeds exceed repayments and escrow payments.		(10,458)
Bond premiums net ($4,505) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Deferred losses on refunding ($2,090) decrease long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs, net ($1,164) are expenditures in the governmental funds, but are deferred assets in the statement of assets. This is the amount by which premiums and deferred losses on refundings exceeded issuance costs.		(5,431)
Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds		(15,941)
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 compensated absences ($4,488) and other postemployment benefits ($217,971) offset by a decrease in liabilities for judgements and claims ($788), pollution remediation ($1,500), interest payable ($2,356), and the landfill liability ($200).		(217,615)
Net income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds		1,542
Change in net assets of governmental activities	$	(148,870)

See accompanying notes to basic financial statements.

Statement of Revenues and Expenditures – Budgetary Basis
General Fund – Budget and Actual

Year ended June 30, 2009
(with comparative actual amounts for 2008)

(In thousands)

	2009 Original budget	2009 Final budget	2009 Actual	Variance over (under)	2008 Actual
Revenues and other available funds:					
Real and personal property taxes, net	$ 1,364,580	1,364,580	1,365,272	692	1,295,460
Excises	131,995	131,995	149,776	17,781	131,558
Commonwealth of Massachusetts	610,018	610,018	573,278	(36,740)	598,747
Departmental and other revenue	64,051	64,051	75,661	11,610	67,379
Fines	75,075	75,075	70,053	(5,022)	67,391
Payments in lieu of taxes	56,100	56,100	56,493	393	56,667
Investment income	18,500	18,500	17,835	(665)	39,512
Licenses and permits	40,585	40,585	41,008	423	47,577
Other available funds	59,219	59,219	53,219	(6,000)	38,818
Total revenues and other available funds	2,420,123	2,420,123	2,402,595	(17,528)	2,343,109
Expenditures:					
General government	117,798	115,628	113,114	2,514	102,837
Human services	29,524	29,888	29,734	154	29,116
Public safety	497,089	500,058	504,717	(4,659)	495,425
Public works	104,943	105,027	112,420	(7,393)	107,629
Property and development	30,121	31,178	31,178	0	31,453
Parks and recreation	17,446	17,693	17,490	203	17,374
Library	31,230	31,230	31,211	19	29,601
Schools	833,105	833,299	810,006	23,293	795,488
Boston Public Health Commission	69,446	69,446	69,446	0	68,195
Judgments and claims	3,500	3,500	4,806	(1,306)	3,500
Other employee benefits	195,128	195,666	195,612	54	191,032
Retirement costs	217,430	217,430	217,378	52	207,049
Debt requirements	125,905	122,622	119,294	3,328	115,771
State and district assessments	147,458	147,458	142,055	5,403	132,792
Total expenditures	2,420,123	2,420,123	2,398,461	21,662	2,327,262
Excess of revenues and other available funds over expenditures	$ 0	0	4,134	4,134	15,847

See accompanying notes to basic financial statements.

Statement of Net Assets – Proprietary Funds

June 30, 2009

(In thousands)

		Enterprise funds			
		Convention center bonds	Hospital revenue bonds	Total	Internal service
Assets:					
Current assets:					
Cash and investments	$	180	0	180	55,761
Cash and investments held by trustees		65,795	23,074	88,869	0
Receivables, net		0	0	0	170
Total current assets		65,975	23,074	89,049	55,931
Noncurrent assets:					
Due from other funds		0	0	0	463
Due from component units		0	82,298	82,298	0
Other assets		1,120	1,120	2,240	1,503
Total noncurrent assets		1,120	83,418	84,538	1,966
Total assets		67,095	106,492	173,587	57,897
Liabilities:					
Current liabilities:					
Accrued liabilities		0	0	0	6,507
Due to other funds		27,000	0	27,000	0
Accrued interest payable		782	1,667	2,449	0
Current portion of long-term debt		3,580	7,235	10,815	0
Total current liabilities		31,362	8,902	40,264	6,507
Noncurrent liabilities:					
Special obligation bonds		93,505	0	93,505	0
Revenue bonds		0	82,621	82,621	0
Total noncurrent liabilities		93,505	82,621	176,126	0
Total liabilities		124,867	91,523	216,390	6,507
Net assets:					
Unrestricted		(57,772)	14,969	(42,803)	51,390
Total net assets	$	(57,772)	14,969	(42,803)	51,390

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds

Year ended June 30, 2009

(In thousands)

	Enterprise funds: Convention center bonds	Enterprise funds: Hospital revenue bonds	Enterprise funds: Total	Internal service
Operating revenues:				
Contributions	$ 0	0	0	88,822
State aid – pledged for debt service	36,605	0	36,605	0
Total operating revenues	36,605	0	36,605	88,822
Operating expenses:				
Health benefits	0	0	0	87,280
Total operating expenses	0	0	0	87,280
Operating income	36,605	0	36,605	1,542
Nonoperating revenue (expense):				
Intergovernmental – state grants	1,116	0	1,116	0
Investment earnings – pledged for debt service	0	5,910	5,910	0
Investment earnings – other	389		389	0
Interest expense	(4,902)	(3,924)	(8,826)	0
Total nonoperating revenue (expense)	(3,397)	1,986	(1,411)	0
Income before transfers	33,208	1,986	35,194	1,542
Transfer to general fund	(27,000)	0	(27,000)	0
Change in net assets	6,208	1,986	8,194	1,542
Total net assets (deficit) – beginning of year	(63,980)	12,983	(50,997)	49,848
Total net assets (deficit) – end of year	$ (57,772)	14,969	(42,803)	51,390

See accompanying notes to basic financial statements.

Statement of Cash Flows – Proprietary Fund Types

Year ended June 30, 2009

(In thousands)

	Enterprise funds: Convention center bonds	Enterprise funds: Hospital revenue bonds	Enterprise funds: Total	Internal service
Cash flows from operating activities:				
Cash received from other governments	$ 36,815	0	36,815	0
Cash received from employees and employer	0	0	0	88,999
Cash paid to vendors	0	0	0	(84,878)
Net cash provided by operations	36,815	0	36,815	4,121
Cash flows from noncapital financing activities:				
Grants received from state	1,116	0	1,116	0
Interest paid on debt	(4,870)	(4,139)	(9,009)	0
Transfers to other funds	(23,000)	0	(23,000)	0
Repayment of long-term debt	(3,400)	(6,960)	(10,360)	0
Net cash used in noncapital financing activities	(30,154)	(11,099)	(41,253)	0
Cash flows from investing activities:				
Investment income	389	2,587	2,976	0
Principal received on note	0	7,427	7,427	0
Interest received on note	0	3,323	3,323	0
Net cash provided by investing activities	389	13,337	13,726	0
Increase in cash and cash equivalents	7,050	2,238	9,288	4,121
Cash and cash equivalents, beginning of year	58,925	20,836	79,761	51,640
Cash and cash equivalents, end of year	$ 65,975	23,074	89,049	55,761
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 36,605	0	36,605	1,542
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	210	0	210	147
Other assets	0	0	0	3,353
Due from component units	0	0	0	30
Accounts payable and accrued liabilities	0	0	0	(951)
Net cash provided by operating activities	$ 36,815	0	36,815	4,121

See accompanying notes to basic financial statements.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2009

(Except for Employee Retirement Plan, which is as of December 31, 2008)

(In thousands)

	Employee retirement plan	Private purpose trusts	Agency funds
Assets:			
Cash and cash equivalents	$ 28,309	80,765	5,700
Receivables:			
Interest and dividends	17,222	0	0
Securities sold	158,961	0	0
Employer contributions	106,540	0	0
Other	17,100	1,138	0
Total receivables	299,823	1,138	0
Investments, at fair value:			
Short-term:			
Domestic	31,333	0	0
International	8,500	0	0
Equity:			
Domestic	1,139,541	0	0
International	519,489	0	0
Fixed-income:			
Domestic	645,301	0	0
International	221,438	0	0
Real estate	364,262	0	0
Venture capital funds	395,883	0	0
Total investments	3,325,747	0	0
Securities lending short-term collateral investment pool	268,064	0	0
Total assets	3,921,943	81,903	5,700
Liabilities:			
Accounts payable	13,093	2,703	0
Securities purchased	223,647	0	0
Collateral held on securities lending	268,064	0	0
Refunds payable and other	250	0	5,700
Total liabilities	505,054	2,703	$ 5,700
Net assets – held in trust for pension benefits and other purposes	$ 3,416,889	79,200	

See accompanying notes to basic financial statements.

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Year ended June 30, 2009

(Except for Employee Retirement Plan, which is for the year ended December 31, 2008)

(In thousands)

	Employee retirement plan	Private purpose trusts
Additions:		
Contributions:		
Employers	$ 244,299	0
Employees	124,283	0
Donations and other	0	12,045
Total contributions	368,582	12,045
Investment (loss) earnings:		
Realized and unrealized losses on investments	(1,265,238)	0
Interest and dividends	102,321	887
Less investment expenses	(13,506)	0
Net investment (loss) earnings	(1,176,423)	887
Securities lending activities:		
Securities lending income	12,317	0
Less borrower rebates and fees	(8,216)	0
Net income from securities lending activities	4,101	0
Total net investment (loss) income	(1,172,322)	887
Intergovernmental	20,777	0
Total additions	(782,963)	12,932
Deductions:		
Benefits	395,116	0
Reimbursement to other systems	9,673	0
Refunds of contributions	18,581	0
Administrative expenses and other	4,566	20,388
Total deductions	427,936	20,388
Change in net assets	(1,210,899)	(7,456)
Net assets, beginning of year	4,627,788	86,656
Net assets, end of year	$ 3,416,889	79,200

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

June 30, 2009

(1) The Financial Reporting Entity

The accounting policies followed in preparing the accompanying basic financial statements are as follows:

(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) Retirement System

The State-Boston Retirement System (SBRS) 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. The SBRS provides pension benefits to retired City, Boston Redevelopment Authority, Boston Housing Authority, Boston Water and Sewer Commission, Boston Public Health Commission, and the Suffolk County Sherriff Department employees. Although legally separate, the SBRS provides services entirely, or almost entirely, to the City and thus has been reported as if it were part of the primary government; a method of inclusion known as blending.

A complete set of financial statements for SBRS for the fiscal year ended December 31, 2008 can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201. The SBRS is included in the City's Fiduciary Fund Financial Statements.

Notes to Basic Financial Statements

June 30, 2009

(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 and is able to impose its will on 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:

Boston Redevelopment Authority (BRA) – The BRA is a public body politic and corporate constituting the City's redevelopment authority and exercising the powers of a planning board for the City. The BRA is governed by a five-member board, four of whom are appointed by the Mayor. Its purpose is to provide planning support for major construction and redevelopment activity in the City.

Economic Development and Industrial Corporation of Boston (EDIC) – The EDIC is a body politic and corporate and an instrumentality of the Commonwealth. It is governed by the same persons appointed as members of the BRA board. The EDIC has various powers to assist industrial development projects in the City and, together with the BRA, assists the City with its economic development function.

Boston Public Health Commission (PHC) – The PHC is a body politic and corporate and public instrumentality of the Commonwealth, established by Chapter 147 of the Acts of 1995. PHC 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 (BMC). The PHC is responsible for the implementation of public health programs in the City.

Trustees of the Public Library of the City of Boston (TPL) – The TPL is a nonprofit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Trustees of TPL are appointed by the Mayor. The TPL was established to benefit the public library system of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2009.

Complete financial statements of these discretely presented component units can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201. In addition, condensed financial statements for the discretely presented component units are included in note 17.

(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

Notes to Basic Financial Statements

June 30, 2009

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) Governmentwide and Fund Financial Statements

The Governmentwide Financial Statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) 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 *business-type activities*, which rely to a significant extent on fees and charges for support. 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 Governmentwide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the Fund Financial Statements.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmentwide Financial Statements

The Governmentwide 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 has no measurement to focus. 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 imposed by the provider have been met.

Notes to Basic Financial Statements

June 30, 2009

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as *program revenues*. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements

Governmental Fund Financial Statements are reported using the *current financial resources measurements 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 revenue.

The City applies the susceptible to accrual criteria to property 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. 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 taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is mature and due.

Proprietary Fund, Fiduciary Fund, and Component Unit Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the Governmentwide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from the collection of revenue pledged to repay debt. The principal operating revenues of the City's enterprise funds are lease receipts and excise taxes. The principal operating revenues of the City's internal service funds are receipts from employer and employee for health insurance premiums. Operating expenses for enterprise funds and internal service funds include the interest, administrative expenses, and vendor payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Notes to Basic Financial Statements

June 30, 2009

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

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.

The *Special Revenue Fund* accounts principally for the activities funded by federal and state grant revenue sources and certain other revenues that are legally restricted to expenditures for specified purposes.

The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City capital facilities.

Proprietary Funds – The City reports the following major Proprietary Funds:

The *Convention Center Bond Fund* accounts for the City activities related to the financing for the construction of a new state-owned convention center. Revenue debt issued in connection with this fund is payable solely by specified local and state receipts.

The *Hospital Revenue Bond Fund* accounts for the activities related to the Boston City Hospital Revenue Bonds. These Bonds are payable solely from the mortgage note payments received from the PHC. These Bonds are repaid from a pledged revenue source from PHC.

Fiduciary Funds – Additionally, the City reports the following fiduciary fund types:

The *Private-Purpose Trust Fund* is 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 commingled nontestamentary trusts.

The *Pension Trust Fund* accounts principally for the activities of the State-Boston Employees Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired City employees.

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 from property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

The City also 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 basic financial statements, it is not considered a major fund.

Notes to Basic Financial Statements

June 30, 2009

As a general rule, the effect of interfund activity has been eliminated from the Governmentwide Financial Statements. However, interfund services provided and used are not eliminated in the process of consolidation.

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.

(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 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 SBRS, 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), which is an external investment pool and is not SEC-registered. The fund is state-regulated and is valued at current share price.

(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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmentwide Financial Statements as "internal balances."

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(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, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Governmentwide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost

Notes to Basic Financial Statements

June 30, 2009

of more than $15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Any significant construction commitments are encumbered at year-end in the City's Capital Project Fund.

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

Property, plant, and equipment of the primary government, as well as the component units, 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
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. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2009 is recorded in the Governmental Fund 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 (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

Notes to Basic Financial Statements

June 30, 2009

(i) Long-Term Obligations and Related Costs

Premiums, Discounts, and Issue Costs – In the Governmentwide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The unamortized portion is presented in the Governmentwide Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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) Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) 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. Other refunds have been recorded in the Governmentwide Statement of Net Assets.

(l) 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, 2009, 100% of the Gardner Street landfill site had been used and had not accepted solid waste for several years. While most of the landfill closure construction was completed in prior years, there still remains 12 acres of the landfill to be capped as of June 30, 2009.

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 Governmentwide Statement of Net Assets. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2009 were $200 thousand.

Notes to Basic Financial Statements

June 30, 2009

(m) 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.

(n) Adoption of New Accounting Pronouncements and Restatements

During the fiscal year ended June 30, 2009, the City adopted GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care.

The provisions of GASB 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the City's beginning net assets have been restated. The following is a reconciliation of the total governmental activities net assets as previously reported as of June 30, 2008 to the beginning net assets balance (in thousands):

Net Assets at June 30, 2008	$	975,247
Adoption of GASB 49		(3,500)
Total Net Assets at July 1, 2008	$	**971,747**

The adoption of GASB 49 is now reflected in the City's long-term obligations, which can be seen in footnote 10 (b).

(3) Short-Term Debt

During fiscal year 2009, 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.

Notes to Basic Financial Statements

June 30, 2009

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. 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. There were no supplemental appropriations, other than the aforementioned transfers, 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 nonproperty 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.

Notes to Basic Financial Statements

June 30, 2009

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:

(a) 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).

(b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

(c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the General Fund (budget).

(d) 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, 2009 (in thousands):

	Revenue	Expenditures	Other financing sources, net	Excess of revenue and other financing sources
As reported on a budgetary basis	$ 2,402,595	2,398,461	0	4,134
Adjustments:				
Revenues to modified accrual basis	(11,893)	0	0	(11,893)
Expenditures, encumbrances, and accruals, net	0	(34,397)	0	34,397
Reclassifications:				
State-funded teachers' retirement costs	(118,841)	(118,841)	0	0
Convention Center fund revenue	(27,000)	0	27,000	0
Transfers	(14,189)	0	14,189	0
As reported on a GAAP basis	$ 2,230,672	2,245,223	41,189	26,638

Notes to Basic Financial Statements

June 30, 2009

(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 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. The highest classifications for Moody's, Standard & Poor's (S&P), and Fitch are as follows:

Commercial Paper Credit Ratings			
	Moody's	**S&P**	**Fitch**
Superior	P1	A1+ or A1	F1+ or F1
Satisfactory	P2	A2	F2
Adequate	P3	A3	F3

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

The City and its blended component unit apply GASB No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

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 may not be returned. The City carries deposits that are fully insured by FDIC insurance, collateralized and deposits that are not collateralized and are uninsured. As of June 30, 2009, the bank balances of uninsured and uncollateralized deposits totaled approximately $1.6 million. All of the City's investments are held by third parties in the City's name.

(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 domain 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 frontiers of that

Notes to Basic Financial Statements

June 30, 2009

domain are 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. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2009:

Investment type		Fair value	Less than 1	1 – 5
External investment pool	$	575,366	575,366	0
Mutual funds		130,977	130,977	0
U.S. Treasury notes and bonds		10,743	0	10,743
Domestic corporate		4,513	0	4,513
	$	721,599	706,343	15,256

(d) Credit Risk

The City's fixed income investments as of June 30, 2009 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	Rating
Mutual funds	$	130,977	AAA
External investment pool		575,366	Not Rated
Domestic corporate		4,513	AAA to BBB+
	$	710,856	

(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. Pursuant to M.G.L. c. 44, sec. 55, cities and towns in the Commonwealth may deposit available fund balances in banks, trust companies, or banking companies, provided that the amounts deposited do not exceed 60% of the capital and surplus of an institution unless satisfactory security for the amount in excess of 60% is provided by the depository.

Notes to Basic Financial Statements

June 30, 2009

State-Boston Retirement System (SBRS or the 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. The System also carries deposits that are not collateralized and are uninsured. As of December 31, 2008, all of the System's deposits were insured or collateralized.

(b) Investment Policy

The provisions of M.G.L. c. 32, sec 23(2) 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. 23(3), the "Prudent Person" rule.

The System has retained an investment consultant to work with the 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, 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, 2008:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes and bonds	$ 35,920	0	132	13,485	22,303
U.S. agencies	39,155	0	16	7,611	31,528
Domestic corporate	290,070	26,954	102,679	119,906	40,531
International corporate	144,170	1,732	49,496	63,719	29,223
International government	77,268	8,559	16,779	31,139	20,791
Short-term investment funds	39,833	39,833	0	0	0
Asset-backed:					
CMOs	35,179	0	0	2,885	32,294
Mortgage-backed	155,126	0	483	11,962	142,681
Other	89,851	0	70,768	11,381	7,702
	$ 906,572	77,078	240,353	262,088	327,053

Notes to Basic Financial Statements

June 30, 2009

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 manager 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, 2008 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, 2008 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	$ 39,155	34,535	0	0	0	0	0	0	4,620
Domestic corporate	290,070	11,049	39,354	140,063	31,229	33,691	28,522	4,410	1,752
International corp.	144,170	56,322	9,436	23,238	30,566	11,774	2,340	175	10,319
International gov't	77,268	45,527	17,720	0	2,754	3,104	0	0	8,163
Short-term investment funds	39,833	39,833	0	0	0	0	0	0	0
Asset-backed:									
CMOs	35,179	27,805	390	150	0	0	0	0	6,834
Mortgage-backed	155,126	99,921	0	0	0	0	0	0	55,205
Other	89,851	22,129	2,609	1,050	0	0	0	0	64,063
	$ 870,652	337,121	69,509	164,501	64,549	48,569	30,862	4,585	150,956

In addition to the above schedule, the System has approximately $35,919,712 invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

(e) Concentration Risk

The System has no investments, at fair value, that exceed 5% of the System's net assets held in trust for pension benefits as of December 31, 2008.

The System adheres to the provisions of M.G.L. c. 32, sec. 23(2) when managing concentration risk.

Notes to Basic Financial Statements

June 30, 2009

(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		Short-term	Fixed income	Equity	Alternative	Total
Australian dollar	$	239	647	17,614	0	18,500
Brazilian real		1	0	6,181	0	6,182
Canadian dollar		222	2,256	5,000	0	7,478
Chilean pesa		0	0	26	0	26
Columbian peso		0	0	0	0	0
Danish krone		0	0	4,038	0	4,038
Egyptian pound		0	0	0	0	0
Euro currency		7,645	83,554	155,311	5,560	252,070
Hong Kong dollar		94	0	11,416	0	11,510
Indian rupee		74	0	6,194	0	6,268
Indonesian rupiah		8	1,023	890	0	1,921
Israeli shekel		26	0	633	0	659
Japanese yen		1,075	68,476	102,796	0	172,347
Malaysian ringgit		138	0	2,466	0	2,604
Mexican peso		36	0	1,238	0	1,274
New Taiwan dollar		567	0	777	0	1,344
New Zealand dollar		23	0	117	0	140
Norwegian krone		25	5,364	3,075	0	8,464
Polish zloty		2	0	358	0	360
Pound sterling		821	9,493	74,935	0	85,249
Singapore dollar		292	404	6,439	0	7,135
South African rand		76	0	3,417	0	3,493
South Korean won		29	0	6,211	0	6,240
Swedish krona		234	0	6,411	0	6,645
Swiss franc		629	0	38,197	0	38,826
Thailand baht		9	0	892	0	901
Uruguayan peso		0	1,580	0	0	1,580
International equity pooled funds (various currencies)		0	0	43,636	0	43,636
Total securities subject to foreign currency risk		12,265	172,797	498,268	5,560	688,890
U.S. dollars (securities held by international investment managers)*		8,530	48,641	21,221	0	78,392
Total international investment securities	$	20,795	221,438	519,489	5,560	767,282

* Short-term investments include cash of approximately $30.

Notes to Basic Financial Statements

June 30, 2009

(g) 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. Forward foreign currency contracts open at December 31, 2008 were as follows (in thousands):

	Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Forward foreign currency contracts purchased:					
Canadian dollar	$ 547	536	1/22/09	$ 0	(10)
Euro	147	146	1/2/09	0	(1)
Indian rupee	1,636	1,698	3/16/09	62	0
Mexican peso	796	931	3/3/09	135	0
Pound sterling	1,134	1,303	1/2/09-3/3/09	169	0
Singapore dollar	2,935	2,933	1/15/09-2/27/09	0	(2)
South African rand	2,950	3,102	3/9/09-5/29/09	152	0
South Korean won	2,090	2,243	2/27/09	153	0
Swiss franc	172	173	1/5/09	1	0
Thialand baht	70	69	3/5/08	0	(1)
Forward foreign currency contracts sold:					
Brazilian real	34	34	1/2/09-1/5/09	0	0
Cambodian riel	2,431,244	2,431,020	2/27/09	224	0
Hong Kong dollar	140	140	1/5/09	0	0
Indian rupee	77,186	77,157	3/16/09	29	0
Indonesian rupiah	1,566	1,566	1/6/09	0	0
Malaysian ringgit	40	40	1/2/09-1/5/09	0	0
Mexican peso	5,861	5,913	3/3/09	0	(52)
Pound sterling	512	695	3/3/09	0	(183)
Singapore dollar	3,789	3,746	1/15/09-2/27/09	43	0
South African rand	26,594	26,382	1/2/09-5/29/09	212	0
Swiss franc	207	208	1/5/09	0	(1)
Total				$ 1,180	(250)

(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 modified accrual basis of accounting, described in note 2.

Notes to Basic Financial Statements

June 30, 2009

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 16, 2008, all properties with unpaid fiscal year 2008 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 government's individual major funds, nonmajor funds, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

		General	Special revenue	Capital projects	Other nonmajor funds	Internal service	Total
Receivables:							
Property taxes	$	17,724	0	0	0	0	17,724
Other taxes		147,467	0	0	0	0	147,467
Intergovernmental		231,096	67,976	12,755	0	0	311,827
Other		15,256	61,528	0	140	170	77,094
Gross receivables		411,543	129,504	12,755	140	170	554,112
Less allowance for uncollectibles		(157,795)	0	0	0	0	(157,795)
Net total receivables	$	253,748	129,504	12,755	140	170	396,317

(a) Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (up to 90% of total costs) to the City to build and/or renovate

Notes to Basic Financial Statements

June 30, 2009

schools. As of June 30, 2009, under this program, the City was due funds totaling $87.8 million.

In the General Fund, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the five-year paydown (in thousands) as of June 30, 2009 through 2014, and in five-year increments thereafter:

		Anticipated revenue
Fiscal year(s):		
2010	$	12,956
2011		11,158
2012		9,848
2013		8,833
2014		8,475
2015 – 2019		34,067
2020		2,461
Total	$	87,798

(b) 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 to local governments, which in turn provides loans to developers. As of June 30, 2009, under this program, the City determined that $56.1 million was collectible.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows (in thousands):

		Unavailable	Unearned	Total
Delinquent taxes receivable (General Fund)	$	17,760	0	17,760
Due from component units		0	5,933	5,933
Section 108 receivable		56,142	0	56,142
School building assistance receivable		87,798	3,611	91,409
Chapter 90		0	9,143	9,143
Other		0	556	556
Total deferred/unearned revenue for governmental funds	$	161,700	19,243	180,943

Notes to Basic Financial Statements

June 30, 2009

(8) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 25,060	4	0	25,064
Construction in progress	4,038	104,927	(73,402)	35,563
Total capital assets not being depreciated	29,098	104,931	(73,402)	60,627
Capital assets being depreciated:				
Land improvements	141,675	9,591	0	151,266
Buildings and improvements	1,632,231	47,721	0	1,679,952
Furniture and equipment	225,564	19,291	(8,703)	236,152
Infrastructure	407,983	27,128	0	435,111
Total capital assets being depreciated	2,407,453	103,731	(8,703)	2,502,481
Less accumulated depreciation for:				
Land improvements	23,405	7,379	0	30,784
Buildings and improvements	881,713	29,558	0	911,271
Furniture and equipment	172,417	20,859	(8,643)	184,633
Infrastructure	137,299	13,851	0	151,150
Total accumulated depreciation	1,214,834	71,647	(8,643)	1,277,838
Total capital assets being depreciated, net	1,192,619	32,084	(60)	1,224,643
Governmental activities capital assets, net	$ 1,221,717	137,015	(73,462)	1,285,270

Notes to Basic Financial Statements

June 30, 2009

Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental activities:		
General government	$	1,165
Human services		1,584
Public safety		12,283
Public works, including depreciation of general infrastructure assets		15,158
Property and development		3,399
Parks and recreation		6,401
Library		3,273
Schools		28,145
Public health		239
Total depreciation expense – governmental activities	$	71,647

(9) Interfund Receivable and Payable Balances

Individual fund and discrete component unit receivable and payable balances at June 30, 2009 are as follows (in thousands):

Interfund balances		Receivable	Payable
General	$	27,000	3,675
Special revenue		1,181	0
Capital projects		2,031	0
Convention Center		0	27,000
Internal service		463	0
Balances at June 30, 2009	$	30,675	30,675

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements (in thousands):

Discrete component unit balances		Receivable	Payable
Primary government:			
General	$	6,653	292
Hospital revenue bond		82,298	0
		88,951	292
Discretely presented component units:			
TPL		0	352
PHC		292	88,599
		292	88,951
Balances at June 30, 2009	$	89,243	89,243

Notes to Basic Financial Statements

June 30, 2009

(10) Long-Term Obligations

(a) Governmental Activity Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2009 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds and notes payable:						
General obligation refunding bonds dated 5/27/09	2.25% - 3.5%	$ 0	31,485	0	31,485	530
General obligation refunding bonds dated 3/1/09	2.00 - 4.00	0	8,940	0	8,940	5
General obligation bonds dated 3/1/09	2.00 - 4.75	0	100,000	0	100,000	5,755
General obligation refunding bonds dated 3/1/08	3.25 - 4.00	28,155	0	1,040	27,115	5,180
General obligation bonds dated 3/1/08	5.0	126,185	0	6,360	119,825	6,875
General obligation refunding bonds dated 3/1/07	0.125 – 5.0	85,030	0	310	84,720	320
General obligation bonds dated 3/1/07	3.0 – 5.0	94,375	0	5,585	88,790	5,835
General obligation bonds dated 1/31/06	4.0 – 5.0	67,530	0	6,235	61,295	6,235
General obligation refunding bonds dated 2/1/05	2.5 – 5.0	112,400	0	5,125	107,275	10,315
General obligation refunding bonds dated 4/1/04	2.0 – 5.0	18,640	0	5,995	12,645	5,875
General obligation refunding bonds dated 2/1/04	3.0 – 5.0	72,920	0	9,755	63,165	9,595
General obligation refunding bonds dated 2/1/03	2.25 – 5.0	97,570	0	16,060	81,510	9,440
General obligation refunding bonds dated 11/15/02	4.0 – 5.0	6,295	0	6,295	0	0
General obligation refunding bonds dated 8/15/02	2.875 – 5.0	46,670	0	310	46,360	320
General obligation bonds dated 2/1/02	3.0 – 5.0	40,580	0	14,645	25,935	5,645
General obligation refunding bonds dated 4/11/01	3.50 – 5.0	39,550	0	6,250	33,300	6,300
General obligation bonds dated 2/1/01	4.25 – 5.0	39,290	0	20,855	18,435	6,890
General obligation bonds dated 2/1/00	5.0 – 5.75	12,050	0	6,025	6,025	6,025
General obligation bonds dated 10/15/98	3.25 – 5.0	15,975	0	15,975	0	0
Total governmental obligation bonds payable		$ 903,215	140,425	126,820	916,820	91,140
Add (deduct):						
Unamortized bond premiums					43,447	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(9,956)	
Current portion of long-term debt					(91,140)	
					$ 859,171	

Notes to Basic Financial Statements

June 30, 2009

(b) Notes and Leases Payable and Other Long-Term Obligations

Following is a summary of the notes payable and other long-term obligations of the City as of June 30, 2009 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes and leases payable:						
Massachusetts Water Pollution Abatement Trust note payable	4.25% – 5.75%	$ 6,186	0	444	5,742	451
Notes payable – Section 108	5.44 – 7.18	29,235	0	2,366	26,869	3,235
Leases		36,773	13,962	11,190	39,545	12,147
Total notes and leases payable		72,194	13,962	14,000	72,156	15,833
Other long-term obligations:						
Judgments and claims		6,005	4,077	7,157	2,925	600
Workers' compensation		73,851	36,569	34,277	76,143	39,617
Health and life claims		7,436	86,351	87,280	6,507	6,507
Compensated absences		168,316	68,339	63,851	172,804	46,625
Landfill closure and postclosure care costs		9,119	0	200	8,919	200
Pollution remediation		3,500	0	1,500	2,000	1,300
Other postemployment benefits		212,823	346,425	128,454	430,794	0
Total other long-term obligations		481,050	541,761	322,719	700,092	94,849
Total notes, leases, and other long-term obligations		$ 553,244	555,723	336,719	772,248	110,682

The payment of liabilities for judgments and claims, compensated absences, landfill closure and postclosure costs, and other postemployment benefits is primarily the responsibility of the City's General Fund.

(c) Business-Type Activity Obligations

Following is a summary of the business-type long-term obligations of the City as of June 30, 2009 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Convention Center Fund:						
Special Obligation Bonds dated 4/1/02	4.0% – 5.25%	$ 100,485	0	3,400	97,085	3,580
Hospital Bond Fund:						
Special Obligation Refunding Bonds, Boston City Hospital, dated 8/1/02	2.0 – 5.0	94,800	0	6,960	87,840	7,235
Total business-type obligations		$ 195,285	0	10,360	184,925	10,815
Add (deduct):						
Unamortized bond premiums					2,322	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(306)	
Current portion of long-term debt					(10,815)	
					$ 176,126	

Notes to Basic Financial Statements

June 30, 2009

A. General Obligation Bonds

The annual debt service requirements of the City's general obligation governmental bonds outstanding as of June 30, 2009 are as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
2010	$	91,140	40,870	132,010
2011		86,445	37,084	123,529
2012		83,460	33,132	116,592
2013		78,020	29,468	107,488
2014		69,490	26,024	95,514
2015-2019		277,605	86,547	364,152
2020-2024		162,465	33,484	195,949
2025-2029		68,195	7,730	75,925
	$	916,820	294,339	1,211,159

On April 1, 2009, the City issued $108,940,000 of general obligation and refunding bonds, $100,000,000 for various municipal capital projects, and $8,940,000 for the purpose of refunding certain outstanding general obligation bonds of the City totaling $9,290,000. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2029 and 2019, respectively.

On May 27, 2009, the City issued $31,485,000 of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling $29,830,000. Interest on these bonds are payable semiannually each August 1 and February 1 until maturity in fiscal year 2019.

The cash flow difference and economic gain (the difference between the present values of the debt service payments on old and new debt) obtained from the April 1, 2009 Series B refunding were $615,965 and $579,515, respectively. For the May 27, 2009 Series C refunding, the cash flow difference and economic gain were $1,437,461 and $1,345,680, respectively.

On October 28, 2009, the City issued $20,000,000 of Qualified School Construction Bonds (QSCBs). QSCBs are offered under the American Recovery and Reinvestment Act (ARRA), which allows the City to issue the bonds at no interest cost. The principal of the bonds are payable quarterly, until maturity in fiscal year 2024.

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

Notes to Basic Financial Statements

June 30, 2009

are not charged against its general credit. This aggregate amount is immaterial to the financial statements.

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 State 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 Emergency Finance Board. 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, 2009, the City may issue $4.0 billion of additional general obligation debt under the debt limit. General obligation debt of $538.1 million, subject to the debt limit, and $82.0 million, exempt from the debt limit, are authorized but unissued as of June 30, 2009.

B. Notes Payable

At June 30, 2009, the City had various notes outstanding totaling $32.6 million.

The annual debt of the City's notes payable as of June 30, 2009 is as follows (in thousands):

		Principal	Interest	Total
Year(s) ending June 30:				
2010	$	3,686	1,539	5,225
2011		3,683	1,368	5,051
2012		3,206	1,209	4,415
2013		3,720	1,020	4,740
2014		3,991	827	4,818
2015-2019		11,202	2,171	13,373
2020-2024		3,123	409	3,532
	$	32,611	8,543	41,154

C. Proprietary Fund Obligations

The annual debt service requirements of the City's special obligation bonds and Boston City Hospital, Series B, revenue bonds outstanding as of June 30, 2009 are as follows (in thousands):

Notes to Basic Financial Statements

June 30, 2009

		Principal	Interest	Total
Year(s) ending June 30:				
2010	$	10,815	8,546	19,361
2011		11,250	8,108	19,358
2012		11,700	7,652	19,352
2013		12,170	7,173	19,343
2014		12,665	6,669	19,334
2015-2019		72,875	23,432	96,307
2020-2024		30,930	10,420	41,350
2025-2029		22,520	2,289	24,809
	$	184,925	74,289	259,214

The revenue refunding bonds of the Boston City Hospital (BCH) do not constitute general obligations of the City and the annual debt service of these bonds has been assumed by PHC. PHC expects to meet its obligation on the bonds through application of a portion of the rent payable to the PHC by the BMC for its lease of the former BCH. Under certain circumstances, including a default by BMC under the lease, City revenues may be required to satisfy the debt service requirements on the Series B bonds.

Pledged Revenues

The City has pledged future mortgage note payments from the PHC, to repay $127.8 million in special obligation refunding bonds issued in August 2002. Proceeds from the bonds originally provided financing for the construction of Boston City Hospital. The bonds are payable solely from mortgage note payments received from the PHC and are payable through 2019. Annual principal and interest payments on the bonds are expected to require 100 percent of the mortgage note repayments. The total principal and interest remaining to be paid on the bonds is $110.3 million. Principal and interest paid for the current year and mortgage note repayments received were $10.9 million and $13.3, respectively.

The City has pledged future taxi medallion sales and state hotel/motel excise tax receipts (pledged revenues) to repay $116.9 million in special obligation bonds issued in April 2002. Proceeds from the bonds provided financing for the City's activities related to the financing for the construction of the state-owned convention center. The bonds are payable solely from the pledged revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require 25 percent of the pledged revenues. The total principal and interest remaining to be paid on the bonds is $148.9 million. Principal and interest paid for the current year and pledged revenue receipts received, net of the $27.0 million transfer to the general fund, were $7.5 million and $9.6 million, respectively.

Notes to Basic Financial Statements

June 30, 2009

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions and still outstanding at June 30, 2009 was approximately $139.3 million.

D. Lease Obligations

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. Activity in capital lease agreements during fiscal year 2009 was as follows (in thousands):

Date of issuance	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year
April 21, 2004	$ 225	0	225	0
November 5, 2004	1,276	0	536	740
March 11, 2005	146	0	135	11
November 10, 2005	3,455	0	1,062	2,393
April 13, 2006	1,372	0	1,087	285
November 22, 2006	10,447	0	3,167	7,280
October 25, 2007	19,852	0	4,978	14,874
March 31, 2009	0	13,962	0	13,962
	$ 36,773	13,962	11,190	39,545

Assets acquired under capital leases are included in equipment under capital assets.

Future minimum payments under capital leases and installment sales as of June 30, 2009 are as follows (in thousands):

2010	$ 13,315
2011	11,188
2012	8,630
2013	4,119
2014	2,921
2015-2016	2,279
Total minimum lease payments	42,452
Less amount representing interest	(2,907)
Total minimum principal lease payments	39,545
Less current portion	(12,147)
Long-term portion	$ 27,398

The City's commitment under operating leases is not significant.

Notes to Basic Financial Statements

June 30, 2009

(11) Retirement Plans

(a) Plan Description

The City contributes to the SBRS, a cost-sharing multiple-employer defined benefit 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 Redevelopment Authority
(3) Boston Housing Authority
(4) Boston Water and Sewer Commission
(5) Boston Public Health Commission
(6) Suffolk County Sherriff Department

Chapter 32 of the M.G.L assigns authority to establish and amend benefit provisions of the plan to the state legislature.

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.

(b) 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 to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments of the System are stated as follows:

(1) Bonds are stated at quoted market value.
(2) Equity securities are stated at quoted market value.
(3) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
(4) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
(5) International investments are stated at quoted market value and are included in equities and fixed income categories.
(6) Cash is stated at carrying amount, which is reconciled book balance.

Notes to Basic Financial Statements

June 30, 2009

(c) Membership

Membership in the System consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	13,752
Terminated plan members entitled to but not receiving benefits	9,815
Active plan members	21,613
Total membership	45,180
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% – 9% of their regular gross compensation. Members hired after December 31, 1978 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 Systemwide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The Commonwealth reimburses the City for benefits paid to school teachers. The Commonwealth also reimbursed the System for a portion of benefit payments for cost-of-living increases granted before July 1, 1998. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. The City's required and actual contributions to the System for the years ended June 30, 2009, 2008, and 2007 were $213 million, $ 203 million, $193 million, or $108 million, $ 105 million, and $99 million, net of teachers' retirement, respectively.

During the fall of 1997, the System's Retirement Board, the City Council, and the Mayor approved the option for local funding of cost-of-living adjustments. As a result, a locally funded cost-of-living adjustment of 3.0% on the first $12,000 of a retiree's annual payment was awarded first in fiscal year 2001 and each year following. These cost-of-living adjustments will be awarded by the Retirement Board each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

Notes to Basic Financial Statements

June 30, 2009

(e) Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2008 is as follows (in thousands):

Description		Amount	Purpose
Annuity savings fund	$	1,329,052	Active members' contribution balance
Annuity reserve fund		410,870	Retired members' contribution account
Military service credit		49	Members' contribution account while on military leave
Pension reserve fund		1,409,389	Amounts appropriated to fund future retirement benefits
Pension fund		267,529	Remaining net assets
	$	3,416,889	

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

(f) 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. 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.

At the System's direction, the custodian lends the System's securities and receives cash (including both U.S. and foreign currency), U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 100% of the market value of the loaned securities.

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, 2008. 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. At December 31, 2008, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the

Notes to Basic Financial Statements

June 30, 2009

amounts owed to the System. Borrower rebates and fees paid to the custodian during the year ended December 31, 2008 totaled $137,557.

At December 31, 2008, the fair value of securities loaned by the System amounted to $284.9 million, against which was held collateral of $292.2 million as follows (in thousands):

Short-term collateral investment pool	$	268,064
Noncash collateral		24,095
Total	$	292,159

(g) Commitments

At December 31, 2008, the System had contractual commitments to provide approximately $63 million of additional funding to venture capital funds.

(h) Funded Status and Funding Progress

The funded status of the System as of January 1, 2008, the most recent actuarial valuation date, is as follows (in thousands):

Actuarially accrued liability (AAL)	$	6,596,148
Actuarial value of plan assets		4,458,002
Unfunded AAL (UAAL)	$	2,138,146
Funded ratio (actuarial value of plan assets/AAL)		67.6%
Covered payroll (active plan members)	$	1,299,112
UAAL as a percentage of covered payroll		164.6%

In the January 1, 2008 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 5.0%, and cost-of-living adjustments of 3.0% up to $360 annually. The actuarial value of assets was determined using the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2008 was 16 years.

The schedule of funding progress, presented as Requires Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Basic Financial Statements

June 30, 2009

(12) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for OPEB, primarily healthcare, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Governmentwide Statement of Activities when a future retiree earns their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Governmentwide Statement of Net Assets over time.

In addition to the pension benefits described in note 11, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. Participating retirees are City retirees. As of June 30, 2007, the valuation date, approximately 14,000 retirees and 16,000 active members meet the eligibility requirements as put forth in Chapter 32B of M.G.L. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report. GASB Statement No. 45 requires the City to report their OPEB plan as an agency fund in their Fiduciary Financial Statements. However, the City has determined that activity in this fund is immaterial to the City's financial statements and does not present the fund within the Fiduciary Financial Statements.

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 both pre and postretirement death benefits, as well as medical and prescription drug coverage.

(a) Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2007, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

Notes to Basic Financial Statements

June 30, 2009

(b) Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2007 (in thousands):

ARC	$	344,100
Interest on net OPEB obligation		9,577
Adjustment to ARC		(7,252)
Annual OPEB cost		346,425
Contributions made		(128,454)
Change in net OPEB obligation		217,971
Net OPEB obligation – beginning of year		212,823
Net OPEB obligation – end of year	$	430,794

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
2009	$	346,425	37%	$	430,794
2008		327,752	35%		212,823

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, based on an actuarial valuation as of June 30, 2007, was as follows (in thousands):

Notes to Basic Financial Statements

June 30, 2009

AAL	$	5,490,836
Actuarial value of plan assets		0
UAAL	$	5,490,836
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	669,802
UAAL as a percentage of covered payroll		820%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund. On October 1, 2009, the City Council approved the establishment of a revocable OPEB trust fund and appropriated $20 million to the fund.

(d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10.0% to 11.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 – 6 years. The healthcare cost trend rate differs between the master medical and other healthcare plans. The actuarial value of assets was determined using the market value of investments. The City’s UAAL is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2007 was 30 years.

Notes to Basic Financial Statements

June 30, 2009

(13) Transfers

Transfers and their purposes during the year ended June 30, 2009 were as follows (in thousands):

	Governmental funds				Proprietary fund
	General	**Special revenue**	**Capital projects**	**Other governmental**	**Convention center**
Primary government:					
Excess hotel/motel excise taxes	$ 27,000	0	0	0	(27,000)
Cemetery fees/fund appropriation	2,189	0	0	(2,189)	0
Parking meter fees/fund appropriation payment	12,000	(12,000)	0	0	0
Sale of surplus property	0	0	0	0	0
Total	$ 41,189	(12,000)	0	(2,189)	(27,000)

(14) Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2009 in the following categories (in thousands):

Public safety:	
Police Department	$ 3,752
Fire Department	3,731
Public Works:	
Snow Removal	8,494
Execution of Courts:	
Execution of Courts	1,306
	$ 17,283

The excess expenditures reported above are allowed under the budgetary laws governing the City.

(15) 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 PHC.

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.

Notes to Basic Financial Statements

June 30, 2009

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC, and a City appropriation. During fiscal year 2009, the City appropriated $69.4 million to the PHC. As described below, the PHC uses the appropriation to pay debt service on certain general obligation bonds and base assistance grant payments to BMC. The remainder of the appropriation is used for administrative purposes and to support the various public health programs run by the PHC. The City has budgeted $70.0 million for the PHC for fiscal year 2010.

Due from PHC/BMC

On July 1, 1996, in connection with the consolidation transaction described above, the PHC assumed a liability of $149.8 million for a mortgage note due to the City. In August 2002, this note was refinanced such that the stream of payments made by the PHC on the new note will be used to pay the outstanding balance of $122.9 million of the City's Special Obligation Refunding Bonds dated August 2002. The PHC receives funding for the note payments from the BMC under a lease agreement whereby the BMC leases portions of the former BCH for an initial period of 50 years. Rental payments received under this lease are equal to the debt service costs on the new note and on all City general obligation bonds allocable to BCH. In fiscal year 2009, the City received $7.4 million in principal and $3.4 million in interest for a total of $10.8 million from PHC in payments for this note. These general obligation bonds were issued by the City between December 1967 and October 1995 and total $7.2 million at June 30, 2009. These bonds pertain to the property and operations of the BCH Campus, South Block Campus, BSRH Campus, Emergency Medical Services Operations, and the Long Island Campus.

In addition, the PHC and BMC are also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

Payments to BMC

PHC is obligated to make future base assistance grant payments to BMC of $10.8 million each year through fiscal year 2019.

(16) Risk Management

The City is self-insured for general liability, property, and casualty (except for boiler and machinery losses up to $10.0 million), worker injury, unemployment, and certain employee health claims. The City's Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations, with exposure limited by a state tort cap under Chapter 258 of the M.G.L. Except for certain healthcare costs described below, judgments and claims are charged to the General Fund.

The City's health insurance program, administered by the Health Insurance and Benefits Division, a program within Human Resources, provides coverage to the City's employees and retirees through a number of Health Maintenance Organizations (HMO) and Blue Cross Blue

Notes to Basic Financial Statements

June 30, 2009

Shield of Massachusetts (BCBS). Costs to the City for the HMOs, which varies from 90.0% to 78.0% of total premium after employee contributions, are accounted for in the General Fund and are capped at a defined premium payment per employee.

BCBS acts as a third-party agent for the City in the payment of the various claim plans used by the City. City costs incurred for the operation of the BCBS plans, totaling 75% of premium after employee contributions, are accounted for in a separate health insurance internal service fund.

The City has implemented a comprehensive risk financing strategy that includes establishing a catastrophic risk reserve, currently with a $12.5 million balance available for future losses. The City's property insurance was renewed – a one-year, all-risk catastrophic property insurance policy covering all City property assets up to $100.0 million, after a $10.0 million retention. Any boiler and machinery-related property loss is additionally insured, after a $50,000 deductible, for up to $10.0 million.

The City has established a liability based on historical trends of previous years and attorney's 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, 2009 and 2008 are as follows (in thousands):

		Internal service fund	
		2009	**2008**
Health and life claims, beginning of year	$	7,436	6,827
Incurred claims		86,351	89,392
Payments of claims attributable to events of both the current and prior fiscal years:			
Health and life		(87,280)	(88,783)
Health and life claims, end of year	$	6,507	7,436

		Government-wide statements	
		2009	**2008**
Judgments and claims, beginning of year	$	79,856	71,224
Incurred claims		44,190	51,354
Payments of claims attributable to events of both the current and prior fiscal years:			
Workers' compensation		(34,277)	(37,369)
Unemployment compensation		(3,544)	(3,386)
Court judgments		(7,157)	(1,967)
Judgments and claims, end of year	$	79,068	79,856

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.

Notes to Basic Financial Statements

June 30, 2009

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.

(17) Discretely Presented Component Units

The following presents condensed financial statements for each of the discretely presented component units:

Condensed Statements of Net Assets

June 30, 2009

(In thousands)

	PHC	BRA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	$ 43,458	43,896	11,168	8,319	106,841
Cash and investments held by trustee	0	0	39,606	1,854	41,460
Receivables, net:					
Other	11,780	4,993	1,097	8,175	26,045
Other assets	9,465	110	1,620	685	11,880
Due from primary government	292	0	0	0	292
Total current assets	64,995	48,999	53,491	19,033	186,518
Noncurrent assets:					
Notes receivable	5,206	85,472	0	0	90,678
Other assets	77,768	31,898	0	0	109,666
Capital assets:					
Nondepreciable	15,561	15,001	0	1,420	31,982
Depreciable	16,482	3,582	724	31,882	52,670
Total noncurrent assets	115,017	135,953	724	33,302	284,996
Total assets	$ 180,012	184,952	54,215	52,335	471,514

Notes to Basic Financial Statements

June 30, 2009

Condensed Statements of Net Assets

June 30, 2009

(In thousands)

		PHC	BRA	TPL	EDIC	Total
Liabilities:						
Current liabilities:						
Warrants and accounts payable	$	14,056	3,218	1,839	3,408	22,521
Accrued liabilities:						
Other		0	0	225	2,081	2,306
Current portion of long-term debt and leases		0	0	0	1,201	1,201
Due to BMC		6,464	0	0	0	6,464
Due to primary government		9,183	0	352	0	9,535
Deferred revenue		1,988	2,629	0	719	5,336
Total current liabilities		31,691	5,847	2,416	7,409	47,363
Noncurrent liabilities:						
Bonds notes and leases due in more than one year		0	1,475	0	16,491	17,966
Other noncurrent liabilities		17,314	140,291	0	786	158,391
OPEB		32,180	2,070	0	0	34,250
Deferred revenue		6,374	33,445	0	0	39,819
Due to primary government		79,416	0	0	0	79,416
Total noncurrent liabilities		135,284	177,281	0	17,277	329,842
Total liabilities		166,975	183,128	2,416	24,686	377,205
Net assets:						
Invested in capital assets, net of related debt		30,590	6,613	724	17,465	55,392
Restricted		0	0	49,794	0	49,794
Unrestricted		(17,553)	(4,789)	1,281	10,184	(10,877)
Total net assets	$	13,037	1,824	51,799	27,649	94,309

Notes to Basic Financial Statements

June 30, 2009

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

(In thousands)

	PHC	BRA	TPL	EDIC	Total
Expenses	$ 144,954	29,108	16,421	37,125	227,608
Program revenues:					
Charges for services	8,884	7,616	1,032	14,710	32,242
Operating grants and contributions	47,381	10,303	11,813	15,906	85,403
Capital grants and contributions	5,776	0	0	0	5,776
Total program revenues	62,041	17,919	12,845	30,616	123,421
Net expenses	(82,913)	(11,189)	(3,576)	(6,509)	(104,187)
General revenues:					
Investment income (loss)	756	1,480	(7,258)	129	(4,893)
Sale of property	0	6,905	0	0	6,905
City appropriation	69,446	0	0	0	69,446
Miscellaneous income	3,427	897	0	2,074	6,398
Total general revenues	73,629	9,282	(7,258)	2,203	77,856
Change in net assets	(9,284)	(1,907)	(10,834)	(4,306)	(26,331)
Net assets – beginning of year	22,321	3,731	62,677	31,955	120,684
Prior period adjustment	0	0	(44)	0	(44)
Net assets – end of year	$ 13,037	1,824	51,799	27,649	94,309

Schedule 1

Required Supplementary Information
(Unaudited)

(Dollar amounts in thousands)

Schedules of Funding Progress

Pension

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)
01/01/08	$ 4,458,002	6,596,148	2,138,146	67.6%	$ 1,299,112	164.6%
01/01/07	4,138,146	6,223,154	2,085,008	66.5	1,221,404	170.7
01/01/06	3,836,807	5,957,373	2,120,566	64.4	1,168,808	181.4
01/01/05	3,587,118	5,664,288	2,077,170	63.3	1,115,529	186.2
01/01/04	3,384,814	5,420,842	2,036,028	62.4	1,067,492	190.7
01/01/03	3,204,893	5,121,319	1,916,426	62.6	1,099,779	174.3
Other Postemployment Benefits						
06/30/07	$ 0	5,490,836	5,490,836	0.0%	$ 669,802	819.8%

Schedule of Employers' Contributions – Pension

	Annual required contribution	Percentage contributed
Year ended December 31:		
2008	$ 244,299	100%
2007	227,822	100
2006	217,088	100
2005	191,132	100
2004	164,069	100
2003	157,064	100

See accompanying independent auditor's report

EXHIBIT II

Schedules of Comparative Financial Statements for Fiscal Years 2009 - 2005

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Fund Equity for the fiscal years ended June 30, 2009, 2008, 2007, 2006 and 2005 have been prepared by the City of Boston Auditing Department based on information taken from the City's audited financial statements.

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Boston

General Fund

BALANCE SHEETS
June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash and investments	$ 863,606	$ 756,652	$ 738,650	$ 663,547	$ 692,679
Cash and investments held by trustee	-	-	-	-	-
Receivables :					
Property taxes	17,724	19,774	20,694	21,401	32,666
Motor vehicle excise	62,415	63,706	74,520	62,328	73,855
Intergovernmental	231,096	237,443	218,856	239,719	343,686
Departmental and other	15,256	66,398	42,999	33,146	31,742
Tax title and possession	85,052	81,437	78,105	76,178	75,379
Total receivables	411,543	468,758	435,174	432,772	557,328
Allowance:					
Abatement res/property tax allow	-	-	(823)	(3,891)	(16,950)
Tax title and possession	(85,034)	(81,437)	(78,105)	(76,178)	(75,379)
Motor vehicle excise	(57,617)	(58,690)	(58,280)	(56,876)	(56,179)
Other	(15,144)	(19,151)	(20,279)	(20,217)	(20,336)
Total allowances	(157,795)	(159,278)	(157,487)	(157,162)	(168,844)
Net receivable	253,748	309,480	277,687	275,610	388,484
Due from other funds	27,000	27,703	22,773	24,221	20,690
Due from component units	6,653	7,829	8,279	9,021	10,065
Other assets	-	-	-	-	-
Total assets	$ 1,151,007	$ 1,101,664	$ 1,047,389	$ 972,399	$ 1,111,918
LIABILITIES					
Warrants and accounts payable	$ 57,124	$ 48,356 *	$ 39,735	$ 36,295	$ 94,107
Accrued liabilities:					
Tax abatement refunds	-	-	-	-	-
Judgements and claims	-	-	-	-	-
Compensated absences	-	-	-	-	-
Payroll and related costs	125,527	103,737	106,741	88,189	100,798
Other	23,655	15,073	8,278	9,653	4,508
Due to other funds	3,675	4,382	6,989	3,266	1,945
Due to component units	292	250	256	250	84
Matured interest and bonds payable	-	-	-	-	-
Current portion of long-term debt	-	- *	-	-	-
Deferred revenue	112,047	127,817	153,341	173,349	297,452
Total liabilities	$ 322,320	$ 299,615	$ 315,340	$ 311,002	$ 498,894
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances	37,534	32,519	38,617	44,573	33,155
Debt Service	-	-	-	-	-
Unreserved:					
Designated for subsequent year expenditires	240,824	216,429	198,098	178,157	164,621
Undesignated	550,329	553,101	495,334	438,667	415,248
Total fund balance	828,687	802,049	732,049	661,397	613,024
Total liabilities and fund balance	$ 1,151,007	$ 1,101,664	$ 1,047,389	$ 972,399	$ 1,111,918

* Corrected

City of Boston

General Fund

Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance Fiscal Years Ending June 30, 2009, 2008, 2007, 2006 and 2005 Partially Restated for Comparative Purposes (in thousands)

	2009	2008	2007	2006	2005
REVENUES:					
Local:					
Real and personal property taxes, net	$ 1,393,371	$ 1,316,734	$ 1,258,878	$ 1,190,347	$ 1,138,254
Excises	115,454	115,809	99,816	107,361	93,906
Payments in lieu of taxes	56,686	56,667	56,146	60,584	42,218
Fines	69,711	67,940	67,546	67,876	65,280
Investment income	18,289	37,822	43,068	32,351	17,970
Licenses and permits	40,822	45,989	40,694	40,353	33,491
Departmental and other revenue	82,087	79,030	65,661	51,992	60,704
Total local revenues	1,776,420	1,719,991	1,631,809	1,550,864	1,451,823
Intergovernmental:					
Intergovernmental	454,252	493,227	484,510	557,418	460,898
Total intergovernmental revenues	454,252	493,227	484,510	557,418	460,898
Total revenues	2,230,672	2,213,218	2,116,319	2,108,282	1,912,721
EXPENDITURES:					
Current:					
General government	69,524	66,927	65,223	57,262	57,471
Human services	29,722	29,093	26,475	24,875	23,821
Public safety	521,898	509,293	477,403	446,784	457,541
Public works	112,168	108,831	97,897	101,441	106,749
Property and development	28,959	29,876	35,506	33,322	29,836
Parks and recreation	17,571	17,418	17,000	15,723	15,708
Library	31,268	27,089	31,225	28,365	27,594
Schools	818,338	782,500	743,848	719,715	673,009
Public Health Programs	69,985	67,694	64,559	61,282	60,586
County	-	-	-	-	-
Judgments and claims	9,946	1,967	2,257	11,590	6,620
Retirement costs	82,332	95,193	92,873	96,853	59,419
Other employee benefits	191,597	190,167	175,862	157,885	142,721
State and district assessments	142,055	132,792	124,243	118,817	115,894
Capital outlays	566	9,417	1,200	815	2,683
Debt Service	119,294	115,771	113,212	112,600	115,769
Total expenditures	2,245,223	2,184,028	2,068,783	1,987,329	1,895,421
Excess of revenues over expenditures	(14,551)	29,190	47,536	120,953	17,300
OTHER FINANCING SOURCES (USES):					
Payments to escrow agent to refund debt	-	-	(105)	-	(1,025)
Transfers in	41,189	40,810	23,221	(72,580)	23,529
Transfers out	-	-	-	-	-
Total other financing uses, net	41,189	40,810	23,116	(72,580)	22,504
Net change in fund balances	26,638	70,000	70,652	48,373	39,804
Fund balance, beginning of year, as previously reported	802,049	732,049	661,397	613,024	573,220
Cumulative change in accounting principle	-	-	-	-	-
Fund balance, beginning of year	802,049	732,049	661,397	613,024	573,220
Fund balance, end of year	$ 828,687	$ 802,049	$ 732,049	$ 661,397	$ 613,024

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, 2009, 2008, 2007, 2006 and 2005

(in thousands)

	2009		2008		2007		2006		2005	
	Actual	Variance Fav. (Unfav.)	Actual	Variance Fav. (Unfav.)	Actual	Variance Fav. (Unfav.)	Actual	Variance Fav. (Unfav.)	Actual	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:										
Real and personal property taxes, net...........	$ 1,365,272	$ 692	$ 1,295,460	$ 308	$ 1,224,171	$ 515	$ 1,167,342	$ 559	$ 1,106,336	$ 1,307
Motor vehicle excise....................................	44,676	5,131	49,632	9,557	34,500	(3,550)	50,178	11,628	44,763	12,713
Other excises...	105,100	12,650	81,926	(2,574)	85,734	9,874	76,030	9,130	73,894	6,994
Commonwealth of Massachusetts...............	573,278	(36,740)	598,747	7,008	576,372	4,040	549,777	3,615	537,655	14,313
Departmental and other revenue..................	75,661	11,610	67,379	14,392	62,676	17,915	54,116	13,128	53,142	14,660
Fines..	70,053	(5,022)	67,391	(369)	66,975	965	67,611	3,011	65,280	3,436
Payments in lieu of taxes.............................	56,493	393	56,667	3,711	56,146	8,592	60,584	13,769	42,218	2,219
Investment income......................................	17,835	(665)	39,512	2,012	43,471	10,671	30,049	7,243	17,787	10,487
Licenses and permits...................................	41,008	423	47,577	5,248	41,432	8,705	38,755	11,575	33,821	8,471
Transfers from other available funds............	53,219	(6,000)	38,818	(4,992)	10,721	(18,481)	9,810	(31,526)	5,529	(23,376)
Sale of property...			-	-	-	-	-	-	-	-
Total revenues, transfers and other available funds........................	2,402,595	(17,528)	2,343,109	34,301	2,202,198	39,246	2,104,252	42,132	1,980,425	51,224
Expenditures and Encumbrances:										
General government....................................	113,114	2,514	102,837	1,313	78,366	645	60,933	1,418	59,837	598
Human services...	29,734	154	29,116	2	26,394	19	24,950	69	23,853	133
Public safety..	504,717	(4,659)	495,425	(16,510)	477,595	(20,890)	451,997	(21,815)	429,376	(20,714)
Public works..	112,420	(7,393)	107,629	(4,613)	98,748	44	101,996	(1,324)	106,699	(14,247)
Property and development............................	31,178	-	31,453	66	33,991	105	36,225	150	25,425	55
Parks and recreation....................................	17,490	203	17,374	87	16,707	265	15,629	230	15,179	292
Library..	31,211	19	29,601	2	28,550	57	27,712	1	26,600	1
Schools..	810,006	23,293	795,488	10	747,462	24	717,793	16	680,181	26
Boston Public Health Commission…………	69,446	-	68,195	-	63,798	-	61,300	-	60,568	-
County..	-	-	-	-	-	-	-	-	-	-
Judgments and claims.................................	4,806	(1,306)	3,500	-	7,107	(3,607)	10,497	(6,997)	10,884	(7,384)
Other employee benefits..............................	195,612	54	191,032	38	177,087	(696)	159,058	(56)	147,803	(1,648)
Retirement costs..	217,378	52	207,049	56	197,574	-	190,885	100	151,463	-
State and district assessments......................	142,055	5,403	132,792	561	124,243	-	118,817	(416)	115,894	(25)
Debt requirements..	119,294	3,328	115,771	534	109,364	-	112,599	353	118,330	22
Total expenditures...............................	2,398,461	21,662	2,327,262	(18,454)	2,186,986	(24,034)	2,090,391	(28,271)	1,972,092	(42,891)
Excess of revenues available for appropriation over expenditures.........	$ 4,134	$ 4,134	$ 15,847	$ 15,847	$ 15,212	$ 15,212	$ 13,861	$ 13,861	$ 8,333	$ 8,333

City of Boston

Special Revenue Fund

BALANCE SHEETS
June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash and investments	$ 168,216	$ 157,774	$ 153,759	$ 158,601	$ 123,608
Restricted cash and investments	-	-	-	-	-
Receivables (net, where applicable, of allowances for estimated uncollectible amounts):					
Intergovernmental	67,976	95,246	102,359	103,307	103,493
Departmental and other	61,528	59,167	55,264	73,689	75,439
Total receivables	129,504	154,413	157,623	176,996	178,932
Due from other funds	1,181	2,510	4,863	2,682	1,363
Other assets	-	-	-	-	-
Total assets	$ 298,901	$ 314,697	$ 316,245	$ 338,279	$ 303,903
LIABILITIES					
Warrants and accounts payable	$ 24,679	$ 22,802	$ 14,549	$ 11,452	$ 14,752
Accrued liabilities:					
Payroll and related costs	4,160	7,586	1,345	1,366	1,534
Other	33,120	30,757	21,963	28,646	28,162
Due to component units	-	-	-	-	-
Deferred revenue	56,142	58,884	55,264	73,689	75,439
Due to other funds	-	4,603	2,792	6,219	2,690
Total liabilities	118,101	124,632	95,913	121,372	122,577
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances and other	42,206	46,022	65,928	67,116	51,090
Unreserved:					
Designated	-	-	-	-	-
Undesignated	138,594	144,043	154,404	149,791	130,236
Total fund balance	180,800	190,065	220,332	216,907	181,326
Total liabilities and fund balance	$ 298,901	$ 314,697	$ 316,245	$ 338,279	$ 303,903

City of Boston

Special Revenue Fund

Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2008, 2007, 2006, 2005 and 2004
(in thousands)

	2009	2008	2007	2006	2005
REVENUES:					
Local:					
Fines	$ 12	$ 150	$ 11	$ 18	$ 17
Investment income	194	545	482	351	282
Licenses and permits	308	60	65	71	74
Departmental and other revenue	21,931	29,596	48,699	45,894	52,882
Total local revenues	22,445	30,351	49,257	46,334	53,255
Intergovernmental:					
Intergovernmental	365,102	342,464	348,816	377,471	332,331
Total intergovernmental revenues	365,102	342,464	348,816	377,471	332,331
Total revenues	387,547	372,815	398,073	423,805	385,586
EXPENDITURES:					
Current operations:					
General government	9,021	10,084	7,394	4,684	22,548
Human services	7,585	9,482	8,556	10,009	8,678
Public safety	7,527	21,086	28,578	30,004	24,338
Public works	9,254	13,207	9,042	8,961	2,719
Parks and recreation	624	510	354	384	1,001
Libraries	5,366	4,962	5,166	5,670	5,579
Schools	154,989	149,069	154,774	149,685	134,992
County	129,603	121,180	114,218	106,270	101,832
Public health	1,408	700	774	1,985	1,710
Property & development	64,449	72,806	66,893	71,749	57,154
Capital outlays	1,151	2,993	2,353	1,695	805
Debt service	-	-	-	-	3,879
Total expenditures	390,977	406,079	398,102	391,096	365,235
Excess (deficiency) of revenues over expenditures	(3,430)	(33,264)	(29)	32,709	20,351
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued	-	5,050	76	-	1,381
Premiums on long-term debt issued	8,087	8,402	4,378	3,872	10,409
Payments to escrow agents	(1,922)	(455)	-	-	(6,180)
Transfers out, net	(12,000)	(10,000)	(1,000)	(1,000)	(3,500)
Total other financing sources (uses), net	(5,835)	2,997	3,454	2,872	2,110
Net change in fund balances	(9,265)	(30,267)	3,425	35,581	22,461
Fund balance, beginning of year	190,065	220,332	216,907	181,326	158,865
Fund balance, end of year	$ 180,800	$ 190,065	$ 220,332	$ 216,907	$ 181,326

City of Boston

Capital Projects Fund

BALANCE SHEETS
June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash and investments	$ 38,017	$ 20,979	$ 25,926	$ 24,221	$ 31,910
Cash and investments held by trustees	4,914	2,346	2,828	4,209	2,429
Receivables (net, where applicable, of allowances for estimated uncollectible amounts):					
Intergovernmental	12,755	53,482	11,578	4,016	3,005
Departmental and other	-	-	-	-	-
Total receivables	12,755	53,482	11,578	4,016	3,005
Due from other funds	2,031	1,379	1,591	-	-
Other assets		-	-	-	-
Total assets	$ 57,717	$ 78,186	$ 41,923	$ 32,446	$ 37,344
LIABILITIES					
Warrants and accounts payable	$ 13,206	$ 30,001	$ 11,677	$ 5,786	$ 3,493
Other accrued liabilities	1,693	192	6,352	8,510	15,219
Other liabilities	-	-	-	-	-
Deferred revenue	12,754	48,974	11,578	3,306	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	27,653	79,167	29,607	17,602	18,712
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances and other	74,145	79,677	121,437	71,727	84,471
Future appropriations	30,087	30,087	35,756	43,756	43,724
Unreserved:					
Undesignated (deficit)	(74,168)	(110,745)	(144,877)	(100,639)	(109,563)
Total fund balance	30,064	(981)	12,316	14,844	18,632
Total liabilities and fund balance	$ 57,717	$ 78,186	$ 41,923	$ 32,446	$ 37,344

City of Boston

Capital Projects Fund

Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
REVENUES:					
Local:					
Investment income	$ -	$ -	$ -	$ -	$ -
Departmental and other revenue	-	-	-	3,864	3,065
Total local revenues	-	-	-	3,864	3,065
Intergovernmental:					
Intergovernmental	56,558	14,701	10,177	9,538	8,800
Total intergovernmental revenues	56,558	14,701	10,177	9,538	8,800
Total revenues	56,558	14,701	10,177	13,402	11,865
EXPENDITURES:					
Capital outlays	139,592	170,834	127,860	103,305	87,974
Debt Service	-	-	-	97,446	-
Total expenditures	139,592	170,834	127,860	200,751	87,974
Excess (deficiency) of revenues over expenditures	(83,034)	(156,133)	(117,683)	(187,349)	(76,109)
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued	154,387	176,615	200,400	89,871	136,003
Payments to escrow agent to refund debt	(40,308)	(28,110)	(85,245)	-	(96,539)
Transfers out	-	(5,669)	-	93,690	-
Total other financing sources, net	114,079	142,836	115,155	183,561	39,464
SPECIAL ITEM:					
Proceeds from sale of capital assets		-	-	-	-
Net change in fund balances	31,045	(13,297)	(2,528)	(3,788)	(36,645)
Fund balance, beginning of year	(981)	12,316	14,844	18,632	55,277
Fund balance, end of year	$ 30,064	$ (981)	$ 12,316	$ 14,844	$ 18,632

City of Boston

Internal Service Fund

BALANCE SHEETS
June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
ASSETS					
Cash and cash equivalents	$ 55,761	$ 51,640	$ 43,417	$ 34,624	$ 30,555
Receivables:					
Departmental and other receivables	170	317	283	107	154
Due from other funds and sources	463	493	554	582	582
Due from component units	-	-	115	54	-
Other assets	1,503	4,856	3,910	1,825	1,873
Total assets	$ 57,897	$ 57,306	$ 48,279	$ 37,192	$ 33,164
LIABILITIES					
Accrued Liabilities:					
Warrants and accounts payable	$ -	$ 22	$ 46	$ 32	$ 39
Accrued liabilities	6,507	7,436	6,827	6,593	6,465
Total liabilities	6,507	7,458	6,873	6,625	6,504
FUND EQUITY					
Unrestricted	51,390	49,848	41,406	30,567	26,660
Total fund equity	51,390	49,848	41,406	30,567	26,660
Total liabilities and fund equity	$ 57,897	$ 57,306	$ 48,279	$ 37,192	$ 33,164

City of Boston

Internal Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Equity
Fiscal Years Ending June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
REVENUES					
Employer contributions	$ 65,874	$ 72,204	$ 72,933	$ 67,786	$ 68,861
Employee contributions	22,948	25,021	26,962	22,379	23,951
Miscellaneous	-	-	-	-	-
Total operating revenues	88,822	97,225	99,894	90,165	92,812
EXPENDITURES					
Administrative and general	-	-	-	-	-
Benefits	87,280	88,783	89,055	86,258	82,684
Total operating expenditures	87,280	88,783	89,055	86,258	82,684
Changes in net assets	1,542	8,442	10,839	3,907	10,128
Net assets (deficit), beginning of year	49,848	41,406	30,567	26,660	16,532
Net assets, end of year	$ 51,390	$ 49,848	$ 41,406	$ 30,567	$ 26,660

City of Boston

Enterprise Funds

BALANCE SHEETS
Fiscal Years Ending June 30, 2009, 2008, 2007, 2006 and 2005
(in thousands)

	2009	2008	2007	2006	2005
ASSETS					
Current assets:					
Cash and investments	$ 180	$ 80	$ 272	$ -	$ -
Cash and investments held by trustees	88,869	79,681	60,638	56,596	50,010
Receivables, net	-	210	-	-	-
Due from component units	82,298	89,725	96,873	103,751	110,370
Due from other governments	-	-	-	2,141	-
Other assets	2,240	2,427	2,613	2,801	2,987
Total current assets	173,587	172,123	160,396	165,289	163,367
Total assets	$ 173,587	$ 172,123	$ 160,396	$ 165,289	$ 163,367
LIABILITIES					
Current liabilities:					
Warrants and accounts payable	$ -	$ -	$ -	$ 5,240	$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	27,000	23,000	20,000	18,000	18,000
Other liabilities	2,449	2,595	2,734	2,842	2,946
Current portion of long-term debt	10,815	10,360	9,920	9,565	9,220
Total current liabilities	40,264	35,955	32,654	35,647	30,166
Noncurrent liabilities:					
Special obligation bonds	93,505	97,085	100,485	103,715	106,785
Revenue bonds	82,621	90,080	97,265	104,178	110,898
Total noncurrent liabilities	176,126	187,165	197,750	207,893	217,683
Total liabilities	216,390	223,120	230,404	243,540	247,849
NET ASSETS					
Unrestricted	(42,803)	(50,997)	(70,008)	(78,251)	(84,482)
Total net assets	$ (42,803)	$ (50,997)	$ (70,008)	$ (78,251)	$ (84,482)

City of Boston

Enterprise Funds

Statement of Revenues, Expenditures, and Changes in Net Assets
Fiscal Years Ending June 30, 2009, 2008, 2007, 2006 and 2005

	2009	2008	2007	2006	2005
Operating revenues:					
Excise taxes - pledged for debt service	$ 36,605	$ 40,342	$ 35,092	$ 30,503	$ 28,028
Departmental and other - pledged for debt service	-	-	-	2,141	-
Total operating revenues	36,605	40,342	35,092	32,644	28,028
Operating expenditures:					
Contributions to State	-	-	-	5,240	84
Total operating expenses	-	-	-	5,240	84
Operating (loss) income	36,605	40,342	35,092	27,404	27,944
Nonoperating revenue (expenditure):					
Intergovernmental - state grants	1,116	1,196	1,152	1,396	297
Investment earnings - pledged for debt service	5,910	8,506	730	5,145	5,293
Investment earnings - other	389	1,290	1,450	775	823
Interest expense	(8,826)	(9,323)	(10,181)	(10,489)	(11,185)
Total nonoperating revenue (expense)	(1,411)	1,669	(6,849)	(3,173)	(4,772)
Income before transfers	35,194	42,011	28,243	24,231	23,172
Transfer to general fund	(27,000)	(23,000)	(20,000)	(18,000)	(18,000)
Change in net assets	8,194	19,011	8,243	6,231	5,172
Total net assets - beginning	(50,997)	(70,008)	(78,251)	(84,482)	(89,654)
Total net assets - ending	$ (42,803)	$ (50,997)	$ (70,008)	$ (78,251)	$ (84,482)

[THIS PAGE INTENTIONALLY LEFT BLANK]

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION

The following report has been prepared by the Boston Redevelopment Authority (the "BRA") for inclusion in the Official Statement. The report describes the principal components of the economy of the City and presents major economic, demographic and market indicators, and historical, statistical and other information.

This report 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 report of such forecasts, projections and estimates should not be regarded as a representation of the BRA or the City that such forecasts, projections and estimates will occur.

The information contained herein has been furnished by the BRA and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the underwriters of the Bonds or, as to information from other sources, of the BRA or the City.

TABLE OF CONTENTS

THE BOSTON ECONOMY

The City is the twenty-first largest city in the United States and the economic hub of The Commonwealth of Massachusetts (the “Commonwealth”) and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, as well as for transportation, communications, export, cultural and entertainment activities. As a government center, the City is the capital of the Commonwealth and is host to several federal regional offices. High technology, research and development, financial services, manufacturing, and wholesale distribution also contribute to the economy of the City and its suburbs.

In 2008 the City had a population of 620,535, as estimated by the U.S. Department of Commerce Bureau of the Census (the “Bureau of the Census”), and had 678,462 jobs, as stated in a series for Boston consistent with the U.S. Department of Commerce, Bureau of Economic Analysis (the “Bureau of Economic Analysis”) for Suffolk County pro-rated for Boston (employment in 2009 is estimated at 662,539). The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, the City’s economy comprises approximately 16.0% of the Massachusetts economy and 7.3% of that of the six New England states.

Overview of Recent Economic Conditions

The City of Boston’s economy experienced moderate growth from 2004 through much of 2008. In the spring of 2008, as the national economy began to experience rising unemployment and more rapidly deteriorating economic conditions, Boston still showed some signs of growth. However, in late 2008 Boston began to show signs of a weakening labor market and the same deteriorating conditions then prevalent in the rest of the country. Currently, the U.S. unemployment rate is higher than Boston’s, the nation’s level of job loss has been greater, and although Boston’s real estate markets have been experiencing rising vacancy rates and a correction in prices for several years, it is still outperforming most other major real estate markets in the U.S.

Unemployment rates in Boston, which had been as low as 3.9% as recently as April of 2008, reached 9.3% in January 2010.The national unemployment rate, which was in the 4.3% to 5.0% range throughout 2007, reached 10.6% in January 2010. Massachusetts and New England also had higher unemployment rates than the City of Boston, 10.4% and 10.0% respectively, in January 2010. Boston’s commercial real estate market experienced a downward shift beginning in the last half of 2008 through the present. Similarly, hotels after several years of improving performance have also shown weakening numbers in the past year. The housing market in Boston, hurt by rising foreclosures and the tight lending market, has experienced weakened sales volumes and small to moderate drops in prices. Boston, however, has not experienced the same level of price declines experienced in many other large markets across the U.S.

Statistical Data

Statistical data relating to population, employment and income are derived primarily from five separate sources: the U.S. Census Bureau, the Bureau of Economic Analysis, the U.S. Department of Labor, Bureau of Labor Statistics (the “Bureau of Labor Statistics”), and the City and the Boston Redevelopment Authority (the “BRA”), each of which is described below.

The U.S. Census Bureau publishes information about population, housing and the economy. The most recent decennial Census data remains the 2000 Census. In addition to that, some monthly, quarterly and annual data are available through December 2009 on certain topics for the region, the Commonwealth, and Metropolitan Boston. The Bureau of the Census now has the American Community Survey which provides city level data beyond 2000 and through 2008 for some variables on a citywide basis but not for neighborhoods or census tracts.

The Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, New England, Massachusetts is for 2008; and for Metropolitan Boston and Suffolk County the latest data are for 2007. The most recent quarterly national statistics are for the fourth quarter of 2009. The City accounts for approximately 87% of Suffolk County’s population and approximately 96% of its employment.

The Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. Final annual data for 2009 exists for some but not all variables the most recent monthly data are for December 2009.

The City and the BRA prepare reports and compile data on the population and economy of the City and its neighborhoods. The BRA also provides data and trends obtained from various local, regional, state and national sources from both the public and private sectors on such topics as employment and occupations, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

The statistical data contained in this report do not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate and publish such data. 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 such delays. 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

The U.S. Census Bureau reported the City's population as 589,141 in 2000, a 2.6% increase over 1990. The number of households in the City increased from 228,464 in 1990 to 239,528 in 2000, while household size fell from 2.4 to 2.3 persons per household from 1980 to 2000. The U.S. Census Bureau population for Massachusetts in 2000 was 6,349,097, or an increase of 332,672 persons (5.5%) from the 1990 census. The population of Metropolitan Boston (as defined below) rose to 4,391,344 in 2000, an increase of 257,449 persons or 6.2% over the decade.

Boston's population for 2008 was estimated by the U. S. Census Bureau to be 620,535 which showed an increase of 5.3% from the count of 589,141 in 2000. The U.S. Census Bureau also estimates 2008 population data for states and metropolitan areas. The population of Massachusetts as of July 1, 2008 is estimated to have been 6,543,599, a gain of 3.1% over that for April 2000. The population of Metropolitan Boston for July 1, 2008 is estimated to have been 4,522,858, an increase of 131,514 residents from the 2000 census, a gain of 3.0%.

Population of Massachusetts, Metropolitan Boston and the City of Boston 1990, 2000 and 2008

				1990-2000		2000-08	
	1990	2000	2008 (2)	Population Change	Percent Change	Population Change	Percent Change
Massachusetts	6,016,425	6,349,097	6,543,595	332,672	5.5	194,498	3.1
Metropolitan Boston (1)	4,133,895	4,391,344	4,522,858	257,449	6.2	131,514	3.0
City of Boston	574,283	589,141	620,535	14,858	2.6	31,394	5.3

(1) 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-Quincy MA-NH Metropolitan Statistical Area; as defined by the Office of Management and Budget (OMB).

(2) The 2009 population for Massachusetts only was released in January 2010 showing 6,593,587.

Source: U.S. Census Bureau, January 2010.

The 2000 Census showed that Boston's racial composition was: White, Non-Hispanic 49.5%; Black, Non-Hispanic 23.8%; Hispanic 14.4%; Asian/Pacific Islander 7.5%; Multi-racial 3.1%; other single race 1.4%; and Native American 0.3%. The American Community Survey, from the U.S. Census Bureau, shows that the racial make-up of the City has not changed significantly from the 2000 Census, but does indicate that the proportions of Hispanic and Asian City residents are slightly higher while the proportion of Black, Non-Hispanic City residents is down slightly.

Summarizing again from the 2000 Census, Boston continues to be a city of young adults due to the large number of students and young adults living and working in the City. Close to one out of every three persons in Boston is between 20 and 34 years old. The population aged 35 to 54 years increased significantly, to 20% in 2000, as that cohort aged and continued to show a preference for city living. The City saw a decline in the elderly population (aged 65 and over) between 1990 and 2000 as that segment declined by nearly 5,000 people to 10% of the population. Boston showed a general rise in the number of children as that population (aged 18 and under) increased by over 6,700 persons to 20% of the population. The trend toward fewer families of related people living together to more non-family households comprised of single persons and roommates, continued in Boston. There was also a trend toward more "non-traditional" families as the data showed more relatives and non-relatives other than the householder and spouse living in families. Overall, the total number of households rose. Single-person households continued to increase in number. Families with children under 18 also increased in number, although married couples with young children decreased because of the continued trend toward single-parent families with children. Children over 18 living with their families showed an upward trend as college students commuted in increasing numbers, and the cost of housing kept older children at home longer. Group quarters population continued to increase both for the institutionalized and non-institutionalized populations, the majority of which is the student dormitory population. Household size declined by 2.5%, from 2.37 to 2.31 persons. Average family size edged only marginally lower from 3.19 to 3.17 persons.

The following table shows the 2003-2008 population, income and employment trends for the U.S., New England, and Massachusetts. Metropolitan Boston data is from 2003 through 2007.

The six-state New England region had a combined population of 14.3 million people and 9.3 million jobs in 2008 according to Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 5.0% from 2002 through 2008, below the 5.5% national rate for the same period. Employment in New England grew by 578,105 jobs from 2003 through 2008, an annual average of 1.3%.

Massachusetts had a population of 6.5 million people and 4.3 million jobs in 2008, according to Bureau of Economic Analysis annual data. Total personal income in Massachusetts grew at a 5.2% annual average rate from 2003 through 2008, better than the 5.0% rate of increase for New England, but below the national rate of 5.5%. Massachusetts gained 257,498 jobs between 2003 and 2008, an annual average of 1.3%.

The Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area, defined by the Office of Management and Budget (OMB) to include Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts, and Rockingham and Strafford counties in New Hampshire ("Metropolitan Boston"), had 4.5 million people and 3.1 million jobs in 2007. Total personal income from 2003 through 2007 grew at an annual average rate of 5.9%, just under the national mark of 6.1%. The most recent employment data show a gain of 144,729 jobs for the 2003-2007 period, an annual rate of 1.2%.

Population, Income and Employment
2003-2008
(Income in current year dollars)

	2003	2004	2005	2006	2007	2008
United States						
Total Personal Income ($000)	$9,369,072,000	$9,928,790,000	$10,476,669,000	$10,256,516,000	$11,879,836,000	$12,225,589,000
Per Capita Income	$32,284	$33,899	$35,447	$37,728	$39,430	$40,208
Population	290,210,914	292,892,127	295,560,549	298,362,973	301,290,332	304,059,724
Employment	166,019,500	169,026,700	172,551,400	176,124,600	179,871,790	181,755,100
New England						
Total Personal Income ($000)	$ 550,071,297	$ 580,052,062	$ 602,312,832	$ 649,754,409	$ 684,836,400	$ 702,966,446
Per Capita Income	$38,788	$40,842	$42,391	$45,652	$48,027	$49,146
Population	14,181,365	14,202,260	14,208,352	14,232,686	14,259,321	14,303,542
Employment	8,697,134	8,788,539	8,884,806	9,004,077	9,149,976	9,275,239
Massachusetts						
Total Personal Income ($000)	$ 258,695,757	$ 271,160,236	$ 282,446,783	$ 304,970,367	$ 322,652,087	$ 333,046,494
Per Capita Income	$40,161	$42,123	$43,897	$47,330	$49,885	$51,254
Population	6,441,440	6,437,414	6,434,343	6,443,424	6,497,915	6,497,967
Employment	3,993,191	4,015,738	4,056,052	4,117,311	4,186,896	4,251,139
Metropolitan Boston (1)						
Total Personal Income ($000)	$ 190,707,890	$ 200,371,330	$ 200,953,698	$ 225,661,194	$ 240,084,788	NA
Per Capita Income	$42,794	$44,987	$47,128	$50,515	$53,443	NA
Population	4,456,379	4,453,964	4,454,959	4,467,233	4,492,338	NA
Employment	2,977,001	3,004,301	3,046,805	3,077,490	3,121,730	NA

(1) 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-Quincy MA-NH Metropolitan Statistical Area.

Source: Bureau of Economic Analysis, February 2010; U.S. Census Bureau, population figures for Massachusetts and Metropolitan Boston.

Employment Structure, Employment Trends and Occupational Changes

The economy of Metropolitan Boston rests primarily on high technology, finance, professional and business services, defense, and educational and medical institutions. The City's economy is more specialized in the financial, governmental, business and professional services, and educational and medical sectors, than the suburban economy, which is more specialized in high technology and the defense industry.

The table below shows Boston's employment growth by industry category for 2007, 2008, and 2009. The industry categories are in the new North American Industrial Classification System ("NAICS") format, which the Bureau of Economic Analysis began using in 2001. Employment data from the Bureau of Economic Analysis is through 2007. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (ES-202) from the Massachusetts Department of Workforce Development ("DWD").

Employment trends for 2007 through 2008 for Boston show that 6,774 jobs were added, a 1.0% increase. Between 2008 and 2009 job loss totaled 15,922 based upon preliminary data, a decrease of 3.3%. Most losses over the past year were in administrative services (temporary employment), securities and financial investments, construction, retail trade, transportation/warehousing, manufacturing, wholesale trade, and architectural – engineering – design services. Largest gains were evident in health care; educational services; management – scientific – technical services; and insurance. Most of the other industries showed either marginal losses or marginal gains.

City of Boston Employment 2007 – 2009
NAICS (North American Industry Classification System)

Industry	2007	2008*	2009**	Absolute Change '08-'09	Percent Change '08-'09
Fishing/Mining/Agriculture	108	181	181	–	–
Utilities	2,143	2,218	2,338	120	5.4
Construction	17,515	17,041	14,511	-2,530	-14.8
Manufacturing	10,582	10,332	9,222	-1,109	-10.7
Wholesale Trade	10,258	10,672	9,618	-1,053	-9.9
Retail Trade (excludes food service)	31,776	32,369	30,616	-1,753	-5.4
Transportation and Warehousing	19,286	19,615	18,181	-1,434	-7.3
Transportation	18,424	18,344	17,003	-1,341	-7.3
Information	16,736	16,867	16,361	-506	-3
Finance and Insurance	82,461	82,584	80,705	-1,879	-2.3
Banking	21,328	22,125	22,879	754	3.4
Securities and other Financial Investment Activities	41,736	40,833	37,376	-3,457	-8.5
Insurance Carriers and Related Activities	19,443	19,671	20,449	778	4
Real Estate and Rental and Leasing	21,598	21,575	21,320	-255	-1.2
Professional, Scientific, and Technical Services	75,380	77,067	75,117	-1,950	-2.5
Legal Services	21,242	21,413	20,351	1,063	-5
Accounting, Tax Preparation, Bookkeeping	9,840	9,628	9,420	-208	-2.2
Architectural, Engineering, Design, and Related	9,760	9,888	8,832	-1,056	-10.7
Computer Systems Design and Related Services	6,942	7,362	7,208	-153	-2.1
Management, Scientific, and Technical	12,472	13,222	14,351	1,129	8.5
Scientific Research and Development Services	8,084	8,443	9,445	1,001	11.9
Other Professional, Scientific and Technical Serv.	7,040	7,111	5,510	-1,600	-22.5
Management of Companies and Enterprises	7,381	6,964	6,386	-578	-8.3
Admin. & Support and Waste Mgmt. and Remediation Service	45,717	42,892	36,328	-6,563	-15.3
Educational Services	47,355	48,648	50,157	1,509	3.1
Colleges and Universities	41,112	42,243	43,505	1,262	3
Health Care and Social Assistance	116,165	117,984	120,515	2,531	2.1
Hospitals	80,762	81,821	84,055	2,233	2.7
Arts, Entertainment, and Recreation	13,589	13,861	13,903	41	0.3
Accommodation and Food Services	47,401	49,184	48,328	-856	-1.7
Accommodation	11,077	11,437	11,087	-350	-3.1
Food Service and Drinking Places	36,324	37,747	37,242	-505	-1.3
Other Services (except public administration) (1)	28,496	29,433	29,665	233	0.8
Government	77,739	78,976	79,088	112	0.1
Total	**671,688**	**678,462**	**662,539**	**-15,922**	**-2.3**

* 2008 is an estimate based on annual data from DWD and an estimate from the Bureau of Economic Analysis (based on 2007 data).

** 2009 is an estimate based on two quarters of data from DWD and an estimate from the Bureau of Economic Analysis (based on 2007 data).

(1) Other Services includes repair and maintenance, personal and laundry services, and religious, grant-making, civic, professional, and similar organizations.

Source: The employment figures are from the Bureau of Economic Analysis Series for Suffolk County, pro-rated to the City's geographical boundary using data from DWD. See the footnotes above. Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result.

A more recent picture of employment trends for the Commonwealth and Metropolitan Boston is available from the Bureau of Labor Statistics non-agricultural employment data. As of March 2010 data through the month of December 2009 were available, and are presented in the following tables. Data from the following tables shows that employment grew every month relative to the same month from June 2004 through November 2008 when employment began to decline relative to the previous year. In fact, the historical data shows this to be the case in every year since June 2004. By December 2009 a loss of 75,900 jobs in Metropolitan Boston was evident from December 2007; a percentage change of -3.1% over the two year span.

Boston NECTA [1]
Total Non-Agricultural Employment
Monthly, 2007-2009
(Not seasonally adjusted, employment in 000's)

Month	2007 Employment	Change from same month of Previous Year	2008 Employment	Change from same month of Previous Year	2009 Employment	Change from same month of Previous Year
January	2,435.2	1.5%	2,463.8	1.2%	2,413.0	-2.1%
February	2,436.4	1.4	2,467.0	1.3	2,407.0	-2.4
March	2,446.3	1.2	2,476.0	1.2	2,402.2	-3.0
April	2,474.5	1.3	2,499.6	1.0	2,418.2	-3.3
May	2,493.4	1.7	2,513.0	0.8	2,422.3	-3.6
June	2,510.1	1.5	2,523.7	0.5	2,422.2	-4.0
July	2,483.9	1.4	2,496.8	0.5	2,395.4	-4.1
August	2,478.1	1.4	2,487.5	0.4	2,382.5	-4.2
September	2,497.2	1.2	2,503.6	0.3	2,402.0	-4.1
October	2,511.9	1.3	2,516.1	0.2	2,414.2	-4.0
November	2,524.1	1.3	2,509.4	-0.6	2,415.0	-3.8
December	2,524.8	1.1	2,499.3	-1.0	2,411.0	-3.5
ANNUAL	2,484.7	1.4	2,496.3	0.5	2,408.8	-3.5

(1) The Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area (NECTA), which includes portions of seven counties in Massachusetts (Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk and Worcester) and portions of two counties in New Hampshire (Hillsborough and Rockingham); as defined by the Office of Management and Budget (OMB).

Source: Bureau of Labor Statistics (790 Series of Non-Agricultural Employment, March 2010). Seasonally adjusted data is available for total employment but not by industry. Non-seasonally adjusted data is used here to be consistent with data in the next table.

The industry composition of employment comparing December 2008 to December 2009 figures shows that most job losses over the previous year occurred in construction, manufacturing, retail trade, professional and business services, financial activities, and wholesale trade. Gains were only evident in education & health services and government.

Boston NECTA [1]
Non-Agricultural Wage and Salary Employment by Industry
December 2008 and December 2009
(Not seasonally adjusted, employment in 000's)

Industry	December 2008	December 2009	Change	Percent
Non-Agricultural Total	2,499.3	2,411.0	-88.3	-3.5%
Natural Resources and Mining	0.7	0.7	–	–
Construction	91.0	77.3	-13.7	-15.1
Manufacturing	211.2	194.6	-16.6	-7.9
Durable Goods	148.5	135.1	-13.4	-9.0
Non-Durable Goods	62.7	59.5	-3.2	-5.1
Trade, Transportation & Utilities	425.9	404.5	-21.4	-5.0
Wholesale Trade	99.4	92.1	-7.3	-7.3
Retail Trade	263.1	251.7	-11.4	-4.3
Transport. Warehousing & Utilities	63.4	60.7	-2.7	-4.3
Information Services	75.0	70.5	-4.5	-6.0
Financial Activities	184.4	174.7	-9.7	-5.3
Professional & Business Services	409.0	389.8	-19.2	-4.7
Education & Health Services	488.5	493.6	5.1	1.0
Leisure & Hospitality Services	214.4	207.2	-7.2	-3.4
Other Services	89.1	87.3	-1.8	-2.0
Government	310.1	310.8	0.7	0.2

(1) The Boston-Cambridge-Quincy, MA-NH Metropolitan New England City and Town Area (NECTA), which includes portions of seven counties in Massachusetts (Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk and Worcester) and portions of two counties in New Hampshire (Hillsborough and Rockingham); as defined by the Office of Management and Budget (OMB).

Source: Bureau of Labor Statistics (790 Series of Non-Agricultural Employment, March 2010).

The following table indicates that, as of 2008, 67% of City residents were white-collar workers and 33% were blue-collar and service workers, as compared to 1970 when 55% were white-collar workers and 45% were blue-collar and service workers. The trend among City residents away from blue-collar and service occupations and toward white-collar occupations was evident between 1970 and 1990 (this trend actually began prior to 1970; in 1960 only 44% of City residents worked in white collar jobs). During the decade of the 1990s this trend showed some change. White-collar occupations continued to grow but at a slower pace, with managerial, professional, and related jobs gaining but sales and office jobs declining. At the same time, blue-collar and service occupations continued to decline, with the exception of production, transportation and related workers, which showed a modest increase between 1990 and 2000. Between 2000 and 2008, the proportion of white collar workers in the City actually declined slightly. 2008 data from the U.S. Census Bureau's American Community Survey is for the 3-year estimate of 2006-2008).

Occupational Change in the City's Resident Labor Force

	1970		1980		1990		2000		2008	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	146,657	55	154,456	60	191,251	67	197,049	69	204,248	67
Manag'l., Profess'l & Related	59,929	23	77,217	30	107,206	38	123,850	43	139,449	43
Sales & Office	86,728	33	77,239	30	84,045	29	73,199	26	76,205	24
Blue-Collar & Service	119,848	45	101,561	40	97,453	33	88,810	31	102,142	33
Constr'n, Extract'n, Maint.	27,157	10	19,772	8	18,453	6	14,118	5	15,097	5
Product'n., Transp'n., & Related	36,695	14	24,825	10	19,971	7	23,630	8	20,929	7
Service and Farm & Fishing	55,996	21	56,964	22	59,029	20	51,062	18	69,599	22
Total	266,505	100	256,017	100	288,704	100	285,859	100	321,279	100

Source: 1990-2000 from the decennial census reports, U.S. Census Bureau. 2008 from U.S. Census Bureau, "American Community Survey, 2008". 2008 data from the U.S. Census Bureau's American Community Survey is from the three year estimates of surveys from 2006, 2007, and 2008.

Unemployment

In 2009, Boston's unemployment rate was 8.1%, better than the 9.3% national rate. Metropolitan Boston, Massachusetts and New England had rates at 7.8%, 8.4%, and 8.3%, respectively. All of these rates were above the rates for 2008. The 2008 unemployment rate from the American Community Survey for Boston, which differs from the Bureau of Labor Statistics data due to sample size, accuracy in defining the persons in the labor force, and overcounting the officially unemployed, showed that when Boston's total unemployment rate equaled 7.5% in 2008, the rate for all whites equaled 5.1% while the rate for all minority groups equaled 11.3%. Also, the unemployment rate for all youth, aged 16 to 24, was 14.1%, and the rate for minority youth was. 22.6%.

Annual Unemployment Rates, 2003-2009
(not seasonally adjusted)

	2003	2004	2005	2006	2007	2008	2009
City of Boston	6.4%	5.6%	5.2%	4.9%	4.4%	5.1%	8.1%
Metropolitan Boston(1)	5.7	5.0	4.5	4.4	4.1	4.8	7.8
Massachusetts	5.8	5.2	4.8	4.8	4.4	5.3	8.4
New England	5.4	4.9	4.7	4.5	4.4	5.4	8.3
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.3

(1) 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-Quincy MA-NH Metropolitan Statistical Area.

Sources: Bureau of Labor Statistics for United States, New England and Massachusetts and DWD for the City and Metropolitan Boston, March 2010.

As the following table illustrates, monthly data for most areas in New England for 2009 showed rising unemployment rates. For the first four months of 2008, Boston's unemployment rate compared favorably with those for 2007. Increasing unemployment rates became evident in the U.S. economy beginning in December 2007 while rising unemployment rates in New England, Massachusetts, and Boston became evident starting in May 2008 and rising more rapidly after December 2008. In January 2010 Boston's unemployment rate of 9.3% was, however, significantly lower than the U.S. rate of 10.6%, while rates for Metropolitan Boston, Massachusetts, and New England were 9.3%, 10.4% and 10.0%, respectively.

Monthly Unemployment Rates for City of Boston, Metropolitan Boston (1), Massachusetts, New England and the United States for 2007, 2008 and 2009(2)

	City of Boston			Metropolitan Boston (1)			Massachusetts			New England			United States		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Jan.	5.0%	4.7%	7.4%	4.8%	4.5%	7.2%	5.4%	5.1%	7.9%	5.2%	5.3%	7.9%	5.0%	5.4%	8.5%
Feb.	4.6	4.3	7.4	4.6	4.3	7.4	5.0	4.9	8.1	5.0	5.1	8.1	4.9	5.2	8.9
Mar.	4.2	4.3	7.1	4.2	4.3	7.4	4.7	4.9	8.2	4.6	5.1	8.2	4.5	5.2	9.0
Apr.	4.0	3.9	7.1	3.9	3.8	7.2	4.2	4.3	7.5	4.3	4.5	7.7	4.3	4.8	8.6
May............	4.4	4.9	7.6	4.1	4.5	7.5	4.2	4.8	8.1	4.2	4.9	8.0	4.3	5.2	9.1
Jun.	5.0	5.5	8.7	4.4	4.9	8.3	4.6	5.2	8.7	4.5	5.3	8.5	4.7	5.7	9.7
Jul.	4.8	5.6	8.9	4.3	5.0	8.4	4.6	5.4	8.8	4.6	5.5	8.5	4.9	6.0	9.7
Aug.	4.4	5.5	8.8	3.9	5.0	8.4	4.2	5.4	8.6	4.2	5.5	8.4	4.6	6.1	9.6
Sep.	4.6	5.8	9.2	4.1	5.2	8.8	4.4	5.6	9.0	4.3	5.5	8.5	4.5	6.0	9.5
Oct.	4.0	5.5	8.2	3.7	5.0	7.9	3.8	5.4	8.7	4.0	5.4	8.4	4.4	6.1	9.5
Nov.	4.0	5.7	8.0	3.7	5.3	7.7	3.9	5.8	8.7	4.1	5.8	8.4	4.5	6.5	9.4
Dec.............	4.0	6.0	8.3(3)	3.8	5.8	8.2(3)	4.3	6.4	9.1	4.4	6.4	8.7	4.8	7.1	9.7

(1) 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-Quincy MA-NH Metropolitan Statistical Area.
(2) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.
(3) Preliminary, subject to change.

Sources: Bureau of Labor Statistics for United States, New England and Massachusetts; and DWD for the City and Metropolitan Boston. March 2010.

Largest Private Employers in Boston

The table below lists over fifty of the largest private employers in Boston as of the fall 2009, which as an aggregate represented over 20% of all private sector employment in that year.

Largest Private Employers in Boston, Fall 2009
(listed alphabetically in three groupings)

Over 10,000 Employees
Brigham & Women's Hospital
Massachusetts General Hospital

5,000 to 9,999 Employees
Boston University
Children's Hospital Boston
Fidelity Investments (FMR Corp.)
John Hancock/Manulife
Liberty Mutual Group, Inc.
State Street Corporation
MFS Investment Management

1,000 to 4,999 employees
ABM Janitorial Services
American Cleaning Company, Inc.
Aramark
Bank of America
Bank of New York Mellon
Blue Cross Blue Shield of Massachusetts
Boston Globe Newspaper
Boston Medical Center
Boston Red Sox
Brown Brothers Harriman & Co.
Carney Hospital
Christian Science Monitor
Citizens Bank
Columbia Management Group, LLC
CVS Pharmacies
Dana-Farber Cancer Institute
Deloitte, LLP
Evergreen Investments
Faulkner Hospital
Federal Reserve Bank of Boston
Gillette Company
Goodwin Proctor LLP
Harvard University (graduate schools)
Hebrew Rehabilitation Center
Houghton Mifflin Harcourt Publishing
KPMG, LLP
Liberty Mutual Insurance Company
LPL Financial
Massachusetts Eye and Ear Infirmary
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Museum of Fine Arts Boston
New England Financial
New England Medical Center
Northeastern University
Pioneer Investments Management
PricewaterhouseCoopers, LLP
Ropes & Gray, LLP
Shaw's Supermarkets
Spaulding Rehabilitation Hospital
Stop and Shop Supermarkets
Suffolk University
Thomson Financial, Inc.
Tufts University (graduate schools)
WGBH Educational Foundation
Wilmer Hale

Source: InfoUSA; and BRA Research Division, 2010.

Notes: Data are for fall 2009. Original data from InfoUSA were edited to correct errors and to remove all public sector employers and duplicates of firms. BRA Research Division added Blue Cross Blue Shield, Harvard University and New England Medical Center after verifying through other sources. Note that several of the above-listed corporations may have sub-corporate entities with distinctly different activities (such as State Street Bank), but in this list only the parent company is noted.

In addition, the public sector has large numbers of employees in the City. According to the BRA, using a series consistent with the Bureau of Economic Analysis, there were an estimated 77,623 federal, state and local government workers in the City in 2009. Certain 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.

Labor Force and Education

According to the Bureau of the Census, the City's resident labor force has been steadily increasing from 1980 through 2008. Since 1980, the increase in the number and age of the population have combined with the rising labor force participation of women, minorities, youth and the elderly to produce a larger labor force overall. Bureau of the Census data show that by 1990, the City's population had increased by

2% over 1980 levels, while the City's labor force increased by 12.8%. During the 1990's Boston's population continued to rise, posting a 2.6% increase while the age 16+ labor force grew by 3.2%. And, from 2000 through 2007 Boston's population rose by 3.3% and the labor force grew by 5.7%.

General improvement in educational attainment of residents aged 25 and over continued throughout the 1980-2008 period. The percentage of this population that had completed four or more years of college more than doubled during this period from 20.3% to 41.3%. This change, in part, reflected the trend for an increasing percentage of Boston public school system graduates to seek higher education. This percentage increased from 62% in 1993 to 73% in 2006 (source: "Getting to the Finish Line: College Enrollment and Graduation – A Seven Year Longitudinal Study of the Boston Public Schools Class of 2000," by the Center for Labor Market Studies of Northeastern University, November 2008). Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated employment base.

The City supports entry-level and advanced job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In 2009, the Jobs and Community Services division ("JCS") of the BRA, the City's workforce development agency, provided job training to 708 adults and employed 6,452 youth in publicly-supported summer jobs funded with federal stimulus grants. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a supplemental source of funding for job training programs. For a full discussion of the City's housing and jobs linkage program see "The Linkage Program," below.

Years of School Completed for Boston Residents Age 25 and Over, 1980-2008

	1980		1990		2000		2008	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Fewer than nine years	54,932	16.6%	37,824	10.3%	34,321	9.1%	34,650	8.6%
9 to 12 years, no diploma	49,407	14.9	51,051	14.0	45,308	12.0	32,419	8.0
High school grad. (or GED)	115,787	35.0	97,233	26.6	90,568	24.0	98,912	24.6
Some college or Associates	43,451	13.2	69,889	19.1	73,125	19.4	70,342	17.5
Bachelors, Masters, or Prof.	67,073	20.3	109,711	30.0	134,252	35.5	166,561	41.3
Total	330,650	100.0	365,708	100.0	377,574	100.0	402,884	100.0

Note: GED stands for General Equivalency Diploma, which is equivalent to regular high school diploma and is earned by someone for completing work for graduation after having left high school.

Source: 1980-2000 from the decennial census reports, U.S. Census Bureau. 2008 from U.S. Census Bureau, "American Community Survey, 2008"(three year average of 2006-2008 survey data).

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was $51,038 in 2007, 29% above the national per capita personal income of $39,430, according to the Bureau of Economic Analysis. City residents constitute approximately 87% of the County's population. An historical summary of per capita income shows that from 1980 to 1990 Suffolk County's per capita income grew at a rate greater than that for the nation, in contrast to the 1970-1980 period when it rose at a slower rate. Suffolk County's per capita income grew at a faster rate than the per capita income growth rates for the United States, New England, and Massachusetts and just barely below the rate of growth for Metropolitan Boston between 1990 and 2000. The City's median household income (in current year dollars), based on Census data, rose from $12,530 in 1980 to $29,180 in 1990, $39,629 in 2000, and $51,849 in 2008. The figures in this paragraph and the chart directly below reflect 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 certain income sources not included in the survey of average annual wages in the following paragraph, which reflects earned income of persons who work (but do not necessarily reside) in the named areas.

Per Capita Personal Income Comparison, 1980, 1990, 2000 and 2003-2008
(In current year dollars not adjusted for inflation)

	United States	New England	Massachusetts	Metropolitan Boston [1]	Suffolk County [2]
1980	$10,183	$10,701	$10,673	$10,806	$10,477
1990	19,447	22,712	23,043	24,702	24,641
2000.	29,845	36,118	37,756	41,436	38,137
2003	32,284	38,788	40,161	42,794	40,044
2004	33,899	40,842	42,123	44,987	42,825
2005	35,447	42,391	43,897	47,128	45,447
2006	37,728	45,652	47,330	50,515	48,471
2007	39,430	48,027	48,995	53,443	51,038
2008	40,208	49,146	51,254	NA	NA

(1) 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-Quincy MA-NH Metropolitan Statistical Area.

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: Bureau of Economic Analysis, February 2010.

Data from the Bureau of Economic Analysis indicate that the average annual wage and salary disbursement per job for 1980 through 2008 by place of work have been consistently higher over time in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2008, Suffolk County's average wage per job ($75,283) was 25% greater than that in the Boston metropolitan area ($60,375) and 45% greater than the average state earnings level ($55,769).

Average Wage per Job, 1980, 1990, 2000 and 2003-2008
(In current year dollars not adjusted for inflation)

	United States	New England	Massachusetts	Metropolitan Boston [1]	Suffolk County [2]
1980	$13,999	$13,358	$13,526	$14,095	$15,472
1990	23,326	26,834	26,291	27,693	31,274
2000	34,718	39,918	43,218	47,042	55,522
2003	37,730	42,259	45,233	48,870	58,343
2004	38,389	44,761	47,821	51,912	64,428
2005	40,807	46,150	49,090	53,289	65,576
2006	42,703	48,259	51,444	55,929	68,996
2007	44,605	50,723	54,256	58,983	73,540
2008	45,716	51,881	55,769	60,375	75,283

(1) 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-Quincy MA-NH Metropolitan Statistical Area.

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: Bureau of Economic Analysis, February 2010.

During the years 2000-2007, based on the Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 3.1% in Metropolitan Boston, while the national index increased at a 2.7% annual rate. In 2008 the change in the cost of living was 3.5% for metropolitan Boston and 3.9% for the nation. From November 2008 to November 2009, the cost of living in both Metropolitan Boston and the U.S. increased by 1.8%.

Consumer Price Index for All Urban Consumers
For 2000 through 2009
(CPI-U) (1)

	United States Index	Percent Change	Metropolitan Boston (2) Index	Percent Change
2000	172.2	3.4	183.6	4.3
2001	177.1	2.8	191.5	4.3
2002	179.9	1.6	196.5	2.6
2003	184.0	2.3	203.9	3.8
2004	188.9	2.7	209.5	2.7
2005	195.3	3.4	216.4	3.3
2006	201.6	3.2	223.1	3.1
2007	207.3	2.8	227.4	1.9
2008	215.3	3.9	235.4	3.5
2009 (Annual)	214.5	-0.4	233.8	-0.7
2009 (January)	211.1	-	230.8	-
2010 (January)	216.7	2.7	237.3	2.8

(1) Index based upon 1982-1984=100.0. Monthly data not seasonally adjusted. Change for monthly data is based on the index from the same month as the previous year.

(2) 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-Quincy MA-NH Metropolitan Statistical Area.

Source: Bureau of Labor Statistics

Medical and Higher Educational Institutions

Boston's medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Expenditures by the institutions' patients, students and visitors are important to the City's trade and service sectors.

Twenty inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, Children's Hospital, Tufts New England Medical Center, and Boston Medical Center. These hospitals had a combined total of 6,399 beds in 2006 according to the most recent data from the American Hospital Association. In 2006, the hospitals admitted 200,150 in-patients and had over 5.8 million outpatient visits, according to data from the American Hospital Association (with three hospitals not reporting data other than beds). The City is also the home of the medical and dental schools of Harvard, Tufts and Boston Universities, and of twenty-five public neighborhood health clinics, as well as private health maintenance organizations and membership clinics.

In 2009, there were 120,515 health services jobs in the City, see the table "City of Boston Employment, 2007-2009." Health services represent eighteen out of every one hundred jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from this employment series showed that the number of hospital employees in Boston between 2007 and 2009 grew from 80,762 to 84,055.

From 2007 to 2009, there have been four hospital or medical research building projects completed: the $80 million sciences building with 160,000 square feet of medical research space at Boston University Medical Center's ("BUMC") BioSquare (Parcel D in the South End); BUMC's BioSafety Level 4 (BSL4) research facility (construction is completed but use is currently limited to office and training purposes pending further approvals); the Lyme Properties' 575,000 square-foot Blackfan Research Center in the Longwood Medical and Academic Area ("LMA"); and the Brigham and Women's Hospital's 350,000 square-foot Center for Advanced Medicine. In 2008, the BRA approved the Longwood Center project, 350,000 square foot research and clinical building at the site previously owned by the Joslin Diabetes Center in the LMA.

As of February 2010 there are three hospital and medical research developments under construction. Among them are Massachusetts General Hospital's 526,000 square-foot Building for the Third Century; Boston Medical Center's 245,000 square-foot New Ambulatory Care Building; and Dana Farber Cancer Institute's 275,000 square-foot Center for Cancer Care. In February 2010, the BRA approved a new 10-year Institutional Master Plan (an "IMP") for Brigham and Women's Hospital, allowing for the Massachusetts Mental Health Center Redevelopment Project which will result in a total of 633,000 square feet of research, clinical, office and residential uses. The BRA also approved an amendment to the Children's Hospital IMP, allowing for the construction of an 80,000 square-foot expansion of Children's Main Building in the Longwood Medical and Academic Area. Undergoing the Article 80 review process in 2010 is the new 10-year Boston University Medical Center IMP and Energy Facility and the anticipated 10-year IMP for Tufts Medical Center in Chinatown, and a new 10-year IMP for the Massachusetts Eye and Ear Infirmary. The BRA is also expecting to review an MGH development plan for an 8,000 square-foot museum and history center in 2010.

For the fourteenth straight year, Boston has been the highest-ranking city in the United States for National Institutes of Health (NIH) grant awards, receiving more than $1.6 billion in research grants during fiscal 2008. Boston's share of the nation's competitively awarded NIH funding is now at 7.8%. Boston's hospitals continue to attract funding, comprising the top five independent hospitals in the nation in terms of receiving NIH awards, and seven out of the top fourteen. In addition to public monies for medical research the Boston institutions also have private funding sources through agreements with private sector firms.

Greater Boston has one of the nation's largest clusters of life sciences industries. According to a January 2007 report by Battelle entitled "Growing the Nation's Bioscience Sector: A Regional Perspective," Boston-Cambridge-Quincy ranks fifth among the 25 metropolitan regions with over 10,000 employment in the bio-sciences specialties, having 42,323 jobs (20,051 in research, testing, and medical laboratories; 15,874 in medical devices and equipment; 5,984 in drugs and pharmaceuticals; and 417 in chemicals). On a per-capita basis, Boston-Cambridge-Quincy also ranked fifth among the 25 metropolitan areas with biosciences employing at least 10,000, with 9.58 biosciences employees per 1,000. While Cambridge is the center for those industries in Greater Boston, the City of Boston itself is seeing significant industry growth in these fields with real estate development such as the Bio-Square project in the South End, and the recent completion of the Center for Life Sciences (CLSB) in the heart of the LMA.

As of academic year 2007-2008, the New England Board of Higher Education reported that the City's 34 universities, colleges, and community colleges had a combined enrollment in fall of 2007 of 153,752. These numbers, the most currently available, include some of the professional and graduate schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively. Based on total graduate, undergraduate, and professional school enrollment, Boston University was the largest university in Boston in the fall of 2007, with 32,735 students. Boston, with only 10% of the state's population, has 33% of the statewide college student enrollment.

From 2005 through February 2010 major higher education academic projects were completed at eight college campuses. The academic buildings include: at Boston College, a faculty administration building with 156,000 square feet of office space and other building modernization projects; at Harvard University, the Baker Library of the Business School and other improvements to existing Business School buildings; the Massachusetts College of Pharmacy and Health Sciences' 49,700 square-foot academic building with classrooms, faculty offices, a computer center, teaching laboratories, as well as assembly and multi-function space; at Emmanuel College, the Maureen Murphy Wilkens Science Center 4-floor 47,500 square-foot building and the Jean Yawkey Center for Community Leadership; Simmons College's expansion of its campus library and a new Management School; at Berklee College of Music, the 7 Haviland Street Building renovation and expansion with space for classrooms and faculty offices; at Emerson College's Paramount property adjacent to the new dormitory, an 80,000 square-foot building with classrooms, administrative office space and a theater; and at Tufts University Dental School on Harrison Avenue in Chinatown, a 95,000 square foot five-story addition to a10-story building. In addition Boston College High School constructed a new wing housing a Junior High School facility.

As of February 2010 two higher education academic building projects are in construction and two academic buildings are approved but not yet underway. Projects currently under construction include: Suffolk University's restoration of the Modern Theater on Washington Street in downtown Boston with a 3,000 square foot (185-seat) studio theater, a 1,000 square foot art gallery and 5,200 square feet of pre-function and support space beneath a residence hall addition; and Harvard University's Science Complex entailing construction of a research facility of 537,000 square feet on Western Avenue in the Allston neighborhood, with lab and office space, auditorium, cafeteria, underground parking, and retail space.

While the below-grade portion and street level deck of the science complex have been completed, in December 2009 Harvard announced that the university had decided to delay the next phase of construction while undertaking an analysis of strategies for resumed activity, including co-development. The two approved projects awaiting construction start include: Suffolk University's 20 Somerset Street demolition and replacement, with a new 112,000 square foot classroom building that will house Suffolk's New England School of Art and Design (adjacent reconstruction of the existing Roemer Plaza public open space is also part of the plan); and, Simmons College's 5,898 square foot addition to the existing on-campus dining hall.

Between 2000 and year-end 2009, 27 dormitories with 9,960 dormitory beds (9,210 undergraduate and 750 graduate) opened to house Boston's college students. In 2009 four dormitories were completed: the 115-bed Wheelock College student residences at 154 The Riverway; the 364-bed renovation of the Colonial Building by Emerson College at 80 Boylston Street; the new 1,200-bed Residence Hall I of Northeastern University at 1155 Tremont Street; and the 960-bed Armory Dorm Phase 2 by Boston University at 899 Commonwealth Avenue. In February 2010 the 262-bed Emerson College dormitory adjacent to the Paramount Theater at 549-563 Washington Street downtown was completed. Currently, two dormitories are still under construction: a 188-bed Emmanuel College dormitory in the Fenway and Suffolk University's 200-room renovation of the Modern Theater (including other uses) at 515-523 Washington Street at Downtown Crossing. While college enrollment remains stable, new student housing is pulling students out of neighborhood housing, easing housing prices and ameliorating tight vacancies. One approved dormitory at the Massachusetts College of Art and Design with 600 beds will begin construction in April 2010. Three dormitories have BRA Board approval within the colleges' Institutional Master Plans: one at Northeastern University; one at the Boston College lower campus; and one at the Boston University armory location.

Tourism and Culture

According to the Greater Boston Convention and Visitors Bureau ("CVB"), an estimated 18.3 million people visited the Boston metropolitan area in 2008, up by 2.2% from the previous year. These visitors included both domestic and international visitors. For the whole metropolitan region the total number of visitors was 22.1 million. International visitors alone to Boston-Cambridge in 2008 totaled 1.115 million persons or a gain of 4% over that of 2007. The estimated spending impact in Boston-Cambridge from the total visitors was $7.2 billion. In 2009 there were 9,173,425 visitors at 24 major museums, attractions, and related venues, an increase of 1.1% over the 2007 mark. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler impact in 2007 was $6.4 billion, supporting 43,700 jobs and a payroll of $1.3 billion, while generating $164 million in state tax receipts and $113 million of local tax receipts.

The City of Boston is home to three major professional sports teams: the Boston Red Sox baseball team, the Boston Bruins hockey team, and the Boston Celtics basketball team. The New England Patriots football team plays in Gillette Stadium in nearby Foxborough, Massachusetts. The City also provides venues for concerts, ice shows, circuses, theater, and other entertainment performances and amateur sports events. The TD Garden, opened in 1995 and home to the Celtics and Bruins, is a privately-financed, multi-purpose arena in Boston's North Station district constructed by the New Boston Garden Corporation, a subsidiary of Delaware North. The ownership of the Boston Red Sox baseball franchise have undertaken renovations of the existing Fenway Park, including the addition of new seating and modernizing facilities, and have also proposed additional changes to the existing structure and also in the surrounding neighborhood.

Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently Boston has three small and medium convention sites, the John B. Hynes Veterans Memorial Convention Center ("Hynes"), the World Trade Center and the Bayside Exposition Center, with a combined capacity of over one million people per year, and the 1.6 million square-foot Boston Convention and Exhibition Center ("BCEC") that can host large national conventions. In 2009 the Hynes and the BCEC hosted a combined total of 208 events with an aggregate of 714,128 attendees. This resulted in approximately 521,556 hotel room nights, approximately $229 million in direct spending, approximately $24.6 million in direct tax revenue, and generated an overall economic impact of approximately $420 million. The Bayside Exposition Center, used principally as a venue for local gate shows, was purchased by the University of Massachusetts, Boston in February 2010. Although the University has announced plans to convert the facility to temporary academic uses, the facility continues to be used as an exhibition center at this time.

Since 2000, several cultural facilities have opened. The New England Aquarium completed an expansion including opening the Simons IMAX Theater. The Boston Center for the Arts and the Huntington Theatre combined to complete joint development of two new theaters next to the Boston Center for the Arts in the South End in the fall of 2004 – the first new live stage theaters in Boston in 75 years. Downtown, Clear Channel, Inc. completed its $37 million renovation of The Boston Opera House on Washington Street in the summer of 2004. A newly constructed Institute of Contemporary Art museum opened on the South Boston waterfront in 2006. The 65,000 square-foot building features galleries, a "mediatheque" with computer stations for accessing digital media, a 325-seat theater, and workshop and classroom spaces.

Several cultural institutions are pursuing development plans that are either currently proposed, approved, or under construction. The Museum of Fine Arts has a 462,400 square-foot multi-phase expansion currently under construction. Also, the Isabella Stewart Gardner museum has begun an expansion of its facilities.

In May, 2005 the Mayor launched Create Boston, an economic development program at the BRA that is designed to help creative businesses and entrepreneurs to achieve their full potential for success. The program focuses on film, music, design, digital media, visual arts/crafts and performance, and provides resources in financial and site location assistance, workforce development and business advocacy; and is geared specifically toward business development and job creation. Currently, the program focuses on strengthening and growing digital media and specifically the Boston video game industry. The Mayor recently established the first Boston-area Game Industry Steering Committee that meets monthly to address the issues and challenges facing the industry and further the BRA's effort to raise Boston's profile as a global leader in the game industry.

On March 13, 2009 the Mayor launched the first Game Industry Website. Following the 2007 "PoweringUpBoston" conference funded in-part by the Mass Cultural Council (MCC), area video game companies have increased from 58 to 76, and two major universities have launched master's degree programs in game design and interactive multimedia and game engineering. Currently, Create Boston in partnership with the steering committee, academic institutions, game companies and game organizations are gearing up to convene a second "PoweringUpBoston" conference on workforce development for the local video game industry in October 2010. For a description of Boston's artists' housing program see the section below on "Housing Stock, Housing Values, and Development."

Hotel Market

Between July 1997 and December 2009, Boston built 7,020 rooms in 33 new hotels and 5 hotel expansions. Boston's favorable hotel market and the decision to build the BCEC stimulated considerable new development over this period. Since 1992, Boston's annual occupancy rates have exceeded 72% in 14 out of the 17 years.

From 2004 through 2008, the following hotels were completed: an 81-room Courtyard by Marriott at 88 Exeter Street in the Back Bay; the Hotel Onyx, a 112-room Kimpton hotel near North Station; the Hampton Inn at Crosstown, a 175-room new hotel that is part of a mixed-use development of office, hotel, and retail space in Roxbury; The Back Bay Hotel, a 220-room hotel in the Back Bay created through the adaptive re-use of the former police headquarters building; the Bulfinch Clarion Hotel, an 80-room adaptive reuse development near North Station; a 164-room Courtyard by Marriott in the South Bay/Roxbury district; the 40 room Hotel 140 in the Back Bay; the 793-room Westin BCEC Headquarters Hotel, attached to the BCEC in South Boston; the 424-room Intercontinental Hotel on the downtown waterfront; and the 308-room Liberty Hotel, which includes the adaptive reuse of the historic Charles Street Jail; the 471-room Marriott Renaissance on the South Boston waterfront; the 150-room Battery Wharf Fairmount on the downtown waterfront; the 149-room Mandarin Oriental, a mixed-use project including condominium residences and retail space in the Back Bay; and the 16-room Inn @ St. Botolph. Two hotels opened in 2009: the 114-room Ames Hotel, an adaptive reuse of an historic office building near Government Center, and the 235-room "W" Hotel in the Theater District. As of December 2009, there were a total of 18,447 hotel rooms in establishments of 50 or more rooms in Boston as a net result of the developments detailed above, and the closing of two older hotels.

No additional hotels are in construction in Boston as of February 2010. Construction of the 257-room hotel included in the mixed use redevelopment of the Downtown Crossing site of the former Filene's Department Store—known as One Franklin Street—was placed on hold in December 2008 pending financing. Seven more hotels have BRA Board approvals but are not yet under construction.

Between 1991 and 2000, average annual occupancy rates grew from 70.1% to 78.4% and average daily room rates rose steadily from $118.17 to $198.00 according to Pinnacle Advisory Group, an independent hospitality industry consultant. In 2001 the occupancy rate fell to 69.6% and the room rate to $180.58. By 2003 hotel room demand was growing again, but room supply continued its steady growth too, resulting in a 71.1% occupancy rate and $155.52 average daily rate in that year. Between 2003 and 2008 Boston room demand grew by 27.2% over these five years and 2008 occupancy reached 74.6% with average daily rates averaging $213.94, according to the Pinnacle Advisory Group. Revenue per available room was $159.54 in 2008, just below the high mark of $159.95 reached in 2007. Room demand fell 3.7% in 2009, reducing annual average occupancy to 70.9% and the average room rate declined by 12.5% to $187.10, according to the Pinnacle Advisory Group. Revenue per available room fell 16.9% to $132.56.

The tables below show the occupancy rate, average daily room rate, and revenue per available room for Boston hotels for 1990, 2000 and 2003 through 2008.

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	$118.72	–	$88.21	–
2000	14,002	78.4	198.00	4.9	155.33	9.7
2003	15,034	71.1	155.52	-5.4	110.52	-6.9
2004	15,702	74.5	169.04	8.7	125.99	14.0
2005	15,866	75.4	176.73	4.5	133.24	5.8
2006	17,020	76.4	196.61	11.2	150.23	12.8
2007	17,328	76.1	210.28	7.0	159.95	6.5
2008	18,098	74.6	213.94	1.7	159.54	-0.3
2009	18,447	70.9	187.10	-12.5	132.56	-16.9

Source: Occupancy, ADR and RevPAR reported by Pinnacle Advisory Group. BRA Research Division count of room supply at the end of each calendar year. Room Supply counts only rooms in hotels of 50 or more rooms.

Transportation

The City 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 which connect it to the national highway system: U.S. 90 (the "Massachusetts Turnpike"), which leads westward from downtown Boston 138 miles to the New York State border; U.S. 95, the East Coast's principal north-south highway, which connects Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and U.S. 93, another north-south interstate highway, that extends from just south of the City north to New Hampshire. The City is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine (a subsidiary of Guilford Transportation Industries), and Bay Colony, a local carrier.

Transportation planning includes both major highway and mass transit programs. The Massachusetts Bay Transportation Authority ("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 4.7 million people in an area of 3,200 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently serves about 1.24 million passengers per day.

The MBTA's Capital Investment Program totals approximately $3.68 billion over fiscal years 2010-2014, averaging about $736 million per year. MBTA funding represents $2.57 billion while state-sponsored projects total $863 million, and federal stimulus funds $230 million. The MBTA-funded Capital Investment Program consists of five major programmatic areas: (i) reinvestment in the infrastructure ($2.170 billion); (ii) accessibility improvements ($151 million); (iii) enhancement of existing service ($180 million); and (iv) system expansion efforts ($74 million). The major infrastructure projects include: vehicles ($1.129 billion); station modernization ($377 million); rail signaling systems ($150 million); track/right-of-way ($108 million); bridges ($106 million); technical/other ($95 million); power ($81 million; maintenance facilities, including rail car houses and bus garages ($51 million); fare equipment ($42 million); administration facilities ($32 million); and communications ($9.6 million). For the fiscal years 2010-2014, the MBTA anticipates that approximately $1.5 billion of capital expenditures will be funded through federal grants, approximately $1.0 billion of revenue bonds will be issued to fund MBTA capital expenditures, and the balance of capital expenditures will be funded with state funds, pay-as-you-go capital funding, project financing as well as federal stimulus funds.

One of the highest priorities for the MBTA is the pursuit of a "State of Good Repair." The Authority needs to spend approximately $470 million per year to maintain the current "State of Good Repair" backlog which is approximately $2.7 billion. To measure the need for capital expenditures devoted to maintaining and replacing existing infrastructure, transit systems often use the State of Good Repair standard, wherein all capital assets are functioning at their ideal capacity within their design life. While few transit systems are likely to achieve this ideal, the standard does identify a level of ongoing capital needs that must be addressed over the long-term for the existing infrastructure to continue to provide reliable service. Boston benefits from many of these infrastructure improvements.

System enhancement and expansion by the MBTA affects Boston through major efforts to add to or improve service. MBTA policy on expansion includes legal commitment for some projects directly in or affecting Boston. The Silver Line phase 3 link would connect the Washington Street (phase 1) and South Station to Logan Airport (phase 2) segments that are already completed and in service. Eventual construction of Phase III depends on funding availability at both the local and national levels. The legal commitments affecting Boston include the Green Line extension beyond Lechmere to Somerville/Medford; Fairmount Line Improvements including new stations; and 1,000 new transit commuter parking spaces in the Boston region.

Since 1991, Amtrak has spent $1.8 billion on a multi-year high-speed rail infrastructure project intended to provide better ride quality, permit faster train speeds, and increase capacity for passengers on the rail corridor between Boston and New York. Ridership between Boston and New York has grown significantly as a result of the new high-speed service, despite the general downturn in the economy and regional travel. In fiscal year 2007 Amtrak carried 975,826 passengers between New York and Boston—an increase of 41% over the pre-Acela year of 2001. Amtrak commenced Boston—Portland, Maine passenger rail service (the "Downeaster") in 2001. The 200-passenger train runs four times a day in each direction between North Station and Portland. The trip makes intermediate stops in Woburn and Haverhill (Massachusetts), Exeter, Durham, and Dover (New Hampshire), and Wells, Saco, and Old Orchard Beach (Maine).

For a description of the Central Artery/Third Harbor Tunnel project see "Large Public Sector Projects," below.

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 has compelled significant expansion of both facilities. Massport's net investment in its facilities through June 2009 exceeded $4.11 billion, consisting of $3.51 billion invested in airports and $605.2 million invested in maritime development and other capital projects.

In February 2010, Massport projected that it would spend about $1.05 billion during fiscal years 2010-2014 for ongoing capital improvements and major maintenance at Logan Airport, Hanscom Field, Worcester Airport, and the port facilities.

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 and providing 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 all-water access to world ports as well as a weekly barge service to the Port of New York/New Jersey. The Port of Boston is also a major cruise port. The total number of cruise passengers in fiscal 2009 (275,407) increased by 16.2% compared to fiscal 2008. The cruise port mainly operates in the months of May through November.

The Port of Boston ranked as the 10th largest container port on the U.S. Atlantic Coast by container volume. During fiscal 2009, the Port activity of 114,871 boxed containers decreased 7.5% over that of fiscal 2008, while the 26,966 automobiles handled in fiscal 2009 increased by 73.4% from fiscal 2008 and the 167,881 tons (in bulk tonnage) for fiscal 2009 decreased by 18.7% from fiscal 2008's bulk tonnage.

In calendar 2009, Logan Airport served a total of 25.5 million passengers, a 2.3% decrease from the 26.1 million passengers served in 2008. A report on calendar year 2008 prepared by Airports Council International ("ACI") showed that Logan was the most active airport in New England, the 19th most active in the United States and the 45th most active in the world. Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, Logan Airport ranked 19th in the nation in total air cargo volume in 2008. In calendar 2009 total combined cargo and mail volume was 517.6 million pounds, an 11.9% decrease from the 587.8 million pounds handled in calendar 2008.

Construction Activity

The following table sets forth construction activity in the City from fiscal years 2001-2010, estimated as indicated in the notes to the table. It should be noted that the issuance of a building permit and payment of a fee do not necessarily result in construction activity. The estimated revenue from building permit fees during fiscal 2010 (based on seven months of data) indicated that total construction activity is projected to total $1.76 billion, after only a mild turndown in fiscal 2009, because of the recession. In the past nine fiscal years revenue from building permit fees increased in six of them and decreased in three of them. Between fiscal years 2009 and 2010, building permit revenue decreased by 45% based on preliminary data.

Boston Building Permit Revenues and Estimated Construction Activity
Ten Fiscal Years, 2001-2010

	Building Permit Revenues (1)	Estimated Potential Construction Activity (2)	Estimated Potential Construction Activity Adjusted For Inflation (3)
2001	$27,191,839	$3,199,039,882	$4,122,510,001
2002	19,055,144	2,241,781,647	2,769,741,711
2003	20,145,888	2,370,104,471	2,853,774,645
2004	22,724,810	2,673,507,019	3,102,264,643
2005	23,213,600	2,731,011,765	3,084,283,454
2006	26,253,029	3,088,591,647	3,376,898,261
2007	27,861,224	3,277,791,059	3,476,133,413
2008	31,007,327	3,647,920,824	3,795,506,011
2009	26,966,242	3,172,499,105	3,188,671,573
2010 (4)	14,927,838	1,756,216,253	1,756,216,253
Total	$239,346,941	$28,158,463,671	$31,525,999,965
Annual Average 2001-2010	$ 23,934,694	$ 2,815,846,367	$ 3,152,599,996

(1) Building permit revenues in current dollars. 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.
(3) Estimated construction activity adjusted to estimated and projected November 2009 constant dollars (CPI-U U.S.).
(4) Annual Fiscal Year 2010 estimate based upon preliminary actual building permit revenues for the seven months of data.

Source: City of Boston, Auditing Department and City of Boston Annual Reports. Compiled by BRA's Research Division (February 2010).

Large Public Sector Projects

In addition to major construction projects of the MBTA and Massport, Boston has witnessed several other major public sector projects including the BCEC Project and the Central Artery/Tunnel ("CA/T"), the downtown highway tunnel through the City including the Ted Williams tunnel under Boston Harbor. The CA/T Project, which has improved traffic flow in Boston since its completion, is under the control of the Massachusetts Turnpike Authority.

The CA/T Project includes the Ted Williams Tunnel, connecting Logan Airport and the North Shore to Downtown Boston and the western suburbs, the Leverett Circle Connector Bridge, a four-lane bridge over the Charles River carrying traffic between Leverett Circle in downtown Boston and U.S. 93 in Charlestown, the extension of U.S. 90 under Fort Point Channel to South Boston connecting with the highway with the Ted Williams Tunnel and Logan Airport in East Boston, and the Central Artery and the Leonard P. Zakim Bunker Hill Bridge over the Charles River. The CA/T Project, with an estimated total cost of $14.63 billion, was funded in part by the federal government while the remainder was the responsibility of the Commonwealth.

The BCEC Project was constructed on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the BRA, and the MCCA. The 1.6 million square-foot facility, was completed in 2004 and includes approximately 516,000 square feet of contiguous exhibition space on one level, approximately 160,000 square feet of meeting space and a 40,000 square-foot ballroom, as well as banquet and lecture halls. The BRA was authorized by the Convention Center Act to acquire and prepare the site for the BCEC Project and now the MCCA is the owner and operator of the BCEC. In 2009 the BCEC hosted conventions with 409,258 attendees and since opening in late 2004 has hosted over 2.11 million conventioneers. In addition to the BCEC Project, a 793-room convention center hotel on the northeast corner of the BCEC Project site opened in June 2006.

The Massachusetts Water Resources Authority ("MWRA"), an independent state authority, has expended $7.1 billion through June 2009 to modernize the water and wastewater systems in the Commonwealth. As part of the improvements it has recently completed construction of the major components of its Integrated Water Supply Improvement Program including the MetroWest Water Supply Tunnel, Norumbega Covered Storage Reservoir and the John J. Carroll Water Treatment Plant. The Integrated Water Supply Improvement Program has cost approximately $1.2 billion through June 30, 2009. In addition, MWRA continues to operate the Deer Island Treatment Plant. This project, which was undertaken pursuant to a federal district court order, was part of MWRA's capital improvement program costing approximately $3.8 billion and brought wastewater discharges into compliance with federal and state requirements.

The MWRA has also spent approximately $1.4 billion on improvements to its wastewater system improvements and approximately $1.6 billion on its waterworks system through June 30, 2009. The largest expenditures have been for the MetroWest Water Supply Tunnel, the John J. Carroll Water Treatment Plant, improved water storage facilities and reduction of combined sewer overflows.

The MWRA-approved FY09 Capital Improvement Program anticipates the spending of approximately $1.1 billion on additional water and wastewater system improvements between Fiscal Year 2009 and Fiscal Year 2013, and $1.1 billion in 2014 and beyond. The largest expenditures will be for the combined sewer overflow (CSO) control plan, interceptor and pumping improvements and water distribution system improvements. The largest component of the combined sewer overflow control plan is the North Dorchester Bay CSO Storage Tunnel and related facilities. Relatively small portions of the other improvements are located within the City, but they should nonetheless provide major improvements in the system infrastructure that serves the City.

The Boston Housing Authority ("BHA") between 1997 and 2008 completed major revitalization initiatives at four public housing developments: Mission Main, in the Mission Hill neighborhood of Boston; Orchard Gardens, in Roxbury; West Broadway in South Boston; and Maverick Gardens in East Boston. The BHA was able to initiate the revitalization of three of these developments when it was awarded HOPE VI grants from the U.S. Department of Housing and Urban Development ("HUD"). The grants, totaling $105 million, were used to implement a new approach to public housing financing, incorporating innovative partnerships with public and private entities that leveraged additional development funds. The initiatives not only revitalized the BHA sites, but the surrounding neighborhoods as well. West Broadway, a state funded public housing development, was redeveloped through the use of a public/private partnership that included state and city funding. In addition, the BHA recently completed redevelopment of the Franklin Hill public housing development through a fifth public private partnership and has begun redevelopment of its Washington Beech housing development in Roslindale under a partnership that includes HOPE VI and federal stimulus funding. Additional federal stimulus funding recently awarded to the BHA will allow a phase one redevelopment effort at the Old Colony development in South Boston as well as some building renovations at both the Cathedral development in the South End and the Heath Street development in Jamaica Plain.

The City prepares a 5-7 year Capital Plan. These capital investments represent improvements to schools, libraries, parks and recreation sites, roads and bridges, and other City properties. See "City Indebtedness—Capital Planning and Borrowing Program" in the City's Information Statement dated as of March 1, 2010.

Empowerment Zone Designation

In 1999, the U.S. Department of Housing and Urban Development (HUD) designated part of the City an Empowerment Zone (the "Zone"). The Zone, wholly within Boston, encompassed 6.953 square miles, running north to south right through the center of the City, including parts of the neighborhoods of South Boston, Downtown, the Seaport District, Chinatown, the South End, Mission Hill, Roxbury, Jamaica Plain, and Dorchester. The Empowerment Zone also included two development sites, the "Massachusetts Turnpike Air Rights" and Morton Plaza in Mattapan. The Zone contained 58,717 residents, roughly 10% of the City's population, and contained a variety of businesses from internationally known financial firms and retail stores to industrial uses and neighborhood businesses. In accordance with federal law, the designation of the Zone expired on December 31, 2009. However, legislation is pending in Congress to extend the designation for an additional year.

Boston Connects, Inc. (BCI) was established in November 1999 to oversee and implement the Empowerment Zone Strategic Plan. A 501(c) 3 organization, BCI has a Board of 24 members, 12 appointed by the Mayor and 12 elected from the Zone.

The Zone creates opportunities in human development to enable residents of the Zone to reach economic self-sufficiency through job readiness job training and job placement, educational programs such as GED attainment and English as a Second Language, and employment of youth in summer and year round jobs. Over 6,000 residents have benefited from the services of the Zone.

The Zone provides for economic development projects. The Zone designation makes Boston eligible to share in proposed federal grants and tax-exempt bonding authority to finance revitalization and job creation programs for 10 years. The ten-year Zone designation brings with it $130 million in tax-exempt bonding authority for qualified projects. Pilot Seafood in the Seaport District, the Best Western Roundhouse Hotel and Katsiroubas Brothers located in Newmarket, and Crosstown Center have used tax-exempt bonds. In June 2008, Paratak Pharmaceuticals, Inc. as approved for $14 million in Enterprise Facility Bonds. To date $80 million in bonding authority has been used creating 300 jobs in the Zone while improving the infrastructures of communities in the Empowerment Zone.

The Zone has included micro-loan programs as an economic development tool. A major strategy for strengthening communities in the Zone is to ensure that there is a strong, expanding base of small businesses that provide jobs to local residents.

Boston Connects, Inc. had made available $350,000 in microloan funds to strengthen existing business, as well as start new businesses in the Zone. Loans are available in the amounts of $500 to $25,000 Administered by the Department of Neighborhood Development, assistance in business planning including business assessment, pre- and post-loan counseling is available.

Office Market and New Development

The City and its neighborhoods currently have approximately 71.0 million square feet of office space. During the fourth quarter of 2009, Boston's overall vacancy rate according to CB Richard Ellis was 9.4% (and 16.5% availability when including space to sublet). Another realty firm, Jones Lang LaSalle, also placed the City's office vacancy rate at 9.7%, and reports the availability rate to be 17.4%. Boston's vacant and available space has been increasing since mid-year 2008. Jones Lang LaSalle puts the year-to date (fourth quarter) 2009 office absorption at a negative 1.9 million square feet of space due to the recession. From the third quarter of 2008 to the fourth quarter of 2009 Boston's office vacancy rate rose from 7.2% to 9.4% according to CB Richard Ellis (CBRE).

Boston Office Market—Fourth Quarter, 2009

Market	Rentable Area (1)	Available (%)	Vacancy (%)	3rd Quarter Net Absorption (1)	Average "Asking" Lease Rate (2)
Central Business District	36,795,105	19.6	10.5	-93,246	$44.08
Back Bay	13,536,735	13.5	8.9	119,707	45.34
South Boston Seaport District	6,634,444	19.0	10.3	50,284	38.99
Charlestown/East Boston	2,931,535	7.2	4.4	-22,280	26.69
North Station/Waterfront	2,597,481	12.3	9.6	-1,561	28.78
Midtown	2,533,902	12.8	4.9	7,805	30.83
South Station	1,468,385	15.7	14.1	-2,312	29.65
Dorchester/South Boston	1,082,915	19.4	8.7	-25,585	28.04
Allston/Brighton/Longwood Medical	1,607,590	6.2	4.6	-14,452	24.46
Fenway/Kenmore Square	1,881,639	2.0	2.0	–	25.16
Total Boston Office Market	71,069,756	16.5	9.4	-3,477	42.08

(1) Square feet.
(2) Dollars per square foot per year.
Source: CB Richard Ellis, Fourth Quarter 2009.

There is no accepted standard accounting for office vacancy rates so private realty firm surveys vary based upon the amount of office space covered, geographical coverage, and inclusion of new or old office space.

Despite the worsening picture of office market data, Boston still compares favorably to other downtown office markets around the nation. As of the fourth quarter of 2009, CB Richard Ellis ranked Boston's downtown office market as having the fifth best vacancy rate among the twenty largest downtown office markets in the U.S. with a rate of 12.0%.

Comparative Office Vacancy Rates
20 Largest Downtown Office Markets – Fourth Quarter, 2009

City	Vacancy Rate	City	Vacancy Rate
Manhattan (Downtown)	9.6%	Cleveland	15.4%
Manhattan (Midtown South)	10.0	Chicago	15.5
Houston	11.4	Los Angeles	16.7
Philadelphia	11.5	Denver	17.4
Boston	12.0	Phoenix	18.0
Manhattan (Midtown)	12.0	Detroit	19.0
Portland	12.1	Minneapolis-St. Paul	19.2
San Francisco	12.9	Seattle	21.1
Pittsburgh	13.0	Orange County, CA	22.5
Washington DC	14.3	Dallas-Ft. Worth	29.4

National Average (1) 14.0%

(1) National Average is based on 72 U.S. cities (61 downtowns) from the Cushman & Wakefield report.

Source: Cushman & Wakefield "Marketbeat: United States Office Report," Fourth Quarter 2009.

From 2006 through late 2009 only a few downtown office projects were added to supply: Lincoln Plaza, a renovation of an existing building in the South Station sub-market to mixed uses with 119,000 square feet of office space; Atlantic Wharf, a 517,000 square foot building in the downtown waterfront; and Two Financial Center, a 214,000-foot building in the South Station district .

As of February 2010, two office buildings were under construction and several office buildings had been approved by the BRA Board and/or have been proposed. The two projects now in construction are: the 500,000 square foot One Marina Park Drive at Fan Pier in the South Boston Seaport District and the 660,000 square foot Russia Wharf at 540 Atlantic Avenue on the downtown waterfront. Two approved but not-yet-started projects have had some site preparation and demolition; the South Station tower, a new building of 1.375 million square feet by Hines of Houston, Texas; and the Filene's tower rebuild at One Franklin Street by the Vornado Realty Trust and Gale International with 572,600 square feet of new space. These projects however both await both financing and major tenant commitments.

Retail Market

For 2009, based on two quarters of data, it is estimated that there are about 68,593 employees in retail stores, and food service and eating and drinking establishments in the City, with 32,377 in retail, and 36,216 in food service and eating and drinking. In 2007, according to the Census of Retail Trade, about 2,157 retail establishments were located in the City with an estimated total sales of $6.8 billion. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 2,073 establishments with $2.7 billion in sales. The sector is rounded out by some 14,000 employees in the personal service businesses, which includes repair and maintenance, hair and nail care, and laundry and dry cleaning service. The 2007 Census of Retail Trade data was just released in January of 2010.

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2007(1)
(In thousands, not adjusted for inflation)

	Massachusetts	Metropolitan Boston(2)	City of Boston
1992	$47,663,248	$33,798,207	$4,180,888
1997	65,859,804	48,348,686	5,608,411
2002	83,220,180	59,918,502	7,163,717
2007	99,812,744	71,721,631	9,161,215
Annual rate '92-'07	5.05%	5.14%	5.37%
Annual rate '02-'07	3.70%	3.66%	5.04%

(1) Total retail sales includes 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) 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-Quincy MA-NH Metropolitan Statistical Area.

Source: 1992 data from the 1992 Economic Census for Retail Trade. 1997 data from the 1997 Economic Census for Retail Trade (for retail) and for the 1997 Census for Accommodations and Foodservices (for foodservices and drinking places). 2002 data from the 2002 Economic Census for Retail Trade (for retail) and for the 2002 Census for Accommodations and Foodservices (for food services and drinking places). 2007 Census from the 2007 Economic Census, January 2010.

In Downtown Crossing, Suffolk University has nearly completed construction at The Modern Theater, next door to the new retail/dormitory building at 10 West Street. Boston Common Coffee Company opened in 2009 in one of two ground floor retail spaces at the 10 West Street site and another restaurant is now under agreement for the other. Emerson's Paramount Center opened in early 2010 and has approximately 3000 square feet for a restaurant in the ground floor. In addition, Downtown Crossing welcomed 4 new restaurants—Woodward at the new Ames Hotel, Stoddard's Fine Food and Ale, Uburger and Boloco.

In the Fenway neighborhood, 1330 Boylston Street, a mixed use development has successfully leased a portion of its retail space to Upper Crust Pizza and Basho, a Japanese fusion restaurant from the people who own Douzo in the Back Bay. Across the street, Jerry Remy's take on an upscale sports bar, Remy's, is scheduled to open in March in the former WBCN space, right next door to the new Guitar Center store. In Roslindale, Stop and Shop has started construction of their 100,000 square foot site at the former Bradley's site on Cummings Highway. AJ Wright has recently signed a lease for an additional space in Roxbury.

There are now 19 neighborhood business districts operating within the City's Main Streets Program. This program is a public-private initiative of the City established in 1995 to revitalize neighborhood commercial districts through locally established organizations. The program, from its inception through the end of fiscal year 2009, generated 748 net new and expanded businesses, created 4,697 net new jobs, assisted in 676 storefront improvement projects, and given design assistance to 843 businesses. Through fiscal year 2009, the Main Streets Program had dispensed almost $2 million in total physical improvement grants which had leveraged more than $11 million in private investment, a leverage ratio of 5.5 to 1.

Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods. Twenty-three new or expanded supermarkets have opened in Boston's neighborhoods since 1992. Eight of these have opened in the past eight years.

Industrial Market and Recent Developments

Boston and Suffolk County have 26.9 million square feet of industrial space. (Source: "The Co-Star Industrial Report, Year-End 2009"). As of December 2009, there were 3.7 million square feet of industrial space vacant, a vacancy rate of 13.9%, with negative 122,870 square feet of net absorption over the year. The average rent for quality industrial space was $8.66 per square foot (triple net), and $7.77 per square foot for warehouse space, and $13.80 for flex space. The trend in Boston's industrial market is similar to national trends. The National Association of Realtors ("NAR") in February of 2010 reported that there is proportionately less industrial sublease space on the market in Boston than in the office sector, but obsolescence remains a factor. The NAR report concluded that industrial vacancy rates would probably rise from 13.9% in the fourth quarter of last year to 14.9% in the closing quarter of 2010; and average 14.5% next year; annual industrial rent is likely to fall 9.6% this year, after declining 10.9% in 2009; and net absorption of industrial space in 58 markets tracked is seen at a negative 93.5 million square feet in 2010.

Within Boston Marine Industrial Park ("BMIP"), Boston's largest site for manufacturing located on the seaport in South Boston, 2009 brought a series of developments. Following a fire that destroyed their facility, Hook Lobster has relocated its distribution arm to the BMIP. F.J. O'Hara has completed the 7,000 square foot expansion of their facility in the BMIP. Stavis Seafood has completed an interior expansion of their warehouse space to more efficiently distribute seafood. And, in the first quarter of 2010, the Economic Development and Industrial Corporation ("EDIC"), the BRA's industrial development division, is issuing a Request for Proposals ("RFP") for the development of 25 Fid Kennedy Avenue and 3 Dolphin Way in the BMIP. Proposed uses may include but are not limited to general manufacturing, warehouse distribution, seafood processing/distribution, life sciences, biotechnology, or other uses consistent with the vision of the proposed "Innovation District".

The BRA's Back Streets Program, established in 2001, continues to attract, retain, and grow Boston's viable industrial and commercial businesses and their diverse job base through the strategic use of land, workforce and financial resources. In 2009, Back Streets successfully assisted over 69 companies, and created or retained 438 jobs. Back Streets helped companies such as Arthur Blank & Company, Food-Pak, City Fresh Foods, and Broadway Gourmet expand in Boston. These companies alone account for over 100,000 square feet of new space in the City. By working with Back Streets, these programs had access to financing options, real estate expansion sites, workforce development and permitting assistance.

Housing Stock, Housing Values, and Development

The U.S. Bureau of the Census reported on some characteristics of the City's housing stock in April 2000. The total of 250,863 units grew by 1,072 from 1990, the date of the previous decennial census. The composition of occupied housing has been changing. The number of occupied rental apartments increased between 1990 and 2000, going from 157,920 to 162,302, a gain of 4,382 or 2.8%. The number of owner-occupied units also increased between 1990 and 2000, going from 70,544 to 77,226, a gain of 6,682 or 9.5%. Condominium units increased from about 4,500 in 1980 to over 38,000 in 2000. Public and publicly assisted housing totaled 49,868 units constituting over 19% of the City's housing stock. The percentage of owner to renter occupied units between 1990 and 2000 went from 30.9%/69.1% to 32.2%/67.8%. With the small addition of new units and the large gain in occupied units the number of vacant units dropped from 22,399 in 1990 to 12,407 in 2000 while the vacancy rate for owner and renter housing fell from 2.6% and 7.8%, respectively, in 1990 to 1.0% and 3.0%, respectively, in 2000.

The number of housing units in Boston as of 2006-2008 from the American Community Survey had reached over 255,000. The percentage of owner and renter occupied units according to the 2008 American Community Survey was 38.1% and 61.9%. The number of vacant units was 23,082 while the vacancy rate for owner and renter housing were 2.5% and 5.8%, respectively. The Census data from the 2006-2008 American Community Survey put the monthly cost for home owners with a mortgage at $2,352 and the monthly rent for existing renters (as opposed to advertised rents) of $1,132 per month.

A report on 2009 real estate trends done by the City's Department of Neighborhood Development showed that the median rent for an apartment in Boston in 2009 as advertised in the newspapers was $1,750 per month for all apartment types. Rents were down 5% citywide from those of 2008, when the average was $1,850. Median rents for an apartment ranged from a high of $2,500 in the Back Bay/Beacon Hill district to a low of $1,000 in Hyde Park.

Median Advertised Asking Monthly Rent in Boston Neighborhoods
And the Volume of All Advertised Apartments
2008 and 2009

	Median Rent			Volume of Apartments		
Neighborhood	2008	2009	Percent	2008	2009	Percent
Allston/Brighton	$1,500	$1,400	-7	76	39	-49
Back Bay/Beacon Hill	2,625	2,500	-5	278	127	-54
Central	2,400	2,175	-9	171	114	-33
Charlestown	2,300	1,750	-24	40	22	-45
Dorchester	1,225	1,300	6	68	43	-37
East Boston	1,175	*	*	16	9	*
Fenway/Kenmore	1,650	1,500	-9	20	14	-30
Hyde Park	1,100	1,000	-9	33	15	-55
Jamaica Plain	1,600	1,595	0	23	15	-35
Mattapan	1,338	1,200	-10	10	10	–
Roslindale	1,400	1,300	-7	35	17	-51
Roxbury	1,463	*	*	12	4	*
South Boston	1,525	1,575	3	13	16	23
South End	2,050	2,200	7	44	25	-43
West Roxbury	1,450	1,400	-3	25	19	-24
Citywide	1,850	1,750	-5	864	489	-43

* Medians or percentages with a sample size of less than ten are not reliable.

Source: City of Boston, Department of Neighborhood Development, "Real Estate Trends, Annual Report 2009," uses the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey (February, 2010).

Existing home prices in Greater Boston peaked in 2005 and a decline in prices has occurred since then. The National Association of Realtors reported that the median sales price of existing homes in Metropolitan Boston (the MSA but excluding the New Hampshire segment) was $332,900 for 2009, a 19.4% decrease over the high annual median sales price of $413,200 recorded in 2005, and down by 7.8% over the 2008 median sales price.

Greater Boston Annual Median Sales Prices for Existing Homes, 2004-2009 (1) (2)
(Current Year Dollars)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual Median	Annual % Change
2004	$358,700	$392,700	$407,200	$390,500	$389,700	8.7
2005	396,200	418,500	430,900	397,500	413,200	6.0
2006	390,400	421,100	412,300	388,000	402,200	-2.7
2007	387,400	413,300	414,700	380,700	395,600	-1.6
2008	357,100	366,100	374,100	336,000	361,100	-8.7
2009	290,700	336,100	348,000	332,800	332,900	-7.8

(1) The data series used in this table several years ago ended in the year 2000. The new series began in 2002 and now uses different source data so medians from the two series are not comparable. A completely revised unified series that was first made available in 2005 replaces this table from older versions of Exhibit III.

(2) Greater Boston as used here by the National Association of Realtors (NAR) is defined as the Boston Metropolitan Statistical Area (MSA) excluding the New Hampshire portion.

Source: National Association of Realtors (February 2010).

Within the City the median sales price for a single-family home in Boston decreased from $340,000 in the first quarter of 2004 to $270,000 in the first quarter of 2009, a 20.6% decrease over a 5 year period, and has shown a decline of 12.7% from the fourth quarter 2004 price of $370,000 to $323,000 in the fourth quarter of 2009. Condominium prices showed a decrease in price from $339,500 in the first quarter of 2004 to $298,350 in the first quarter of 2009, a 12.1% decline and remain down by 4.3% from the fourth quarter 2004 price of $345,000 to the $330,000 price reached in the fourth quarter of 2009.

Median Residential Sales Prices for Boston
First Quarter 2004 through Fourth Quarter 2009
(Current Year Dollars)

Year	Quarter	Single-Family	Two-Family	Three-Family	Condominium
2004	First	$340,000	$420,000	$500,000	$339,500
	Second	377,500	458,500	516,220	350,000
	Third	375,000	460,000	518,000	354,950
	Fourth	370,000	469,500	515,000	345,000
2005	First	$375,000	$467,000	$526,000	$350,000
	Second	390,000	485,000	540,000	359,950
	Third	390,000	485,000	540,000	355,000
	Fourth	379,200	488,000	550,000	339,450
2006	First	$365,000	$480,000	$530,000	$351,500
	Second	388,250	490,000	530,000	359,000
	Third	370,000	475,000	525,000	340,000
	Fourth	354,000	465,000	510,000	339,000
2007	First	$365,500	$467,000	$500,000	$351,500
	Second	379,500	450,000	467,500	370,000
	Third	373,750	430,000	468,100	345,000
	Fourth	346,500	399,000	444,000	350,000
2008	First	$325,000	$378,500	$341,000	$352,000
	Second	354,500	318,250	340,000	385,000
	Third	348,950	305,750	290,500	377,750
	Fourth	295,000	270,000	250,000	325,000
2009	First	$270,000	$272,500	$242,450	$298,350
	Second	346,000	281,000	250,000	355,000
	Third	351,250	320,000	258,000	345,000
	Fourth	323,000	290,500	300,000	330,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (February 2010).

During 2009, there were 6% fewer total residential sales in the City than there were in the full year 2008 (6,717 versus 7,173). Sales of single-family homes fell 2% and sales of condominiums fell by 10% while sales of multi-family non-condominiums properties rose by 1% compared with 2008 sales.

Annual Residential and Condominium Sales in Boston [1]
2000-2009

Year	Single-Family Sales	Percent Change	Multi-Family Residential Sales [2]	Percent Change	Total Condominium Sales	Percent Change	Residential and Condo Sales [3]	Percent Change
2000	1,229	-18	2,552	-10	4,543	-6	8,324	-9
2001	1,193	-3	2,136	-16	4,045	-11	7,374	-11
2002	1,272	7	2,078	-3	4,804	19	8,154	11
2003	1,308	3	2,146	3	5,030	5	8,484	4
2004	1,644	26	2,688	25	7,100	41	11,432	35
2005	1,452	-12	2,536	-6	6,943	-2	10,931	-4
2006	1,236	-15	2,026	-20	6,411	-8	9,673	-12
2007	1,128	-9	1,535	-24	5,996	-6	8,659	-10
2008	957	-15	1,393	-9	4,823	-20	7,173	-17
2009	974	2	1,400	1	4,343	-10	6,717	-6

(1) Data for previous years have been revised since the publication of last year's report.
(2) Does not include single-family homes or condominiums.
(3) Equals single-family, multiple-family residential sales plus total condominium sales.
Source: Banker and Tradesman (February 2010).

Prices and sales volumes are also shown by neighborhood detail for single-family homes and for condominiums for calendar years 2008 and 2009. Areas of the City with the largest numbers of single-family home sales included West Roxbury, Hyde Park, Dorchester, and Roslindale. Single family prices ranged from $161,000 in Mattapan to $2.5 million in the Back Bay, with the citywide median at $333,000. The median sales price fell by 1% and the sales volume was down by 2% between 2008 and 2009.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, Calendar Years 2008 and 2009
(Not inflation adjusted)

Neighborhood	2008 Single-Family Price	2009 Single-Family Price	Percent Change	2008 Sales Volume	2009 Sales Volume	Percent Change
Allston/Brighton	$440,000	$390,000	-11	42	37	-12
Back Bay/Beacon Hill	2,125,000	2,500,000	18	17	19	12
Central	*	*	*	3	3	*
Charlestown	590,000	533,000	-10	55	54	-2
Dorchester	288,000	280,750	-3	157	144	-8
East Boston	215,000	180,000	-16	43	45	5
Fenway/Kenmore	*	*	*	3	1	*
Hyde Park	270,000	250,000	-7	131	135	3
Jamaica Plain	575,000	575,000	–	52	59	13
Mattapan	210,000	161,000	-23	53	47	-11
Roslindale	380,000	339,950	-11	104	104	–
Roxbury	252,000	148,500	-41	35	31	-11
South Boston	400,000	369,500	-8	49	50	2
South End	1,369,500	1,325,000	-3	18	21	17
West Roxbury	365,000	383,000	5	216	211	-2
Citywide	335,000	333,000	-1	978	961	-2

* Medians or percentages with a sample size of less than ten are not reliable.

Note 1: The prices in the above table exempt all sales of properties of less than $25,000 because the low price sales are not considered to be "arms-length" transactions and the high price sales can distort averages.
Note 2: Data in the above table does not include "paired-sales" so the size, quality and type of houses sold vary from year-to-year.
Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and citywide totals are higher.
Source: City of Boston, Department of Neighborhood Development, February 2010, "Real Estate Trends, 2009."

Condominium sales volume and prices also showed variability across the neighborhoods of Boston in 2008 and 2009. The three most expensive neighborhoods for condominiums (median price greater than $497,000) were the Central (comprising Downtown, the North End, the West End, and the Waterfront), the Back Bay/Beacon Hill and the South End neighborhoods, which all together form the core residential pockets closest to downtown. Four neighborhoods had moderately priced condominiums (median price between $319,000 and $403,600): Charlestown, South Boston, Jamaica Plain and Fenway/Kenmore. Eight neighborhoods still had lower condominium median prices (with medians of $279,900 or below): Allston/Brighton, Dorchester, East Boston, Hyde Park, Mattapan, Roslindale, Roxbury, and West Roxbury. The median citywide condominium price as of calendar year 2009 was $338,750, down 8% in price from those of calendar year 2008. Sales volume declined by 11%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2008 and 2009
(Not inflation adjusted)

Neighborhood	2008 Condominium Price	2009 Condominium Price	Percent Change	2008 Sales Volume	2009 Sales Volume	Percent Change
Allston/Brighton	$273,000	$265,000	-3	413	387	-6
Back Bay/Beacon Hill	620,000	600,000	-3	707	560	-21
Central	557,500	497,000	-11	594	416	-30
Charlestown	412,000	403,600	-2	271	248	-8
Dorchester	235,000	145,000	-38	487	460	-6
East Boston	230,000	218,700	-5	119	120	1
Fenway/Kenmore	340,000	330,000	-3	212	149	-30
Hyde Park	230,000	175,000	-24	51	51	–
Jamaica Plain	350,000	319,000	-9	336	340	1
Mattapan	125,000	68,650	-45	55	64	16
Roslindale	275,000	268,500	-2	146	172	18
Roxbury	215,000	131,500	-39	201	156	-22
South Boston	370,000	345,000	-7	548	570	4
South End	521,750	510,000	-2	660	542	-18
West Roxbury	257,500	279,900	9	94	121	29
Citywide	370,000	338,750	-8	4,894	4,356	-11

Note 1: The prices in the above table exempt all sales of properties of less than $25,000 because the low price sales are not considered to be "arms-length" transactions and the high price sales can distort averages.

Note 2: Data in the above table does not include "paired-sales," so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and citywide totals are higher.

Source: City of Boston, Department of Neighborhood Development, February 2010, "Real Estate Trends, 2009."

During the last two years, as a result of the problems nationally in housing markets due to the prevalence of sub-prime loans and the subsequent slowdown in the economy, the issue of foreclosures has become noteworthy and relevant to the discussion of housing markets. Boston experienced an increase in the amount of foreclosures, and the following table provides details at the City and neighborhood levels for 2008 and 2009. While deeds to foreclose (the first step in the foreclosure process) went down by 36% from 1,215 to 776, the petitions to foreclose (the final step in the foreclosure process) went up by 16% from 1,900 to 2,200. Neighborhoods with the most foreclosure problems (more than 100 foreclosure petitions in 2009) were: Dorchester, Roxbury, Mattapan, Hyde Park, East Boston and Roslindale.

Foreclosure activities on residential properties have become a major problem in the nation as well as in selected states and metropolitan areas. However, Boston and Massachusetts is not among the very worst among states and metro areas on these measures according to data from RealtyTrac of California which follows foreclosure activity in the nation. Annual 2009 data for the U.S. combined had experienced 2,824,674 foreclosure filings in 2009 or 1 per every 45 housing units or a rate of 2.21% of all housing units. Massachusetts however had seen 36,119 filings or 1 per every 75 units a rate of 1.33%, a mark better than the nation, and ranked the state as the 22nd highest rate out of the 50 states. Metropolitan Boston ranked 110th out of 203 metropolitan areas by the most foreclosures per housing unit with a rate of 1 per every 76 or 1.31% of all units.

Short Term Trends in Housing Foreclosures
In Boston and its Neighborhoods, Calendar Years 2008 and 2009
(Deeds and Petitions)

	2008		2009		% CHANGE	
	Deeds	Petitions	Deeds	Petitions	Deeds	Petitions
Allston-Brighton	22	60	18	93	-18	55
Back Bay Beacon Hill	4	23	5	31	*	35
Central	8	23	7	33	*	43
Charlestown	9	27	6	22	*	-19
Dorchester	418	513	234	603	-44	18
East Boston	89	185	68	166	-24	-10
Fenway/Kenmore	3	4	4	14	*	*
Hyde Park	111	193	66	237	-41	23
Jamaica Plain	18	56	14	63	-22	13
Mattapan	151	212	97	245	-36	16
Roslindale	73	110	35	149	-52	35
Roxbury	236	321	158	339	-33	6
South Boston	46	97	39	94	-15	-3
South End	7	22	9	41	*	86
West Roxbury	20	54	16	70	-20	30
Citywide	1,215	1,900	776	2,200	-36	16

* No percentage change is calculated for neighborhoods with less than 10 deeds or petitions.

Source: City of Boston, Department of Neighborhood Development, February 2010.

The Boston Housing Authority ("BHA") is a public agency that provides subsidized housing to low- and moderate-income individuals and families. The Authority administers two distinct housing programs. First, the Authority manages conventional public housing within the City of Boston. The Authority owns 60 developments, a few of which have both state and federal components and has also participated in the mixed-finance redevelopment of five of its developments. The BHA owns and manages some scattered site properties throughout the City of Boston as well. Of the 60 developments, 36 are designated as elderly/disabled developments and 24 are designated as family developments. Two of the 24 family developments have elderly/disabled housing on site and one of the elderly developments has designated units for families. The BHA currently owns and/or oversees approximately 14,000 units of housing in Boston and houses about 27,000 people under the public housing program. In addition, the Authority administers approximately 12,500 tenant-based rental assistance vouchers that allow families to rent in the private market and apply a subsidy to their rent. The BHA also subsidizes about 1,330 additional apartments through the Section 8 Project Based Voucher and Moderate Rehabilitation programs. Through this assistance, residents are able to pay approximately 30-40 percent of their income toward rent and the BHA pays the remainder. The BHA helps provide housing to approximately 25,000 people under this program. See "Large Public Sector Projects" for BHA development activity.

Housing construction accelerated between 2000 and 2009 with the Leading the Way (LTW) I, II and III housing strategy plans – Boston's comprehensive strategy for intensive housing construction. The City has counted 19,145 housing units completed from 2000 through 2008 including more than 5,270 new "affordable rate" units. Currently in construction are 1,031 total units while 848 more units are in developments which are designated "pre-construction" (permitted but physical construction yet to begin). When completed Boston's Leading the Way production will total 21,024 housing units added. A total of 9,172 net housing units were protected from "expiring use restrictions" through City efforts to prevent their subsidized apartments from becoming market-rate. In addition, Boston Housing Authority has preserved 5,006 formerly vacant housing units and the City has reclaimed another 2,921 vacant units to create new housing, particularly for the homeless.

The Boston Redevelopment Authority has approved 12 different private-sector housing developments around the City, both downtown and in the neighborhoods, with 1,115 new housing units that are presently under construction (951) or in pre-construction (164). In addition, more housing, both projects approved by the City's Department of Neighborhood Development and those with only private building permits, are under construction.

Boston Redevelopment Authority
Housing Developments under Construction or Pre-Construction [(1)]
February 2010

Project	Area	Total Units	Afford. Units	Market Units	Year Approved
Wingate at Brighton Retirement Home (P)	Allston/Brighton	72	0	72	2009
121-127 Portland St	Central	54	4	50	2008
944 Dorchester	Dorchester	59	8	51	2007
Portside at Pier 1 (Phase 1)	East Boston	404	59	345	2006
Baker Choclate Factory (Phase 3)(P)	Mattapan	17	0	17	2009
141 West 2nd St (Dirigo Spice Building)	South Boston	17	2	15	2008
394 & 404 West Second Street (P)	South Boston	17	3	14	2008
770-774 East Third St (P)	South Boston	18	2	16	2008
Signal Building (154 West Second)	South Boston	75	9	66	2008
601 Albany Street (P)	South Boston	40	5	35	2007
Parcel 18 Northeastern University Dorm	South Boston	300	0	300	2007
1100 VFW Parkway (Gordon's Wood)	West Roxbury	42	5	37	2007
TOTAL		1,115	97	1,018	

(1) Pre-Construction is marked with a (P) designation after the project name Of the 1,115 total there are 951 units under construction and 164 units in preconstruction.

Source: BRA, February 2010.

Boston uses tools such as zoning and inclusionary development to successfully produce artist space. Both artist live/work and artist work-only space is being made permanent by the work of the BRA's Artist Space Initiative to support the work of creative entrepreneurs. Since 2001 the BRA Artist Space Initiative has provided financial resources and used the City's zoning regulations to create 206 new permanent artist live/work units. More than 1,000 artists of all disciplines have submitted their portfolio documentation to be eligible for future artists' space as it is developed in the City.

From 2005 through 2009 the following projects were completed: Brookside Studios in Jamaica Plain provided 25 artist live/work studios; Midway Studios in the South Boston Seaport neighborhood offered 89 new artist live/work rental units at four different income/affordability levels in a former warehouse building; Artblock in the South End created 24 affordable artist live/work units, 15 affordable work-only studios, performance art gallery space, 26 market-rate residential units and a community courtyard; the FP3 building on Congress Street in the Seaport District offered four new artist live/work spaces for sale to BRA Certified Artists; at the Modern in the South End two new artist units were sold to musicians and visual artists; and in the Hyde Park neighborhood, 62 units were made available for sale to Boston artists including room for future workspace expansion.

In 2010 new artist lofts at the Signal building will be available for sale in South Boston, offering the neighborhood 24 artist units and additional residential ownership opportunities. The Artists Space Initiative not only provides market-rate housing and studios but also each building has an affordable component where some proportion of the units are sold or rented at below-market prices. At both Midway Studios in the Seaport District, an 89-unit artist live/work rental building with a theater, and at Artblock in the South End, a mixed-use project housing artist live/work, artist work-only, performance art gallery space and regular residential space, the affordable artist component is close to half of the total square footage of the overall artist building.

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 and again in 2001, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to pay exactions in the amount of $9.44 per square-foot of construction over 100,000 square feet, of which $1.57 per square-foot goes to the job training fund and $7.87 per square-foot goes for affordable housing purposes. The fee was last adjusted as of March 9, 2006.

Linkage payments to the NHT are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Under NHT policy, current agreements provide for a seven-year payment period. The seven-member NHT board holds public hearings and has the authority to approve linkage grants to selected projects, except for a separate "housing creation" option, which requires the additional approval by the BRA. Since the inception of the linkage program through December 2008, the NHT has awarded $112 million in grant funds to various affordable housing projects.

Based on data through 2009, NHT funding contributed to the complete or pending construction or renovation of 9,865 housing units in 162 projects in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 83% (8,227 units) of this total. Of these 162 housing developments created, linkage funds, for the most part, account for fewer than 6% of the total development costs of the projects. NHT grant awards are allocated to fund low and moderate-income housing through the renovation of old buildings and schools, as well as to assist in the creation of new housing. Projects have included rental units; single room occupancy units, such as housing for pregnant, homeless women and alcohol recovery programs; condominiums; housing cooperatives; and home ownership.

Between fiscal years 1988 and 2009 over $23 million of funds were committed to the job training component of the City's linkage program and over $20 million of funds had been awarded to a broad range of community-based job training and adult education programs. Services funded under this program include: model program designs for entry-level job training, adult education, English for Speakers of Other Languages, and workplace-based education. The NJT is particularly interested in supporting innovative education and training activities which result in high-wage employment, new or non-traditional employment opportunities, and community-based projects that respond to specific neighborhoods' documented education and training needs. The NJT is committed to providing appropriate services to the residents of neighborhoods where, or adjacent to where, a given development project is located, while also ensuring that residents throughout the City have access to new jobs resulting from development.

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

April 1, 2010

Lisa Calise Signori
Director of Administration and Finance
and Collector-Treasurer
City of Boston
Boston, Massachusetts

Re: City of Boston, Massachusetts
General Obligation Bonds, 2010 Series A and 2010 Series B

We have acted as Bond Counsel to the City of Boston, Massachusetts (the "City"), in connection with the issuance by the City of $39,995,000 General Obligation Bonds, 2010 Series A (the "Series A Bonds"), and $68,345,000 General Obligation Bonds, 2010 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"), dated the date hereof. 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 this 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 without limitation as to rate or amount 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 or corporate alternative minimum taxes and interest on the Series A Bonds is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed as to the treatment of interest on the Series B Bonds when determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations. 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 that must be satisfied subsequent to the issuance of the Bonds in order

BOSTON MA | FT. LAUDERDALE FL | HARTFORD CT | MADISON NJ | NEW YORK NY | PROVIDENCE RI
STAMFORD CT | WASHINGTON DC | WEST PALM BEACH FL | WILMINGTON DE | LONDON UK

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 the 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) The 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.

EDWARDS ANGELL PALMER & DODGE LLP

EDWARDS ANGELL PALMER & DODGE LLP
111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

April 1, 2010

Lisa Calise Signori
Director of Administration and Finance
and Collector-Treasurer
City of Boston
Boston, Massachusetts

Re: City of Boston, Massachusetts
General Obligation Bonds, 2010 Series C (Build America Bonds – Federally Taxable – Direct Payment) and 2010 Series D (Recovery Zone Economic Development Bonds – Federally Taxable – Direct Payment)

We have acted as Bond Counsel to the City of Boston, Massachusetts (the "City"), in connection with the issuance by the City of $30,905,000 General Obligation Bonds, 2010 Series C (Build America Bonds – Federally Taxable – Direct Payment) (the "Series C Bonds"), and $16,685,000 General Obligation Bonds, 2010 Series D (Recovery Zone Economic Development Bonds – Federally Taxable – Direct Payment) (the "Series D Bonds" and, together with the Series C Bonds, the "Bonds"), dated the date hereof. In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Series C Bonds have been designated by the City as "Build America Bonds" within the meaning of Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), and as "direct pay" Build America Bonds within the meaning of Section 54AA(g) of the Code. The Series D Bonds have been designated by the City as "recovery zone economic development bonds" within the meaning of Section 1400U-2 of the Code.

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

BOSTON MA | FT. LAUDERDALE FL | HARTFORD CT | MADISON NJ | NEW YORK NY | PROVIDENCE RI
STAMFORD CT | WASHINGTON DC | WEST PALM BEACH FL | WILMINGTON DE | LONDON UK

from taxes which may be levied without limitation as to rate or amount upon all taxable property in the City.

(2) Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

(3) The 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.

EDWARDS ANGELL PALMER & DODGE LLP

BOS111 12461981.4

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Boston, Massachusetts (the "City") in connection with the issuance of its $39,995,000 General Obligation Bonds, 2010 Series A (the "Series A Bonds"), $68,345,000 General Obligation Bonds, 2010 Series B (the "Series B Bonds"), $30,905,000 General Obligation Bonds, 2010 Series C (Build America Bonds-Federally Taxable-Direct Payment) (the "Series C Bonds"), and $16,685,000 General Obligation Bonds, 2010 Series D (Recovery Zone Economic Development Bonds-Federally Taxable-Direct Payment) (the "Series D Bonds" and, collectively with the Series A Bonds, the Series B Bonds and the Series C Bonds, the "Bonds"), dated April 1, 2010. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City 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 City 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.

"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 City 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 City may be submitted when available separately from the balance of the Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The City'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 City's Official Statement dated March 18, 2010 relating to the Bonds regarding (i) the revenues and expenditures of the City relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the City, and (vi) pension obligations of the City, and

(b) the most recently available audited financial statements of the City, prepared in accordance with generally accepted accounting principles.

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 City 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 City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The City shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

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 or events affecting the tax-exempt status of the Bonds.

7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds.

11. Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the City shall promptly 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 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 City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City 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 City), 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 City 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 City to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the City 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 City to comply with this Disclosure Certificate shall be an action for specific performance of the City'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: April 1, 2010

CITY OF BOSTON, MASSACHUSETTS

By______________________________________
Director of Administration and Finance and
Collector-Treasurer

____
Mayor

____
City Auditor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Filing Notice of Failure to File Annual Report]

BOS111 12461765.5