

Ratings†

Moody's S&P

Aaa AA+

NEW ISSUE

In the opinion of Edwards Wildman Palmer 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 (together, the "Bonds") is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. 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

**\$144,855,000
GENERAL OBLIGATION BONDS
2013 SERIES A**

**\$24,380,000
GENERAL OBLIGATION REFUNDING BONDS
2013 SERIES B**

**Dated: Date of Delivery
Due: As shown on page (i)**

The Bonds will be issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are set forth in this Official Statement. Interest on the Series A Bonds will be payable on September 1, 2013 and semiannually on each March 1 and September 1 thereafter until maturity or redemption prior to maturity. Interest on the Series B Bonds will be payable on July 1, 2013 and semiannually on each January 1 and July 1 thereafter until maturity or redemption prior to maturity. The Series A Bonds and the Series B Bonds will be subject to redemption prior to maturity as more fully described herein.

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

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

The Bonds were sold by the City after competitive bidding pursuant to the Official Notice of Sale, dated February 21, 2013, and are offered subject to the final approving opinion of Edwards Wildman Palmer, LLP, Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described herein and in the Official Notice of Sale. Public Financial Management, Inc., Boston, Massachusetts, serves as Financial Advisor to the City. U.S. Bank National Association will act as paying agent for the Bonds. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about March 14, 2013.

February 28, 2013

† See "Credit Ratings."

CITY OF BOSTON, MASSACHUSETTS

\$144,855,000

GENERAL OBLIGATION BONDS 2013 SERIES A

Dated: Date of Delivery

Due: March 1, as shown below

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2014	\$7,440,000	4.00%	0.18%	100853RY8	2024	\$5,745,000	5.00%	1.97%**	100853SJ0
2015	7,510,000	5.00	0.30	100853RZ5	2025	6,030,000	4.00	2.10**	100853SK7
2016	7,885,000	5.00	0.43	100853SA9	2026	6,270,000	2.50	2.50	100853SL5
2017	8,285,000	5.00	0.57	100853SB7	2027	6,430,000	4.00	2.44**	100853SM3
2018	8,700,000	5.00	0.80	100853SC5	2028	6,680,000	4.00	2.57**	100853SN1
2019	7,205,000	5.00	1.03	100853SD3	2029	6,360,000	4.00	2.63**	100853SP6
2020	7,570,000	5.00	1.27	100853SE1	2030	6,620,000	3.00	3.00	100853SQ4
2021	7,945,000	5.00	1.50	100853SF8	2031	6,820,000	3.00	3.03	100853SR2
2022	8,345,000	5.00	1.68	100853SG6	2032	7,020,000	3.00	3.08	100853SS0
2023	8,760,000	5.00	1.87	100853SH4	2033	7,235,000	3.00	3.12	100853ST8

** Priced to the first optional redemption date. See “The Bonds—Redemption Prior to Maturity—Optional Redemption.”

\$24,380,000

GENERAL OBLIGATION REFUNDING BONDS 2013 SERIES B

Dated: Date of Delivery

Due: January 1, as shown below

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2014	\$3,740,000	4.000%	0.17%	100853SU5	2021	\$3,070,000	4.000%	1.54%	100853TB6
2015	10,000	2.000	0.30	100853SV3	2022	2,465,000	4.000	1.72	100853TC4
2016	10,000	3.000	0.43	100853SW1	2023	2,460,000	4.000	1.91	100853TD2
2017	10,000	4.000	0.57	100853SX9	2024	5,095,000	4.000	2.01**	100853TE0
2018	10,000	4.000	0.80	100853SY7	2025	5,090,000	2.125	2.25	100853TF7
2019	10,000	4.000	1.03	100853SZ4	2026	2,400,000	4.000	2.20**	100853TG5
2020	10,000	4.000	1.27	100853TA8					

** Priced to the first optional redemption date. See “The Bonds—Redemption Prior to Maturity—Optional Redemption.”

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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. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof, except as expressly set forth herein. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
\$144,855,000
GENERAL OBLIGATION BONDS, 2013 SERIES A
\$24,380,000
GENERAL OBLIGATION REFUNDING BONDS, 2013 SERIES B

This Official Statement (which includes the cover page and Appendices hereto) provides information concerning the City of Boston, Massachusetts (the “City”), the \$144,855,000 General Obligation Bonds, 2013 Series A (the “Series A Bonds”) and the \$24,380,000 General Obligation Refunding Bonds, 2013 Series B (the “Series B Bonds” and together with the Series A 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 February 1, 2013 (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. As of the date of this Official Statement, no special obligation indebtedness of the City remains outstanding. See "City Indebtedness—Special Obligation Debt" in the Information Statement. To the extent required for the payment of any such secured indebtedness, the revenues pledged to their payment would not be available to pay the Bonds.

Except to the extent specifically pledged to the payment of certain indebtedness, state aid distributions to the City are generally available for the payment of bonds or notes of the City, but, under certain circumstances, they may be unavailable to the extent such distributions are applied to the payment of "qualified bonds" issued by the City (none of which bonds have been issued), or to the extent that such distributions may be applied under state law to the satisfaction of unpaid assessments due the Commonwealth from the City for debt issued by the Massachusetts Bay Transportation Authority, or for obligations of the City or of the Boston Water and Sewer Commission issued to the Massachusetts 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 Series A Bonds will be dated the date of delivery thereof, expected to be March 14, 2013, and will mature on March 1 of the years, and in the amounts, and will bear interest calculated on the basis of 30-day months and a 360-day year at the rates, shown on the inside cover of this Official Statement. Interest on the Series A Bonds will be payable on September 1, 2013 and semiannually thereafter on each March 1 and September 1, provided that if such day is not a business day, interest will be payable on the next business day.

The Series B Bonds will be dated the date of delivery thereof, expected to be March 14, 2013, and will mature on January 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 cover of this Official Statement. Interest on the Series B Bonds will be payable on July 1, 2013 and semiannually thereafter on each January 1 and July 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.

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

Authorization and Purpose

The Bonds will be issued pursuant to 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 will be issued to finance various capital projects of the City. The Series B Bonds will be issued for the purpose of current and advance refunding certain outstanding general obligation bonds, as more fully described under “Plan of Refunding,” below.

Redemption Prior To Maturity

Optional Redemption

The Series A Bonds maturing on or before March 1, 2023 will not be subject to redemption prior to maturity. The Bonds maturing after March 1, 2023 will be subject to redemption prior to maturity at the option of the City, on or after March 1, 2023, as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected by DTC and its participants, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

The Series B Bonds maturing on or before January 1, 2023 will not be subject to redemption prior to maturity. The Series B Bonds maturing after January 1, 2023 will be subject to redemption prior to maturity at the option of the City, on or after January 1, 2023, 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 B Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption

Notice of redemption of Bonds, specifying the numbers, series and maturities of the Bonds or portions thereof to be redeemed and the redemption date, will be given by the Paying Agent not less than 30 days prior to the redemption date by notice mailed to DTC or its nominee, as registered owner of the Bonds to be redeemed. The City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. Notice having been given, the Bonds or portions thereof called for redemption will become due and payable on the designated redemption date. If on the redemption date monies are available for the redemption of the Bonds or portions thereof

to be redeemed, together with interest accrued to the redemption date, then interest on such Bonds or portions thereof shall thereafter cease to accrue.

Book-Entry Transfer System

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

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

Series B Bonds

The Series B Bonds are being issued to: (i) current refund, at par, the City's outstanding general obligation 2003 Series A Bonds (the "Current Refunded Bonds"), as further described below, and (ii) advance refund, at par, a portion of the City's outstanding general obligation 2005 Series A Bonds, and , a portion of the City's general obligation 2006 Series A Bonds (together, the "Advance Refunded Bonds"), as further described below:

Bond Series	Maturity Date	Interest Rate	Principal Amount to be Refunded	Redemption Date	CUSIP ⁽¹⁾
2003 Series A	02/01/2014	5.00%	\$3,725,000	04/15/2013	100853QZ6
2005 Series A	01/01/2024	4.00	2,660,000	01/01/2015	1008528B1
	01/01/2025	4.00	2,660,000	01/01/2015	1008528C9
2006 Series A	01/01/2021	4.00	3,130,000	01/01/2016	100853BQ2
	01/01/2022	4.00	2,525,000	01/01/2016	100853BR0
	01/01/2023	4.125	2,525,000	01/01/2016	100853BS8
	01/01/2024	4.125	2,525,000	01/01/2016	100853BT6
	01/01/2025	4.125	2,525,000	01/01/2016	100853BU3
	01/01/2026	4.25	2,525,000	01/01/2016	100853BV1

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Upon delivery of the Series B Bonds, the City will enter into a Refunding Escrow Agreement (the "Escrow Agreement") with U.S. Bank National Association, Boston, Massachusetts as escrow agent (the "Escrow Agent") to provide for the refunding of the Advance 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 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 Advance Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Advance Refunded Bonds. The portion of the proceeds of the Series B Bonds to be applied to the refunding of the Current Refunded Bonds will be deposited by the City into the General Fund until used to redeem the Current 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 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 Advance 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 such 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 B Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth the gross debt service requirements for the City's outstanding general obligation bonds as of February 1, 2013, the gross debt service requirements on the 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 Bonds.

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

Fiscal	Bonds/Notes Outstanding As of February 2013		The Bonds		Refunded Bonds		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 52,610	\$ 17,944	\$ -	\$ -	\$ -	\$ -	\$ 70,554
2014	96,940	43,605	11,180	6,680	(3,725)	(1,045)	153,635
2015	91,785	39,421	7,520	6,635	-	(859)	144,502
2016	87,925	35,264	7,895	6,259	-	(859)	136,484
2017	83,595	31,095	8,295	5,865	-	(859)	127,991
2018	77,515	27,090	8,710	5,450	-	(859)	117,906
2019	72,010	23,587	7,215	5,015	-	(859)	106,968
2020	62,725	20,343	7,580	4,654	-	(859)	94,443
2021	58,760	17,402	11,015	4,275	(3,130)	(859)	87,463
2022	62,485	14,581	10,810	3,755	(2,525)	(734)	88,372
2023	54,180	12,351	11,220	3,239	(2,525)	(633)	77,833
2024	47,905	10,152	10,840	2,703	(5,185)	(528)	65,886
2025	66,250	8,083	11,120	2,212	(5,185)	(318)	82,162
2026	44,355	6,068	8,670	1,862	(2,525)	(107)	58,323
2027	30,900	4,132	6,430	1,610	-	-	43,072
2028	22,770	2,866	6,680	1,352	-	-	33,668
2029	16,635	1,843	6,360	1,085	-	-	25,923
2030	12,315	1,119	6,620	831	-	-	20,885
2031	8,775	588	6,820	632	-	-	16,815
2032	5,880	246	7,020	428	-	-	13,574
2033	1,920	29	7,235	217	-	-	1,949
Totals	<u>\$1,058,235</u>	<u>\$317,809</u>	<u>\$169,235</u>	<u>\$64,759</u>	<u>(\$24,800)</u>	<u>(\$9,376)</u>	<u>\$1,575,862</u>

* Rows and columns may not add due to rounding.

Source: City of Boston Auditing Department.

Rate of Principal Retirement

The City will retire the following amounts of its outstanding general obligation bonds over the following respective periods. This table is stated in two ways, with scheduled principal retirement prior to the issuance of the Bonds, and then subsequent to the issuance of the Bonds. 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 February 1, 2013 to be Retired (in thousands)	Percentage of Debt Outstanding as of February 1, 2013 to be Retired	Debt Outstanding After Issuance of the Bonds to be Retired (in thousands)	Percentage of Debt Outstanding After Issuance of the Bonds to be Retired
Fiscal 2013-2018	\$ 490,370	46.3%	\$ 530,245	44.1%
Fiscal 2019-2023	310,160	29.3	349,820	29.1
Fiscal 2024-2028	212,180	20.2	243,025	20.3
Fiscal 2029-2033	45,525	4.3	79,580	6.5
Total	<u>\$1,058,235</u>	<u>100.0%</u>	<u>\$1,202,670</u>	<u>100.0%</u>

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 EXEMPTION

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of the 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 Bonds is the first price at which a substantial amount of such maturity of the 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 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 the 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.

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 Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any 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 market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

CREDIT RATINGS

Moody's Investors Service Inc., ("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 "Aaa" 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 its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale by the City on February 28, 2013, in accordance with the Official Notice of Sale dated February 21, 2013 (the "Official Notice of Sale").

Bank of America Merrill Lynch ("Bank of America") was the successful bidder for the Series A Bonds and the Series B Bonds. Information provided by Bank of America regarding the interest rates and reoffering yields of the Series A Bonds and the Series B Bonds is set forth on page i of this Official Statement. The Series A Bonds are being purchased from the City by Bank of America at an aggregate price of \$164,600,857.33, reflecting the principal amount of \$144,855,000.00, plus net original issue premium of \$20,452,880.10, less underwriter's discount of \$707,022.77. The Series B Bonds are being purchased from the City by Bank of America at an aggregate price of \$27,080,688.19, reflecting the principal amount of \$24,380,000.00, plus net original issue premium of \$2,798,907.90, less underwriter's discount of \$98,219.71.

Bank of America 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.

CITY OF
BOSTON, MASSACHUSETTS



INFORMATION STATEMENT
Dated February 1, 2013

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 Rule 15c2-12 promulgated by the Securities and Exchange Commission. This Information Statement may not be reproduced or used in whole or in part for any other purpose without the express written consent of Meredith Weenick, Chief Financial Officer and Collector-Treasurer, Boston, Massachusetts.

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

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

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

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THE CITY

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

The Mayor is the chief executive officer of the City. 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.

Stephen J. Murphy (President)	At Large
Felix G. Arroyo.	At Large
John R. Connolly.....	At Large
Ayanna Pressley	At Large
Salvatore J. LaMattina	District 1
William P. Linehan	District 2
Frank Baker.....	District 3
Charles C. Yancey.....	District 4
Robert J. Consalvo	District 5
Matthew J. O’Malley	District 6
Tito H. Jackson	District 7
Michael P. Ross.....	District 8
Mark B. Ciommo	District 9

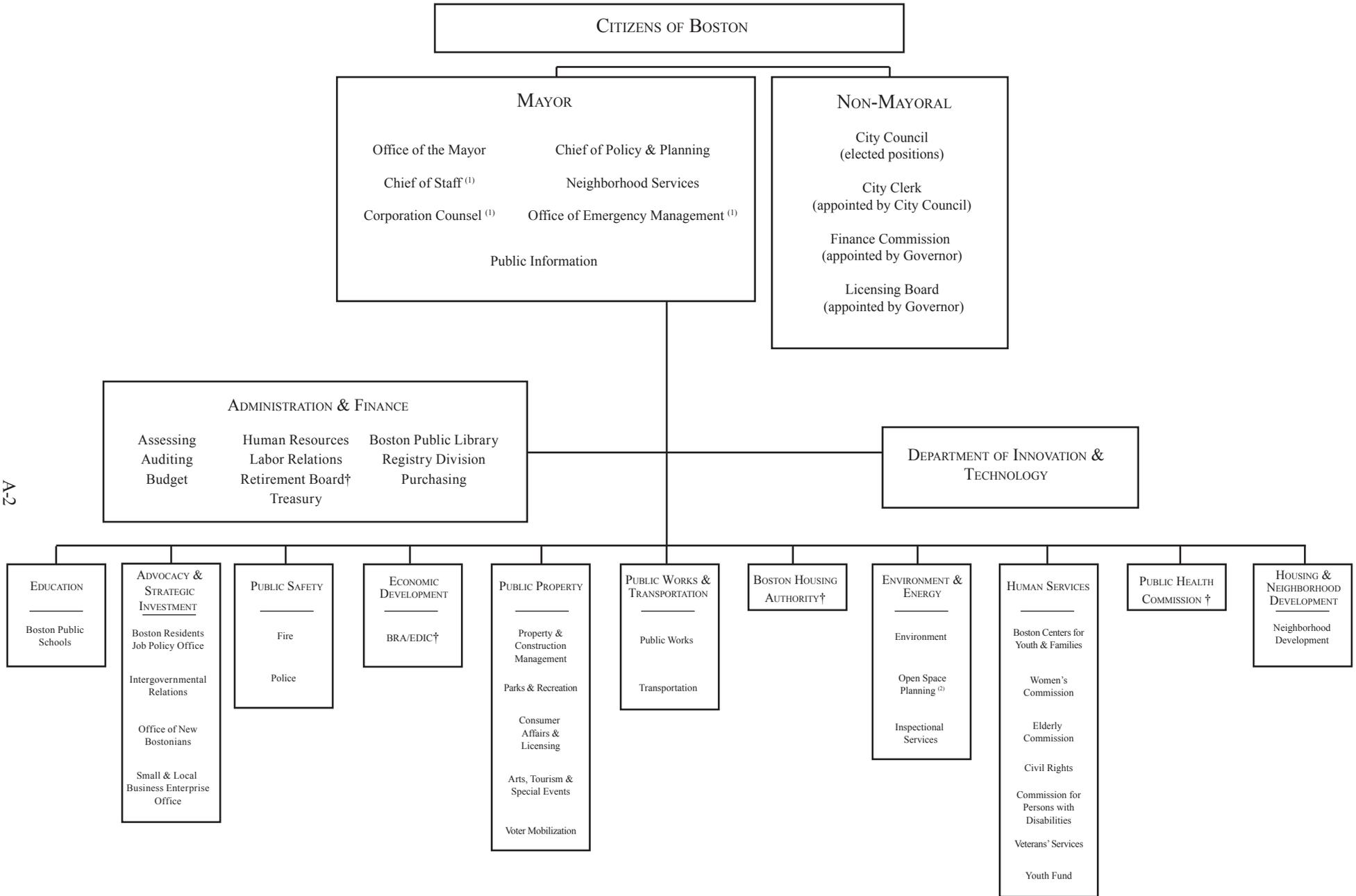
Organization of City Government

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

A-2



† For a description of the activities of the Retirement Board, see "Employee Benefits—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 Department of Innovation and Technology, 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.

Chief of Personnel and Labor Relations

John Dunlap was appointed Chief of Personnel and Labor Relations in May 2011. Prior to his appointment, Mr. Dunlap was Director of Labor Relations since joining the City in 2005. Previously, Mr. Dunlap held similar positions in other Massachusetts towns since 1996.

Chief Financial Officer and Collector-Treasurer

Meredith Weenick was appointed Chief Financial Officer ("CFO") and Collector-Treasurer in May 2011. Prior to her appointment, Ms. Weenick served as the Acting Director of Administration and Finance and prior to that, as Associate Director of Administration and Finance from 2007 until 2010. Ms. Weenick also served as Policy Advisor in the Mayor's office from 2002 to 2007.

The CFO oversees all of the City's financial matters, including the functions of the Treasury, Assessing, Auditing, and Purchasing Departments, as well as the Office of Budget Management. In her capacity as Collector-Treasurer, Ms. Weenick is responsible for the supervision of the City's Treasury Department, including the collection of revenues due to the City and management and payment of all amounts due from the City, including amounts due on account of borrowings by the City. The Collector-Treasurer is also the custodian of over 300 City trust funds and is an ex-officio member of the Massachusetts Convention Center Authority Board.

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

Budget Director

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 in September 1992. Previously, Mr. Rakow served as the Director of Research and Standards and Director of Tax Policy 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. Commissioner Rakow has been appointed by the Collector-Treasurer to serve on the Massachusetts Convention Center Authority Board. He also serves as the City's Deputy Chief Financial Officer.

Chief Economic Development Officer

Peter Meade was appointed Chief Economic Development Officer and Director of the Boston Redevelopment Authority (the "BRA") in April 2011. Prior to his appointment, Mr. Meade was the President and CEO of the Edward M. Kennedy Institute for the United States Senate. 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 August 2015. 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.

Chief of Advocacy and Strategic Investment

Marie St. Fleur was appointed Chief of Advocacy and Strategic Investment in June 2010. Prior to her appointment, Ms. St. Fleur served for over a decade in the Massachusetts House of Representatives for the 5th Suffolk District. The Chief of Advocacy and Strategic Investment oversees the Mayor's Circle of Promise Initiative and other collaborative funding and programmatic partnerships in Boston's neighborhoods, as well as diversity and re-entry initiatives. The Advocacy and Strategic Investment Cabinet is comprised of the Department of Intergovernmental Relations, the Office of New Bostonians, and the Small and Local Business/Boston Jobs for Boston Residents Policy Offices.

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 Management

Rene Fielding was appointed Director of the City's Office of Emergency Management ("OEM") in October 2012. Prior to her appointment Ms. Fielding previously served as Deputy Director of OEM. The

Office of Emergency Management is responsible for obtaining, allocating and managing state and federal funds designated for homeland security initiatives, and to facilitate communication and cooperation across towns and cities in specific disciplines, such as law enforcement, fire service, emergency management, emergency medical services, public health, healthcare, and government administration.

Chief of Public Health

Dr. Barbara Ferrer was named Executive Director of the Boston Public Health Commission (the “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 to 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

Brian Swett was appointed Chief of Environment and Energy in July 2012. Prior to his appointment, Mr. Swett was employed at Boston Properties overseeing LEED and sustainability initiatives and at the Environmental Protection Agency’s National Center for Environmental Innovation. The Chief of Environment and Energy is responsible for environmental and energy policy. The Environmental and Energy Services Cabinet is comprised of the Inspectional Services Department, the Environment Department, the Parks and Recreation Department’s Open Space Planning, and Boston’s Recycling Program. The Chief of Environment and Energy also serves as the liaison to Boston’s utility companies and the Boston Water and Sewer Commission, and as the board member of the Massachusetts Water Resources Authority, the Boston Groundwater Trust, and the Boston Harbor Islands Partnership, and is co-chair of the Groundwater Working Group.

Chief of Housing and Neighborhood Development

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

Chief of Human Services

Daphne Griffin was appointed Chief of Human Services in February 2011. 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 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.

Principal Government Services

The following table shows the distribution of the City’s fiscal 2013 appropriations by primary government functions and departments.

Purposes of City Appropriations—Fiscal 2013 ⁽¹⁾
(Budgetary Accounting Basis) ⁽²⁾
(\$ in thousands)

	<u>Amount</u>	<u>Percent of Total Appropriations</u>
General Government	\$ 92,167	3.7 %
Public Safety	515,997	20.9
Public Works	103,691	4.2
Property and Development	29,118	1.2
Parks and Recreation	18,928	0.8
Library	31,177	1.3
Human Services.....	31,123	1.3
Schools	873,693	35.4
Boston Public Health Commission.....	66,250	2.7
Judgments and Claims	3,500	0.1
Employee Benefits	248,272	10.1
Current Period Retirement Contributions	141,177	5.7
Debt Requirements	136,737	5.7
State and District Assessments	<u>178,505</u>	<u>7.2</u>
Total	<u>\$2,470,335</u>	<u>100.0%</u>

(1) Represents the fiscal 2013 Budget amended by any Mayoral Reallocations through January 17, 2013
(2) See “Financial Operations–Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2009 to 2012 Actual Results and Fiscal 2013 Budget” on page A-13 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 57,087 students for the 2012-2013 school year, an increase of 592 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, and School Committee Administrative Assistants. 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 ten support programs, consisting of the Charlestown sub-station, 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 Management coordinates and directs Boston's interdepartmental and multi-jurisdictional homeland security activities by advising the Mayor on issues and obtaining and managing outside funding. See "Director of the Office of Emergency Management," 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 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 33,600 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⁾			
	2011	2012	2013
<i>City Funded:</i>			
Public Safety ⁽²⁾	4,476	4,446	4,413
Public Works.....	359	350	342
Other City Departments ⁽³⁾	2,596	2,565	2,643
Boston Public Health Commission	<u>794</u>	<u>803</u>	<u>798</u>
Subtotal	<u>8,225</u>	<u>8,164</u>	<u>8,196</u>
Schools.....	<u>8,047</u>	<u>8,052</u>	<u>8,381</u>
Total City Funded	<u>16,272</u>	<u>16,216</u>	<u>16,577</u>
<i>Grant Funded:</i>			
Schools	792	759	796
All Others	<u>292</u>	<u>307</u>	<u>296</u>
Total.....	<u>17,356</u>	<u>17,282</u>	<u>17,669</u>

(1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.

(2) Public Safety includes both the Police Department and the Fire Department.

(3) Includes State-Boston Retirement System employees.

Source: City of Boston Office of Budget Management.

Employee Relations

Under Massachusetts General Laws Chapter 150E, most municipal employees in the Commonwealth enjoy the right to join labor unions and bargain collectively over wages and other terms and conditions of employment. The Office of Labor Relations represents the Mayor and the City in all collective bargaining matters with all unions 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 the 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	1,447	6/30/10
Boston Police Superior Officers	Police	247	6/30/10
Boston Police Detectives Benevolent Society	Police	280	6/30/10
Superior Detective Benevolent Society	Police	126	6/30/10
Forensic Group (BPD)	Police	23	9/30/16
School Traffic Supervisors Assoc.	Police	197	8/31/16
International Association of Firefighters, Local 718	Fire	1,478	6/30/11
Municipal Police Patrolmen's Association	Property & Construction Mgmt	52	6/30/16
Municipal Police Superior Officers Association	Property & Construction Mgmt	7	6/30/16
SEIU, Local 888	Citywide	1,036	9/30/16
SENA, Locals 9158 and 9158E	Citywide	663	9/30/10
AFSCME C93 (Citywide & various locals)	Citywide	1,128	6/30/16
AFSCME Local 1526	Library	218	9/30/10
Professional Staff Association (BPL)	Library	144	9/30/10
Park Rangers	Parks	10	6/30/16
Typographical Union	Police	3	9/30/16
OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	22	6/30/16
IBEW, Local 103	Inspectional Services	9	6/30/10
NCFO	Property & Construction Mgmt	7	6/30/16
Boston Teachers Union	School	7,669	8/31/16
BASAS (School Administrators & Supervisors)	School	267	8/31/10
Administrative Guild	School	277	8/31/10
Planning & Engineering	School	32	8/31/10
Boston School Police	School	55	8/31/16
School Police Superior Officers Assoc.	School	20	6/30/10
School Custodians Local 1952, Painters & Allied			
Trades District Council #35	School	478	8/31/10
Plant Administrators Association	School	12	8/31/10
School Bus Monitors USWA Local 8751	School	459	6/30/10
Lunch Hour Monitors Association	School	372	8/31/16
AFSCME C93, Local 230 Cafeteria Workers	School	380	8/31/10
AFSCME C93, Storekeepers & Deliverymen	School	10	8/31/10
		17,128	

(1) Number of members (not Full-Time Equivalents) as of January 1, 2013.

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

The City has settled with ten civilian unions that cover City departments, not including the School Department, placing over 2,500 unionized employees under contract. Each agreement is six years in duration and contains the same general wage pattern, roughly 12% wage increase over the six years. All of

these unions agreed to new City-wide policies for attendance, family and medical leave, military leave, and light duty. Bunker Hill and Evacuation Day were deleted as contractual holidays. In addition, the City has an agreement with the Boston Teachers Union that is also six years in duration with the same general wage pattern. Two other School Department unions have successor agreements. The City continues to negotiate with the unions with whom it has not completed negotiations and desires to obtain agreement on the same policies and wage patterns.

The City is currently at mediation at the Joint Labor Management Committee (JLMC) with all four public safety unions: Boston Police Patrolmen's Association (BPPA), Boston Police Superior Officers Federation (BPSOF), Boston Police Detectives Benevolent Society (BPDBS), and the International Association of Firefighters (IAFF).

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. The City, Boston Public Health Commission and School Department operating budgets for fiscal 2013 were approved by the City Council on June 27, 2012. See “Financial Operations—Fiscal 2013 Budget.” After approval of the budget and until the property tax rate is officially determined in mid-December, the Mayor may submit to the City Council such supplementary appropriation requests as are deemed necessary, including supplemental amounts for the School Department and the Boston Public Health Commission. The Mayor may also submit to the City Council supplementary appropriation requests subsequent to the setting of the property tax rate provided that an available source of revenue is identified. Under certain circumstances, the Mayor may, by executive order, require expenditures to be limited to an amount less than the appropriated level.

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

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

Capital Budgeting

The Office of Budget Management manages the City’s capital plan, including evaluating the condition of the City’s capital assets, forecasting the timing and financial requirements of new construction and rehabilitation, and assessing the allocation of current and future resources to meet the City’s infrastructure needs. Through an annually updated five-year capital plan, the City refines its capital needs and resources each fiscal year. In April 2012, the Mayor released the fiscal 2013-2017 capital plan and initiated loan orders for City Council consideration. There is no statutory time frame for requesting or approving such orders. All fiscal 2013 capital authorizations were approved by the City Council.

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

Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2009 to 2012 Actual Results and Fiscal 2013 Budget

The table below shows the City’s General Fund budget for fiscal 2013, together with budgetary actual results for fiscal 2009 through 2012. 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, “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.

Summary and Comparison of Operating Results
Fiscal 2009 to 2012 Actual Results and Fiscal 2013 Budget
General Fund—Budgetary Basis
(\$ in millions)*

	Fiscal 2009 Actual Results	Fiscal 2010 Actual Results	Fiscal 2011 Actual Results	Fiscal 2012 Actual Results	Fiscal 2013 Budget ⁽¹⁾
Revenues:					
Recurring Revenue:					
Property Taxes	\$ 1,400.7	\$ 1,475.9	\$ 1,541.9	\$ 1,615.9	\$ 1,675.1
Overlay Reserve ⁽²⁾	(35.4)	(35.7)	(37.4)	(38.7)	(41.1)
Excises	106.9	103.4	125.2	155.5	143.5
Fines	70.4	70.7	65.3	64.7	62.7
Interest on Investments	17.8	3.2	1.4	1.0	0.9
Payments in Lieu of Taxes	34.0	34.9	35.5	36.0	40.1
Urban Redevelopment Chapter 121A	65.5	66.6	70.3	64.5	61.2
Misc. Department Revenue ⁽³⁾	71.6	64.5	139.0	64.5	53.1
Licenses and Permits	41.0	30.6	39.9	51.9	38.7
Penalties & Interest	7.8	8.0	9.2	8.6	8.4
Available Funds	14.2	17.1	17.1	-	15.0
State Aid	454.4	413.2	395.2	390.5	404.1
Teachers' Pension Reimbursement ⁽⁴⁾	118.8	-	-	-	-
Total Recurring Revenue	\$ 2,367.6	\$ 2,252.3	\$ 2,402.7	\$ 2,414.4	\$ 2,470.3
Non-Recurring Revenues ⁽⁵⁾	35.0	51.0	27.0	-	-
Total Revenues	\$ 2,402.6	\$ 2,303.3	\$ 2,429.7	\$ 2,414.4	\$ 2,470.3
Expenditures:					
Departmental Expenditures					
City Departments	\$ 1,002.4	\$ 1,006.0	\$ 1,018.3	\$ 1,029.0	\$ 1,019.5
Boston Public Health Commission	69.4	70.0	69.8	72.9	66.2
School Department	810.0	817.8	821.4	831.3	873.7
Collective Bargaining Reserve	16.9	-	8.6	16.0	17.5
OPEB Stabilization Fund/Trust	25.0	20.0	35.0	35.0	40.0
Total Department Expenditures	\$ 1,923.7	\$ 1,913.8	\$ 1,953.1	\$ 1,984.3	\$ 2,016.9
Fixed Costs					
Pensions ^(3,4,6)	\$ 213.2	\$ 108.5	\$ 191.9	\$ 126.4	\$ 137.0
Debt Service ⁽⁷⁾	119.4	125.5	126.7	130.6	137.2
State Assessments	137.7	141.9	147.7	156.6	174.6
Suffolk County Sheriff Reserve	4.3	4.5	4.3	3.9	3.9
Reserve	0.0	0.1	0.2	0.6	0.7
Total Fixed Costs	\$ 474.7	\$ 380.3	\$ 470.7	\$ 418.1	\$ 453.4
Total Recurring Expenditures	\$ 2,398.5	\$ 2,294.2	\$ 2,423.8	\$ 2,402.4	\$ 2,470.3
Excess of Revenues Over Expenditures	\$ 4.1	\$ 9.1	\$ 5.9	\$ 12.0	\$ 0.0

* Columns may not add due to rounding.

- (1) Represents the budget at the time of the approval of the City's tax rate by the Massachusetts Department of Revenue on December 19, 2012 plus any supplemental appropriations or transfers from that date.
- (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 2013, the City has reserved 2.5% of the net levy for abatements.
- (3) In fiscal 2011, the City applied a one-time \$82 million payment from a reserve account and from an expiring revenue source to its pension liability.
- (4) Legislation passed removed the City from any involvement in teacher pensions (as is the case in all other municipalities in Massachusetts). The budgetary effects of such a change are the elimination of the Teacher's Pension Reimbursement and a reduction to the Pension line-item appropriation for the liability of teacher's pensions beginning in Fiscal 2010. See "Employee Benefits—Retirement Systems."
- (5) Non-recurring revenue in fiscal 2010 represents a portion of the proceeds from the Surplus Property Fund (\$6 million) and in 2009, 2010 and 2011 Budgetary Fund Balance (\$35 million, \$45 million and \$27 million, respectively).
- (6) Excludes noncontributory pensions and annuities that are included in departmental expenditures. The amount of such non-contributory pensions and annuities equaled \$4.1 million each year in fiscal 2009, 2010, 2011, 2012 and is estimated to be \$4.2 million in 2013.
- (7) The debt service amount is derived from principal and interest, less certain offsetting revenues. The revenues utilized to offset debt for budgetary and tax rate setting purposes vary from those used in the table "Debt Service Requirements-Fiscal 2009-2012." "See "City Indebtedness-Debt Service Requirements."

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

Fiscal 2009-2011 Actual Results

During the period of fiscal 2009 to 2011, the City maintained its pattern of the past two decades and produced budget surpluses in each year. Revenues grew in fiscal 2008, but slowed with the recession in fiscal 2009 and 2010. State aid revenue to the City increased in fiscal 2008 only to decrease in each succeeding year thereafter. The City responded to the reduction in resources with a mix of tools that included slowing the growth of departmental expenditures and the use of reserves. Reserves were needed to address structural deficits between fiscal 2008 and 2010, but since that time the budget has stabilized and recently, local revenues have begun to grow again.

During this period, the local revenue base expanded from the addition of a local option tax on restaurant meals and an increase in the existing room occupancy tax. Both were implemented in October 2009 with fiscal 2011 representing the first full year of additional revenue collections. The tax changes resulted in nearly \$40 million in new annual revenue to the City. Also during this period, new growth in the property tax increased when several large properties moved from exempt to taxable status adding nearly \$15 million in additional property tax revenue.

In fiscal 2010, the City and the Commonwealth moved forward with a change to the mechanism for funding Boston teachers' pensions. This change relieved the City from any responsibility for the funding of teachers' pensions through the elimination of those pension costs from the City's funding schedule, a transfer of teachers' pension assets from the State-Boston Retirement System to the Commonwealth's Pension Reserves Investment Trust ("PRIT") fund, and ending the annual pay-as-you-go reimbursement to the City from the Commonwealth. For additional information on pension-related issues, see "Employee Benefits – Retirement Systems." Also related to pension funding, in fiscal 2011, the City made a one-time payment into the pension fund in addition to its scheduled payment. The City would have been required to adopt a new pension funding schedule for fiscal year 2012 that would take into account the substantial investment losses experienced in 2008 during the stock market fall. In order to avoid the large increases in pension appropriations that would be required starting in fiscal 2012, the City elected to make a one-time payment from reserves of approximately \$82 million into the system in fiscal 2011 that substantially reduced the future payments required by a new schedule. The revenue supporting this payment was derived from a pension reserve and from the accumulation of many years of the City's share of deeds excise funds, a revenue source that is no longer available to the City. See "Employee Benefits – Retirement Systems."

Fiscal 2012 Actual Results

The following is a summary of the City's fiscal 2012 actual results on a budgetary accounting basis.

Expenditures

In fiscal 2012, the City's expenditures total \$2.40 billion including direct expenditures for departmental services and fixed expenses, representing a decrease of \$21.4 million or 0.9% from fiscal 2011 expenditures. The decrease is directly related to the extraordinary one-time fiscal 2011 pension payment described above. Fiscal 2012 actual expenditures compare with actual fiscal 2011 expenditures as follows: City Departments increased \$10.7 million or 1.1%; the Public Health Commission increased \$3.1 million or 4.4%; the School Department increased \$10.0 million or 1.2%; the Collective Bargaining Reserve increased \$7.5 million or 87.4% and the appropriation to the Other Post Employment Benefit (OPEB) Trust Fund was level funded. Actual fixed expenses for fiscal 2012 compare with actual fiscal 2011 fixed expenses as follows: Pensions decreased \$65.5 million or 34.1% as explained above; Debt Service increased \$3.9 million or 3.1%; State Assessments increased \$8.9 million or 6.0%; Suffolk County decreased by \$0.4 million or 9.6% and the Reserve increased by \$0.4 million or 220.0%

Within the category of City Departments, items to note are that Public Safety appropriation deficits in Police and Fire totaling \$18.7 million were offset by a substantial appropriation surplus of \$11.7 million in Snow Removal, surpluses in various other departmental appropriations as well as a large revenue surplus. The Public Safety deficits are mainly the result of higher than budgeted overtime expenses. Snow Removal expenditures for fiscal 2012 were \$16.1 million or 75% less than expenditures in fiscal 2011. Fiscal 2012 actual expenditures also reflect a deficit in the Execution of Courts account, resulting from a reserve set aside to pay for possible adverse legal rulings. The increase in the Collective Bargaining Reserve reflects a wage pattern that has been accepted by several of the City's civilian unions and that has been offered to all other unions.

Revenues

Actual revenues for fiscal 2012 total \$2.41 billion, a decrease from fiscal 2011 actual revenues of \$15.3 million or 0.6%. Selected fiscal 2012 actual revenues compare with fiscal 2011 actual revenues as follows: The Gross Property Tax Levy (including new growth) increased \$74.0 million or 4.8%; Excises increased \$30.3 million or 24.2%; Interest on Investment decreased \$0.4 million or 29.5%; Chapter 121A revenues decreased \$5.8 million or 8.3%; Misc. Department Revenues decreased by \$74.5 million or 53.6%; Licenses and Permits increased \$12.0 million or 30.2%; State Aid decreased \$4.7 million or 1.2% and Non-Recurring Revenue decreased by \$27.0 million or 100%.

The increase in Excises is due to a change in the treatment of Room Occupancy excise revenues. With the elimination of special obligation debt in fiscal 2011 related to the Boston Convention and Exhibition Center (BCEC), revenue from the excise is no longer split between the Room Occupancy Excise Fund and the General Fund. In addition, both Jet Fuel excise and Meals excise increased over the prior year while Motor Vehicle excise revenue decreased. The decrease in Interest on Investment revenue is due to the continued action of the Federal Reserve to maintain its target federal funds rate at between 0.0% and 0.25% thus limiting returns on the City's historically conservative investment policies. The decrease in Misc. Department Revenues reflects a one-time receipt of \$82 million applied as a pension payment in fiscal 2011. The increase in Licenses & Permits is due to increased building permit activity. The decrease in State Aid is due to decreases in reimbursements for School Building Assistance and Charter School Tuition. For more detailed information regarding State Aid, see "City Revenues—State Aid." The decrease in nonrecurring revenue reflects the City's use of recurring revenue to partially fund the appropriation to the OPEB Trust Fund for fiscal 2011, but using recurring revenue sources for that appropriation in fiscal 2012.

Budgetary Fund Balance is available for appropriation after certification of its value by the Massachusetts Department of Revenue. Fiscal 2012 does not make use of this source of funds.

Fiscal 2013 Budget

The following is a summary of expectations regarding the City's fiscal 2013 budget on a budgetary accounting basis. The figures cited below are comparisons to fiscal 2012 actual figures.

Expenditures

In fiscal 2013, the City's budgeted expenditures total \$2.47 billion including direct expenditures for departmental services and fixed expenses, representing an increase of \$67.9 million or 2.8% from fiscal 2012 actual expenditures. Budgeted fiscal 2013 departmental expenditures compare with fiscal 2012 expenditures as follows: City Departments decreased \$9.6 million or 0.9%; the Public Health Commission decreased \$6.7 million or 9.1%; the School Department increased \$42.4 million or 5.1%; the Collective Bargaining Reserve increased \$1.5 million or 9.1% and the appropriation to the Other Post Employment Benefit (OPEB) Trust Fund increased \$5.0 million or 14.3%. Budgeted fixed expenses for fiscal 2013 compare with fiscal 2012 actual expenditures as follows: Pensions increased \$10.6 million or 8.4%, Debt Service increased \$6.6 million or 5.1%; and State Assessments increased \$18.0 million or 11.5%.

A major contributor to the decrease in budgeted fiscal 2013 expenses for City Departments is a \$10.6 million decrease in the health insurance appropriation resulting from an agreement with the City's unions to increase the share of health care costs paid by employees and retirees as well as a state mandate requiring that all Medicare-eligible retirees enroll in Medicare. The decrease in budgeted fiscal 2013 expenses for the Public Health Commission is related to special obligation debt that was refinanced as general obligation bonds. The debt is now included in the City's centralized debt service account and not in the Public Health Commission's appropriation. The increase in the School Department's budgeted expense for fiscal 2013 largely reflects the loss of Education Jobs funding now being covered with general fund revenue and annual step increases for teachers. The Collective Bargaining Reserve has been increased to reflect a wage pattern that has been accepted by several of the City's civilian unions and has been offered to all unions.

The increase in pension costs is due to the regular increase provided by the pension funding schedule, plus additional funding for increases in both the minimum survivor benefit and an increase in the annual cost of living (COLA) base from \$12,000 to \$13,000. Pension expenses are mandated by the City's pension funding schedule as approved by the state actuary and are a legal obligation of the City. The City's current pension schedule is expected to fully fund the system by the end of fiscal 2025, fifteen years earlier than the maximum allowed by law. See "Employee Benefits—Retirement Systems," below. 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 2013 total \$2.47 billion, an increase of \$55.9 million or 2.3% from fiscal 2012 actual revenues. Selected fiscal 2013 budgeted revenues compare with fiscal 2012 revenues as follows: The Gross Property Tax Levy (including new growth) increased \$67.8 million or 4.2%; Excises decreased \$12.0 million or 7.7%; Interest on Investments decreased \$0.1 million or 8.3%; Chapter 121A revenues decreased \$3.3 million or 5.1%; Misc. Department Revenues decreased by \$11.4 million or 17.7%; Licenses and Permits decreased \$13.2 million or 25.4%; State Aid increased \$13.6 million or 3.5% and Non-Recurring Revenue remained level with zero dollars budgeted.

The Property Tax, the City’s largest source of revenue, has become increasingly important to the City’s revenue growth given the recent fluctuations in state aid from the Commonwealth and the City’s second largest single source of revenue, see “City Revenues—State Aid.” Property tax revenues will meet budgeted amounts in fiscal 2013, and the current levy remains well below its statutory limit.

The decrease in Excises is largely due to an expected fall in Jet Fuel excise revenues. The decrease in Misc. Department Revenue is due to the loss of some one-time revenues received in fiscal 2012. The decrease in Licenses & Permits is due to an expected decrease in building permit activity after the large increase in fiscal 2012. The increase in State Aid is due to a small increase in school aid to the City and an increase in the reimbursement for charter school tuition. This latter increase in state aid is offset by a larger state assessment for charter school students. For more detailed information regarding State Aid, see “City Revenues—State Aid.” Nonrecurring revenue remains at zero and reflects the City’s use of recurring revenue to fund the appropriation to the OPEB Trust Fund for fiscal 2013.

Federal Sequestration

Federal funding received by the City could be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the “Budget Control Act”), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. If no legislative action is taken by Congress, sequestration would be implemented beginning on March 1, 2013, and would result in automatic cuts to federal spending in designated agencies and programs of \$1.2 trillion. These federal spending cuts would be spread evenly over fiscal years 2013 through 2021. Sequestration could adversely affect the availability of certain federal funds typically received annually by the City.

The City does not know at this time if sequestration will, in fact, be implemented, and if implemented, what impact, if any, it may have on federal funds received by the City or whether any current exemptions may be modified. If sequestration is implemented as currently written, the City estimates a potential reduction of about approximately \$5.5 million in federal grant revenues for fiscal 2013. This amount is based upon an assumed 5% in federal funds. The actual effect on fiscal year 2013 will likely be less because the sequestration will take effect after the fiscal year has already begun and some federal revenues have already been paid to the City. The City currently expects that it will be able to manage the impact in fiscal 2013, if sequestration is implemented, by reducing expenditures otherwise to be funded with federal revenues or, if necessary, offsetting reductions in federal funds with other budgetary savings. The City cannot predict the actual reduction, if any, or an annual impact until the specific federal programs and dollar amounts subject to the sequestration are known.

Even if sequestration is not implemented as currently written, the City may face reduced federal grant awards in future years as a result of overall efforts to control federal spending. The reduction to federal grant revenues is a separate issue from the estimated effects of sequestration, or other potential federal cutbacks, on the City’s revenues as a result of overall reduced federal funding for activities in the City and the region. In particular, the loss of federal research funding by local colleges, universities and health care institutions may adversely affect the overall regional economy. However, it is not possible at this time to predict how these potential reductions may affect the regional economy and City revenues.

Sequestration may also affect the receipt of Direct Subsidy Payments from the United States Department of the Treasury with respect to bonds issued as “build America bonds” or “qualified school construction bonds” (collectively, the “Tax Credit Bonds”) under the American Recovery and

Reinvestment Act of 2009. The City has issued approximately \$106.6 million aggregate principal amount of Tax Credit Bonds. While the City cannot predict how the actual sequestration process, if implemented, will affect Direct Subsidy Payments due to the City, the City does not currently believe any withholding of Direct Subsidy Payments will have a material adverse effect on the City's financial condition or its ability to pay its Tax Credit Bonds in full.

Financial Statements

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

The City's audited financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The accounts of the City are organized on the basis of funds. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets/fund balance, revenues and expenditures/expenses. For a discussion of the significant accounting policies employed in preparing the City's fiscal 2012 audited financial statements, see Note 2 of such audited financial statements, which are attached hereto as Exhibit I. The City's fiscal 2012 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 2012 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, 2012, 2011, 2010, 2009, and 2008, 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 2008-2012

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 2008 through 2012, which were prepared in accordance with the GAAP basis of accounting by the City and audited by KPMG LLP, an independent auditor.

Summary of General Fund Statements of Revenues, Expenditures, Other Financing Sources and Changes in Fund Equity Fiscal Years 2008-2012 (GAAP Basis) (\$ in millions)*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total revenues	\$2,213.2	\$2,230.7	\$2,242.3	\$2,288.1	\$2,521.8
Total expenditures	<u>2,184.0</u>	<u>2,245.2</u>	<u>2,416.7</u>	<u>2,459.9</u>	<u>2,468.9</u>
Excess (deficiencies) of revenues over (under) expenditures	29.2	(14.5)	(174.6)	(171.8)	52.9
Total other financing (uses) sources	<u>40.8</u>	<u>41.2</u>	<u>53.1</u>	<u>117.5</u>	<u>(16.1)</u>
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	<u>70.0</u>	<u>26.7</u>	<u>(121.5)</u>	<u>(54.3)</u>	<u>36.8</u>
Fund balance, beginning of year	<u>732.0</u>	<u>802.0</u>	<u>828.7</u>	<u>707.2</u>	<u>652.9</u>
Fund balance, end of year ^{(1) (2)}	<u>\$ 802.0</u>	<u>\$ 828.7</u>	<u>\$ 707.2</u>	<u>\$ 652.9</u>	<u>\$ 689.7</u>

* Columns may not add due to rounding.

(1) The undesignated fund balances for the General Fund for fiscal 2008, 2009, and 2010 were \$553.1 million, \$550.3 million and \$547.3 million, respectively.

(2) Due to implementation of GASB 54 in fiscal 2011, the classification of fund balances has changed. The unassigned fund balance for the General Fund for fiscal 2011 and 2012 were \$551.0 million and \$511.8 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 2010 through fiscal 2012. The figures appearing in this section for the period are derived from

the City's audited annual financial statements. The analyses of revenues and expenditures in the text that follows are stated using data derived from the audited financial statements. For an explanation of the differences between the GAAP basis and Budgetary basis of accounting, see the audited financial statements at Exhibit I, Note 4, "Budgetary Data."

The City's major recurring revenue sources during this period were real and personal property taxes, state 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 2010

In fiscal 2010, the City's General Fund revenue increased by 0.5% from fiscal 2009. The City's largest sources of revenues were property taxes, excise taxes and fines totaling \$1.66 billion or 74% of total revenue. Property taxes increased \$74.2 million, representing a positive change of 5.3% from fiscal 2009. Departmental and other revenue, investment income and licenses and permits had a combined revenue decrease of \$30.1 million or 21.4% from fiscal 2009. Lower returns on City investments and a decline in building permits continue to be the major factors for this decrease in revenue.

Fiscal 2010 General Fund expenditures increased by \$171.6 million, or 7.6% from fiscal year 2009. The City's largest expenditures were for schools (\$815.7 million), public safety (\$511.4 million), retirement costs (\$235.3 million), other employee benefits (\$224.2 million), and state and district assessments (\$146.3 million). Schools experienced a decrease in expenditures of \$2.6 million (0.3%), while Public Safety saw an expenditure decrease of \$10.5 million (2.0%). Other employee benefits and state and district assessments experienced increases of \$32.6 million (17.0%) and \$4.3 million (3.0%), respectively. Retirement costs increased \$153.0 million in 2010. This extraordinary increase is attributable to the aforementioned change in the funding of Boston Teachers' Pensions. As a direct result of the change in the funding mechanism between the City and the Commonwealth, the City did not receive \$118.8 million in state reimbursement for the Teachers' Pension contribution it made in fiscal year 2009. This change caused a notable, one-time impact to the City's retirement costs, as well as General Fund equity. Consequently, the City's General Fund equity balance as of June 30, 2010 was \$707.2 million, a decrease of \$121.5 million from fiscal 2009.

Fiscal 2011

During fiscal 2011, General Fund revenue increased by 2.0% from fiscal year 2010. The City's largest sources of revenues were property taxes, excise taxes and fines totaling \$1.72 billion or 75% of total revenue. Property taxes increased \$58.8 million, representing a positive change of 4.0% from fiscal 2010. Licenses and permits increased by \$8.8 million or 26.6%. Departmental and other revenue decreased by \$9.4 million or 12.5% since fiscal year 2010. This was due to a decrease in Muni Medicaid reimbursements for fiscal 2011.

Fiscal 2011 General Fund expenditures increased by \$43.1 million, or 1.8% from fiscal 2010. The City's largest expenditures were for schools (\$812.9 million), public safety (\$516.7 million), other employee benefits (\$294.2 million), retirement costs (\$196.0 million), and state and district assessments (\$152.0 million). Schools experienced a decrease in expenditures of \$2.7 million (0.3%), while public safety saw a \$5.4 million increase (1.0%) in expenditures. Other employee benefits and state and district assessments experienced increases of \$70.0 million (31.2%) and \$5.7 million (3.9%) respectively. Retirement costs decreased by \$39.3 million in 2011.

The General Fund's equity balance as of June 30, 2011 was \$652.9 million, a decrease of \$54.3 million from fiscal year 2010. The decrease in equity balance is partly due to the City's decision to make a one-time payment totaling \$82.0 million to the Employee Retirement Fund, which will help lower the amounts otherwise required to fund the pension liability in fiscal 2012 and the years to follow.

Fiscal 2012

During fiscal 2012, General Fund revenue increased by 10.2% from fiscal year 2011. The City's largest sources of revenues were property taxes, excise taxes and fines totaling \$1.84 billion or 73% of total revenue. Property taxes increased \$65.6 million, representing a positive change of 4.3% from fiscal 2011. Licenses and permits increased by \$7.1 million or 17.0%. Departmental and other revenue increased by \$12.9 million or 19.8% since fiscal year 2011.

Fiscal 2012 General Fund expenditures increased by \$9.0 million, or 0.37% from fiscal 2011. The City's largest expenditures were for schools (\$830.8 million), public safety (\$524.5 million), other employee benefits (\$251.2 million), retirement costs (\$220.3 million), and state and district assessments (\$160.5 million). Schools experienced an increase in expenditures of \$17.9 million (2.2%), while public safety saw a \$7.8 million increase (1.5%) in expenditures. Other employee benefits experienced a decrease of \$43.0 million (14.6%) , while state and district assessments increased \$8.5 million (5.6%). Retirement costs increased by \$24.4 million in 2012.

The General Fund's equity balance as of June 30, 2012 was \$689.7 million, an increase of \$36.8 million from fiscal year 2011.

Cash Balances

The following table represents the end-of-month unaudited cash balances for the City's General Fund commencing with fiscal 2010 and ending with January of fiscal 2013, the most recent amounts 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 2010-2013 (\$ in thousands)

	2010	2011	2012	2013
July	\$1,055,772	\$979,209	\$ 892,903	\$ 920,015
August	1,037,852	954,515	888,874	940,206
September	966,445	940,787	772,519	914,600
October	977,341	890,839	845,824	1,014,017
November	927,851	923,062	890,134	1,003,768
December	781,347	725,861	761,995	916,684
January	902,410	829,575	869,822	1,097,659
February	982,327	790,116	915,249	
March	805,402	769,059	839,297	
April	923,559	903,443	978,551	
May	918,114	921,453	1,039,267	
June	1,005,930	956,680	1,011,186	

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 responding to and communicating 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 \$10.0 million deductible; boiler and machinery losses are insured up to \$25 million. For unexpected large losses, the City maintains a catastrophic risk reserve, the available balance of which equaled \$13.6 million at the end of fiscal 2012.

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 and the environment. The Energy Management Board is comprised of the City's Chief Financial Officer, 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. In calendar year 2011 the City retrofitted more than 12,800 streetlights with more efficient light emitting diode (LED) fixtures, and completed energy efficiency projects in City Hall and the Central Branch of the Boston Public Library Department. These three projects together eliminated 10.9 million kilowatt (kW) hours from the City's electricity

requirement. In addition, the City has begun construction on two photovoltaic arrays that will generate electricity to power municipal operations: a 50 kW array at its Central Maintenance Facility in South Boston, and a 123 kW array at its Archival Center in West Roxbury.

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.

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 2013 equals \$1.68 billion, or 68.2% of City General Fund revenues of \$2.47 billion budgeted for such period. Certain properties are subject to arrangements that suspend the imposition of real property taxes at normal rates in order to encourage development. See "City Revenues—Property Taxes—Revenues from Chapter 121A Properties" below.

As discussed below, Proposition 2½ limits the level of property taxation in the City. In fiscal 2013, 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 2013 equals \$1.68 billion. In fiscal 2013, the allowable 2.5% increase is \$40.4 million, and "new growth" is \$28.3 million.

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

Notwithstanding the provisions of Proposition 2½ described above, the City's Bond Procedure Act of 1983 mandates assessment of taxes in excess of the Proposition 2½ levy limits to the extent that the debt service on City obligations is not otherwise provided for in the tax levy or from other sources, with no

allowance made for any other expenditures of the City. See “City Indebtedness—Classification of City Debt.”

Proposition 2½ Property Tax Levy Limits, Fiscal 2009-2013⁽¹⁾
(\$ in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Assessed Valuation	\$90,387,171	\$87,256,532	\$86,800,583	\$88,500,410	\$92,199,272
Growth Levy Limit ⁽²⁾	1,400,631	1,465,230	1,539,709	1,614,744	1,683,779
Levy Ceiling.....	2,259,679	2,181,413	2,170,015	2,212,510	2,304,982
Tax Levy ⁽³⁾	1,400,015	1,465,058	1,539,680	1,614,029	1,683,681
<u>Under Levy Ceiling</u>	<u>859,664</u>	<u>716,355</u>	<u>630,335</u>	<u>598,481</u>	<u>621,301</u>

(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 requires municipalities to establish new values on the basis of market changes, using the most recent revaluation as a basis. The City has adjusted certified property values in accordance with this procedure in years when market conditions indicated such adjustment was necessary.

In November 2012, the City concluded work on its eleventh triennial revaluation for fiscal 2013, with an assessment date of January 1, 2012. For fiscal 2013, assessments were based on market activity leading up to the assessment date of January 1, 2012. Fiscal Year 2013 assessments reflected a moderate increase over the prior year as a result of improving real estate market conditions. See “City Revenues—Property Taxation—Taxes by Use; Tax Rates.”

Certified Triennial Revaluations

<u>Assessment Date</u>	<u>Real and Personal Property Value</u>	<u>Applicable Years</u>
January 1, 2012	\$92.20 billion	fiscal 2013 through 2015
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, 2012. The fiscal 2013 tax rates were applied to the January 1, 2012 valuation to determine levy and tax liability for fiscal 2013.

**Assessed Valuation of Taxable Real Property by
Real Estate Classes, Assessment Dated January 1, 2012**

<u>Real Estate Classes</u>	<u>Land Area (Square feet)</u>	<u>Land Valuation</u>	<u>Building Valuation</u>	<u>Total Valuation</u>
Apartments	35,631,767	\$1,621,992,185	\$ 3,367,262,447	\$ 4,989,254,632
Agricultural	1,439,267	76,300	182,600	258,900
Commercial	99,203,084	7,163,242,848	15,160,637,280	22,323,880,128
Commercial Condominium	10,889,284	43,600	2,253,508,500	2,253,552,100
Residential Condominium	60,377,781	—	24,768,480,810	24,768,480,810
Commercial Land	26,673,731	530,079,496	292,179,999	822,259,495
Condominium Main ⁽¹⁾	60,816,661	—	—	—
Condominium Parking	193,312	3,400	94,638,306	94,641,706
Industrial	18,774,557	336,372,350	287,015,645	623,387,995
Residential & Commercial	21,078,571	1,594,885,069	3,294,578,862	4,889,463,931
Residential Land	32,693,393	271,779,471	9,533,613	281,313,084
1-Family	156,596,866	4,760,992,285	7,334,382,210	12,095,374,495
2-Family	85,995,955	2,697,652,681	4,116,638,761	6,814,291,442
3-Family	52,523,416	2,095,469,153	3,623,846,687	5,719,315,840
4-Family (4-6 units)	<u>9,326,776</u>	<u>614,506,633</u>	<u>1,327,141,077</u>	<u>1,941,647,710</u>
TOTAL	<u>672,214,421</u>	<u>\$21,687,095,471</u>	<u>\$65,930,026,797</u>	<u>\$87,617,122,268</u>

(1) Condominium Main represents the legal structure that holds individual condominium units.

Source: City of Boston Assessing Department.

**Tax Rates, Fiscal 2009-2013
(per \$1,000 of assessed value)**

<u>Fiscal Year</u>	<u>Commercial, Industrial and Personal Property</u>	<u>Residential Property</u>
2013	\$31.96	\$13.14
2012	31.92	13.04
2011	31.04	12.79
2010	29.38	11.88
2009	27.11	10.63

Source: City of Boston Assessing Department.

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

The City may also exempt a portion of the assessed valuation of residential real property when used as the taxpayer's principal residence. 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 2013, qualifying residents who receive the residential exemption have their taxable assessed values reduced by \$131,238. 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 2009 through 2013.

Assessed Valuations—Fiscal Years 2009-2013⁽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
2013.....	\$21,687,095	\$65,930,027	\$87,617,122	\$4,582,149	\$92,199,272
2012.....	18,015,330	65,968,615	83,983,945	4,516,466	88,500,410
2011.....	17,893,175	64,520,726	82,413,901	4,386,682	86,800,583
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

* Rows may not add due to rounding.

(1) Represents assessed values determined as of January 1 prior to the start of the fiscal year. For example, fiscal 2013 assessed values are as of January 1, 2012.

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 2013. Assessed valuations and fiscal 2013 taxes reflect the valuation of property as of January 1, 2012 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2013⁽¹⁾

Name	Personal Property Value⁽²⁾	Real Property Value	Total Assessed Value	Fiscal 2013 Tax Liability
Blackstone Real Estate Partners	\$767,930	\$2,726,435,000	\$2,727,202,930	\$87,161,406
NSTAR / Boston Edison Company	1,667,761,130	81,842,200	1,749,603,330	55,917,322
Boston Properties ⁽³⁾	4,820,610	1,677,003,000	1,681,823,610	53,751,083
Tishman Speyer Properties	578,700	872,627,500	873,206,200	27,907,670
Teachers Insurance And Annuity Association ⁽⁴⁾	—	805,794,000	805,794,000	25,753,176
Fort Hill Associates	36,370	668,222,000	668,258,370	21,357,538
National Grid	458,297,000	35,404,700	493,701,700	15,778,706
UIDC of Massachusetts, Inc.	609,760	475,052,500	475,662,260	15,202,166
One Hundred Federal Street, LPS ⁽⁵⁾	11,497,190	412,675,500	424,172,690	13,556,559
John Hancock Financial	648,440	410,670,000	411,318,440	13,145,737
Fortis Property Group	168,080	406,613,400	406,781,480	13,000,736
Dewey Square Tower Associates	225,890	400,479,000	400,704,890	12,806,528
UBS Realty Advisors ⁽⁶⁾	—	390,795,000	390,795,000	12,489,808
TOTAL	\$2,145,411,100	\$9,363,613,800	\$11,509,024,900	\$367,828,436

(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. There are three general types of personal property that are taxable: business and professional furnishings, household furnishings in property other than the principal residence (for example, a summer house), and personal property of public utilities.

(3) Boston Properties purchased the Hancock Tower from Normandy Real Estate in December 2010; the taxes associated with this property were added to Boston Properties' figures in FY 2012. Boston Properties purchased 100 Federal St in March 2012; the taxes associated with this property will be reflected in FY 2014.

(4) Teachers Insurance and Annuity Association purchased 33 Arch Street in August 2011; the taxes associated with this property are reflected in FY 2013.

(5) 100 Federal was sold to Boston Properties in March 2012; the taxes associated with this property will be reflected in FY 2014 under Boston Properties.

(6) UBS Realty Advisors purchased Exchange Place from Brookfield Properties in December 2011; the taxes associated with this property are reflected in FY 2013. This move lowered Brookfield's tax liability below \$10 million.

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, 2012 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 2008 through 2012. 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 2008-2012
(Statutory Accounting Basis)
(\$ in millions)

Fiscal Year	Tax Levy			Tax Levy Collected Within Year of Levy			Tax Levy Net of Refunds Collected as of June 30		
	Gross ⁽¹⁾	Net	Net % Gross	Gross Amount	% Gross Levy	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2012	\$1,615.9	\$1,577.3	97.6%	\$1,604.2	99.3%	101.7%	\$1,597.8	98.9%	101.3%
2011	1,541.1	1,503.8	97.6	1,531.8	99.4	101.9	1,523.5	98.9	101.3
2010	1,465.5	1,429.8	97.6	1,456.6	99.4	101.9	1,447.2	98.8	101.2
2009	1,400.7	1,365.3	97.5	1,392.7	99.4	102.0	1,383.2	98.8	101.3
2008	1,334.6	1,295.5	97.1	1,338.8	100.3	103.3	1,317.5	98.7	101.7

(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 \$14.9 million, \$16.3 million and \$16.2 million, respectively, in fiscal 2010, 2011 and 2012.

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
2012	\$37,579	\$26,918	\$64,497
2011 ⁽²⁾	33,808	36,497	70,305
2010	40,616	25,978	66,594
2009	42,923	22,540	65,464

- (1) Contract Payments (Section 6A) include Chapter 121B, Section 16 payments, and Tax Increment Financing (TIF) agreements.
(2) Fiscal 2011 Section 6A payments include a one-time "gap" payment of approximately \$6.5 million from a property moving to taxable status. 121B payments increased in this year and going forward due to an accounting change.

Source: Office of Budget Management.

State Aid

State aid from the Commonwealth comprises the second largest revenue source to the City's General Fund. Over the course of the previous decade, support to municipalities from the Commonwealth has been reduced dramatically.

The effects of the recent recession and ongoing recovery on the City's state aid include reductions in actual state aid revenue totaling \$38.9 million or 7.9% in fiscal 2009, \$41.2 million or 9.1% in fiscal year 2010, \$18.0 million or 4.2% in fiscal 2011 and, \$4.7 million or 1.2% in fiscal 2012. In total, over these last four fiscal years, the City has lost \$102.9 million or nearly 21% of its support from the Commonwealth.

The fiscal 2013 state budget begins to reverse this recent trend with increases in the major categories of local aid to municipalities compared with fiscal 2012 levels (excluding a one-time fiscal 2012 supplemental appropriation restoring general government aid to fiscal 2010 levels). The budget increases unrestricted general government aid and Chapter 70 education aid by 7.8% and 1.2%, respectively, for a total additional \$14.0 million in aid to the City.

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 "charges" or "assessments" from state aid amounts appropriated to the City. The largest of these assessments is now that for Charter School Tuition followed by that for MBTA. 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. State Assessments are expected to increase to \$174.6 million in fiscal 2013, compared to \$156.6 million in fiscal 2012, \$147.7 million in fiscal 2011, and \$141.9 million in fiscal 2010.

Total state aid net of assessments, or "net state aid," is expected to decrease \$4.4 million, or 1.9%, to \$229.5 million to the City in fiscal 2013. Net state aid totaled \$233.9 million in fiscal 2012, and \$247.5 million in fiscal 2011. Since fiscal 2008, the City has lost \$135.6 million or over 37% of its net state aid.

State School Building Assistance

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

Due to demand for school building assistance grants far exceeding available funds, the state legislature created the Massachusetts School Building Authority (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 June 30, 2012, the City had approximately \$41.6 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 Commonwealth support for the project. As of March 2012, the City has received approximately \$40.6 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 for 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 2009 to 2012 Actual Results and Fiscal 2013 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 \$43.9 million, \$58.5 million, and \$60.1 million, respectively, in fiscal 2010, 2011 and 2012. Prior to fiscal 2012, 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"), to provide for the payment of the principal 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"). The Convention Center Act authorizes the City to retain in the Excise Fund any portion of room occupancy excise receipts not applied to such principal and interest or to transfer all or a portion of such amount to the City's General Fund (Vehicle Rental Surcharge receipts below are also credited to this fund). The City transferred \$30.0 million and \$34.5 million, in fiscal 2010 and 2011, respectively from the Excise Fund to the General Fund. All such debt was refunded with general obligation debt issued in fiscal 2011.

Accordingly, the Excise Fund has been eliminated and since the beginning of fiscal 2012, all room occupancy excise receipts have been credited directly to 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 \$22.9 million, \$23.2 million, and \$32.6 million respectively, in fiscal 2010, 2011 and 2012.

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 \$40.1 million, \$46.9 million, and \$40.4 million respectively, in fiscal 2010, 2011 and 2012.

Meals Excise

The Commonwealth granted authority to municipalities in 2009 to levy a .75% 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. The City's annual meals excise receipts totaled \$10.0 million for the 7 months of FY10 when the tax was in effect. In fiscal 2011, the first full year of tax collections, the City received \$20.2 million. Receipts in fiscal 2012 totaled \$22.0 million.

Vehicular Rental Surcharge

The Commonwealth imposes a \$10 surcharge on each vehicular rental transaction contract in the City. In fiscal 2011 and prior years, one dollar of each surcharge was paid to the City for deposit in the City's Excise Fund to provide for 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 \$1.1 million, \$1.2 million, and \$1.2 million respectively, in fiscal 2010, 2011 and 2012. Beginning in fiscal 2013, this revenue source will be budgeted in the General Fund due to the elimination of the Excise Fund. 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 \$66.3 million, \$61.1 million, and \$61.0 million respectively, in fiscal 2010, 2011 and 2012.

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 \$14.8 million, \$23.5 million and \$32.6 million respectively, in fiscal 2010, 2011 and 2012.

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 \$18.7 million, \$7.8 million and \$8.1 million respectively, in fiscal 2010, 2011 and 2012.

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, 2012, there was \$26.4 million remaining in the Surplus Property Disposition Fund.

Grants

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

Federal Grants

Some major sources of federal grant funds in fiscal 2012 included: a Community Development Block Grant (CDBG) Entitlement Program award of \$17.4 million; a Home Investment Partnership Program (HOME) award of \$7.5 million; a Housing Opportunities for Persons with AIDS Program (HOPWA) award of \$1.8 million.

Major sources of federal grant funds for programs of the Boston Public Schools included: a Title I Elementary & Secondary Education Act of 1965 award of \$47.8 million; Special Education Entitlement Grant awards of \$25.5 million; School Lunch Program awards of \$31.6 million; Title 11 Teacher Quality award of \$10.3 million; and Education Jobs Program award of \$10.4 million. The Boston Public Schools were also awarded \$28.6 million from a variety of other federal grant sources during the 2012 fiscal year.

State Grants

In addition to State Aid, the City also received state grants. In fiscal year 2012, the Police Department received Community Services grant awards that totaled \$6.7 million from the Commonwealth's Office of Public Safety. Boston Public Schools were awarded approximately \$5.9 million. Furthermore, one major program was supported by state education grants, the Special Education Student 50/50 Program totaling \$10.6 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, 2012, the City had outstanding approximately \$1.077 billion of general obligation long-term bonds, all of which bear fixed rates of interest. On February 1, 2013, the City had approximately \$1.058 billion of general obligation long-term bonds outstanding.

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

Debt Limits

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

The statutory debt limit for the City consists of a debt limit and a double debt limit. The debt limit is 5%, and the double debt limit is 10%, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Biennially, prior to January 31st, the Commissioner of Revenue establishes a final equalized valuation which is the basis for determining the debt limit for the following two-year period or until another equalization has been established. The equalized valuation of taxable property in the City established by the Commissioner of Revenue in January 2013 equals \$103.13 billion. Based on the current equalized valuation, the City's debt limit equals approximately \$5.16 billion, and its double debt limit equals \$10.31 billion as of February 1, 2013.

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, 2012, the City had outstanding debt of \$881.3 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$517.7 million. As of February 1, 2013, the City had outstanding debt of \$877.1 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$682.6. Based on the City's current debt limit of \$5.16 billion, the City had the capacity to authorize an additional \$3.60 billion of debt as of February 1, 2013.

Debt Incurring Capacity As of February 1, 2013 (\$ in thousands)

	Debt Limit
Normal Debt Limit as of June 30, 2012	\$5,301,711
Debt Outstanding as of June 30, 2012	(881,294)
Debt Authorized but Unissued as of June 30, 2012	<u>(517,710)</u>
Available Debt Incurring Capacity under the Debt Limit as of June 30, 2012.....	<u>\$3,902,707</u>
Decrease in Debt Limit based on new EQV effective on January 31, 2013	(145,337)
Authorization Adjustments approved through February 1, 2013	(885)
New Authorizations approved through February 1, 2013	(194,729)
Net Effect of Premium per Issuance through February 1, 2013	1,901
Principal paid through February 1, 2013	<u>33,019</u>
<u>Available Debt Incurring Capacity under the Debt Limit as of February 1, 2013</u>	<u>\$3,596,676</u>

Source: City of Boston Office of Budget Management

There are many categories of general obligation debt which are not subject to the debt limit and are therefore not included in the Debt Incurring Capacity table above. Some such debt is, however, subject to other debt limits, dollar limitations or state approval. As of February 1, 2013, the City had a total of \$1.058 billion in long-term debt outstanding, of which \$181.1 million was exempt from the debt limit. As of that date the City also had \$85.0 million of long-term debt that was authorized but unissued and exempt from the debt limit.

**Summary of Authorized but Unissued Debt – Within and Outside Debt Limit
As of June 30, 2012 and February 1, 2013 ⁽¹⁾**

	Authorized / Unissued 6/30/12	New Authorizations and Adjustments 7/1/12 to 2/1/13	Issuance (includes Premium) 7/1/12 to 2/1/13	Authorized / Unissued 2/1/13
“Within” Debt Limit	\$517,710,140	\$195,614,450	(\$30,765,946)	\$682,558,644
“Outside” Debt Limit	85,853,937	(885,154)	–	84,968,783
TOTAL:	<u>\$603,564,077</u>	<u>\$194,729,296</u>	<u>(\$30,765,946)</u>	<u>\$767,527,427</u>

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

Source: City of Boston Office of Budget Management.

Debt Statement

The following table sets forth the City’s outstanding general obligation debt as of February 1, 2013.

**Debt Statement as of February 1, 2013
General Obligation Debt ⁽¹⁾**

Purpose for Which Issued	Principal Outstanding as of 6/30/12	Issued in Fiscal 2013 as of 2/1/13	Retired in Fiscal 2013 as of 2/1/13	Principal Outstanding as of 2/1/13	Deemed Payable from Related Revenues ⁽²⁾	Net Principal Amount
General Purpose	\$795,377,587	\$ –	\$(27,459,345)	\$767,918,242	\$(2,607,585)	\$765,310,656
MWPAT	6,235,000	–	(700,000)	5,535,000	(1,616,150)	3,918,850
Economic Development	2,277,569	–	(264,213)	2,013,356	–	2,013,356
State Urban Development Relocation	10,773,094	–	(1,055,078)	9,718,016	–	9,718,016
Schools	64,584,319	–	(8,380,154)	56,204,165	(42,709,366)	13,494,799
Public Buildings	42,630,318	28,865,000	(4,063,499)	67,431,819	(18,738,000)	48,693,819
Public Works	154,767,548	–	(5,580,458)	149,187,090	–	149,187,090
Cemeteries	249,565	–	(22,253)	227,312	–	227,312
TOTALS	<u>\$1,076,895,000</u>	\$28,865,000	<u>\$(47,525,000)</u>	<u>\$1,058,235,000</u>	<u>\$(65,671,101)</u>	<u>\$992,563,899</u>

(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, 2010 through 2013. The debt service requirements table shows the gross Debt Service Requirements, offset by revenues received from related sources.

Debt Service Requirements—Fiscal 2010-2013 ⁽¹⁾

	Ended June 30, 2010	Ended June 30, 2011	Ended June 30, 2012	Fiscal Year Ended June 30, 2013 (Projected)
Gross Debt Service Requirements Bonded Debt:				
Principal.....	\$ 91,783,669	\$ 92,347,072	\$ 97,265,000	\$100,135,000
Interest.....	41,298,634	41,434,163	48,069,780	50,393,539
Total.....	<u>133,082,303</u>	<u>133,781,236</u>	<u>145,334,780</u>	<u>150,528,539</u>
Less Revenue Deemed Available From Related Sources: ⁽²⁾				
Boston Medical Center and Public Health Commission.....	1,409,115	1,392,624	1,403,772	527,203
Fund for Parks & Recreation/Irrigation Project.....	246,810	239,661	231,495	223,246
1010 Massachusetts Ave Project.....	1,754,534	1,753,636	1,809,579	1,856,743
Pension Management System.....	1,432,247	1,432,246	2,443,307	2,693,959
Room Occupancy Excise Fund	-	-	3,300,375	3,298,625
Premium and Subsidies	3,896,932	3,784,994	4,063,939	9,734,185
Accrued Interest.....	-	-	-	100,000
Plus Interest On Temporary Loan Notes and Additional Items:				
Revenue Anticipation	-	-	1,093,700	3,000,000
Cost of Issuance.....	648,273	248,079	500,000	500,000
QSCB of 11/09 Sinking Fund	-	727,272	1,454,545	1,454,545
Dudley Square Site/Sec. 108	505,000	505,000	505,000	505,000
School B.A.N.'s	-	-	-	-
Total Debt Service/Budget Summary	<u>\$125,495,938</u>	<u>\$126,658,425</u>	<u>\$135,635,558</u>	<u>\$137,554,123</u>
Additional Adjustments: ⁽²⁾				
Plus:				
Convention Center Special Obligation Bonds ⁽³⁾	8,270,863	2,273,831	-	-
Less:				
School Construction Assistance	12,956,404	11,157,748	9,847,753	8,833,043
Room Occupancy Excise Fund	<u>8,270,863</u>	<u>2,273,831</u>	<u>-</u>	<u>-</u>
Total Net Debt Service Requirements	<u>\$112,539,534</u>	<u>\$115,500,677</u>	<u>\$125,787,805</u>	<u>\$128,721,080</u>

(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: receipts from the Boston Public Health Commission for debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals; the Fund for Parks and Recreation; rental income from a City-owned building at 1010 Massachusetts Avenue; the Retirement Board; Debt Service Subsidies relative to prior City issuances; and grants from the MSBA for school construction projects.

(3) Redeemed in full on April 1, 2011 with proceeds of general obligation refunding bonds.

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

The related revenues shown in the foregoing Debt Statement and table of Debt Service Requirements are not pledged to the payment of specific indebtedness. However, such revenues may substantially reduce the amount of tax or other revenues of the City that must be raised to pay debt service on the related debt.

Certain Debt Ratios

The following table sets forth information as of February 1, 2013 with respect to the approximate ratio of the City’s long-term general obligation debt to certain economic factors.

**Debt Ratios
As of February 1, 2013**

	<u>Amount</u>	<u>Per Capita ⁽¹⁾</u>	<u>Ratio to Assessed Property Value ⁽²⁾</u>	<u>Debt Per Capita as a % of Personal Income Per Capita ⁽³⁾</u>
Gross General Obligation Long-Term Debt	\$1,058,235,000	\$1,692.94	1.15%	3.05%
Net General Obligation Long-Term Debt ⁽⁴⁾	992,563,899	1,587.88	1.08%	2.86%

- (1) U.S. Census Bureau as of January 2013—Boston’s Estimated 2011 Population equaled 625,087.
- (2) Assessed Property Value equaled \$92.20 billion as of January 1, 2012. 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, January, 2013, Revised Series-Suffolk County’s 2011 Per Capita Personal Income = \$55,472.
- (4) As represented in “Debt Statement as of February 1, 2013.”

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 2010 - 2012
(\$ in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Outstanding General Obligation Debt	\$960,405	\$1,033,219	\$1,076,895
Authorized But Unissued Debt, Budgetary Basis.....	<u>\$548,196</u>	<u>\$559,931</u>	<u>\$603,564</u>
Debt Service, Budgetary Basis.....	\$124,848	\$126,410	\$130,227
Debt Service as a % of Total General Fund Revenues, and Other Available Funds, Budgetary Basis.....	5.4%	5.2%	5.4%
Debt Service as a % of Total General Fund Expenditures, Budgetary Basis..	5.4%	5.2%	5.4%
Debt Service as a % of Total Net Tax Levy, Budgetary Basis	8.7%	8.4%	8.3%
Bonds Issued:			
General Obligation – New Money	\$125,000	\$127,810	\$121,975
General Obligation – Refunding Bonds	<u>68,345</u>	<u>52,720</u>	<u>110,100</u>
Total Bonds Issued.....	<u>\$193,345</u>	<u>\$180,530</u>	<u>\$232,075</u>

Source: City of Boston Auditing Department.

Short-Term Borrowings

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

Special Obligation Debt

In addition to general obligation indebtedness, the Bond Procedure Act of 1983 and various other special acts authorize the City to incur indebtedness which is secured by and payable solely from certain revenues of the City which are pledged for the payment of such indebtedness or which are subject to annual appropriation by the City for such purpose. As of February 1, 2013, the City has no Special Obligation debt.

Debt of Agencies Related to the City

In addition to general obligation and special obligation indebtedness of the City, the City and certain agencies related to the City are authorized to issue debt which is solely an obligation of the agency or which, although issued by the City, are payable solely from revenues derived from projects financed by such debt. Except as 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.

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. The Commission has no debt currently outstanding.

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, which was \$0.9 million aggregate principal amount outstanding as of February 1, 2013. 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 February 1, 2013, the amount outstanding under the lease agreements equaled \$46.9 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 coincides with the annual budget cycle and provides an opportunity for City departments to identify their facility, equipment, infrastructure, technology and planning needs in a systematic manner and to forward their proposals to the Office of Budget Management ("OBM") for funding consideration. The first phase concludes with the release of an updated five-year capital plan published as part of the City's annual budget document. The process allows for a continuing reassessment of capital needs. On April 9, 2012, the Mayor submitted his fiscal 2013 budget to the City Council and filed \$179.4 million in new capital authorizations which were subsequently approved by the City Council. In early 2012, an additional \$37.7 million in capital authorizations were approved by City Council for a total of \$217.1 million in new capital authorizations supporting the fiscal 2013-2017 capital plan.

Capital Funding Plan

The City funds its capital plan primarily through general obligation bonds and external grants. The City awards construction contracts and incurs capital outlay costs based upon appropriations to be funded from bond proceeds and grant receipts. In circumstances where project expenditures occur prior to the receipt of bond proceeds or grant reimbursements, the City temporarily pays such costs from available funds.

Current Capital Investment Plans

The City's fiscal 2013-2017 capital plan proposes long-term investments over the next five years. In all, \$1.8 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, community centers, roads, bridges, street lights and other City-owned facilities and infrastructure.

The fiscal 2013-2017 capital plan includes projects that improve the physical condition of schools, parks, community centers, libraries, public safety facilities and equipment across the City. The plan also includes the design and construction of a new municipal building in Dudley Square. In addition, construction for a new branch library in East Boston began in the spring. Significant investment in the City's technology infrastructure and business applications is also underway including data center consolidations, server virtualization, implementation of a new computer-aided-dispatch system for public safety departments and an implementation of an enterprise asset management system. In July 2011, a new LEED-Silver police station in Dudley Square was opened and last fall major renovations on two community center facilities were completed.

Construction is underway on the Dudley Municipal Center—a 200,000 square foot multi-story municipal office facility with street level retail and public assembly space—which will incorporate the facades of the historic Ferdinand Furniture Building and two other late 19th century buildings and will serve as the new administrative headquarters for Boston Public Schools (BPS). Current plans locate 35 BPS departments in the building, including 31 departments which have all or part of their staff currently located at 26 Court Street, and 11 departments, which now have all or part of their staff scattered at sites around the City. Completion is expected by December 2014. The project represents the first major new construction of City of Boston government office facility since 1967, and shall extend relevant services in a location that is accessible, efficient, and iconic.

The maintenance of the City's roadways and sidewalks is a significant part of the capital plan. In fiscal 2012, 21.8 miles of roads were reconstructed or resurfaced. About 13 miles of bike lanes were added.

The City continued replacing mercury and sodium vapor street lights with LED street lights, installing over 11,700 lights in fiscal 2012, with plans to continue to retrofit the City's streetlights in fiscal 2013. In addition, the new Chelsea Street Bridge was substantially completed, a project that received over \$120 million in federal construction funds. The City funded design and engineering services.

In view of the economic and social benefits of consistent, long-range capital planning, the City remains committed to implementing its capital program.

EMPLOYEE BENEFITS

Retirement Systems

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

In addition to appropriation payments to cover current and future benefit payments of City employees covered by the SBRs, the City funds noncontributory retirement benefits for pensioners whose employment predates the SBRs, certain veterans who meet certain state law requirements, former employees retired under Massachusetts Special Acts and families receiving killed-in-the-line-of-duty benefits. As of January 2013, the City is providing such benefits to 104 pensioners; these benefits are funded on a pay-as-you-go basis with monthly pension payments of approximately \$320,000.

Two recent state legislative acts made significant changes to the State-Boston Retirement System. First, on December 4, 2008, the City, SBRs, the Public Employee Retirement Administration Commission (“PERAC”), a state commission that oversees all Massachusetts public pension systems, and the Commonwealth entered into a Memorandum of Agreement to transfer the direct responsibility for funding the liability of Boston teachers’ pensions to the Commonwealth effective fiscal year 2010; legislation mirroring this agreement was signed into law on May 22, 2010. The legislation eliminated the City’s role in the funding of teachers’ pension allowances, eliminated the state reimbursement to the City for teachers’ pensions on a “pay-as-you-go” basis, and transferred pension fund assets held by the SBRs allocable to teachers’ pension liabilities to the Commonwealth’s Pension Reserve Investment Trust (“PRIT”) fund. While the Commonwealth is now directly responsible for funding the pension liabilities of Boston teachers, the SBRs continues to administer pension services for all Boston teacher employees, retirees and beneficiaries. In accordance with the aforementioned legislation, the SBRs transferred 27% of the market value of its assets to the PRIT fund on July 1, 2010. Second, Chapter 61 of the Acts of 2009, as amended, transferred approximately 1,000 employees of the Suffolk County Sheriff’s Department to the Commonwealth effective January 1, 2010. All current and future Suffolk County Sheriff employees became members of the State Retirement System and are now the fiscal responsibility of the Commonwealth. Former employees of the Suffolk County Sheriff’s Department, who retired prior to January 1, 2010, remain members of the SBRs and their respective pension liability remains the obligation of the City.

The following table reflects amounts expended by the City for pension payments since fiscal 2009 through fiscal 2013. These numbers are net of state reimbursement for teacher retirement costs (in fiscal 2009) and include contributions for both contributory and noncontributory members.

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
2013 Budgeted	\$137.0	\$4.2	\$0.0	\$141.2
2012	126.5	4.2	0.0	130.7
2011 ⁽¹⁾	191.9	4.1	0.0	196.0
2010	108.5	4.1	0.0	112.6
2009 ⁽²⁾	213.2	4.1	(118.8)	98.5

(1) Includes one-time extraordinary contribution of \$82.0 million.

(2) For fiscal 2009 and all prior years, the City of Boston funded the Boston Teachers' pension liability—thus, the higher amount of \$213 million—and the City also received a pay-as-you-go reimbursement for the prior year's teacher retiree pension payments (the \$118.8 million in fiscal 2009). The reimbursement is subtracted from the City's contribution to the SBRS to derive the City's net pension cost.

Source: State-Boston Retirement Board

The actuarial accrued liabilities of the SBRS exceed the actuarial value of the assets of the SBRS. As part of the change in the funding of the Boston teachers' pension liability described above, the last three SBRS actuarial valuations include separate valuations for Boston teachers and for "All Other." The "All Other" category includes all non-teacher City of Boston employees and retirees plus all non-teacher employees of the Boston Redevelopment Authority, Boston Housing Authority, Boston Public Health Commission and the Boston Water and Sewer Commission. The City's annual operating budget includes an amount to be expended for pension liability payments by the Boston Public Health Commission; however, the City is not responsible for such contributions from the Boston Redevelopment Authority, the Boston Housing Authority and/or the Boston Water and Sewer Commission.

The City's annual pension contributions constitute its share of the annual required contribution to SBRS—All Other. The following table summarizes the results of the last three actuarial valuations for SBRS—"All Other."

Summary of Actuarial Valuation – SBRS – All Other
(\$ 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, 2012	\$3,575,387	\$5,060,071	\$1,484,684	70.7%	\$802,948	184.9%
January 1, 2010	3,181,966	4,552,070	1,370,103	69.9	809,569	169.2
January 1, 2008	3,254,342	4,205,966	951,624	77.4	860,089	110.6

Source: State-Boston Retirement Board

The most recent actuarial valuation as of January 1, 2012 is incorporated herein by reference and is available at <http://www.cityofboston.gov/retirement/investment.asp>. The January 1, 2012 valuation assumes a long-term rate of return of 7.75% for SBRS—All Other assets. Prior valuation assumed 8.0%. The actuarial valuation of assets is determined annually by recognizing 20% of gains or losses, and to the extent necessary, by also recognizing any additional portion of gains or losses, which keeps the actuarial valuation of assets between 80% and 120% of market value. The net effect is a smoother trend of annual pension funding during volatile short-term periods of asset gains or losses. The following table shows the market and actuarial value of the plan's non-teacher assets.

Value of Plan Assets
(\$ in thousands)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Value as Percentage of Market Value
January 1, 2012	\$3,260,503	\$3,575,387	109.7%
January 1, 2010	2,959,889	3,181,966	107.5
January 1, 2008	3,367,896	3,254,342	96.6

Source: State-Boston Retirement Board

As of December 31, 2012, the estimated market value of assets not held for teacher benefit payments was approximately \$3.44 billion. This amount is an estimate based upon then current market values of certain assets held by SBRS and prior period values for certain other assets for which the current market value is not readily ascertainable. This amount is unaudited and subject to change. It should be noted that the annual required contribution of the City is based, in part, upon the actuarial value of assets, not market values. This is commonly done in computing annual funding requirements in order to prevent extreme fluctuations that might otherwise arise from temporary or cyclical economic and market conditions.

In accordance with Chapter 68 of the Acts of 2007, the state regulatory agency for pensions, PERAC, annually reviews investment performance and funded ratio of systems as of January 1st. If a system is: (i) less than 65% funded, and (ii) has trailed the investment performance of the PRIT fund by 2% or more on an average annualized basis over the previous ten year period, PERAC will declare the system underperforming and the system shall transfer its assets to the PRIT fund. For reasons unrelated to Chapter 68, the SBRS–Teachers assets are invested in the PRIT fund; the SBRS–All Other is currently funded at 70.7%.

For additional information concerning a comparison of the market value of assets and investment return to the actuarial value of assets and investment return for the period 2002 through 2011, see Chart 6-3 in the January 1, 2012 actuarial valuation referenced above. The City is currently committed to a funding schedule for fiscal 2013, 2014, and 2015 that is based on the most recent actuarial valuation, incorporating asset and liability data as of January 1, 2012. The funding schedule is calculated in accordance with the entry age actuarial cost method and includes paying the current year’s present value of benefits earned during the year (“normal cost”) and an annual contribution toward reducing the unfunded liability of the SBRS 15 years ahead of the required deadline of 2040. In response to market conditions, the SBRS lowered the investment long-term rate of return assumption from 8.0% to 7.75%, but the cost impact required some restructuring of the schedule: increasing annual pension funding average annual growth to over 9% in future years. The 2012 actuarial valuation also reflects an increase to the retiree Cost of Living Adjustment (“COLA”) base from \$12,000 to \$13,000 as of July 1, 2012 and an increase to the minimum annual pension allowance from \$3,000 to \$6,000 effective Dec. 21, 2012. The funding schedule also assumes a similar COLA will be approved in future years. Additional adjustments were made for the 2012 valuation to increase the assumed rates of disability by 25% for public safety officers and to decrease the assumed rates of disability by 50% for non-public safety officers. These changes to the assumed rates of disability better reflect past experience and future expectations. Many variables are in play with each new valuation, and the actuary’s recommendations and consultation with the City are part of a careful planning process that precedes the SBRS final approval of the valuation and funding schedule.

The City currently expects to fully amortize the unfunded actuarial accrued liability by June 30, 2025. Exhibit 3-D to the January 1, 2012 actuarial valuation sets forth the funding schedule from 2013 through 2025 for the SBRS, excluding teachers. The City’s share of the employer contributions shown in this schedule is approximately 82%, down from a long-term average of approximately 90%, due to the direct credit, amortized over the long-term, received by the City for extraordinary contributions and deposits during fiscal 2011, and as part of the Boston Teacher Pension MOA and legislation. Accordingly, based upon this schedule, which is subject to change as future circumstances change, the City’s total employer contributions will increase from approximately \$137.0 million in fiscal 2013 to a maximum of approximately \$369.1 million in fiscal 2024. This schedule is illustrative only of the currently expected funding schedule. The actual funding schedule will be different due to the actual circumstances that will occur and that will likely vary from the assumptions used in the January 1, 2012 valuation.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, which sets forth new standards that will modify the accounting and financial reporting of the City’s pension obligations. The new standard for governments that provide employee pension benefits will require the City to report in its statement of net position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard will require immediate recognition of more pension expense than is currently required. The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate based

on tax-exempt 20-year AA or higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The new standard will be effective for the City's fiscal year 2015. As noted in the most recent valuation, the City has never failed to meet its pension liability payments.

The SBRS is committed to the transparency and accuracy of the fund. Therefore, the SBRS contracts an outside audit firm to conduct an annual audit of the system; the system has contracted KPMG LLP for more than ten years to conduct its audit. Additional information on the SBRS, including the most recent actuarial valuation reports and audited financial statements can be found at <http://www.cityofboston.gov/retirement/investment.asp>. See also Note 11 to the City's fiscal 2012 audited financial statements attached hereto as Exhibit I.

Other Postemployment Benefits

In addition to the pension benefits described above, the City provides postemployment health care and life insurance benefits on a pay-as-you-go basis to approximately 14,200 City and Boston Public Health Commission participating retirees and their beneficiaries.

For most retirees and eligible beneficiaries, the City currently pays between 72.5% - 90% of healthcare premiums depending on the particular plan type, 50% of Medicare Part B premiums, and 50% of premiums for \$5,000 of life insurance. It is projected that the City will pay benefits (net of retiree contributions) on behalf of retired employees of approximately \$125 million in fiscal 2013. An expected decrease in this amount in fiscal 2013 is directly attributable to legislation passed in the summer of 2011 (Chapter 69 of the Acts of 2011), which revised Section 18A of Chapter 32B and required that all Medicare-eligible retirees currently enrolled in non-Medicare plans move to Medicare plans effective July 1, 2012.

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 postemployment benefit ("OPEB") obligations currently, rather than on a pay-as-you-go basis.

An independent actuarial valuation of the City's OPEB obligations at June 30, 2011, estimated that the total OPEB unfunded actuarial accrued liability of the City and the Boston Public Health Commission as of that date on account of then current retirees, beneficiaries and dependents and current active members was \$3.061 billion on a partially funded basis based on current City and the Public Health Commission funding policies. The City's annual actuarially required contribution to OPEB for fiscal year 2013 is projected to be approximately \$200 million under a partially funded policy. The actuarial accrued liability of the City and the Commission decreased significantly due to an increase in the blended discount rate to 7.25% (from 5.25%) for the City and 5.75% (from 5.25%) for the Commission, as well as from the actions described below. According to the most recent valuations, the annual required contribution ("ARC") is expected to remain relatively level as a percentage of payroll, as long as the ARC is fully funded each year. If not fully funded, the ARC may increase as a percentage of payroll over time.

In 2010, the City adopted MGL Chapter 32B, Section 18A requiring future Medicare-eligible retirees to enroll in a Medicare supplemental plan on a prospective basis. (Chapter 69 of the Acts of 2011 mentioned previously now makes this enrollment mandatory for all Medicare-eligible retirees, a significant driver in the actuarial liability's decrease). In April 2011, the City and its unions signed a four year agreement through June 30, 2015, establishing a Public Employee Committee ("PEC") pursuant to MGL Chapter 32B, Section 19, also known as "coalition bargaining." The PEC agreed to a phased-in 2.5% increase in contribution for active employees and non-Medicare retirees (the City currently pays 72.5% of Blue Cross/Blue Shield of Massachusetts premiums and 82.5% of HMO premiums for this population), plan design changes, and a 1% increase in retiree contribution to Medicare plans that will be effective at the expiration of the agreement.

Due to the absence of legal authority to establish a trust fund for the purpose of prefunding OPEB liabilities when the GASB statements became effective, in fiscal 2008, the City established an OPEB Stabilization Fund for this purpose. An appropriation of \$20 million and \$25 million to the OPEB Stabilization Fund was included in the fiscal 2008 budget and fiscal 2009 budgets, respectively. 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 February 2010, in

accordance with Chapter 479, 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. Appropriations of \$20 million, \$35 million, and \$35 million to the City's OPEB Trust Fund were included in the fiscal 2010, fiscal 2011, and fiscal 2012 budgets respectively. The City appropriated \$40 million to this Fund in fiscal 2013. In April 2011, the City transferred the balance of the OPEB Stabilization Fund to the irrevocable OPEB Trust Fund. A separate OPEB trust fund has also been established by the Boston Public Health Commission and the Commission invested \$1.25 million in the fund in fiscal 2011 and fiscal 2012. In fiscal 2013, \$2.25 million has been appropriated. The City has procured investment consulting services in order to optimize investment of the OPEB Trust Funds. The aggregate amount on deposit in the OPEB Trust Funds as of December 31, 2012 was approximately \$205 million.

Additional information regarding the City's OPEB obligations may be found in the "Actuarial Valuation & Review of OPEB as of June 30, 2011," available at <http://www.cityofboston.gov/retirement/investment.asp>.

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, 2012, 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 Walter J. St. Onge III, Edwards Wildman Palmer LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0389.

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS: AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012**

City of Boston

Massachusetts



***Basic Financial
Statements***

Fiscal Year Ended June 30, 2012

Thomas M. Menino, Mayor

Meredith Weenick, Chief Financial Officer & Collector Treasurer

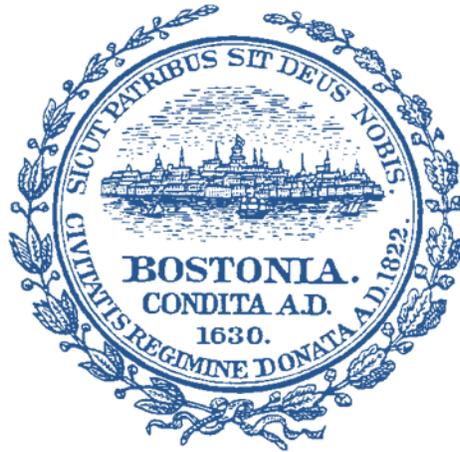
Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



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

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, Massachusetts (the City), as of and for the year ended June 30, 2012, 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 the City's Permanent Funds, which represent 1.2% and 0.1% of the assets and revenues of the governmental activities, respectively, and 0.7% and 0.6% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 4.7% and 30.8% of the assets and revenues of the aggregate remaining fund information, respectively. Further, we did not audit the financial statements of the Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 26.6% and 17.5% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for these funds and component units, are based on the reports of the other auditors. The prior year Budgetary Basis General Fund – Budget and Actual Statement of Revenues and Expenditures comparative information has been derived from the City's 2011 financial statements and, in our report dated December 21, 2011, we expressed an unqualified opinion on the Budgetary Basis General Fund – Budget and Actual Statement of Revenues and Expenditures.

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. 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the



respective budgetary comparison for the City's General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages A-3 through A-15 and schedules of funding progress and schedules of employer contributions on page A-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Boston, Massachusetts
December 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The City of Boston (the City) provides this Management's Discussion and Analysis to present additional information to the readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2012. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

- The *Statement of Net 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.

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, 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. The business-type activities of the City include the activities related to the City’s Hospital Bond Fund.
- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The City’s four discretely presented component units are the Boston Public Health Commission, the Boston Redevelopment Authority, the Economic Development Industrial Corporation, and the Trustees of the Boston Public Library.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Proprietary Funds – These funds are used to show activities that operate more like those of commercial enterprises. Like the Government-wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. No reconciliation is needed between the Government-wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds charge fees for services provided to outside customers including local governments. Enterprise Funds provide the same type of information as the Business-type activities of the Government-wide Financial Statements within governmental activities, only in more detail. The City's sole enterprise fund was the Hospital Bond Fund which was terminated during the fiscal year upon the defeasance of the City's Hospital Revenue Bonds. The internal service fund provides health insurance services predominantly to other funds, departments or agencies of the City. Therefore, its activities are included in the Government-wide financial statements within governmental activities. The Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of funding progress and a schedule of employer contributions for the State-Boston Retirement System and the City's OPEB Trust Fund.

CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the government-wide financial results. Each year, the City is required to recognize an additional portion of its unfunded actuarial accrued liability. The most recent valuation of the City's OPEB obligations as of June 30, 2011, estimated that the total OPEB unfunded actuarial accrued liability of the City decreased by \$1.64 billion to \$2.91 billion. This decrease was largely as a result of changes to the discount rate based on the City's funding policy.
- In FY12, the City's contribution to the OPEB Trust Fund (\$180.5 million) for retiree health benefits is close to the annual required contribution (ARC) of \$181.7 million. In FY13, the City has appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.
- The proceeds of the 2012 Series C bonds issued in May 2012, together with other funds available to the City, were applied to advance refund the City's outstanding \$73.1 million BCH Hospital bonds. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund, which was included in business-type activities. In 2012, the City has reported the final activity of the fund.
- In FY12, the City funded a total of \$16.0 million in the Collective Bargaining Reserve to reflect the wage pattern that has been accepted by several of the City's civilian unions and has been offered to all unions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Government-wide Highlights

Net Assets – Primary Government – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2012 by \$524.6 million (presented as net assets). At year end, the City had a deficit in governmental activities unrestricted net assets in the amount of \$46.0 million. This represents the City's election to fund certain long-term liabilities as they come due, rather than as they are incurred.

Changes in Net Assets – Primary Government – The City's total net assets increased by \$58.9 million in fiscal year 2012. Net assets of governmental activities increased by \$73.7 million, while net assets of the business-type activities decreased by \$14.8 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 \$524.6 million at the end of 2012, compared to \$465.7 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 those assets that are still outstanding – this amount is \$442.8 million indicating that the net book value of the City's capital assets exceeds the amount of related capital debt outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's governmental activities net assets, \$127.8 million or 24.4%, represents restricted net assets, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of net assets represents the deficit in unrestricted net assets. The deficit in unrestricted net assets decreased \$62.8 million from 2011.

Net Assets (Deficit) – Primary Government

(In thousands)

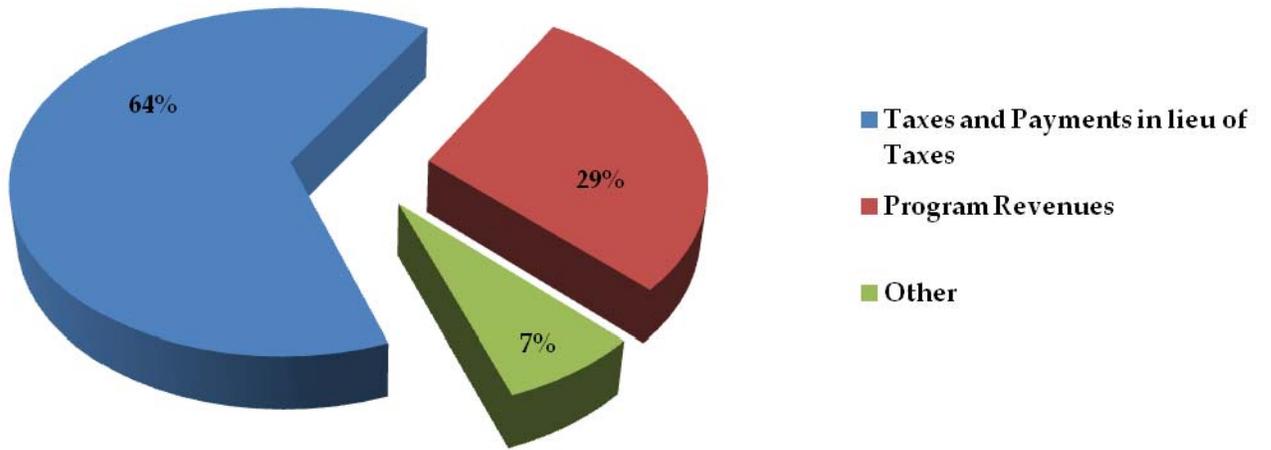
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
ASSETS:						
Current assets.....	\$ 1,459,833	\$ 1,348,075	\$ -	\$ 31,807	\$ 1,459,833	\$ 1,379,882
Capital assets.....	1,479,237	1,364,414	-	-	1,479,237	1,364,414
Other assets.....	133,171	119,766	-	59,094	133,171	178,860
Total assets.....	3,072,241	2,832,255	-	90,901	3,072,241	2,923,156
LIABILITIES:						
Noncurrent liabilities.....	1,896,612	1,795,736	-	66,818	1,896,612	1,862,554
Current liabilities.....	651,032	585,664	-	9,251	651,032	594,915
Total liabilities.....	2,547,644	2,381,400	-	76,069	2,547,644	2,457,469
NET ASSETS:						
Invested in capital assets, net of related debt.....	442,778	402,646	-	-	442,778	402,646
Restricted	127,843	156,989	-	14,832	127,843	171,821
Unrestricted.....	(46,024)	(108,780)	-	-	(46,024)	(108,780)
Total net assets	\$ 524,597	\$ 450,855	\$ -	\$ 14,832	\$ 524,597	\$ 465,687

Changes in Net Assets (Deficit) – Primary Government

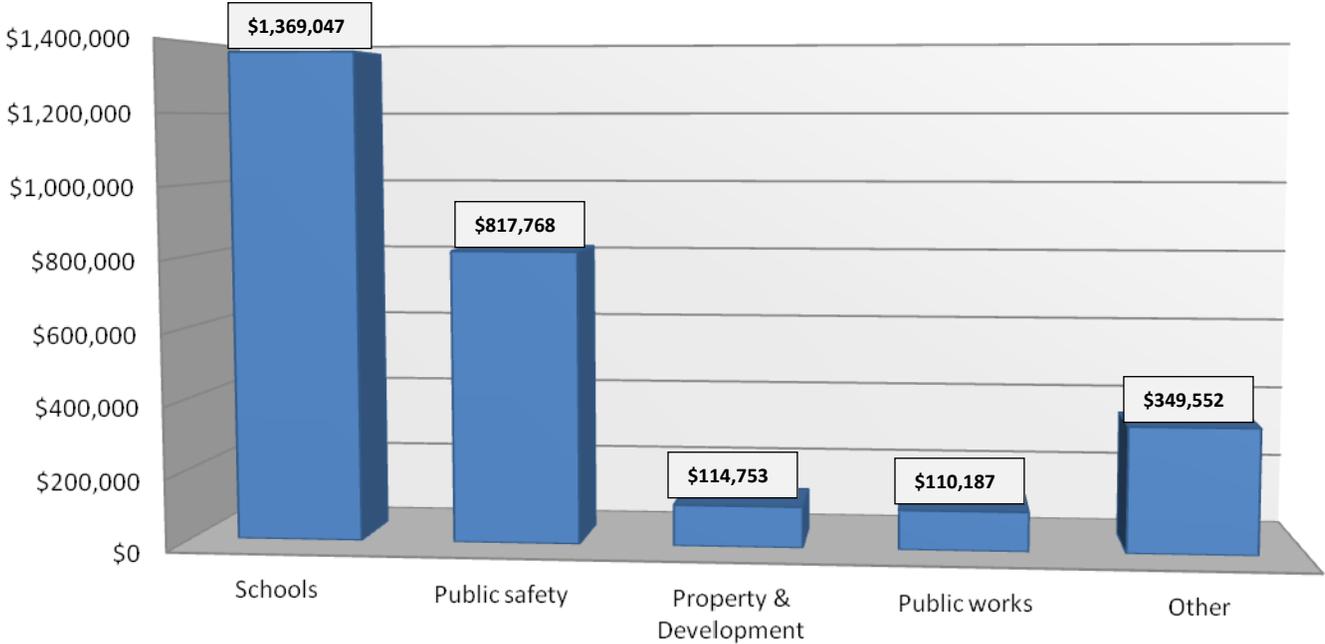
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services.....	\$ 210,260	\$ 144,375	\$ -	\$ -	\$ 210,260	\$ 144,375
Operating grants and contributions.....	574,653	622,731	-	1,172	574,653	623,903
Capital grants and contributions.....	35,337	33,338	-	-	35,337	33,338
General revenues:						
Taxes.....	1,841,355	1,713,354	-	58,508	1,841,355	1,771,862
Grants and contributions not restricted.....	188,895	187,322	-	-	188,895	187,322
Investment income.....	10,887	21,724	2,688	3,561	13,575	25,285
Miscellaneous.....	7,084	23,195	-	-	7,084	23,195
Total revenues.....	2,868,471	2,746,039	2,688	63,241	2,871,159	2,809,280
Program expenses:						
General government.....	108,499	80,968	-	-	108,499	80,968
Human services.....	48,103	49,974	-	-	48,103	49,974
Public safety.....	817,768	875,111	-	-	817,768	875,111
Public works.....	110,187	133,830	-	-	110,187	133,830
Property and development.....	114,753	117,871	-	-	114,753	117,871
Parks and recreation.....	34,651	31,956	-	-	34,651	31,956
Library.....	44,526	47,320	-	-	44,526	47,320
Schools.....	1,369,047	1,438,398	-	-	1,369,047	1,438,398
Public health programs.....	73,975	70,619	-	-	73,975	70,619
Interest on long-term debt.....	39,798	40,329	-	-	39,798	40,329
Convention center.....	-	-	-	9,025	-	9,025
Hospital.....	-	-	2,523	3,336	2,523	3,336
Total program expenses.....	2,761,307	2,886,376	2,523	12,361	2,763,830	2,898,737
Excess (deficiency) before transfers.....	107,164	(140,337)	165	50,880	107,329	(89,457)
Transfers.....	(44,872)	(1,120)	44,872	1,120	-	-
Special item.....	11,450	-	(59,612)	-	(48,162)	-
Loss on extinguishment of debt.....	-	-	(257)	-	(257)	-
Change in net assets.....	73,742	(141,457)	(14,832)	52,000	58,910	(89,457)
Net assets (deficit) – beginning of year.....	450,855	592,312	14,832	(37,168)	465,687	555,144
Net assets – end of year.....	\$ 524,597	\$ 450,855	\$ -	\$ 14,832	\$ 524,597	\$ 465,687

Revenues - Governmental Activities Fiscal Year 2012



Expenses - Governmental Activities FY12 (in thousands)



Governmental Activities

The City's governmental activities net assets increased by \$73.7 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2012: In the assets accounts, cash and investments increased by \$141.3 million, receivables decreased by \$30.4 million, and capital assets increased by \$114.8 million. In the liability accounts, there were increases in warrants and accounts payable of \$63.2 million and accrued liabilities of \$12.9 million. Additionally, an increase of \$15.7 million was recorded relative to the City's other postemployment obligation in 2012.

During fiscal year 2012, the City's revenues increased by 4.5%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$1.84 billion (64.2% of total revenues) and \$820.3 million of program revenues (28.6% of total revenues). Taxes increased by \$127.9 million from the previous year. Program revenues increased by \$19.8 million for fiscal year 2012. This is largely due to increases in building permits, aircraft fuel, parking meter revenues and hotel and motel excise taxes recorded in the general fund.

The City's expenses cover a range of services. The largest expenses were for schools (\$1.4 billion), public safety (\$817.8 million), property and development (\$114.8 million), public works (\$110.2 million), general government (\$108.5 million), public health programs (\$74.0 million), and human services (\$48.1 million). Expenditure surpluses in Snow Removal and State and District Assessments allowed for coverage of deficit spending in Public Safety and Judgments and Claims.

In 2012, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$1.94 billion. This shortfall was covered primarily through taxes (\$1.84 billion) and unrestricted grants and contributions (\$188.9 million).

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

Business type Activities

Net assets from business-type activities decreased \$14.8 million during fiscal year 2012. This change in net assets resulted from the close-out of the Hospital Bond Fund subsequent to the defeasance of the City's Hospital Revenue Bonds.

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

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

Fund Highlights

Governmental Funds – Fund Balances – As of the close of fiscal year 2012, the City's governmental funds reported a combined ending fund balance of \$970.9 million, an increase of \$36.7 million from the prior year. Of this total amount, \$511.8 million represents the unassigned fund balance. The increase in fund balance is largely due to the aforementioned increases in revenues.

Governmental Funds

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

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 10%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2012 was \$511.8 million, which represents approximately 20.7% of GAAP General Fund operating expenditures.

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

The City has established the General Fund-Fund Balance Policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e., revenue shortfalls and unanticipated expenditures). The policy in full states that the City shall maintain a GAAP unassigned fund balance in the General Fund that is 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 unassigned 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 restricted or committed to expenditures for predefined purposes. The fiscal year 2012 Special Revenue Fund balance is reported at \$171.5 million, a \$808 thousand decrease from fiscal year 2011. This decrease is due to a slight reduction in intergovernmental revenue and an increase in spending in Public Safety and School grants.

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 2012 Capital Projects Fund balance is \$69.7 million, a \$1.3 million increase from fiscal year 2011. The increase in fund balance is attributable to unspent bond proceeds.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds. The fiscal year 2012 Other Governmental Funds fund balance is \$40.1 million, a \$546 thousand decrease from fiscal year 2011. The decrease in fund balance is largely due to investment returns during fiscal year 2012.

Enterprise Funds

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

As of June 30, 2012, there are no Enterprise Fund net assets due to the close-out of the Hospital Bond Fund. For the year ended June 30, 2012, the Hospital Fund reported residual activity related to the Hospital Revenue Bond refunding.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2012 with a \$12.0 million surplus. This represents the City's 27th consecutive year with a balanced budget. There were no significant variances between the original budget and final budget amounts. Significant unfavorable variances from the final budget to actual results were in the areas of judgments and claims and public safety. Public safety saw an unfavorable variance of \$17.6 million due to an increase in overtime expenditures.

Favorable results were reported for General Fund revenue sources, including \$29.2 million in excises, \$18.2 million in licenses and permits, and \$16.1 million in Departmental and other revenue. Other financing sources shows a revenue deficit of \$47.1 million, however, this is a result of not using one time revenue from fund balance and other revenue sources that were not needed.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2012, has a net book value of \$1.48 billion, made up of costs totaling \$2.96 billion less accumulated depreciation of \$1.48 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 8.5% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$197.2 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 \$80.7 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 \$1.07 billion in General Obligations Bonds principal outstanding – an increase of \$44.4 million over last year.

The key factor in this increase was the issuance of the April 2, 2012 Series A general obligation bonds totaling \$122.0 million which were issued to finance various capital projects in the City. Further, \$83.1 million Series B were issued for the purpose of advance refunding prior debt. Additionally, \$26.9 million Series C were issued to refund the Boston City Hospital Special Obligation Bonds.

In March 2012, in conjunction with the City's annual bond offering, the rating service bureaus Moody's Investors Service and Standard & Poor's assigned the City's bond ratings at Aaa and AA+, 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.

Notes and Leases Payable and Other Long Term Obligations – The City's general long term notes and leases and other long term obligations increased \$31.9 million, or 3.3%, during the current fiscal year. Key factors for this increase are the increase in OPEB liability of \$15.7 million as well as an increase in the workers' compensation liability of \$7.3 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

There were no new accounting standards adopted for the fiscal year ending June 30, 2012.

FUTURE PRONOUNCEMENTS

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 will be effective for the City's fiscal year ending June 30, 2015 and Statement No. 67 will be effective for the State-Boston Retirement System (SBRS) for its fiscal year ending December 31, 2014. The effects of such standards on the City's financial statements have not been determined.

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.



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Statement of Net Assets

June 30, 2012

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current Assets:				
Cash and investments.....	\$ 1,235,972	\$ -	\$ 1,235,972	\$ 80,559
Cash and investments held by trustees.....	41,757	-	41,757	7,678
Receivables, net:				
Property and other taxes.....	24,398	-	24,398	-
Intergovernmental.....	130,809	-	130,809	-
Other.....	23,622	-	23,622	41,383
Other assets.....	-	-	-	7,650
Due from primary government.....	-	-	-	4
Due from component units.....	3,275	-	3,275	-
Total current assets.....	<u>1,459,833</u>	<u>-</u>	<u>1,459,833</u>	<u>137,274</u>
Noncurrent Assets:				
Intergovernmental receivables.....	45,003	-	45,003	-
Cash and investments held by Trustee.....	-	-	-	48,792
Notes and other receivables.....	64,004	-	64,004	151,090
Other assets.....	11,367	-	11,367	2,892
Capital assets:				
Nondepreciable.....	33,743	-	33,743	28,916
Depreciable, net.....	1,445,494	-	1,445,494	53,386
Due from component units.....	12,797	-	12,797	-
Total noncurrent assets.....	<u>1,612,408</u>	<u>-</u>	<u>1,612,408</u>	<u>285,076</u>
Total assets	<u>3,072,241</u>	<u>-</u>	<u>3,072,241</u>	<u>422,350</u>
LIABILITIES:				
Current Liabilities:				
Warrants and accounts payable.....	165,442	-	165,442	21,815
Accrued liabilities - current:				
Tax abatement liability.....	32,200	-	32,200	-
Compensated absences.....	50,512	-	50,512	-
Judgments and claims.....	62,384	-	62,384	-
Payroll and related costs.....	141,970	-	141,970	-
Deposits and other.....	77,141	-	77,141	6,139
Current portion of long-term debt and leases.....	114,128	-	114,128	1,435
Due to component units.....	4	-	4	-
Due to primary government.....	-	-	-	3,275
Unearned revenue.....	7,251	-	7,251	8,932
Total current liabilities.....	<u>651,032</u>	<u>-</u>	<u>651,032</u>	<u>41,596</u>
Noncurrent Liabilities:				
Bonds due in more than one year.....	1,040,365	-	1,040,365	-
Notes and leases payable due in more than one year.....	58,255	-	58,255	17,624
Other noncurrent liabilities.....	204,969	-	204,969	157,239
Other postemployment benefits obligation.....	593,023	-	593,023	68,143
Unearned revenue.....	-	-	-	38,667
Due to primary government.....	-	-	-	12,797
Total noncurrent liabilities.....	<u>1,896,612</u>	<u>-</u>	<u>1,896,612</u>	<u>294,470</u>
Total liabilities	<u>2,547,644</u>	<u>-</u>	<u>2,547,644</u>	<u>336,066</u>
NET ASSETS:				
Investment in capital assets, net of related debt.....	442,778	-	442,778	52,341
Restricted for:				
Capital projects.....	26,371	-	26,371	-
Nonexpendable trust.....	4,974	-	4,974	58,706
Expendable trust.....	32,914	-	32,914	-
Debt service.....	2,182	-	2,182	-
Federal and state grants.....	61,402	-	61,402	-
Unrestricted.....	(46,024)	-	(46,024)	(24,763)
Total net assets	<u>\$ 524,597</u>	<u>\$ -</u>	<u>\$ 524,597</u>	<u>\$ 86,284</u>

See accompanying notes to the basic financial statements

Statement of Activities
Year Ended June 30, 2012
 (Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 108,499	\$ 41,483	\$ 5,604	\$ 2,541
Human services.....	48,103	40	7,740	-
Public safety.....	817,768	134,384	27,920	1,207
Public works.....	110,187	19,515	26	25,754
Property and development.....	114,753	5,871	52,689	394
Parks and recreation.....	34,651	769	6,111	692
Library.....	44,526	359	360	-
Schools.....	1,369,047	7,839	474,203	4,749
Public health programs.....	73,975	-	-	-
Interest on long-term debt.....	39,798	-	-	-
Total governmental activities.....	<u>2,761,307</u>	<u>210,260</u>	<u>574,653</u>	<u>35,337</u>
Business-type activities:				
Hospital bonds.....	2,523	-	-	-
Total business-type activities.....	<u>2,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 2,763,830</u>	<u>\$ 210,260</u>	<u>\$ 574,653</u>	<u>\$ 35,337</u>
Component Units:				
Boston Public Health Commission.....	199,657	59,395	48,082	1,036
Boston Redevelopment Authority.....	20,357	8,836	4,428	-
Trustees of the Public Library of the City of Boston.....	8,465	1,777	5,492	-
Economic Development and Industrial Corporation of Boston.....	30,245	17,968	14,927	-
Total component units	<u>\$ 258,724</u>	<u>\$ 87,976</u>	<u>\$ 72,929</u>	<u>\$ 1,036</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes.....	
Excises.....	
Payments in lieu of taxes.....	
Grants and contributions not restricted.....	
Investment income.....	
City Appropriation.....	
Miscellaneous.....	
Special item - gain on sale of land.....	
Special item - loss on forgiveness of Note.....	
Loss on extinguishment of debt.....	
Transfers.....	
Total general revenues and transfers.....	
Change in net assets.....	
Net assets (deficit) - beginning of year.....	
Net assets - end of year.....	

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (58,871)	\$ -	\$ (58,871)	\$ -
(40,323)	-	(40,323)	-
(654,257)	-	(654,257)	-
(64,892)	-	(64,892)	-
(55,799)	-	(55,799)	-
(27,079)	-	(27,079)	-
(43,807)	-	(43,807)	-
(882,256)	-	(882,256)	-
(73,975)	-	(73,975)	-
(39,798)	-	(39,798)	-
<u>(1,941,057)</u>	<u>-</u>	<u>(1,941,057)</u>	<u>-</u>
-	(2,523)	(2,523)	-
-	(2,523)	(2,523)	-
(1,941,057)	(2,523)	(1,943,580)	-
-	-	-	(91,144)
-	-	-	(7,093)
-	-	-	(1,196)
-	-	-	-
-	-	-	2,650
-	-	-	(96,783)
1,586,988	-	1,586,988	-
191,301	-	191,301	-
63,066	-	63,066	-
188,895	-	188,895	-
10,887	2,688	13,575	1,232
-	-	-	71,111
7,084	-	7,084	8,154
11,450	-	11,450	-
-	(59,612)	(59,612)	-
-	(257)	(257)	-
(44,872)	44,872	-	-
2,014,799	(12,309)	2,002,490	80,497
73,742	(14,832)	58,910	(16,286)
450,855	14,832	465,687	102,570
\$ 524,597	\$ -	\$ 524,597	\$ 86,284

See accompanying notes to the basic financial statements

Balance Sheet

Governmental Funds

June 30, 2012

(Amounts in thousands)

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments.....	\$ 923,199	\$ 159,581	\$ 96,472	\$ 3,128	\$ 1,182,380
Cash and investments held by trustees.....	2,438	-	2,253	37,066	41,757
Receivables, net:					
Property and other taxes.....	24,398	-	-	-	24,398
Intergovernmental.....	58,086	107,892	9,834	-	175,812
Departmental and other.....	23,417	64,048	-	108	87,573
Total receivables.....	105,901	171,940	9,834	108	287,783
Due from other funds.....	27	1,855	67	-	1,949
Due from component units.....	16,072	-	-	-	16,072
Total assets.....	\$ 1,047,637	\$ 333,376	\$ 108,626	\$ 40,302	\$ 1,529,941
LIABILITIES					
Warrants and accounts payable.....	\$ 102,736	\$ 25,863	\$ 28,843	\$ 232	\$ 157,674
Accrued liabilities:					
Payroll and related costs.....	139,022	2,938	10	-	141,970
Deposits and other.....	19,561	46,329	406	-	66,296
Deferred revenue.....	94,695	86,786	9,654	-	191,135
Due to other funds.....	1,922	-	27	-	1,949
Due to component unit.....	4	-	-	-	4
Total liabilities.....	357,940	161,916	38,940	232	559,028
FUND BALANCES					
Nonspendable.....	-	-	-	4,974	4,974
Restricted.....	-	72,903	69,686	35,096	177,685
Assigned.....	177,942	98,557	-	-	276,499
Unassigned.....	511,755	-	-	-	511,755
Total fund balances.....	689,697	171,460	69,686	40,070	970,913
Total liabilities and fund balances.....	\$ 1,047,637	\$ 333,376	\$ 108,626	\$ 40,302	\$ 1,529,941

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Assets

June 30, 2012

(Amounts in thousands)

Total fund balance - governmental funds.....	\$ 970,913
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 governmental fund financial statements.....	1,479,237
Adjust deferred revenues to record revenues on an accrual basis.....	183,937
Internal service funds are included in the government-wide financial statements.....	42,060
Bond issuance costs are capitalized in the government-wide financial statements.....	9,517
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes.....	(1,111,042)
Capital leases.....	(32,566)
Bond issue premiums/discounts, net.....	(76,654)
Deferred bond refunding losses.....	7,514
Accrued interest on bonds.....	(10,645)
Compensated absences.....	(178,582)
Landfill.....	(8,408)
Judgments and claims.....	(124,961)
Other postemployment benefits.....	(593,023)
Tax abatements.....	(32,200)
Pollution remediation.....	(500)
	<u>(2,161,067)</u>
Net assets of governmental activities.....	<u>\$ 524,597</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds Year Ended June 30, 2012

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes.....	\$ 1,591,998	\$ -	\$ -	\$ -	\$ 1,591,998
Excises.....	187,572	-	-	-	187,572
Payments in lieu of taxes.....	63,066	-	-	-	63,066
Fines.....	64,566	27	-	-	64,593
Investment income.....	982	26	-	3,129	4,137
Licenses and permits.....	48,753	85	-	-	48,838
Departmental and other.....	78,438	43,871	156	577	123,042
Intergovernmental.....	486,379	263,223	22,889	-	772,491
Total revenues.....	2,521,754	307,232	23,045	3,706	2,855,737
EXPENDITURES:					
Current:					
General government.....	68,828	10,689	-	6,434	85,951
Human services.....	28,604	6,802	-	-	35,406
Public safety.....	524,476	28,309	-	-	552,785
Public works.....	84,727	5,487	-	-	90,214
Property and development.....	30,089	79,618	-	-	109,707
Parks and recreation.....	16,653	6,142	-	-	22,795
Library.....	30,069	1,730	-	-	31,799
Schools.....	830,839	173,329	-	-	1,004,168
Public health programs.....	73,455	281	-	-	73,736
Judgments and claims.....	3,871	-	-	-	3,871
Retirement costs.....	220,340	-	-	-	220,340
Other employee benefits.....	251,194	-	-	-	251,194
State and district assessments.....	160,547	-	-	-	160,547
Capital outlays.....	6,950	3,239	178,188	-	188,377
Debt service.....	138,210	9	-	-	138,219
Total expenditures.....	2,468,852	315,635	178,188	6,434	2,969,109
Excess (deficiency) of revenues over (under) expenditures.....	52,902	(8,403)	(155,143)	(2,728)	(113,372)
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	7,010	139,825	-	146,835
Refunding bonds issued.....	-	-	110,100	-	110,100
Payments to escrow agents.....	-	(12,857)	(83,019)	-	(95,876)
Premiums on long-term debt issued.....	-	17,415	16,470	-	33,885
Transfers in (out).....	(16,136)	(3,973)	(26,945)	2,182	(44,872)
Total other financing sources (uses)...	(16,136)	7,595	156,431	2,182	150,072
Net change in fund balances.....	36,766	(808)	1,288	(546)	36,700
Fund balance - beginning of year.....	652,931	172,268	68,398	40,616	934,213
Fund balance - end of year.....	\$ 689,697	\$ 171,460	\$ 69,686	\$ 40,070	\$ 970,913

See accompanying notes to the basic financial statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds to the Statement of Activities Year Ended June 30, 2012

(Amounts in thousands)

Net change in fund balances - total governmental funds.....	\$ 36,700
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 (\$197,205) exceeded depreciation expense (\$80,724) and loss on disposals (\$1,658).....	114,824
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds.....	41,187
Issuances of long-term debt (\$256,935) 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 (\$113,223) and payment to the escrow agent (\$95,876) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net assets. This is the amount by which issuances exceed repayments and escrow payments.....	(47,836)
Bond premiums net (\$29,486) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Deferred gain on refunding (\$2,251) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs, net (\$504) 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.....	(31,233)
Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds.....	(7,567)
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 judgments and claims (\$7,266), compensated absences (\$1,909), other postemployment benefits (\$15,729) offset by a decrease in liabilities for Landfill closure and post closure costs (\$285) and interest payable (\$197).	(24,422)
Net loss from the internal service fund, which is presented in the statement of activities, but not in the governmental funds.....	(7,911)
Change in net assets of governmental activities.....	\$ 73,742

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2012 (with comparative actual amounts for 2011)

(Amounts in thousands)

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net.....	\$ 1,575,373	\$ 1,575,373	\$ 1,577,253	\$ 1,880	\$ 1,504,566
Excises.....	163,925	163,925	193,126	29,201	159,041
Commonwealth of Massachusetts.....	385,877	385,877	390,475	4,598	395,201
Departmental and other revenue.....	52,740	53,298	69,369	16,071	144,438
Fines.....	64,155	64,155	64,338	183	65,051
Payments in lieu of taxes.....	66,620	66,620	62,902	(3,718)	71,999
Investment income.....	1,150	1,150	982	(168)	1,392
Licenses and permits.....	33,750	33,750	51,932	18,182	39,887
Other available funds.....	51,096	51,096	4,030	(47,066)	48,139
Total revenues and other available funds.....	2,394,686	2,395,244	2,414,407	19,163	2,429,714
EXPENDITURES:					
General government.....	81,287	90,500	88,998	1,502	75,879
Human services.....	30,062	29,391	29,350	41	29,377
Public safety.....	502,786	503,088	520,723	(17,635)	504,759
Public works.....	100,699	103,933	92,152	11,781	106,239
Property and development.....	27,359	30,426	30,302	124	30,145
Parks and recreation.....	16,429	17,184	17,121	63	16,747
Library.....	30,139	30,157	30,152	5	30,378
Schools.....	830,908	831,467	831,343	124	821,375
Boston Public Health Commission.....	72,903	72,903	72,903	-	69,808
Judgments and claims.....	3,500	3,500	14,500	(11,000)	21,022
Other employee benefits.....	264,341	254,376	253,592	784	243,624
Retirement costs.....	130,746	130,680	130,530	150	195,998
Debt requirements.....	137,042	131,154	130,227	927	126,410
State and district assessments.....	166,485	166,485	160,547	5,938	152,043
Total expenditures.....	2,394,686	2,395,244	2,402,440	(7,196)	2,423,804
Excess of revenues and other available funds over expenditures.....	\$ -	\$ -	\$ 11,967	\$ 11,967	\$ 5,910

Statement of Net Assets

Proprietary Funds

June 30, 2012

(Amounts in thousands)

	<u>Enterprise Fund</u>	
	<u>Hospital Revenue Bonds</u>	<u>Internal Service</u>
ASSETS:		
Current assets:		
Cash and investments.....	\$ -	\$ 53,592
Receivables, net.....	-	53
Total current assets.....	-	53,645
Noncurrent assets:		
Other assets.....	-	1,797
Total noncurrent assets.....	-	1,797
Total assets.....	-	55,442
LIABILITIES:		
Current liabilities:		
Warrants and accounts payable.....	-	7,768
Accrued liabilities	-	5,614
Total current liabilities.....	-	13,382
NET ASSETS:		
Unrestricted.....	-	42,060
Total net assets.....	\$ -	\$ 42,060

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2012

(Amounts in thousands)

	<u>Enterprise Fund</u>	
	<u>Hospital Revenue</u> <u>Bonds</u>	<u>Internal Service</u>
OPERATING REVENUES:		
Contributions.....	\$ -	\$ 78,666
Total operating revenues.....	-	78,666
OPERATING EXPENSES:		
Health benefits.....	-	86,577
Total operating expenses.....	-	86,577
Operating loss.....	-	(7,911)
NONOPERATING REVENUE (EXPENSE):		
Investment earnings - pledged for debt service....	2,688	-
Interest expense.....	(2,523)	-
Loss on extinguishment of debt.....	(257)	-
Total nonoperating revenue (expense).....	(92)	-
Loss before transfers and special item.....	(92)	(7,911)
Transfer from general fund.....	13,954	-
Transfer from capital projects.....	26,945	-
Transfer from special revenue.....	3,973	-
Special item - forgiveness of note receivable.....	(59,612)	-
Change in net assets.....	(14,832)	(7,911)
Total net assets - beginning of year.....	14,832	49,971
Total net assets - end of year.....	\$ -	\$ 42,060

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

(Amounts in thousands)

	<u>Enterprise Fund</u>	
	<u>Hospital Revenue Bonds</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer.....	\$ -	\$ 79,295
Cash paid to vendors.....	-	(79,745)
Net cash used in operating activities.....	-	(450)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interest paid on debt.....	(4,898)	-
Transfers from other funds.....	44,872	-
Repayment of long-term debt.....	(73,080)	-
Net cash used in noncapital financing activities.....	(33,106)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income.....	624	-
Principal received on note.....	6,946	-
Interest received on note.....	2,064	-
Net cash provided by investing activities.....	9,634	-
Decrease in cash and cash equivalents.....	(23,472)	(450)
Cash and cash equivalents - beginning of year.....	23,472	54,042
Cash and cash equivalents - end of year.....	\$ -	\$ 53,592
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss.....	\$ -	\$ (7,911)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	-	164
Other assets.....	-	88
Due from other funds.....	-	377
Accounts payable and accrued liabilities.....	-	6,832
Net cash used in operating activities.....	\$ -	\$ (450)

Non-cash investing activity: Forgiveness of note receivable totaling \$59,612.

Statement of Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2012

(Except Employee Retirement Plan, which is year ended December 31, 2011)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents.....	\$ 145,025	\$ 6,705	\$ 90,797	\$ 6,308
Receivables:				
Interest and dividends.....	15,323	-	-	-
Securities sold.....	83,407	-	-	-
Employer contributions.....	1,961	-	-	-
Other.....	12,999	-	1,881	-
Total receivables.....	113,690	-	1,881	-
Investments, at fair value:				
Short-term:				
Domestic.....	80,840	-	-	-
International.....	5,633	-	-	-
Equity:				
Domestic.....	962,403	-	-	-
International.....	606,523	-	-	-
Fixed-income:				
Domestic.....	568,579	-	-	-
International.....	245,035	-	-	-
PRIT Pooled Fund.....	1,171,056	-	-	-
Real estate.....	321,249	-	-	-
Venture capital funds.....	378,056	-	-	-
Common/Co-mingled funds.....	-	142,973	-	-
Total investments.....	4,339,374	142,973	-	-
Securities lending short-term collateral investment pool.....	230,145	-	-	-
Other assets.....	-	-	30	-
Total assets.....	4,828,234	149,678	92,708	6,308
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities.....	12,655	60	1,058	6,308
Securities purchased.....	112,519	-	-	-
Collateral held on securities lending.....	231,460	-	-	-
Total liabilities.....	356,634	60	1,058	6,308
NET ASSETS				
Held in trust for pension benefits and other purposes.....	\$ 4,471,600	\$ 149,618	\$ 91,650	\$ -

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2012

(Except Employee Retirement Plan, which is year ended December 31, 2011)

(Amounts in thousands)

	<u>Employee Retirement Plan</u>	<u>OPEB Trust Fund</u>	<u>Private- Purpose Trusts</u>
ADDITIONS:			
Contributions:			
Employers.....	\$ 154,880	\$ 182,205	\$ -
Commonwealth of Massachusetts.....	90,400	-	-
Employees.....	123,481	-	-
Donations and other.....	-	-	19,236
Total contributions.....	368,761	182,205	19,236
Investment earnings:			
Realized and unrealized gains on investments.....	-	(79)	1,390
Investment income.....	(114,461)	4,127	107
Interest and dividends.....	128,927	-	-
Less investment expenses.....	(17,877)	(463)	-
Net investment earnings.....	(3,411)	3,585	1,497
Securities lending activities:			
Securities lending income.....	1,665	-	-
Less borrower rebates and fees.....	(483)	-	-
Net income from securities lending activities.....	1,182	-	-
Total net investment income.....	(2,229)	3,585	1,497
Intergovernmental.....	14,567	-	-
Total additions.....	381,099	185,790	20,733
DEDUCTIONS:			
Benefits.....	469,900	147,205	-
Reimbursements.....	10,459	-	-
Refunds of contributions.....	43,760	-	-
Administrative expenses and other.....	6,100	5	16,309
Total deductions.....	530,219	147,210	16,309
Change in net assets.....	(149,120)	38,580	4,424
Net assets - beginning of year.....	4,620,720	111,038	87,226
Net assets - end of year.....	\$ 4,471,600	\$ 149,618	\$ 91,650

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

1. The Financial Reporting Entity

a. Primary Government

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

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

b. 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, and the Boston Public Health Commission 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. The financial statements of SBRS are included for its fiscal year end which is December 31, 2011.

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:

- i. **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.
- ii. **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.

- iii. **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.
- iv. **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, 2012.

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

d. Related Organizations

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

2. Summary of Significant Accounting Policies

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

a. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net 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 Government-wide 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

i. Government-wide Financial Statements

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

ii. Governmental Fund Financial Statements

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

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

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

iii. Proprietary Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the Government-wide 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 internal service funds are receipts from employer and employees for health insurance premiums. Operating expenses for enterprise funds and internal service funds include administrative expenses, vendor payments, and health benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

iv. Description of Major Funds

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

1. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Special Revenue Fund* accounts 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.
3. The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City's capital facilities.

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

4. 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. In 2012, the City refunded the Hospital debt, thereby eliminating the Hospital Revenue Bond Fund. As of the end of 2012, the fund has no net assets.

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

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

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 Government-wide Financial Statements as “internal balances.”

f. *Uncollectible Tax and Other Receivables*

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

g. *Capital Assets*

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

Capital assets 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
Intangible assets, computer software and licenses	5
Computers and related equipment	3
Furniture and fixtures	3
Motor vehicles	3

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2012 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

i. Long-Term Obligations and Related Costs

In the Government-wide 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 Government-wide and Proprietary Fund Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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

j. Net Assets and Fund Balance

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

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

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

Unrestricted: Remaining net assets not considered invested in capital assets, net of related debt or restricted.

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

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

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

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

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

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

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City. The City maintains a formal policy that unassigned fund balance in the General Fund be at least 10 percent of the current year's General Fund GAAP basis operating expenditures.

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

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. A liability for estimated future tax abatement refunds have been recorded in the Government-wide 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, 2012, 100% of the Gardner Street landfill site had been used and has 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, 2012.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Assets. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2012 were \$285 thousand.

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.

3. Short-Term Debt

During fiscal year 2012, the City had no short-term debt issued or outstanding.

4. Budgetary Data

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

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3 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 was one supplemental appropriation in the amount of \$558 thousand required to fund the collective bargaining reserve for Schools.

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.

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

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

In addition, there are certain differences in classifications between revenues, expenditures, and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2012 (in thousands):

	Revenue	Expenditures	Other financing sources, net	Excess (deficiency) of revenue and other financing sources
As reported on a budgetary basis	\$ 2,414,407	2,402,440	-	11,967
Adjustments:				
Revenues to modified accrual basis	812	-	-	812
Expenditures, encumbrances, and accruals, net	-	(23,987)	-	23,987
On-behalf contribution for teachers pension	90,399	90,399	-	-
Reclassifications:				
Hospital fund transfer	13,954	-	(13,954)	-
Other transfers	2,182	-	(2,182)	-
As reported on a GAAP basis	<u>\$ 2,521,754</u>	<u>2,468,852</u>	<u>(16,136)</u>	<u>36,766</u>

5. Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, and certificates of deposit in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the financial institution involved. Investments from operating cash in the general fund may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the MMDT. The highest commercial paper classifications for Moody's and Standard & Poor's (S&P) are as follows:

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

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 the value of the pool's shares.

Primary Government (except the pension trust fund)

a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits or investments may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized in the City's name. As of June 30, 2012, there are no uncollateralized or uninsured cash accounts. 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 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. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to no more than seven years. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2012:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>
External investment pool	\$ 381,169	381,169	-
Bond mutual funds	59,851	59,851	-
U.S. Treasury notes and bonds	3,374	-	3,374
Domestic corporate	6,950	-	6,950
	<u>\$ 451,344</u>	<u>441,020</u>	<u>10,324</u>

d. Credit Risk

It is the City of Boston Trust Funds' policy that there shall be no specific limitation in regard to credit worthiness of securities, except the overall average quality of each fixed income portfolio shall be AA or better. The City's fixed income investments as of June 30, 2012 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>
Bond mutual funds	\$ 59,851	Not Rated
External investment pool	381,169	Not Rated
Domestic corporate	6,950	AAA to B
	<u>\$ 447,970</u>	

e. Concentration Risk

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

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2012 the City held one international equity mutual fund valued at \$23.4 million. Although this investment is not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

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. As of December 31, 2011, 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. 3(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, PRIT and hedge funds.

c. Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2011:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes and bonds	\$ 51,039	-	25,263	7,989	17,787
U.S. agencies	15,792	-	951	3,106	11,735
Domestic corporate	388,254	19,603	203,199	138,705	26,747
Municipal	2,689	-	116	203	2,370
International corporate	122,709	-	83,068	17,572	22,069
International government	122,326	-	58,421	40,728	23,177
Short-term investment funds	86,473	86,473	-	-	-
Asset-backed:					
CMOs	44,737	408	-	7,080	37,249
Mortgage-backed	51,798	-	-	-	51,798
Other	14,270	-	5,111	2,083	7,076
	\$ 900,087	106,484	376,129	217,466	200,008

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, 2011 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, 2011 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								Not
	value	AAA	AA	A	BBB	BB	B	CCC	rated
U.S. agencies	\$ 15,792	-	13,260	1,702	175	-	-	-	655
Domestic corporate	388,254	441	19,467	92,608	37,025	70,433	70,711	1,313	96,256
Municipal	2,689	-	680	2,009	-	-	-	-	-
International corp.	122,709	17,955	197	8,684	18,545	6,843	6,653	-	63,832
International gov't	122,326	8,592	10,582	11,758	-	1,199	-	-	90,195
Short-term									
investment funds	86,473	86,473	-	-	-	-	-	-	-
Asset-backed:									
CMOs	44,737	18,844	14,158	2,757	-	-	-	18	8,960
Mortgage-backed	51,798	-	49,822	-	-	-	-	-	1,976
Other	14,270	7,185	3,331	-	-	-	30	-	3,724
	<u>\$ 849,048</u>	<u>139,490</u>	<u>111,497</u>	<u>119,518</u>	<u>55,745</u>	<u>78,475</u>	<u>77,394</u>	<u>1,331</u>	<u>265,598</u>

In addition to the above schedule, the System has approximately \$51.0 million 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, except for pooled funds, that exceed 5% of the System's total investments as of December 31, 2011.

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

f. Foreign Currency Risk

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

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

Currency	Cash and short-term				Alternative	Total
	investments	Fixed income	Equity			
Australian dollar	\$ 203	1,483	25,343	-	27,029	
Brazilian real	1,364	476	12,156	-	13,996	
Canadian dollar	314	5,607	7,540	-	13,461	
Danish krone	327	851	5,841	-	7,019	
Euro currency	6,839	37,463	139,855	5,800	189,957	
Hong Kong dollar	72	-	25,721	-	25,793	
Indian rupee	1,763	762	7,262	-	9,787	
Indonesian rupiah	24	1,889	2,528	-	4,441	
Israeli Shekel	273	-	2,733	-	3,006	
Japanese yen	475	54,128	85,909	-	140,512	
Malaysian ringgit	547	2,596	2,561	-	5,704	
Mexican peso	398	4,738	5,029	-	10,165	
New Taiwan dollar	850	-	819	-	1,669	
New Zealand dollar	71	1,093	-	-	1,164	
Norwegian krone	1,089	5,246	6,151	-	12,486	
Pakistan rupee	1	-	-	-	1	
Philippine Peso	-	878	-	-	878	
Polish zloty	84	-	-	-	84	
Pound sterling	445	11,889	86,963	-	99,297	
Singapore dollar	276	9,156	9,293	-	18,725	
South African rand	271	-	8,623	-	8,894	
South Korean won	261	3,213	6,084	-	9,558	
Swedish krona	7	-	13,323	-	13,330	
Swiss franc	130	771	35,972	-	36,873	
Thailand Baht	-	-	733	-	733	
Turkish Lira	21	-	1,260	-	1,281	
Uruguayan peso	-	1,052	-	-	1,052	
Total securities subject to foreign currency risk	\$ 16,105	143,291	491,699	5,800	656,895	
U.S. dollars (securities held by international investment managers)*	5,668	101,744	114,824	-	222,236	
Total international investment securities	\$ 21,773	245,035	606,523	5,800	879,131	

g. PRIT Pooled Fund

The Commonwealth enacted Chapter 112, Section 17 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the Pension Reserves Investment Trust (PRIT) fund. The PRIT fund is an external investment pool that is not registered with the Securities Exchange Commission.

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

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT Fund. As of December 31, 2011, the System had \$1.2 billion invested in the PRIT pooled fund.

h. Derivatives

The System trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. The System uses forward foreign currency contracts to hedge against the risk of future foreign currency fluctuations.

6. Property Taxes

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

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

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On December 13, 2011, all properties with unpaid fiscal year 2011 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):

	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other nonmajor funds</u>	<u>Internal service</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 18,736	-	-	-	-	18,736
Other taxes	144,815	-	-	-	-	144,815
Intergovernmental	58,086	107,892	9,834	-	-	175,812
Other	23,417	64,048	-	108	53	87,626
	<u>245,054</u>	<u>171,940</u>	<u>9,834</u>	<u>108</u>	<u>53</u>	<u>426,989</u>
Gross receivables						
Less allowance for uncollectibles	<u>(139,153)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,153)</u>
Net total receivables \$	<u>105,901</u>	<u>171,940</u>	<u>9,834</u>	<u>108</u>	<u>53</u>	<u>287,836</u>

a. Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the MSBA. The MSBA provides financial assistance (up to 80% of total costs) to the City to build and/or renovate schools. As of June 30, 2012, under this program, the City was due funds totaling \$55.6 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, 2013 through 2017, and in five-year increments thereafter:

Fiscal year(s):	<u>Anticipated revenue</u>
2013	\$ 10,573
2014	8,475
2015	8,176
2016	7,344
2017	6,720
2018 – 2022	<u>14,288</u>
Total	<u>\$ 55,576</u>

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, 2012, under this program, the City determined that \$64.0 million was collectible. This amount is recorded in the City's Special Revenue fund.

c. Deferred Revenue

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):

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent taxes receivable (General Fund)	\$ 21,835	-	21,835
Due from component units	11,450	2,468	13,918
Section 108 receivable	64,004	-	64,004
School building assistance receivable	55,576	1,418	56,994
Chapter 90	8,236	-	8,236
Other	<u>22,783</u>	<u>3,365</u>	<u>26,148</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 183,884</u>	<u>7,251</u>	<u>191,135</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

a. Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,128	88	-	25,216
Construction in progress	59,373	128,382	(179,228)	8,527
Total capital assets not being depreciated	<u>84,501</u>	<u>128,470</u>	<u>(179,228)</u>	<u>33,743</u>
Capital assets being depreciated:				
Land improvements	165,384	14,256	(228)	179,412
Buildings and improvements	1,759,822	106,768	-	1,866,590
Furniture and equipment	272,269	50,586	(14,506)	308,349
Infrastructure	495,487	76,353	-	571,840
Total capital assets being depreciated	<u>2,692,962</u>	<u>247,963</u>	<u>(14,734)</u>	<u>2,926,191</u>
Less accumulated depreciation for:				
Land improvements	47,020	8,702	(15)	55,707
Buildings and improvements	973,802	33,205	-	1,007,007
Furniture and equipment	210,897	21,535	(13,061)	219,371
Infrastructure	181,330	17,282	-	198,612
Total accumulated depreciation	<u>1,413,049</u>	<u>80,724</u>	<u>(13,076)</u>	<u>1,480,697</u>
Total capital assets being depreciated, net	<u>1,279,913</u>	<u>167,239</u>	<u>(1,658)</u>	<u>1,445,494</u>
Governmental activities capital assets, net	<u>\$ 1,364,414</u>	<u>295,709</u>	<u>(180,886)</u>	<u>1,479,237</u>

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

Governmental activities:		
General government	\$	3,804
Human services		1,908
Public safety		15,206
Public works, including depreciation of general infrastructure assets		17,698
Property and development		4,119
Parks and recreation		7,469
Library		3,609
Schools		26,672
Public health		239
Total depreciation expense – governmental activities	\$	<u>80,724</u>

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

Individual fund receivable and payable balances at June 30, 2012 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 27	1,922
Special revenue	1,855	0
Capital projects	67	27
Balances at June 30, 2012	\$ 1,949	1,949

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements.

Amounts due to and from discrete component units at June 30, 2012 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 16,072	4
Balances at June 30, 2012	16,072	4
Discretely presented component units:		
TPL	—	102
PHC	4	4,520
BRA	—	11,450
Balances at June 30, 2012	\$ 16,076	16,076

10. Long-Term Obligations

Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2012 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds Payable:						
General Obligation Bonds	2.0 - 5.75%	\$ 555,500	121,975	50,285	627,190	43,020
General Obligation Refunding Bonds	.125-5.0%	470,805	110,100	137,435	443,470	56,415
Total governmental general obligation bonds payable		\$ 1,026,305	232,075	187,720	1,070,660	99,435
Add (deduct):						
Unamortized bond premiums/discounts net					76,654	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(7,514)	
Current portion of long-term debt					(99,435)	
					\$ 1,040,365	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes, Leases and Other long-term obligations:						
Notes payable	4.25-7.18%	\$ 36,602	7,010	3,230	40,382	3,780
Leases payable		28,123	17,850	13,407	32,566	10,913
Judgments and claims		15,235	-	55	15,180	14,135
Workers' compensation		102,460	36,253	28,932	109,781	42,635
Health and life claims		6,550	85,641	86,577	5,614	5,614
Compensated absences		176,673	56,959	55,050	178,582	50,512
Landfill closure and postclosure care costs		8,693	-	285	8,408	200
Pollution remediation		500	-	-	500	-
Other postemployment benefits		577,294	223,586	207,857	593,023	-
Total notes, leases, and other long-term obligations		\$ 952,130	427,299	395,393	984,036	127,789

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

The annual debt service requirements of the City's general obligation bonds, notes and leases payable as of June 30, 2012, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General obligation bonds:	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
Year(s) ending June 30:				
2013	\$ 99,435	47,199	(3,527)	143,107
2014	95,225	44,202	(3,527)	135,900
2015	90,010	40,111	(3,527)	126,594
2016	86,080	35,898	(3,527)	118,451
2017	81,680	31,694	(3,495)	109,879
2018-2022	324,660	104,306	(16,321)	412,645
2023-2027	235,990	39,078	(7,147)	267,921
2028-2032	57,580	5,725	(421)	62,884
	<u>\$ 1,070,660</u>	<u>348,213</u>	<u>(41,492)</u>	<u>1,377,381</u>
 Notes Payable:				
Year(s) ending June 30:				
2013	\$ 3,780	1,667	-	5,447
2014	4,151	1,474	-	5,625
2015	2,310	1,306	-	3,616
2016	2,288	1,206	-	3,494
2017	1,991	1,120	-	3,111
2018-2022	10,912	3,763	-	14,675
2023-2027	5,115	2,404	-	7,519
2028-2030	9,835	1,067	-	10,902
	<u>\$ 40,382</u>	<u>14,007</u>	<u>-</u>	<u>54,389</u>
 Leases Payable:				
Year(s) ending June 30:				
2013	\$ 10,913	465	-	11,378
2014	8,256	311	-	8,567
2015	5,233	197	-	5,430
2016	3,537	121	-	3,658
2017	2,427	62	-	2,489
2018-2019	2,200	30	-	2,230
	<u>\$ 32,566</u>	<u>1,186</u>	<u>-</u>	<u>33,752</u>

On April 2, 2012, the City issued \$205.1 million of general obligation and refunding bonds, \$122.0 million for various municipal capital projects, and \$83.1 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$91.1 million. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2032 and 2024, respectively.

On May 4, 2012, the City issued \$26.9 million of refunding bonds to defease the Hospital Bond Fund Special Obligation Refunding Bonds (along with other funds available to the City) totaling \$65.2 million. Interest on these bonds are payable semiannually each April 1 and October 1 until maturity in fiscal year 2019.

The cash flow difference and economic gain (the difference between the present value of the debt service payments on old and new debt) obtained from the April 2, 2012 refunding were \$7.9 million and \$7.2 million, respectively. For the May 4, 2012 refunding, the cash flow difference and economic gain were \$9.3 million and \$6.8 million, respectively.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. The remaining principal payments for these leases as of June 30, 2012 are \$32.6 million. The gross amount of assets acquired under the equipment lease agreements totals \$17.9 million as of June 30, 2012. The City's commitment under operating leases is not significant.

Business-type activities

The following is a summary of the long-term obligations of the business-type activities of the City as of June 30, 2012 (in thousands):

Bonds payable:	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Hospital Bond Fund:						
Special Obligation Refunding Bonds, Boston City						
Hospital, dated 8/1/02	2.0 – 5.0	\$ 73,080	-	73,080	-	-
Total business-type obligations		<u>\$ 73,080</u>	<u>-</u>	<u>73,080</u>	<u>-</u>	<u>-</u>

The proceeds of the 2012 Series C bonds issued in May 2012, together with other funds available to the City, were applied to advance refund the City's outstanding Hospital Bond Fund Special Obligation Refunding Bonds. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund.

No Obligation Debt

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

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions for both governmental and business-type activities and still outstanding at June 30, 2012 was approximately \$140.1 million.

Debt Capacity

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the 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 Secretary of Administration and Finance. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2012, the City may issue \$3.9 billion of additional general obligation debt under the debt limit. General obligation debt of \$517.8 million, subject to the debt limit, and \$85.9 million, exempt from the debt limit, are authorized but unissued as of June 30, 2012.

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 Sheriff 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. A complete set of financial statements for SBRS for the fiscal year ended December 31, 2011 can be obtained through the SBRS, Boston City Hall, Room 816, Boston, MA 02201.

Participation in the System is mandatory for all permanent, full time employees immediately upon the commencement of employment. Participants who resign from employment and who are not eligible to receive a retirement allowance or who are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending on the number of years of creditable service, such participants are entitled to receive either none, 50%, or 100% of the regular interest which has accrued on those deductions.

Employees with 10 or more years of service are entitled to pension benefits beginning at retirement age 55; an earlier retirement is allowed upon completion of 20 years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification. Participants become vested after 10 years of creditable service. Effective July 1, 1998, Chapter 32 of the M.G.L. assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost of living increases.

If a member in service dies, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions, age, and the cause of death. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including whether or

not the disability is work related, the participant's age, years of creditable service, level of compensation, veteran status, and group classification.

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 the plan.

Investments of the System are stated as follows:

- (1) Marketable bonds and equity securities are stated at quoted market value.
- (2) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (3) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (4) Cash is stated at carrying amount, which is reconciled book balance.
- (5) Pooled funds are stated at unit values reported by the investment manager.

c. Membership

Membership in the System consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	14,104
Terminated plan members entitled to but not receiving benefits	16,470
Active plan members	19,418
	<u>49,992</u>
Total membership	<u>49,992</u>
Total number of participating employers	<u>6</u>

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 January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended December 31, 2011, the System was due \$245.3 million from all employers and received \$245.3 million in employer contributions. For the years ended June 30, 2010, June 30, 2011 and 2012, exclusive of contributions related to the City's teachers, the City's required and actual contributions were \$118.3 million, \$190.9 million and \$123.6 million, respectively.

The Commonwealth of Massachusetts is statutorily required to fund the contributions required for the City's teachers. For the years ended June 30, 2010, 2011 and 2012, the Commonwealth's required and

actual contributions were \$116.0 million, \$121.3 million and \$90.4 million, respectively. The 2012 amount is reported as intergovernmental revenue and retirement cost expenditures in the General Fund.

e. Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2011 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,420,685	Active members' contribution balance
Annuity reserve fund	454,109	Retired members' contribution account
Military service credit	50	Members' contribution account while on military leave
Pension reserve fund	2,445,574	Amounts appropriated to fund future retirement benefits
Pension fund	151,182	Remaining net assets
	<u>\$ 4,471,600</u>	

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, 2011. 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, 2011, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System.

At December 31, 2011, the fair value of securities loaned by the System amounted to \$243.5 million, against which was held collateral of \$249.8 million as follows (in thousands):

Short-term collateral investment pool	\$	230,145
Noncash collateral		<u>19,643</u>
Total	\$	<u><u>249,788</u></u>

g. Commitments

At December 31, 2011, the System had contractual commitments to provide \$84.0 million of additional funding to private equity funds, and \$76.0 million to real estate funds.

h. Funded Status and Funding Progress

The funded status of the System as of January 1, 2011 is as follows (in thousands):

Actuarially accrued liability (AAL)	\$	7,382,907
Actuarial value of plan assets		<u>4,592,675</u>
Unfunded AAL (UAAL)	\$	<u><u>2,790,232</u></u>
Funded ratio (actuarial value of plan assets/AAL)		62.2%
Covered payroll (active plan members)	\$	1,371,363
UAAL as a percentage of covered payroll		203.5%

In the January 1, 2011 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, an inflation rate of 4.5%, projected salary increases of 5.0%, and cost-of-living adjustments of 3.0% up to \$12,000 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, 2011 was 15 years.

The schedule of funding progress, presented as Required 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.

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 Government-wide 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 Government-wide Statement of Net Assets over time. OPEB benefits are reported as expenditures on a pay-as-you-go basis in the governmental funds.

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, 2011, the most recent actuarial valuation date, approximately 14,000 retirees and 14,500 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 Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

Groups 1 and 2 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on accidental disability retirement are eligible at any age, while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and 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 OPEB Plan is currently funded on a pay-as-you-go basis plus periodic advance funding contributions as amounts are available. The employers and plan members share the cost of benefits. As of June 30, 2011, the valuation date, the plan members contribute 10% to 26.25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

b. Basis of Accounting

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

Investments of the OPEB Trust fund are stated as follows:

- (1) Comingling funds are reported at net asset value.
- (2) Cash is stated at carrying amount, which is reconciled book balance.

c. 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, 2012, 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, 2011 (in thousands):

ARC	\$	181,732
Interest on net OPEB obligation		41,854
Adjustment to ARC		<u>(27,348)</u>
Annual OPEB cost		196,238
Contributions made		<u>(180,509)</u>
Change in net OPEB obligation		15,729
Net OPEB obligation – beginning of year		<u>577,294</u>
Net OPEB obligation – end of year	\$	<u><u>593,023</u></u>

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
2012	\$ 196,238	92%	\$ 593,023
2011	270,749	85%	577,294
2010	258,991	59%	536,352

d. Funded Status and Funding Progress of the Plan

The funded status of the OPEB plan in the aggregate and the City's individual OPEB Plan as of June 30, 2012, based on an actuarial valuation as of June 30, 2011, was as follows (in thousands):

	Plan	City
AAL	\$ 3,171,670	3,018,252
Actuarial value of plan assets	<u>111,038</u>	<u>109,736</u>
UAAL	<u>\$ 3,060,632</u>	<u>2,908,516</u>
Funded ratio (actuarial value of plan assets/AAL)	3.50%	3.64%
Covered payroll (active plan members)	\$ 1,102,402	1,045,488
UAAL as a percentage of covered payroll	278%	278%

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 Basic 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.

e. 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.

The most recent actuarial valuation was performed as of June 30, 2011. The projected unit credit cost method was used. The actuarial assumptions included a 7.25% investment rate of return, an inflation rate of 4.5% and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 – 6 years. The actuarial value of assets was determined using the fair value of investments. The healthcare cost trend rate differs between the master medical and other healthcare plans. The City's UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at July 1, 2011 was 30 years.

13. Transfers

Transfers and their purposes during the year ended June 30, 2012 were as follows (in thousands):

	Governmental funds				Proprietary fund
	General	Special revenue	Capital projects	Other governmental	Hospital bond
Primary government:					
Hospital Defeasance	\$ (13,954)	(3,973)	(26,945)	-	44,872
Debt Service	(2,182)	-	-	2,182	-
Total	<u>\$ (16,136)</u>	<u>(3,973)</u>	<u>(26,945)</u>	<u>2,182</u>	<u>44,872</u>

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2012 in the following categories (in thousands):

Public safety:	
Police Department	\$ 13,696
Fire Department	4,994
Judgments and Claims:	
Execution of Courts	11,000
	<u>\$ 29,690</u>

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

15. Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2012 are as follows (in thousands):

Fund Balances	General	Special revenue	Capital projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ -	-	-	4,974
Restricted for:				
General Government	-	7,325	19,461	430
Human Services	-	1,386	-	-
Public Safety	-	6,831	27,324	-
Public Works	-	-	12,280	-
Property and development	-	26,147	2,114	-
Parks and recreation	-	-	2,871	31,209
Library	-	452	5,636	-
Schools	-	30,762	-	3,457
Subtotal	-	72,903	69,686	35,096
Assigned to:				
General Government	57,228	16,581	-	-
Human Services	103	200	-	-
Public Safety	307	55,796	-	-
Public Works	421	22,937	-	-
Property and development	382	455	-	-
Parks and recreation	55	954	-	-
Library	2	84	-	-
Schools	10,728	1,550	-	-
Catastrophic Loss	15,522	-	-	-
Housing Initiative	30,401	-	-	-
Debt Service	1,868	-	-	-
Employee related costs	50,000	-	-	-
Designated for subsequent year expense	10,925	-	-	-
Subtotal	177,942	98,557	-	-
Unassigned	511,755	-	-	-
Total fund balances	\$ 689,697	171,460	69,686	40,070

16. Commitments and Contingencies

The City has committed \$245.7 million in encumbrances for purchase orders and contracts.

17. Public Health System

Effective July 1, 1996, the City's Department of Health and Hospitals and Trustees of Health and Hospitals were abolished. Substantially all their assets and liabilities, including title to the City's two hospitals, BCH and Boston Specialty and Rehabilitation Hospital (BSRH), were transferred to and assumed by 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.

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC, and a City appropriation. During fiscal year 2012, the City appropriated \$72.9 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 \$66.2 million for the PHC for fiscal year 2013.

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 2012, the City received \$6.9 million in principal and \$2.1 million in interest for a total of \$9.0 million from PHC in payments for this note. In May 2012, the Special Obligation Refunding Bonds were defeased through the proceeds of the 2012 Series C General Obligation bonds and other available funds. At this time, the remaining balance of the notes receivable from PHC (\$59.6 million) was forgiven by the City. The forgiveness of the receivable has been reported as a special item in the Government-wide and Hospital Bond Fund financial statements. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund.

General obligation bonds issued by the City between December 1967 and October 1995 total \$2.7 million as of June 30, 2012. 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 is also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

18. Risk Management

The Risk Management Program focuses on a planned strategy of self-insurance, supported by strong prevention and cost reduction efforts, financial reserves and catastrophic insurance. The City is self-insured in most areas of risk including general liability, property and casualty, workers' compensation, certain employee health care costs and unemployment compensation.

The City's legal liabilities are capped per M.G.L. Chapter 258, and Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations. For workers' compensation, the City is exempt from state insurance requirements per M.G.L. Chapter 152 Section 25B. The City's Workers' Compensation Division, as well as the Police and Fire Departments, manage employee injury claims internally. The City budgets for and funds legal claims and employee injury costs through the General Fund, charging specific departments for their share of costs in order to promote awareness and prevention efforts.

The City purchases health insurance coverage for employees and retirees through a variety of health maintenance organizations (HMO's), in addition to offering three self-insured indemnity plans, which are administered by Blue Cross and Blue Shield of Massachusetts (BC/BS). HMO costs are funded through the General Fund, and the self-insured plans are financially managed through an internal service fund established in compliance with M.G.L Chapter 32B Section 3A. In FY12, a guiding policy for the more prudent management of the City of Boston Health Claims Trust Fund was established. This policy states that accounting for the fund will be in accordance with generally accepted accounting principles, and will ensure

that all contributions and actual costs are shared between employers and their subscribers according to predetermined ratios.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$15.5 million at the end of fiscal 2012. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$10.0 million per incident, after a \$50 thousand deductible.

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, 2012 and 2011 are as follows (in thousands):

	Internal service fund	
	2012	2011
Health and life claims, beginning of year	\$ 6,550	6,527
Incurred claims	85,641	85,074
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(86,577)	(85,051)
Health and life claims, end of year	<u>\$ 5,614</u>	<u>6,550</u>
	Government-wide statements	
	2012	2011
Judgments and claims, beginning of year	\$ 117,695	115,738
Incurred claims	41,622	36,610
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(28,932)	(25,816)
Unemployment compensation	(5,369)	(5,607)
Court judgments	(55)	(3,230)
Judgments and claims, end of year	<u>\$ 124,961</u>	<u>117,695</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

19. Subsequent Events

On October 12, 2012, the City issued \$28.9 million of general obligation bonds for the purpose of funding the Dudley Street Capital Project. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal year 2033.

20. 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, 2012					
(In thousands)					
	PHC	BRA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 25,563	41,566	2,303	11,127	80,559
Cash and investments held by trustee	-	-	7,678	-	7,678
Receivables, net:					
Other	30,593	4,525	807	5,458	41,383
Other assets	7,102	124	47	377	7,650
Due from primary government	4	-	-	-	4
Total current assets	<u>63,262</u>	<u>46,215</u>	<u>10,835</u>	<u>16,962</u>	<u>137,274</u>
Noncurrent assets:					
Cash and investments held by trustee	-	-	48,792	-	48,792
Notes receivable	6,032	145,058			151,090
Other assets	974		1,831	87	2,892
Capital assets:					
Nondepreciable	13,785	14,981	150	-	28,916
Depreciable	16,381	3,129	543	33,333	53,386
Total noncurrent assets	<u>37,172</u>	<u>163,168</u>	<u>51,316</u>	<u>33,420</u>	<u>285,076</u>
Total assets	<u>\$ 100,434</u>	<u>209,383</u>	<u>62,151</u>	<u>50,382</u>	<u>422,350</u>

Condensed Statements of Net Assets

June 30, 2012

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 17,913	1,090	538	2,274	21,815
Accrued liabilities:					
Other	2,831	272	428	2,608	6,139
Current portion of long-term debt and leases	301	-	-	1,134	1,435
Due to primary government	3,173	-	102	-	3,275
Deferred revenue	6,574	2,223	-	135	8,932
Total current liabilities	<u>30,792</u>	<u>3,585</u>	<u>1,068</u>	<u>6,151</u>	<u>41,596</u>
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	363	1,475	-	15,786	17,624
Other noncurrent liabilities	3,638	152,900	-	701	157,239
OPEB	63,036	5,107	-	-	68,143
Deferred Revenue	7,147	31,520	-	-	38,667
Due to primary government	1,347	11,450	-	-	12,797
Total noncurrent liabilities	<u>75,531</u>	<u>202,452</u>	<u>-</u>	<u>16,487</u>	<u>294,470</u>
Total liabilities	<u>106,323</u>	<u>206,037</u>	<u>1,068</u>	<u>22,638</u>	<u>336,066</u>
Net assets:					
Invested in capital assets, net of related debt	28,640	6,139	693	16,869	52,341
Restricted	-	-	58,002	704	58,706
Unrestricted	(34,529)	(2,793)	2,388	10,171	(24,763)
Total net assets	<u>\$ (5,889)</u>	<u>3,346</u>	<u>61,083</u>	<u>27,744</u>	<u>86,284</u>

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

Year ended June 30, 2012

(In thousands)

	PHC	BRA	TPL	EDIC	Total
Expenses	\$ 199,657	20,357	8,465	30,245	258,724
Program revenues:					
Charges for services	59,395	8,836	1,777	17,968	87,976
Operating grants and contributions	48,082	4,428	5,492	14,927	72,929
Capital grants and contributions	1,036	-	-	-	1,036
Total program revenues	108,513	13,264	7,269	32,895	161,941
Net expenses	(91,144)	(7,093)	(1,196)	2,650	(96,783)
General revenues:					
Investment income	58	1,192	(35)	17	1,232
Sale of property	-	4,790	-	-	4,790
City appropriation	71,111	-	-	-	71,111
Miscellaneous income	-	1,141	1,949	274	3,364
Total general revenues	71,169	7,123	1,914	291	80,497
Change in net assets	(19,975)	30	718	2,941	(16,286)
Net assets – beginning of year	14,086	3,316	60,365	24,803	102,570
Net assets – end of year	\$ (5,889)	3,346	61,083	27,744	86,284

Required Supplementary Information

(Unaudited)

(Amounts in thousands)

Schedules of Funding Progress

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)
Pension - Plan						
01/01/11*	\$ 4,592,675	7,382,907	2,790,232	62.2%	\$ 1,371,363	203.5%
01/01/10	4,292,504	7,212,669	2,920,165	59.5	1,425,451	204.9
01/01/09*	4,089,989	6,900,229	2,810,240	59.3	1,364,068	206.0
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
OPEB - City						
06/30/11	109,736	3,018,252	2,908,516	3.64	1,045,488	278.2%
06/30/09	—	4,553,816	4,553,816	—	1,008,004	451.8
06/30/07	—	5,490,836	5,490,836	—	919,662	597.0
OPEB - Plan						
06/30/11	111,038	3,171,670	3,060,632	3.50	1,102,402	277.6%
06/30/09	—	4,684,972	4,684,972	—	1,060,919	441.6
06/30/07	—	5,654,817	5,654,817	—	967,584	584.4

*Liability and payroll estimated from prior year's valuations.

Schedules of Employer Contributions

	Annual required contribution	Percentage contributed
Pension Plan		
December 31, 2011	\$ 245,280	100 %
December 31, 2010	336,784	138
December 31, 2009	253,996	100
December 31, 2008	239,039	100
December 31, 2007	221,865	100
December 31, 2006	217,088	100
OPEB - Plan		
June 30, 2012	194,045	95 %
June 30, 2011	275,101	85
June 30, 2010	264,105	59
OPEB - City		
June 30, 2012	181,732	99 %
June 30, 2011	262,898	87
June 30, 2010	252,685	61

EXHIBIT II

Schedules of Comparative Financial Statements for Fiscal Years 2008 - 2012

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Fund Equity for the fiscal years ended June 30, 2012, 2011, 2010, 2009, and 2008 have been prepared by the City of Boston Auditing Department based on information taken from the City's audited financial statements.

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City of Boston

General Fund

Balance Sheets

Fiscal Years Ended June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS:					
Cash and investments.....	\$ 925,637	\$ 823,210	\$ 880,912	\$ 863,606	\$ 756,652
Receivables :					
Property taxes.....	18,736	18,277	18,550	17,724	19,774
Motor vehicle excise.....	53,978	49,994	64,446	62,415	63,706
Intergovernmental.....	58,086	63,689	86,549	231,096	237,443
Departmental and other.....	23,417	33,253	34,039	15,256	66,398
Tax title and possession.....	90,837	90,950	87,869	85,052	81,437
Total receivables.....	<u>245,054</u>	<u>256,163</u>	<u>291,453</u>	<u>411,543</u>	<u>468,758</u>
Allowance:					
Abatement res/property tax allow.....	-	-	-	-	-
Tax title and possession.....	(90,810)	(90,950)	(87,869)	(85,034)	(81,437)
Motor vehicle excise.....	(45,265)	(45,010)	(57,647)	(57,617)	(58,690)
Other.....	(3,078)	(7,081)	(11,158)	(15,144)	(19,151)
Total allowances.....	<u>(139,153)</u>	<u>(143,041)</u>	<u>(156,674)</u>	<u>(157,795)</u>	<u>(159,278)</u>
Net receivable.....	105,901	113,122	134,779	253,748	309,480
Due from other funds.....	27	1,973	30,000	27,000	27,703
Due from component units.....	16,072	5,449	5,909	6,653	7,829
Total assets.....	<u>\$ 1,047,637</u>	<u>\$ 943,754</u>	<u>\$ 1,051,600</u>	<u>\$ 1,151,007</u>	<u>\$ 1,101,664</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 102,736	\$ 51,773	\$ 63,593	\$ 57,124	\$ 48,356
Accrued liabilities:					
Payroll and related costs.....	139,022	126,222	151,554	125,527	103,737
Other.....	19,561	20,133	22,468	23,655	15,073
Due to other funds.....	1,922	6,023	6,054	3,675	4,382
Due to component units.....	4	195	542	292	250
Deferred revenue.....	94,695	86,477	100,196	112,047	127,817
Total liabilities.....	<u>\$ 357,940</u>	<u>\$ 290,823</u>	<u>\$ 344,407</u>	<u>\$ 322,320</u>	<u>\$ 299,615</u>
FUND BALANCE:					
Assigned.....	177,942	141,891	-	-	-
Unassigned.....	511,755	511,040	-	-	-
Reserved for:					
Encumbrances.....	-	-	36,808	37,534	32,519
Unreserved:					
Designated for subsequent year expenditures.....	-	-	123,103	240,824	216,429
Undesignated.....	-	-	547,282	550,329	553,101
Total fund balance.....	<u>689,697</u>	<u>652,931</u>	<u>707,193</u>	<u>828,687</u>	<u>802,049</u>
Total liabilities and fund balance.....	<u>\$ 1,047,637</u>	<u>\$ 943,754</u>	<u>\$ 1,051,600</u>	<u>\$ 1,151,007</u>	<u>\$ 1,101,664</u>

City of Boston

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)

	2012	2011	2010	2009	2008
REVENUES:					
Local:					
Real and personal property taxes, net.....	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734
Excises.....	187,572	124,214	121,120	115,454	115,809
Payments in lieu of taxes.....	63,066	65,461	67,265	56,686	56,667
Fines.....	64,566	64,751	70,627	69,711	67,940
Investment income.....	982	4,733	3,246	18,289	37,822
Licenses and permits.....	48,753	41,676	32,907	40,822	45,989
Departmental and other revenue.....	78,438	65,498	74,861	82,087	79,030
Total local revenues.....	2,035,375	1,892,694	1,837,631	1,776,420	1,719,991
Intergovernmental:					
Intergovernmental.....	486,379	395,374	404,619	454,252	493,227
Total intergovernmental revenues.....	486,379	395,374	404,619	454,252	493,227
Total revenues.....	2,521,754	2,288,068	2,242,250	2,230,672	2,213,218
EXPENDITURES:					
Current:					
General government.....	68,828	65,459	70,514	69,524	66,927
Human services.....	28,604	29,233	29,324	29,722	29,093
Public safety.....	524,476	516,725	511,365	521,898	509,293
Public works.....	84,727	105,318	96,641	112,168	108,831
Property and development.....	30,089	35,138	30,247	28,959	29,876
Parks and recreation.....	16,653	16,634	16,818	17,571	17,418
Library.....	30,069	30,532	29,853	31,268	27,089
Schools.....	830,839	812,949	815,694	818,338	782,500
Public Health Programs.....	73,455	70,092	70,000	69,985	67,694
Judgments and claims.....	3,871	811	10,181	9,946	1,967
Retirement costs.....	220,340	195,976	235,282	82,332	95,193
Other employee benefits.....	251,194	294,200	224,156	191,597	190,167
State and district assessments.....	160,547	152,042	146,323	142,055	132,792
Capital outlays.....	6,950	2,588	734	566	9,417
Debt Service.....	138,210	132,156	129,670	119,294	115,771
Total expenditures.....	2,468,852	2,459,853	2,416,802	2,245,223	2,184,028
Excess (deficiencies) of revenues over (under) expenditures.....	52,902	(171,785)	(174,552)	(14,551)	29,190
OTHER FINANCING SOURCES (USES):					
Payments to escrow agent to refund debt.....	-	-	-	-	-
Transfers in.....	(16,136)	117,523	53,058	41,189	40,810
Total other financing uses, net.....	(16,136)	117,523	53,058	41,189	40,810
Net change in fund balances.....	36,766	(54,262)	(121,494)	26,638	70,000
Fund balance, beginning of year.....	652,931	707,193	828,687	802,049	732,049
Fund balance, end of year.....	\$ 689,697	\$ 652,931	\$ 707,193	\$ 828,687	\$ 802,049

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City of Boston

General Fund - Budgetary Basis

Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008

(in thousands)

	2012			2011		
	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:						
Real and personal property taxes, net.....	\$1,575,373	\$1,577,253	\$ 1,880	\$1,502,324	\$1,504,566	\$ 2,242
Motor vehicle excise.....	40,075	40,507	432	33,570	46,977	13,407
Other excises.....	123,850	152,619	28,769	106,775	112,064	5,289
Commonwealth of Massachusetts.....	385,877	390,475	4,598	395,700	395,201	(499)
Departmental and other revenue.....	53,298	69,369	16,071	137,094	144,438	7,344
Fines.....	64,155	64,338	183	70,133	65,051	(5,082)
Payments in lieu of taxes.....	66,620	62,902	(3,718)	57,303	71,999	14,696
Investment income.....	1,150	982	(168)	2,000	1,392	(608)
Licenses and permits.....	33,750	51,932	18,182	32,490	39,887	7,397
Transfers from other available funds.....	51,096	4,030	(47,066)	72,139	48,139	(24,000)
Sale of property.....	-	-	-	-	-	-
Total revenues, transfers and other available funds.....	<u>2,395,244</u>	<u>2,414,407</u>	<u>19,163</u>	<u>2,409,528</u>	<u>2,429,714</u>	<u>20,186</u>
Expenditures and Encumbrances:						
General government.....	90,500	88,998	1,502	77,806	75,879	1,927
Human services.....	29,391	29,350	41	29,670	29,377	293
Public safety.....	503,088	520,723	(17,635)	499,243	504,759	(5,516)
Public works.....	103,933	92,152	11,781	101,032	106,239	(5,207)
Property and development.....	30,426	30,302	124	30,205	30,145	60
Parks and recreation.....	17,184	17,121	63	16,838	16,747	91
Library.....	30,157	30,152	5	30,378	30,378	-
Schools.....	831,467	831,343	124	821,382	821,375	7
Boston Public Health Commission.....	72,903	72,903	-	69,808	69,808	-
Judgments and claims.....	3,500	14,500	(11,000)	3,500	21,022	(17,522)
Other employee benefits.....	254,376	253,592	784	249,481	243,624	5,857
Retirement costs.....	130,680	130,530	150	196,207	195,998	209
State and district assessments.....	166,485	160,547	5,938	153,048	152,043	1,005
Debt requirements.....	131,154	130,227	927	130,930	126,410	4,520
Total expenditures.....	<u>2,395,244</u>	<u>2,402,440</u>	<u>(7,196)</u>	<u>2,409,528</u>	<u>2,423,804</u>	<u>(14,276)</u>
Excess of revenues available for appropriation over expenditures.....	<u>\$ -</u>	<u>\$ 11,967</u>	<u>\$ 11,967</u>	<u>\$ -</u>	<u>\$ 5,910</u>	<u>\$ 5,910</u>

(continued)

City of Boston

General Fund - Budgetary Basis

Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008

(in thousands)

2010			2009			2008		
Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
\$ 1,429,325	\$ 1,440,193	\$ 10,868	\$ 1,364,580	\$ 1,365,272	\$ 692	\$ 1,295,152	\$ 1,295,460	\$ 308
36,025	40,134	4,109	39,545	44,676	5,131	40,075	49,632	9,557
92,629	103,900	11,271	92,450	105,100	12,650	84,500	81,926	(2,574)
545,126	413,209	(131,917)	610,018	573,278	(36,740)	591,739	598,747	7,008
64,120	68,706	4,586	64,051	75,661	11,610	52,987	67,379	14,392
73,015	70,376	(2,639)	75,075	70,053	(5,022)	67,760	67,391	(369)
57,350	60,920	3,570	56,100	56,493	393	52,956	56,667	3,711
6,500	3,182	(3,318)	18,500	17,835	(665)	37,500	39,512	2,012
31,260	30,558	(702)	40,585	41,008	423	42,329	47,577	5,248
72,088	72,088	-	59,219	53,219	(6,000)	43,810	38,818	(4,992)
-	-	-	-	-	-	-	-	-
<u>2,407,438</u>	<u>2,303,266</u>	<u>(104,172)</u>	<u>2,420,123</u>	<u>2,402,595</u>	<u>(17,528)</u>	<u>2,308,808</u>	<u>2,343,109</u>	<u>34,301</u>
92,096	90,932	1,164	115,628	113,114	2,514	104,150	102,837	1,313
29,468	29,466	2	29,888	29,734	154	29,118	29,116	2
497,269	507,558	(10,289)	500,058	504,717	(4,659)	478,915	495,425	(16,510)
101,419	97,138	4,281	105,027	112,420	(7,393)	103,016	107,629	(4,613)
29,485	29,485	-	31,178	31,178	-	31,519	31,453	66
16,945	16,916	29	17,693	17,490	203	17,461	17,374	87
29,862	29,862	-	31,230	31,211	19	29,603	29,601	2
817,882	817,830	52	833,299	810,006	23,293	795,498	795,488	10
70,000	70,000	-	69,446	69,446	-	68,195	68,195	-
3,500	15,970	(12,470)	3,500	4,806	(1,306)	3,500	3,500	-
205,322	205,242	80	195,666	195,612	54	191,070	191,032	38
239,035	112,608	126,427	217,430	217,378	52	207,105	207,049	56
150,307	146,323	3,984	147,458	142,055	5,403	133,353	132,792	561
124,848	124,848	-	122,622	119,294	3,328	116,305	115,771	534
<u>2,407,438</u>	<u>2,294,178</u>	<u>113,260</u>	<u>2,420,123</u>	<u>2,398,461</u>	<u>21,662</u>	<u>2,308,808</u>	<u>2,327,262</u>	<u>(18,454)</u>
<u>\$ -</u>	<u>\$ 9,088</u>	<u>\$ 9,088</u>	<u>\$ -</u>	<u>\$ 4,134</u>	<u>\$ 4,134</u>	<u>\$ -</u>	<u>\$ 15,847</u>	<u>\$ 15,847</u>

City of Boston

Special Revenue Fund

Balance Sheets
June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)

	2012	2011	2010	2009	2008
ASSETS:					
Cash and investments.....	\$ 159,581	\$ 128,083	\$ 132,917	\$ 168,216	\$ 157,774
Receivables, net:					
Intergovernmental.....	107,892	117,942	119,160	67,976	95,246
Departmental and other.....	64,048	73,752	65,831	61,528	59,167
Total receivables.....	171,940	191,694	184,991	129,504	154,413
Due from other funds.....	1,855	6,709	3,787	1,181	2,510
Total assets.....	\$ 333,376	\$ 326,486	\$ 321,695	\$ 298,901	\$ 314,697
LIABILITIES:					
Warrants and accounts payable.....	\$ 25,863	\$ 20,921	\$ 32,203	\$ 24,679	\$ 22,802
Accrued liabilities:					
Payroll and related costs.....	2,938	1,871	1,941	4,160	7,586
Other.....	46,329	45,129	34,716	33,120	30,757
Deferred revenue.....	86,786	81,751	79,703	56,142	58,884
Due to other funds.....	-	4,546	-	-	4,603
Total liabilities.....	161,916	154,218	148,563	118,101	124,632
FUND BALANCES:					
Restricted.....	72,903	91,293	-	-	-
Assigned.....	98,557	80,975	-	-	-
Reserved for:					
Encumbrances.....	-	-	49,418	42,206	46,022
Unreserved:					
Undesignated.....	-	-	123,714	138,594	144,043
Total fund balance.....	171,460	172,268	173,132	180,800	190,065
Total liabilities and fund balance.....	\$ 333,376	\$ 326,486	\$ 321,695	\$ 298,901	\$ 314,697

City of Boston

Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:					
Local:					
Fines.....	\$ 27	\$ 21	\$ 22	\$ 12	\$ 150
Investment income.....	26	33	25	194	545
Licenses and permits.....	85	74	-	308	60
Departmental and other revenue.....	43,871	34,659	14,381	21,931	29,596
Total local revenues.....	<u>44,009</u>	<u>34,787</u>	<u>14,428</u>	<u>22,445</u>	<u>30,351</u>
Intergovernmental:					
Intergovernmental.....	263,223	283,658	327,213	365,102	342,464
Total intergovernmental revenues.....	<u>263,223</u>	<u>283,658</u>	<u>327,213</u>	<u>365,102</u>	<u>342,464</u>
Total revenues.....	<u>307,232</u>	<u>318,445</u>	<u>341,641</u>	<u>387,547</u>	<u>372,815</u>
EXPENDITURES:					
Current operations:					
General government.....	10,689	7,492	3,165	9,021	10,084
Human services.....	6,802	6,775	8,690	7,585	9,482
Public safety.....	28,309	9,607	12,150	7,527	21,086
Public works.....	5,487	4,317	8,482	9,254	13,207
Parks and recreation.....	6,142	3,132	716	624	510
Libraries.....	1,730	3,024	3,578	5,366	4,962
Schools.....	173,329	161,883	147,009	154,989	149,069
County.....	-	-	69,040	129,603	121,180
Public health.....	281	288	1,214	1,408	700
Property & development.....	79,618	76,469	87,147	64,449	72,806
Capital outlays.....	3,239	2,383	5,485	1,151	2,993
Debt service.....	9	1,626	3,414	-	-
Total expenditures.....	<u>315,635</u>	<u>276,996</u>	<u>350,090</u>	<u>390,977</u>	<u>406,079</u>
Excess (deficiency) of revenues over expenditures.....	<u>(8,403)</u>	<u>41,449</u>	<u>(8,449)</u>	<u>(3,430)</u>	<u>(33,264)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	7,010	1,366	11,360	-	5,050
Premiums on long-term debt issued.....	17,415	11,401	9,805	8,087	8,402
Payments to escrow agents.....	(12,857)	(1,118)	(5,384)	(1,922)	(455)
Transfers out, net.....	<u>(3,973)</u>	<u>(53,962)</u>	<u>(15,000)</u>	<u>(12,000)</u>	<u>(10,000)</u>
Total other financing sources (uses), net.....	<u>7,595</u>	<u>(42,313)</u>	<u>781</u>	<u>(5,835)</u>	<u>2,997</u>
Net change in fund balances.....	<u>(808)</u>	<u>(864)</u>	<u>(7,668)</u>	<u>(9,265)</u>	<u>(30,267)</u>
Fund balance, beginning of year.....	172,268	173,132	180,800	190,065	220,332
Fund balance, end of year.....	<u>\$ 171,460</u>	<u>\$ 172,268</u>	<u>\$ 173,132</u>	<u>\$ 180,800</u>	<u>\$ 190,065</u>

City of Boston

Capital Projects Fund

Balance Sheets

June 30, 2012, 2011, 2010, 2009, and 2008

(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS:					
Cash and investments.....	\$ 96,472	\$ 88,394	\$ 62,006	\$ 38,017	\$ 20,979
Cash and investments held by trustees.....	2,253	1,838	2,341	4,914	2,346
Intergovernmental receivable.....	9,834	10,619	11,674	12,755	53,482
Due from other funds.....	67	1,457	1,846	2,031	1,379
Total assets.....	<u>\$ 108,626</u>	<u>\$ 102,308</u>	<u>\$ 77,867</u>	<u>\$ 57,717</u>	<u>\$ 78,186</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 28,843	\$ 20,907	\$ 18,948	\$ 13,206	\$ 30,001
Other accrued liabilities.....	416	2,827	2,427	1,693	192
Due to other funds.....	27	-	-	-	-
Deferred revenue.....	9,654	10,176	11,174	12,754	48,974
Total liabilities.....	<u>38,940</u>	<u>33,910</u>	<u>32,549</u>	<u>27,653</u>	<u>79,167</u>
FUND BALANCES:					
Restricted.....	69,686	68,398	-	-	-
Reserved for:					
Encumbrances and other.....	-	-	86,234	74,145	79,677
Future appropriations.....	-	-	24,108	30,087	30,087
Unreserved:					
Undesignated (deficit).....	-	-	(65,024)	(74,168)	(110,745)
Total fund balance.....	<u>69,686</u>	<u>68,398</u>	<u>45,318</u>	<u>30,064</u>	<u>(981)</u>
Total liabilities and fund balance.....	<u>\$ 108,626</u>	<u>\$ 102,308</u>	<u>\$ 77,867</u>	<u>\$ 57,717</u>	<u>\$ 78,186</u>

City of Boston

Capital Projects Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:					
Departmental and other revenue.....	\$ 156	\$ -	\$ -	\$ -	\$ -
Intergovernmental.....	22,889	28,722	10,632	56,558	14,701
Total revenues.....	<u>23,045</u>	<u>28,722</u>	<u>10,632</u>	<u>56,558</u>	<u>14,701</u>
EXPENDITURES:					
Capital outlays.....	178,188	135,434	120,449	139,592	170,834
Debt Service.....	-	-	-	-	-
Total expenditures.....	<u>178,188</u>	<u>135,434</u>	<u>120,449</u>	<u>139,592</u>	<u>170,834</u>
Excess (deficiency) of revenues over expenditures.....	<u>(155,143)</u>	<u>(106,712)</u>	<u>(109,817)</u>	<u>(83,034)</u>	<u>(156,133)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	139,825	154,743	133,132	113,962	148,460
Refunding bonds issued.....	110,100	52,720	68,345	40,425	28,155
Payments to escrow agent.....	(83,019)	(14,372)	(68,256)	(40,308)	(28,110)
Premiums on long-term debt issued.....	16,470	-	(2,171)	-	-
Transfers in (out).....	<u>(26,945)</u>	<u>(63,299)</u>	<u>(5,979)</u>	<u>-</u>	<u>(5,669)</u>
Total other financing sources, net.....	<u>156,431</u>	<u>129,792</u>	<u>125,071</u>	<u>114,079</u>	<u>142,836</u>
Net change in fund balances.....	1,288	23,080	15,254	31,045	(13,297)
Fund balance, beginning of year.....	68,398	45,318	30,064	(981)	12,316
Fund balance, end of year.....	<u>\$ 69,686</u>	<u>\$ 68,398</u>	<u>\$ 45,318</u>	<u>\$ 30,064</u>	<u>\$ (981)</u>

City of Boston

Internal Service Fund

Balance Sheets
June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS:					
Cash and cash equivalents.....	\$ 53,592	\$ 54,042	\$ 56,708	\$ 55,761	\$ 51,640
Receivables, net.....	53	164	134	170	317
Due from other funds and sources.....	-	430	421	463	493
Due from component units.....	-	-	-	-	-
Other assets.....	1,797	1,885	1,042	1,503	4,856
Total assets.....	<u>\$ 55,442</u>	<u>\$ 56,521</u>	<u>\$ 58,305</u>	<u>\$ 57,897</u>	<u>\$ 57,306</u>
LIABILITIES:					
Accrued Liabilities:					
Warrants and accounts payable.....	\$ 7,768	\$ -	\$ -	\$ -	\$ 22
Accrued liabilities.....	5,614	6,550	6,532	6,507	7,436
Total liabilities.....	<u>13,382</u>	<u>6,550</u>	<u>6,532</u>	<u>6,507</u>	<u>7,458</u>
NET ASSETS:					
Unrestricted.....	42,060	49,971	51,773	51,390	49,848
Total fund equity.....	<u>42,060</u>	<u>49,971</u>	<u>51,773</u>	<u>51,390</u>	<u>49,848</u>
Total liabilities and fund equity.....	<u>\$ 55,442</u>	<u>\$ 56,521</u>	<u>\$ 58,305</u>	<u>\$ 57,897</u>	<u>\$ 57,306</u>

City of Boston

Internal Service Fund

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, AND 2008
(in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:					
Employer contributions.....	\$ 58,543	\$ 61,845	\$ 64,655	\$ 65,874	\$ 72,204
Employee contributions.....	<u>20,123</u>	<u>21,404</u>	<u>21,849</u>	<u>22,948</u>	<u>25,021</u>
Total operating revenues.....	<u>78,666</u>	<u>83,249</u>	<u>86,504</u>	<u>88,822</u>	<u>97,225</u>
EXPENSES:					
Health Benefits.....	<u>86,577</u>	<u>85,051</u>	<u>86,121</u>	<u>87,280</u>	<u>88,783</u>
Total operating expenditures.....	<u>86,577</u>	<u>85,051</u>	<u>86,121</u>	<u>87,280</u>	<u>88,783</u>
Changes in net assets.....	(7,911)	(1,802)	383	1,542	8,442
Net assets (deficit), beginning of year.....	<u>49,971</u>	<u>51,773</u>	<u>51,390</u>	<u>49,848</u>	<u>41,406</u>
Net assets, end of year.....	<u>\$ 42,060</u>	<u>\$ 49,971</u>	<u>\$ 51,773</u>	<u>\$ 51,390</u>	<u>\$ 49,848</u>

City of Boston

Enterprise Funds

Statements of Net Assets
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS:					
Current assets:					
Cash and investments.....	\$ -	\$ -	\$ 11,326	\$ 180	\$ 80
Cash and investments held by trustees.....	-	23,472	83,079	88,869	79,681
Receivables, net.....	-	-	-	-	210
Due from component units.....	-	8,335	-	-	-
Total current assets.....	<u>-</u>	<u>31,807</u>	<u>94,405</u>	<u>89,049</u>	<u>79,971</u>
Noncurrent assets:					
Due from component units.....	-	58,223	74,581	82,298	89,725
Due from other governments.....	-	-	-	-	-
Other assets.....	-	871	2,052	2,240	2,427
Total noncurrent assets.....	<u>-</u>	<u>59,094</u>	<u>76,633</u>	<u>84,538</u>	<u>92,152</u>
Total assets.....	<u>-</u>	<u>90,901</u>	<u>171,038</u>	<u>173,587</u>	<u>172,123</u>
LIABILITIES:					
Current liabilities:					
Warrants and accounts payable.....	-	-	-	-	-
Due to other funds.....	-	-	30,000	27,000	23,000
Other liabilities.....	-	1,421	2,304	2,449	2,595
Current portion of long-term debt.....	-	7,830	11,250	10,815	10,360
Total current liabilities.....	<u>-</u>	<u>9,251</u>	<u>43,554</u>	<u>40,264</u>	<u>35,955</u>
Noncurrent liabilities:					
Special obligation bonds.....	-	-	89,780	93,505	97,085
Revenue bonds.....	-	66,818	74,872	82,621	90,080
Total noncurrent liabilities.....	<u>-</u>	<u>66,818</u>	<u>164,652</u>	<u>176,126</u>	<u>187,165</u>
Total liabilities.....	<u>-</u>	<u>76,069</u>	<u>208,206</u>	<u>216,390</u>	<u>223,120</u>
NET ASSETS:					
Restricted for debt service.....	-	14,832	-	-	-
Unrestricted.....	-	-	(37,168)	(42,803)	(50,997)
Total net assets.....	<u>\$ -</u>	<u>\$ 14,832</u>	<u>\$ (37,168)</u>	<u>\$ (42,803)</u>	<u>\$ (50,997)</u>

City of Boston

Enterprise Funds

Statement of Revenues, Expenditures, and Changes in Net Assets
Fiscal Years Ending June 30, 2012, 2011, 2010, 2009, and 2008

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues:					
State Aid - pledged for debt service.....	\$ -	\$ 58,508	\$ 43,887	\$ 36,605	\$ 40,342
Departmental and other - pledged for debt service.....	-	-	-	-	-
Total operating revenues.....	<u>-</u>	<u>58,508</u>	<u>43,887</u>	<u>36,605</u>	<u>40,342</u>
Operating expenditures:					
Contributions to State.....	-	-	9,022	-	-
Total operating expenses.....	<u>-</u>	<u>-</u>	<u>9,022</u>	<u>-</u>	<u>-</u>
Operating (loss) income.....	<u>-</u>	<u>58,508</u>	<u>34,865</u>	<u>36,605</u>	<u>40,342</u>
Nonoperating revenue (expenditure):					
Intergovernmental - state grants.....	-	1,172	5,567	1,116	1,196
Investment earnings - pledged for debt service.....	2,688	3,561	3,567	5,910	8,506
Investment earnings - other.....	-	-	-	389	1,290
Interest expense.....	(2,523)	(4,852)	(8,364)	(8,826)	(9,323)
Loss on extinguishment of debt.....	(257)	(7,509)	-	-	-
Total nonoperating revenue (expense).....	<u>(92)</u>	<u>(7,628)</u>	<u>770</u>	<u>(1,411)</u>	<u>1,669</u>
Income before transfers.....	(92)	50,880	35,635	35,194	42,011
Transfer to (from) general fund.....	13,954	(39,569)	(30,000)	(27,000)	(23,000)
Transfer from capital projects.....	26,945	38,219	-	-	-
Transfer from special revenue.....	3,973	2,470	-	-	-
Special item - forgiveness of note receivable.....	(59,612)	-	-	-	-
Change in net assets.....	<u>(14,832)</u>	<u>52,000</u>	<u>5,635</u>	<u>8,194</u>	<u>19,011</u>
Total net assets - beginning.....	14,832	(37,168)	(42,803)	(50,997)	(70,008)
Total net assets - ending.....	<u>\$ -</u>	<u>\$ 14,832</u>	<u>\$ (37,168)</u>	<u>\$ (42,803)</u>	<u>\$ (50,997)</u>

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**CITY OF BOSTON—SELECTED DEMOGRAPHIC AND ECONOMIC
INFORMATION**

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.

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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 2010, the City had a population of 617,594, as enumerated by the U.S. Department of Commerce Bureau of the Census (the “Bureau of the Census”), and had 660,459 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. 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 7.4% 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. Employment in the city of Boston grew by 7.3% over those four years. In the spring of 2008, as the national economy began to experience rising unemployment and more rapidly deteriorating economic conditions, Boston still showed 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. Boston employment declined by 2.3% from 2008 through 2010, and then grew by 2.2% from 2010 to 2011. Currently, Boston’s unemployment rate is better than the nation’s rate and Boston’s rate of job gain in 2011 outpaced the national rate. Although Boston’s housing market experienced rising vacancy rates and a correction in prices through year end 2011, growth in housing sales and a rise in housing values were evident in 2012.

Unemployment rates in Boston, which had been as low as 3.9% as recently as April of 2008, reached a high of 8.7% in July 2010. The national unemployment rate, which was in the range of 4.3% to 5.0% throughout 2007 crested at 10.6% in January 2010. Massachusetts and New England also had higher peak unemployment rates than the City of Boston, in January 2010, both at 9.6% versus 8.6% for Boston. As of December 2012 Boston’s unemployment rate was 6.2%, compared to 6.6% for Massachusetts and 7.6% for the US. All unemployment rates cited are not seasonally adjusted.

Boston’s office real estate market experienced a downward shift beginning in the last half of 2008 through mid-2010. Similarly, Boston’s hotel sector showed weakening numbers in 2008 and 2009, but has been recovering strongly since 2010 as revenue per available room grew by 10.2% compared to the previous year. The housing market in Boston, hurt by rising foreclosures and the tight lending market, had 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. and prices and sales volume showed improvement in 2012.

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 is the 2010 Census. In addition to that, some monthly, quarterly and annual data are available through December 2012 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 through 2011 for some variables on a citywide basis and for census tracts within the city.

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 and for Metropolitan Boston are for 2010. The most recent quarterly national statistics are for the third quarter of 2012. 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. The most recent monthly data are for December 2012.

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

Boston’s population from the 2010 U. S. Census Bureau enumeration was 617,594 which represented a 4.8% increase from the 2000 count of 589,141. The U.S. Census Bureau population count for Metropolitan Boston at 4,552,402 was an increase of 3.7%. Massachusetts’ 2010 Census enumeration as of April 1, 2010 was 6,547,629, a gain of 3.1% over the April 2000 count. Boston’s 1.2% growth rate from the 2000 enumeration count to the 2011 estimated population topped the comparative population growth rates for both the metropolitan Boston and Massachusetts.

**Population of Massachusetts, Metropolitan Boston ⁽¹⁾
and the City of Boston 1990, 2000 and 2010 ⁽²⁾**

				1990-2000		2000-2010	
	1990	2000	2010 ⁽²⁾	Population Change	Percent Change	Population Change	Percent Change
Massachusetts	6,016,425	6,349,097	6,547,629	332,672	5.5	198,532	3.1
Metropolitan	4,133,895	4,391,344	4,552,402	257,449	6.2	161,058	3.7
City of Boston	574,283	589,141	617,594	14,858	2.6	28,453	4.8

(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 2011 population estimates for Massachusetts, Metropolitan Boston, and the City of Boston were released in the Summer of 2012. Massachusetts: 6,587,536, Metropolitan Boston: 4,591,112, City of Boston: 625,087.

Source: U.S. Census Bureau, January 2013.

The 2010 Census showed that Boston’s racial composition was: White, Non-Hispanic 47.0%; Black, Non-Hispanic 22.4%; Hispanic 17.5%; Asian/Pacific Islander 8.9%; Multi-racial 2.4%; other single race 1.6%; and Native American 0.2%. Changes between 2000 and 2010 indicate that the proportions of Hispanic (+27%) and Asian (+25%) residents are higher, the proportions of Black, Non-Hispanic (-1.6%) and White, Non-Hispanic (-0.4%) residents are down marginally, while all other categories combined (American Indian, Alaskan, Hawaiian, Other single race and Multi-racial), totaling 26,446, persons is 6.1% lower than the same categories combined for the year 2000.

According to the 2010 U.S. Census Bureau enumeration data (Summary File 1), 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. Thirty-five percent of all persons in Boston were between 20 and 34 years old. The population aged 35 to 54 years went from 25% to 24% of total residents. Boston’s elderly population (aged 65 and over) grew slightly in number but fell slightly in share between 2000 and 2010 as that segment comprised 62,337 people, a 10.1% share of the population. The number of Boston’s children and teens (aged 0 to 19) fell to 135,592, and is now at 21.9% of the population.

The one-year ACS 2010 data (which replaces the former SF3 decennial census detailed data) shows that the trend toward fewer families (related people living together) and to more non-family households (comprised of single persons and roommates) continues in Boston. There was also an increased trend toward other “non-traditional” households; those with same-sex partners and those with extended families or grandparents with grandchildren. Overall, the total number of households grew by 5.5%, faster than the

population rate, as household size decreased slightly. The percentage of family households trended from 49% to 46% (within that category the share of households with children as a percentage of total city households went from 23% to 20%) while the share of non-family households (mainly roommates and single people) increased from 51% to 54%. The percentage of single-person households remained at 37%; married couple families with children under 18 (at 10.0%) decreased both in number and percentage; while the number and percentage of single-parent families with children increased marginally in number but decreased in percentage (10.4%). Group quarters population continued to increase both for the institutionalized and non-institutionalized populations, the majority of which are the nursing home and student dormitory population groups. Household size edged downward from 2.31 to 2.26 persons while average family size also showed a fall from 3.28 to 3.08 persons.

The six-state New England region had a combined population of 14.5 million people and 9.0 million jobs in 2011 according to BEA annual data. Total personal income in New England grew at an annual average compound rate of 2.7% from 2006 through 2011, below the 2.8% national rate for the same period. Employment in New England grew by a net 1,081 jobs from 2006 through 2011, a very small percentage gain, as growth peaked in 2008, the recession occurred for three years and gains appeared in 2011. Employment remains below that 2008 high mark.

Massachusetts had a population of 6.6 million people and 4.2 million jobs in 2011, according to BEA annual data. Total personal income in Massachusetts grew at a 2.9% annual average rate from 2006 through 2011, better than both the 2.7% rate of increase for New England, and the 2.8% national rate. Massachusetts gained 51,576 jobs between 2006 and 2011, an annual average rate of 0.3%, but still not back to the 2008 peak.

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 4.6 million people and 3.1 million jobs in 2011. Total personal income from 2006 through 2011 topped the national rate with an annual average of 2.9%. The most recent employment data from BEA, only through 2011, show a net gain of 73,945 jobs for the 2006-2011 period, an annual rate of 0.5%.

**Population, Income and Employment
2006-2011**

	(Income in current year dollars)					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
United States						
Total Personal Income						
(\$000).....	\$11,256,516,000	\$11,900,562,000	\$12,451,660,000	\$11,852,715,000	\$12,308,496,000	\$12,949,905,000
Per Capita Income.....	37,725	39,506	40,947	38,637	39,791	41,560
Population.....	298,379,912	301,231,207	304,093,966	306,771,529	309,330,219	311,591,917
Employment.....	176,124,600	179,899,700	179,644,900	174,225,700	173,626,700	175,834,700
New England						
Total Personal Income						
(\$000).....	\$649,980,948	\$688,585,106	\$713,072,795	\$681,918,916	\$709,037,858	\$743,087,880
Per Capita Income.....	45,627	48,223	49,726	47,344	49,056	51,274
Population.....	14,245,540	14,279,205	14,340,115	14,403,575	14,453,587	14,492,360
Employment.....	9,004,077	9,160,707	9,170,633	8,941,243	8,909,560	9,002,996
Massachusetts						
Total Personal Income						
(\$000).....	\$304,854,834	\$322,542,599	\$335,752,801	\$323,127,857	\$335,264,289	\$352,242,665
Per Capita Income.....	47,559	50,150	51,902	49,578	51,143	53,471
Population.....	6,410,084	6,431,559	6,468,967	6,517,613	6,555,466	6,587,536
Employment.....	4,117,311	4,194,623	4,209,768	4,114,502	4,117,425	4,168,887
Boston-Cambridge-Quincy, MA-NH (MSA)						
Total Personal Income						
(\$000).....	\$230,302,829	\$243,625,856	\$253,585,525	\$242,823,438	\$252,553,467	\$265,794,170
Per Capita Income.....	52,018	54,774	56,564	53,636	55,392	57,893
Population.....	4,427,356	4,447,838	4,483,141	4,527,220	4,559,372	4,591,112
Employment.....	3,050,306	3,121,064	3,142,675	3,077,165	3,082,568	3,124,251

(1) The Boston-Cambridge-Quincy, MA, NH MSA (Metropolitan Statistical Area) includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford. Source: The U.S. Department of Commerce, Bureau of Economic Analysis and the Census Bureau.

Source: U. S. Department of Commerce, Bureau of Economic Analysis and U.S. Census Bureau, January 2013. BEA Data last updated September 25, 2012.

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 2008, 2009, 2010, and 2011. The industry categories are in the 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 2011. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (Employment Security, ES-202, for cities and towns from the Massachusetts Department of Workforce Development, "DWD", and Quarterly Census of Employment and Wages "QCEW" from the U. S. Bureau of Labor Statistics for Counties and States).

Employment trends for the three recession years of 2008 through 2010 for Boston show that 15,837 jobs were lost, a 2.3% decline. Between 2010 and 2011 job gains totaled 13,905, an increase of 2.1%. Losses during calendar 2011 were in, information services, government and utilities. Largest gains were evident in professional, scientific and technical services, food service and drinking places, health care; educational services; administrative and support services and retail trade. Most of the other industries showed either marginal losses or marginal gains.

City of Boston Employment 2008 – 2011
NAICS (North American Industry Classification System)

Industry	2008	2009	2010	2011	Absolute Change '10-'11	Percent Change '10-'11
Agriculture/Fishing/Mining	165	175	219	246	27	12.4
Utilities	2,250	2,291	2,404	2,285	-119	-5.0
Construction	16,655	14,856	13,857	13,787	-70	-0.5
Manufacturing	9,756	8,915	8,788	9,092	304	3.5
Wholesale Trade	10,625	9,700	9,301	9,282	-19	-0.2
Retail Trade (excludes food service)	31,114	29,839	30,065	30,947	882	2.9
Transportation and Warehousing	19,595	18,531	18,639	18,892	252	1.4
Information	17,036	16,124	15,991	15,265	-726	-4.5
Finance and Insurance	84,104	82,677	79,954	79,965	11	0.0
Banking	22,520	23,067	20,822	21,033	211	1.0
Securities & other Financial Investment Activities	41,561	38,624	37,981	37,804	-177	-0.5
Insurance Carriers and related Activities	20,022	20,987	21,152	21,129	-23	-0.1
Real Estate and Rental and Leasing	21,976	22,090	22,857	23,382	525	2.3
Professional, Scientific, and Technical Services	75,631	72,597	73,272	77,033	3,761	5.1
Legal Services	21,014	19,787	19,633	19,187	-445	-2.3
Accounting, Tax Preparation, Bookkeeping	9,448	9,276	8,867	9,645	778	8.8
Architectural, Engineering, Design and Related	9,704	8,523	8,199	8,498	300	3.7
Computer Systems Design and Related Services	7,224	7,084	7,454	8,736	1,282	17.2
Management, Scientific, Technical Consulting	12,976	13,857	14,916	15,898	982	6.6
Scientific Research and Development Services	8,286	8,729	8,438	8,662	224	2.7
Other Professional, Scientific, and Technical Services	6,978	5,341	5,766	6,407	640	11.1
Management of Companies and Enterprises	6,972	6,481	6,175	6,355	180	2.9
Admin. & Support and Waste Mgmt. and Remediation Ser.	43,431	38,417	33,176	34,339	1,163	3.5
Educational Services	48,069	50,137	51,764	53,260	1,496	2.9
Colleges and Universities	41,522	43,446	45,196	46,250	1,055	2.3
Health Care and Social Assistance	116,854	118,973	122,748	125,070	2,322	1.9
Hospitals	80,625	82,276	85,671	85,710	39	0.0
Social Assistance	12,300	12,276	13,156	13,591	434	3.3
Arts, Entertainment, and Recreation	14,188	14,119	14,323	14,674	351	2.5
Accommodation and Food Services	49,193	48,147	49,613	53,410	3,797	7.7
Accommodation	11,439	10,916	10,931	10,999	69	0.6
Food Service and Drinking Places	37,754	37,231	38,683	42,411	3,727	9.6
Other Services (except public administration) ⁽¹⁾	28,980	28,811	28,726	29,100	374	1.3
Government	79,389	78,418	78,273	77,666	-607	-0.8
Total.....	675,982	661,301	660,145	674,050	13,905	2.1

(1) Other services include 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 Current Employment Statistics (CES). As of January 2013, data through the month of December 2012 were available, and are presented in the following tables. Employment fell every month relative to the same month of the previous year from January 2009 through March 2010. Beginning in April 2010 employment has grown monthly from the previous year indicating that economic growth has returned, however. For the 12 months between December 2011 and December 2012 these data show a net gain of 53,800 jobs in Metropolitan Boston (2.2%). The December 2012 employment estimate was 133,700 (5.6%) above the low employment mark of February 2010 (not seasonally adjusted).

Boston NECTA ⁽¹⁾
Boston Metropolitan Area, Current Employment Statistics (CES)
Monthly, 2010-2012
(Not seasonally adjusted, employment in 000's)

<u>Month</u>	<u>2010 Employment</u>	<u>Change from Previous Year</u>	<u>2011 Employment</u>	<u>Change from Previous Year</u>	<u>2012 Employment</u>	<u>Change from Previous Year</u>
January	2,384.7	-1.2%	2,397.7	0.5%	2,417.4	0.8%
February.....	2,384.4	-0.9	2,404.6	0.8	2,418.4	0.6
March.....	2,394.0	-0.3	2,416.6	0.9	2,435.0	0.8
April	2,423.1	-0.02	2,449.7	1.1	2,470.4	0.8
May	2,440.3	0.5	2,456.3	0.7	2,495.8	1.6
June	2,439.6	0.4	2,463.1	1.0	2,518.6	2.3
July	2,420.9	1.0	2,447.5	1.1	2,496.9	2.0
August	2,414.4	1.1	2,434.7	0.9	2,487.6	2.2
September.....	2,430.6	0.8	2,447.5	0.7	2,495.1	1.9
October	2,458.0	1.1	2,467.8	0.4	2,518.3	2.0
November.....	2,462.2	1.2	2,469.2	0.3	2,519.8	2.0
December	2,466.6	1.2	2,464.3	-0.1	2,518.1	2.2
ANNUAL.....	2,426.5	0.4	2,443.3	0.7	NA	NA

(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 (Current Employment Statistics [CES], February, 2013). 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 November 2011 to November 2012 figures in the following table shows that job losses over the previous year were evident only in government and non-durable manufacturing industries. Gains were evident in all of the other major industry sectors with the greatest percentage increases in construction; professional and business services; information; transportation, warehousing & utilities; and financial activities. The greatest number increases were evident in professional and business services; construction; education & health services; trade, transportation & utilities; and financial activities.

Boston NECTA ⁽¹⁾
Metropolitan Boston, Current Employment Statistics by Industry
November 2011 and November 2012
(Not seasonally adjusted, employment in 000's)

<u>Industry</u>	<u>November 2011</u>	<u>November 2012</u>	<u>Change</u>	<u>Percent</u>
TOTAL EMPLOYMENT.....	2,469.2	2,521.4	52.2	2.1%
Natural Resources and Mining.....	0.6	0.6	0.0	0.0
Construction.....	81.7	88.3	6.6	8.1
Manufacturing.....	196.8	199.4	2.6	1.3
Durable Goods.....	136.9	139.8	2.9	2.1
Non-Durable Goods.....	59.9	59.6	-0.3	-0.5
Trade, Transportation & Utilities.....	412.5	418.2	5.7	1.4
Wholesale Trade.....	94.6	96.5	1.9	2.0
Retail Trade.....	256.9	259.2	2.3	0.9
Transport, Warehousing & Utilities.....	61.0	62.5	1.5	2.5
Information Services.....	73.1	76.7	3.6	4.9
Financial Activities.....	170.4	174.3	3.9	2.3
Professional & Business Services.....	405.9	429.6	23.7	5.8
Education & Health Services.....	507.0	512.7	5.7	1.1
Leisure & Hospitality Services.....	219.2	221.9	2.7	1.2
Other Services.....	96.5	97.0	0.5	0.5
Government.....	305.5	302.7	-2.8	-0.9

(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 (CES), January, 2013.

The following table indicates that, as of 2011, 67% of employed City residents were white-collar workers and 33% were blue-collar and service workers, as compared to 1970 when the shares for the same categories were 55% and 45% respectively. The trend among City residents away from blue-collar and service occupations and toward white-collar occupations was evident between 1970 and 2000 (this trend actually began prior to 1970; in 1960 only 44% of City residents worked in white collar jobs). Between 2000 and 2011, the proportion of white collar workers in the City actually declined slightly while the blue-collar jobs share has risen primarily due to the growth in blue-collar services occupations. Data are from the U.S. Census Bureau's American Community Survey 2011 one-year estimates.

Occupational Change in the City's Resident Labor Force, 1970 -2011

	<u>1970</u>		<u>1980</u>		<u>1990</u>		<u>2000</u>		<u>2011*</u>	
	<u>Number</u>	<u>%</u>								
White-Collar.....	146,657	55	154,456	60	191,251	67	197,049	69	213,634	67
Managerial, Professional & Related.....	59,929		77,217		107,206		123,850		148,807	
Sales & Office.....	86,728		77,239		84,045		73,199		64,827	
Blue-Collar & Service.....	119,848	45	101,561	40	97,453	33	88,810	31	102,887	33
Construction, Extraction, Maintenance.....	27,157		19,772		18,453		14,118		14,662	
Production, Transportation, & Related.....	36,695		24,825		19,971		23,630		20,796	
Service and Farm & Fishing.....	55,996		<u>56,964</u>		<u>59,029</u>		<u>51,062</u>		<u>67,429</u>	
Total.....	266,505	100	256,017	100	288,704	100	285,859	100	316,521	100

Source: 1990-2000 from the decennial census reports, U.S. Census Bureau.

* Data from 2011 are from U.S. Census Bureau, "American Community Survey, 2011" one-year estimates.

Unemployment

In 2011, Boston's unemployment rate was 7.1%, significantly better than the 8.9% national rate. Metropolitan Boston, Massachusetts and New England had rates at 6.6%, 7.4%, and 7.7%, respectively. The 2011 unemployment rate from the one-year American Community Survey ("ACS") for Boston, differs from the Bureau of Labor Statistics ("BLS") data due to sample size, accuracy in defining the persons in the labor force, and exact definition of the unemployed. While Boston's total unemployment rate for 2011 from BLS equaled 7.1% the rate from the one-year 2011 ACS for Boston for all adults was 11.6%. This relationship is even evident for the whole U.S. (8.9% versus 10.3%) and the state of Massachusetts (7.4% versus 9.3 %). Annual rates for 2012 are not yet available except the 8.1% figure for the U.S.

**Annual Unemployment Rates, 2006-2011
(not seasonally adjusted)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City of Boston	4.9%	4.4%	5.1%	7.6%	8.0%	7.1%
Metropolitan Boston ⁽¹⁾	4.4	4.1	4.9	7.6	7.6	6.6
Massachusetts	4.8	4.5	5.3	8.2	8.3	7.4
New England	4.5	4.5	5.4	8.1	8.5	7.7
United States	4.6	4.6	5.8	9.3	9.6	8.9

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, Massachusetts and Metro and Massachusetts Executive Office of Labor and Workforce Development for the City, January 2013.

The following two tables present monthly data for Boston, the Boston metropolitan area, Massachusetts and New England from 2009 through December 2012. By December 2012, Boston's unemployment rate of 6.2% was better than the U.S. rate of 7.6%, while rates for Metropolitan Boston, Massachusetts, and New England were 5.9%, 6.6% and 7.0%, respectively, according to the Labor Area Unemployment Statistics (LAUS) program of the U.S. Bureau of Labor statistics and the Massachusetts Executive Office of Labor and Workforce Development. As of February 5, 2013, the rates for December are the most recent.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston⁽¹⁾, Massachusetts,
New England and the United States for 2010, 2011 and 2012⁽²⁾**

	<u>City of Boston</u>			<u>Metropolitan Boston⁽¹⁾</u>			<u>Massachusetts</u>			<u>New England</u>			<u>United States</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Jan.	8.6	7.8	7.1	8.6	7.5	6.8	9.6	8.6	7.7	9.6	8.9	7.9	10.6	9.8	8.8
Feb.	8.0	7.1	6.6	8.3	7.2	6.6	9.3	8.2	7.5	9.4	8.6	7.8	10.4	9.5	8.7
Mar.	7.8	6.7	5.5	8.0	6.8	5.7	9.0	7.8	6.4	9.1	8.2	7.3	10.2	9.2	8.4
Apr.	7.6	6.6	5.5	7.5	6.4	5.3	8.2	7.2	5.9	8.5	7.7	6.6	9.5	8.7	7.7
May	7.8	6.9	5.7	7.5	6.5	5.3	8.2	7.2	5.8	8.3	7.7	6.7	9.3	8.7	7.9
Jun.	8.5	7.8	6.5	7.7	7.0	5.8	8.3	7.6	6.3	8.4	8.0	7.0	9.6	9.3	8.4
Jul.	8.7	7.9	6.8	7.8	6.9	6.1	8.4	7.5	6.6	8.5	7.9	7.5	9.7	9.3	8.6
Aug.	8.1	7.3	6.6	7.4	6.6	5.9	8.0	7.2	6.4	8.2	7.6	7.3	9.5	9.1	8.2
Sep.	8.1	7.4	6.5	7.4	6.7	5.9	8.0	7.3	6.4	8.1	7.5	7.0	9.2	8.8	7.6
Oct.	7.6	6.7	6.3	6.9	6.2	5.8	7.5	6.7	6.2	7.8	7.1	6.9	9.0	8.5	7.5
Nov. ⁽³⁾	7.6	6.3	5.9	7.1	5.8	5.6	7.7	6.4	6.1	8.1	6.9	6.9	9.3	8.2	7.4
Dec. ⁽³⁾	7.2	6.2	6.2	6.9	5.9	5.9	7.7	6.6	6.6	8.0	6.9	7.0	9.1	8.3	7.6

(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 NECTA.

(2) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

(3) Preliminary, subject to change for most recent two months of data.

Sources: Bureau of Labor Statistics for United States, New England and Massachusetts; and Mass. Dept. of Workforce Development for the City of Boston, February, 2013.

Largest Private Employers in Boston

The table below lists the fifty five largest private employers in Boston as of the fall 2010, which in the aggregate represented over 153,579 employees or about 26.5% of all private sector employment in that year.

Largest Private Employers in Boston, Fall 2010*

Over 10,000 Employees	1,000 to 1,999 employees (continued)
Brigham & Women's Hospital	Bain & Co. Inc.
Massachusetts General Hospital	Bank of New York Mellon
	Berklee College of Music
5,000 to 9,999 Employees	Brigham and Women's Faulkner Hospital
Beth Israel Deaconess Medical Center	CBS/Viacom
Boston University	Christian Science Monitor/Publishing
Children's Hospital	CVS Corporation
Fidelity Investments (FMR Corp.)	Deloitte LLP
Harvard University (graduate schools)	Dunkin' Donuts
State Street Bank & Trust Co.	Eaton Vance Corporation
	Hebrew Rehabilitation Center
2,000 to 4,999 employees	KPMG LLP
ARAMARK Corporation	Mass. Eye and Ear Infirmary
Blue Cross Blue Shield of Massachusetts, Inc.	MFS Investment Management
Boston College	New England Baptist Hospital
Boston Globe/New York Times	NSTAR
Boston Medical Center	Partners Health Care Services, Inc.
Brown Brothers Harriman & Co.	Pearson Education Inc.
Dana-Farber Cancer Institute	Pioneer Investments Management Inc.
Gillette Co. (Proctor & Gamble)	Putnam Investments LLC
John Hancock (Manulife Financial)	St. Elizabeth Medical Center/Steward Health Care
Liberty Mutual Group	Shaw's
New England Financial/Met Life	Simmons College
Northeastern University	Stop & Shop
Tufts Medical Center	Suffolk University
Wellington Management	Sunbeam Television Corp. (WHDH & WLVI)
	Thomson Reuters
1,000 to 1,999 employees	Tufts University (graduate schools)
AIG (Lexington and Chartis Insurance)	Verizon New England, Inc.
American Cleaning Co.	WGBH Educational Foundation
Ameriprise Financial Inc.	

Source: American Hospital Association, Dun and Bradstreet, Hoovers, InfoUSA, Manta, New England Board of Higher Education, and BRA Research Division web research and phone contacts, 2011.

* Corrections have been made since 2011 to include the Harvard University and Tufts University graduate schools each of which have large Graduate and Professional Schools in Boston and to delete the Art Institute of Lesley University which had included the full college employment most of which is in Cambridge. Also some corporate names change occasionally and annual adjustments are made. Several small differences may exist with lists from other sources.

In addition to private employers, the public sector has large numbers of employees in the City. According to a preliminary estimate by the BRA, using a series consistent with the Bureau of Economic Analysis, there were an estimated 77,666 federal, state and local government workers in the City in 2011 according to a preliminary estimate. 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 located within Boston.

Labor Force and Education

According to the Bureau of the Census, the City's resident labor force has been steadily increasing from 1980 through 2010. 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 2.0% over that for 1980, while the City's employed resident workforce increased by 10.6%. During the 1990's Boston's population continued to rise, posting a 2.6% increase while number of workers (aged 16+)

grew by 3.2%. And, from 2000 through 2010 Boston’s population rose by 3.1% and the employed resident workforce grew by 5.0%.

General improvement in educational attainment of residents (aged 25 and over) continued throughout the 1980-2010 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 44.0%. 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 a wide-range of workforce development activities for adults and youth including the following: adult basic education; English for Speakers of Other Languages; English for Employment; Adult Diploma Program; GED (General Equivalency Degree – High School Diploma) ; Bridge to College preparation; occupational skills training; transitional job experience; and support services such as counseling and case management. In 2012, the Jobs and Community Services division (“JCS”) of the BRA, the City’s workforce development agency, provided job training to 465 adults through multiple public funding sources and employed over 5,000 youth in publicly-supported summer jobs. Additionally, nearly 5,000 adults received adult literacy services through Boston’s Adult Literacy Initiative and English for New Bostonians. Linkage contributions paid into the Neighborhood Jobs Trust provide supplemental sources of funding for job training and adult education programs. For a full discussion of the City’s jobs linkage program as well as the housing linkage program see “The Linkage Program,” below.

Years of School Completed for Boston Residents Age 25 and Over, 1980-2011

	1980		1990		2000		2011	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Fewer than nine years.....	54,932	16.6%	37,824	10.3%	34,321	9.1%	32,724	8.1%
9 to 12 years, no diploma	49,407	14.9	51,051	14.0	45,308	12.0	32,054	7.9
High school graduate (or GED)	115,787	35.0	97,233	26.6	90,568	24.0	87,950	21.7
Some college or Associates	43,451	13.2	69,889	19.1	73,125	19.4	79,185	19.6
Bachelors, Masters, or Prof.	67,073	20.3	109,711	30.0	134,252	35.5	172,997	42.7
Total.....	330,650	100.0	365,708	100.0	377,574	100.0	404,910	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. Data for 2011 are from U.S. Census Bureau, “American Community Survey, 2011” one-year estimates.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$55,472 in 2010, 33% above the national per capita personal income of \$41,560, 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 through 2010 Suffolk County’s per capita income has been growing at a rate greater than that for the nation. Over that same 30 year span, Suffolk County’s per capita income grew at a faster rate than those of both New England, and Massachusetts and just less than the rate of growth for Metropolitan Boston’s per capita personal income. The City’s median household income (in current year dollars), based on Census data from the one-year 2010 ACS, rose from \$39,629 in 2000 to \$49,081 in 2011. 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 and 2000, and 2005-2011
(In current year dollars not adjusted for inflation)**

	United States	New England	Massachusetts	Metropolitan Boston ⁽¹⁾	Suffolk County ⁽²⁾
1980.....	\$10,091	\$10,598	\$10,570	\$11,005	\$10,368
1990.....	19,354	22,462	22,797	24,416	24,457
2000.....	30,319	36,610	38,222	41,944	38,460
2005.....	35,452	42,376	44,097	48,042	45,351
2006.....	37,725	45,627	47,559	52,018	48,963
2007.....	39,506	48,223	50,150	54,774	51,287
2008.....	40,947	49,708	51,897	56,161	51,758
2009.....	38,637	47,659	49,816	54,280	50,050
2010.....	39,791	49,056	51,143	55,392	53,308
2011.....	41,560	51,274	53,471	57,893	55,472

(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 NECTA.

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

Source: Bureau of Economic Analysis, January, 2013.

Data from the Bureau of Economic Analysis indicate that the average annual wage and salary disbursement per job for 1980 through 2011 by place of work have been consistently higher over time in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2011, Suffolk County's average wage per job (\$76,629) was 20% greater than that in the Boston metropolitan area (\$63,602) and 33% greater than the average state earnings level (\$58,620).

**Average Wage per Job, 1980, 1990, 2000 and 2005-2011
(In current year dollars not adjusted for inflation)**

	United States	New England	Massachusetts	Metropolitan Boston ⁽¹⁾	Suffolk County ⁽²⁾
1980.....	\$14,000	\$13,359	\$13,527	\$14,094	\$15,461
1990.....	23,423	25,442	26,311	27,709	31,244
2000.....	35,054	40,044	43,277	47,093	55,468
2005.....	40,807	46,150	49,090	53,289	65,576
2006.....	42,703	48,259	51,444	55,929	68,996
2007.....	44,692	50,747	54,234	58,961	73,461
2008.....	45,778	51,895	55,737	60,369	75,283
2009.....	45,767	51,542	55,235	59,700	73,012
2010.....	47,982	52,965	56,808	61,616	74,801
2011.....	48,301	54,515	58,620	63,602	76,629

(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 NECTA.

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

Source: Bureau of Economic Analysis, January 2013.

Note: Wage and salary disbursements consist of the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; and receipts in kind, or pay-in-kind, such as the meals furnished to the employees of restaurants. It reflects the amount of payments disbursed, but not necessarily earned during the year. Average wage per job is wage and salary disbursements divided by the number of wage and salary jobs (total wage and salary employment).

During the years 2001-2010, based on the Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 2.4% in Metropolitan Boston, while the national index increased at a 2.3% annual rate. Between 2010 and 2011 the change in the cost of living was 2.7% for metropolitan Boston and 3.2% for the nation. Comparing the CPI-U change between November 2011 and November 2012 reveals that the rate rose by 2.0% in the metropolitan Boston area and by 1.8% in the U.S economy.

**Consumer Price Index for All Urban Consumers
For 2001 through November, 2012
(CPI-U) ⁽¹⁾**

	<u>United States Index</u>	<u>Percent Change</u>	<u>Metropolitan Boston ⁽²⁾ Index</u>	<u>Percent Change</u>
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	3.8	235.4	3.5
2009.....	214.5	-0.4	233.8	-0.7
2010.....	218.1	1.6	237.4	1.5
2011.....	224.9	3.2	243.9	2.7
2011 (November).....	226.2		245.0	
2012 (November)*.....	230.2	1.8	249.9	2.0

(1) Index based upon 1982-1984=100.0. Monthly data not seasonally adjusted.

(2) Includes all or parts of sixteen counties: eight counties in Massachusetts (Bristol, Essex, Hampden, Middlesex, Norfolk, Plymouth, Suffolk and Worcester), four counties in New Hampshire (Hillsborough, Merrimack, Rockingham and Strafford), one county in Maine (York), and one county in Connecticut (Windham) which together comprise the Boston-Brockton-Nashua MA-NH-ME-CT CMSA (Combined Metropolitan Statistical Area).

*Note: Change for monthly data is based on the index from the same month as the previous year.

Source: Bureau of Labor Statistics. January 2013.

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 stimulate the City’s trade and service sectors.

Twenty two inpatient hospitals are located within the City. The largest of these are: 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. All together the 22 hospitals had a combined total of 6,603 beds in 2012. According to the most recent data (2010) from the American Hospital Association, in 2009, the Boston hospitals admitted 247,642 in-patients and had over 5.96 million outpatient visits (with four 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 the 14 years from 1999 through 2012 Boston experienced the completion of 18 Hospital/Clinical projects with over 2.4 million square feet of medical/clinical in- and out-patient treatment area including several neighborhood health center expansions. Several of the major projects included the Massachusetts General Hospital Building for the Third Century (Lunder Building), the Brigham and Women’s Center for Advanced Medicine, the Dana Farber Yawkey Center for Cancer Care, Children’s Hospital Patient Care Main Building expansion, the Massachusetts General Hospital Ambulatory Care (Yawkey) building, and the Boston University Moakley Cancer Care Center.

Over the same time span of 1999 through 2012 there were also 15 medical research and academic buildings constructed with about 2.8 million square feet of research laboratory or teaching space. Among the largest projects were the Merck building on the Emmanuel College campus, the Harvard Institutes of Medicine expansion, an expansion of the Genzyme research and manufacturing space in Allston, the 2 Bio-Square Phase 1 buildings, the Jaharis Family Center for Biomedical Nutrition and Research at Tufts University, the Biosquare-2 NEIDL (National Emerging Infectious Diseases Laboratories) Building, a new

science building at Boston University, the Blackfan Research Center Karp Laboratories, the Mass. Biologic Laboratories and manufacturing building in the Mattapan neighborhood, and a major addition to Tufts University Dental School.

As of January 2013 construction continues on the new Spaulding Rehabilitation Hospital in the Charlestown neighborhood. In May 2013 construction will begin at the \$315 million Brigham and Women's Building for the Future, a 358,000 square foot building with approximately 70,000 square feet of clinical space and 288,000 square feet of wet laboratory space and a 406-car parking garage which is expected to be completed in the Fall of 2016.

Boston's total NIH awards received for fiscal 2011 was \$1.735 billion. The 2011 total showed a decrease in NIH funding from the 2009 and 2010 amounts. The awards from these years were enhanced by economic stimulus dollars as part of the emergency funding created by the American Recovery and Reinvestment Act (ARRA). In both years, ARRA injected more than \$4 billion in additional funding to the city of Boston. Without the addition of ARRA financing in 2009 and 2010 to the NIH funding stream, 2011 would have been a record level for any city receiving NIH funding. The City cannot now estimate the impact that reduced growth in the overall federal budget will have on NIH funding in general and on NIH funding for Boston area recipients.

The Boston metropolitan area remains the nation's foremost region for the life sciences industry for consecutive years 2011 and 2012 according to the "2012 Life Sciences Cluster Report" a study by the realty group Jones Lang LaSalle. Metropolitan Boston, amidst the various metro areas of the northeastern United States, shows continued leadership among the nation's regions in the various life sciences clusters given extensive university networks and deep labor pools. Boston benefits from its: skilled labor force availability, leading universities in basic academic science fields, innovative research and development districts; proximity to major research hospitals, and strategic presence of venture capital resources. The study estimates that there are 74,000 employees in greater Boston within the industry sub-sectors of pharmaceuticals, biotechnology and medical devices; within the nation only San Diego has a greater percentage of its workforce in these industries. However, greater Boston also has the additional presence of teaching and research hospitals affiliated with many of its top universities which conduct medical research, much of which is funded through the NIH funding mentioned above. Boston is home to five of the top eight (62.5%) NIH-funded hospitals in the nation; and Massachusetts is home to five of the top Universities that anchor those hospitals: Harvard, the University of Massachusetts, Boston University, MIT and Tufts. Cambridge is the core life sciences cluster but Boston is gaining in size and strength with growth in the Longwood Medical and Academic Area ("LMAA"), the Innovation District in the South Boston Waterfront and other emerging areas such as the South End Boston Medical Center-Albany Street area and the former Charlestown Navy Yard. The Massachusetts Biotechnology Council (MassBio) states that the Massachusetts biopharma industry has grown by 42% in employment over the past ten years.

Boston's life sciences cluster became even stronger in 2012. In June, Longwood Center, \$350M project located in the heart of the LMAA broke ground. Development will add 350,000 square feet of R&D space in Boston's strongest life sciences cluster. One-third of Longwood Center has already been leased to Dana Farber and the developer is in active negotiations with other life sciences lessees. In addition, topping of the Vertex Pharmaceuticals' 18-story new headquarters took place in July. The \$800 million project will create 1,200 construction jobs. Nearly 1,300 employees are expected to work in the headquarters, and 500 more jobs will be added. Including Vertex Pharmaceuticals, Boston has welcomed more than 14 new life sciences companies accounting for more than 2,700 jobs in the last 2 years.

As of academic year 2012-2013 (September 2012), data from the City of Boston's University Accountability Ordinance report and the Massachusetts Department of Higher Education indicate that the City's 34 universities, colleges, and community colleges had a combined enrollment of 157,670 full- and part-time students. 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 2012, with 33,086 students. Boston, with nearly ten percent of the state's population, has about one third of the statewide college student enrollment.

From 2006 through 2012 major higher education academic projects and college housing were completed in Boston, including projects for: Harvard University; Simmons College; the Massachusetts College of Pharmacy; Northeastern University; Boston College; Suffolk University; UMass-Boston; Emerson College; Emmanuel College; Berklee College of Music; Boston University; Wheelock College, Wentworth Institute of Technology and the Boston Conservatory of Music.

As of January 2013 four college or university academic building projects are in construction and six other projects have been approved by the BRA Board. The buildings now under construction include: the Boston University School of Law renovation and addition; the athletic building for New Balance Field at Boston University; Tata Hall Executive Education building at Harvard Business School; and the academic and student services space in the Berklee College dormitory at 168 Massachusetts Avenue. Among the approved projects to be started soon the larger ones are the New England Conservatory Student Life and Performing Arts Center and a building at Wentworth Institute of Technology. The University of Massachusetts State public college systems locations in Boston also have construction now proceeding on three projects: Gallery Renovations at Massachusetts College of Art and Design (MCAD), the Design Center addition also at MCAD, a building for academic science classrooms, offices and research uses at UMass-Boston, and the Kennedy Institute for the U.S. Senate at Columbia Point (on the UMass-Boston campus, though technically not part of the university).

College dormitory construction has also been completed. Between 2000 and year-end 2012, 33 dormitories with 11,821 dormitory beds (10,863 undergraduate and 958 graduate) opened to house Boston's college students. As of January 2013, three college dormitories with 1,395 dorm beds are under construction (at Northeastern University, Berklee College of Music, and Wentworth Institute of Technology), while one other dorm at the New England Conservatory has been approved but has yet not begun construction. As college enrollment grows, completion of new student residences is taking students out of neighborhood housing which will eventually reduce market housing costs and ameliorate a currently tight housing vacancy rate.

Tourism and Culture

According to the Greater Boston Convention and Visitors Bureau ("CVB") and the Massachusetts Office of Travel and Tourism, an estimated 27.4 million people visited the Boston metropolitan area in 2011, up by 4.1% from the previous year. These visitors included both domestic and international visitors and day trippers. International visitors alone to Boston-Cambridge in 2011 totaled 1.3 million persons or a gain of 11% over that of 2010. The estimated spending impact in Boston-Cambridge from the total visitors was \$8.3 billion. In 2011 there were 9.9 million visitors at major museums, attractions, and related venues. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler expenditure in 2011 was \$6.98 billion, supporting 41,500 jobs and a payroll of \$1.30 billion, while generating \$178.7 million in state tax receipts and \$127.0 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 ranks among the top ten destinations in North America for conventions, meetings, and trade shows, based on the number and quality of the shows booked. Boston currently has three main convention sites—the John B. Hynes Veterans Memorial Convention Center ("Hynes"), the Seaport World Trade Center, and the 2.1 million-square-foot Boston Convention & Exhibition Center ("BCEC"), the largest building in New England and capable of hosting large national and international events. In 2011 the Hynes and the BCEC hosted a combined total of 237 events with an aggregate of 622,854 attendees. This resulted in approximately 446,596 hotel room nights, approximately \$332 million in direct spending, approximately \$27.2 million in direct tax revenue, and generated an overall economic impact of approximately \$520 million, according to the Massachusetts Convention Center Authority ("MCCA"). A recent Massachusetts state law allows the operation of three casinos within the state to be selected by a new state gaming commission. The Mayor of Boston has proposed that one of these casinos be sited at the Suffolk Downs racetrack located at the northern tip of Boston. No decisions have been made on the location of any casinos.

Since 2000, several cultural facilities have opened: the New England Aquarium completed an expansion including opening the Simons IMAX Theater in 2001; the Boston Center for the Arts and the Huntington Theatre combined to complete the joint development of two new theaters next to the Boston

Center for the Arts in the South End in 2004—the first new live stage theaters in Boston in 75 years; downtown, Clear Channel, Inc. completed its \$22.0 million renovation of The Boston Opera House on Washington Street in 2004; a newly constructed Institute of Contemporary Art museum opened on the South Boston waterfront in 2006; in April 2007 the Boston Children’s Museum completed the \$47 million construction of a 23,000 square feet of new facilities in addition to a 50,000 square-foot renovation. The Emerson College renovation of the Paramount Theater opened in 2009; and the Suffolk University renovation of The Modern Theater was finished in 2010. In 2011, The Museum of Fine Arts completed and opened its “Art of the Americas” wing, a 462,400 square-foot multi-phase expansion. In January 2012, the Gardener Museum completed its \$114 million expansion adding 70,000 square feet of new building space. The 19,000 square-foot Tea Party Shipyard Museum and the \$28 million project, opened in July 2012.

In May, 2005 the Mayor launched CreateBoston, 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 provides resources for 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, specifically the Boston-area videogame industry. In 2008, the Mayor 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 on workforce development funded in-part by the Mass Cultural Council (MCC), area videogame companies annual revenues have increased to approximately \$2 billion and several colleges and universities have since launched master’s degree programs in game design and interactive multimedia and game engineering. CreateBoston in partnership with MCC, the steering committee, academic institutions, game companies and game organizations hosted a second Powered-Up Conference and Expo on business development on October 14-15, 2010 in the city’s Innovation District. In February 2012 the annual gaming convention PAX, launched in Seattle in 2004, which had expanded to the east coast in 2010 and which hosted 60,000 visitors to its PAX East weekend show in Boston in 2011, announced that their annual eastern convention will be held in Boston through 2023 with plans to boost eventual yearly attendance to 100,000.

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 17 out of the 20 years.

From 2004 through 2008, the following hotels were completed: an 81-room Courtyard by Marriott in the Back Bay; the Hotel Onyx, a 112-room Kimpton hotel near North Station; the Hampton Inn at Crosstown, in Roxbury; The Back Bay Hotel, a 220-room hotel in the Back Bay; 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; 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, in the Back Bay; and the 16-room Inn at 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. Currently two hotels are under construction and are expected to open in 2013. A 175 room Marriott Residence Inn is being built in the Fenway/Kenmore district and another 120 room Marriott Residence Inn is being developed through the adaptive reuse of the Stillings Building in South Boston, near the BCEC convention center. As of December 2012, there were a total of 18,363 hotel rooms in establishments of fifty or more rooms in Boston.

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. 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 70.8% and the average room rate declined by 13.1% to \$186.01. Revenue per available room fell 17.4% to \$131.79. Boston hotel room demand revived in 2010, growing 7.8% and lifting occupancy to 76.3%, average room rates to \$190.39 and raising revenues per available room by 10.2% to \$145.26. 2011 saw further growth, as occupancy reached 77.0%, average daily rates hit \$199.55 and revenue per available room rose to \$153.59, according to the Pinnacle Advisory Group. In 2012 Boston hotels reached 78.5% occupancy, the highest level since 1998. The average daily room rate of \$214.97 and revenue per available room of \$168.70 were all-time highs. Revenue per available room was 9.8% above that of 2011.

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 2012.

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	66.8	155.33	76.1
2003	14,950	71.1	155.52	-21.5	110.52	-28.8
2004	15,618	74.5	169.04	8.7	125.99	14.0
2005	15,782	75.4	176.73	4.5	133.24	5.8
2006	16,936	76.4	196.61	11.2	150.23	12.8
2007	17,244	76.1	210.28	7.0	159.95	6.5
2008	18,014	74.6	213.94	1.7	159.54	-0.3
2009	18,363	70.8	186.01	-13.1	131.79	-17.4
2010	18,363	76.3	190.39	2.4	145.26	10.2
2011	18,363	77.0	199.55	4.8	153.59	5.7
2012	18,363	78.5	214.97	7.7	168.70	9.8

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 1.2 million passengers per day.

The MBTA’s draft FY13-FY17 Capital Investment Program includes \$4.0 billion in capital spending to reinvest in its transportation infrastructure and to build expansion projects. The Capital Investment Program consists of five major programmatic areas: (i) reinvestment in the infrastructure (\$2.5 billion); (ii) accessibility improvements (\$234 million); (iii) enhancement of existing service (\$195 million); and (iv) system expansion efforts (\$12 million). The major infrastructure projects include: vehicles (\$1.27 billion); station modernization (\$243.1 million); rail signaling systems (\$131.4 million); track/right-of-way (\$107.6 million); bridges (\$234.6 million); technology, other (\$39.5 million); power (\$107.6 million); maintenance facilities, including rail car houses and bus garages (\$78.9 million); fare equipment (\$26.0 million); administration facilities (\$113.0 million); and communications (\$7.2 million). This sub-total of \$3.0 billion does not itemize the \$1.0 billion in non-MBTA funded programs.

Boston’s South Station, one of three major high speed rail terminals on Amtrak’s Northeast Corridor (NEC), currently hosts high speed intercity passenger rail (HSIPR), including Amtrak Acela Express and Northeast Regional services. It is also the terminus for Amtrak’s Lake Shore Limited service between Boston and Chicago. The MBTA also operates commuter rail, subway, and guideway bus services at the

station. The station's Bus Terminal is the hub for private intercity and regional motor coach carriers in eastern Massachusetts.

The completion and timing of these capital projects may depend upon the resolution of MBTA budget issues. The MBTA currently projects a budget deficit for fiscal years 2013 and beyond. New revenues and reductions in service are being considered to bring the MBTA budget into balance. The Massachusetts Department of Transportation (MassDOT) was awarded federal funding of \$32.5 million on October 28, 2010 for environmental clearance and preliminary design for an expansion of South Station. The South Station HSIPR Expansion Project will advance the design, and complete state and federal environmental permitting, to expand South Station from its current 13 terminal platform track configuration to 20 total platform tracks. The HSIPR Expansion Project would enable faster and more efficient operations, as well as planned increases in both Amtrak and MBTA commuter rail services.

The Transportation Improvement Program (TIP) is a federally mandated prioritized listing of highway, bridge, intermodal and transit projects expected to be undertaken during the next four federal fiscal years. The document is a compilation of those state, regional and local transportation priorities funded by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA), and must be financially-constrained to the federal amounts allocated to Massachusetts. The project lists are updated annually and include projects programmed by the state's ten metropolitan planning organizations (MPOs) and the three non-MPOs. There are several Boston-based projects listed in the FFY2013-FFY2016 TIP including design of a new Rutherford Avenue and the Sullivan Square-Rutherford Avenue intersection and repairs to the Alford Street Bridge; work on state-owned bridges include repairs to the Bowker Street overpass and the Morton Street Bridge over the MBTA/CSX rail lines. Beyond FFY2013 some of the larger projects include Commonwealth Avenue reconstruction (Amory St. to Alcorn St.), repairs to the Massachusetts Avenue Bridge, repairs to the North Washington Street Bridge, reconstruction of Melnea Cass Boulevard and reconstruction of the Warren Street-Blue Hill Avenue corridor. MBTA capital improvements within Boston for 2013 through 2016 are for the following projects: The Fairmount Line Improvements; State Street and Orient Heights Station accessibility improvements, reconstruction and accessibility changes to the Government Center Station; and new vehicles for the Red and Orange subway lines.

For a description of the 1980-2010 Central Artery 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 have compelled significant expansion of both facilities. Massport's net investment in its facilities through June 2012 exceeded \$4.45 billion, consisting of \$3.97 billion invested in airports and \$479.6 million invested in maritime development and other capital projects.

In February 2013, Massport projected that it would spend about \$1.11 billion during fiscal years 2013-2017 for ongoing capital improvements and major maintenance at Logan Airport, Hanscom Field in Bedford, Massachusetts, 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. The Port of Boston is also a major cruise port. The total number of cruise passengers in fiscal 2012 (380,151) increased by 1.0% compared to fiscal 2011. The cruise port mainly operates in the months of May through November.

The Port of Boston ranked as the 12th largest container port on the U.S. Atlantic Coast by container volume. During fiscal 2012, the Port activity of 107,477 boxed containers increased 0.6% over that of fiscal 2011, while the 37,215 automobiles handled in fiscal 2012 decreased by 11.9% from fiscal 2011 and the 144,430 tons (in bulk tonnage) for fiscal 2012 increased by 28.2% from fiscal 2011's bulk tonnage.

In calendar 2012, Logan Airport served a total of 29.3 million passengers, a 1.4% increase from the 28.9 million passengers served in 2011. A report on calendar year 2011 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 48th most active in the world. Logan Airport also plays an important role as a center for processing domestic and international air cargo. In fiscal 2012, total combined cargo and mail volume was 546.2 million pounds, a 4% decrease from the 568.8 million pounds handled in fiscal 2011.

Construction Activity

The following table sets forth construction activity in the City from fiscal years 2002-2012, 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 2012 indicated that total construction activity is projected to total \$3.83 billion compared with an estimate of \$2.71 billion for fiscal 2011. Between fiscal years 2002 and 2012 revenue from building permit fees increased eight times and decreased two times. Annual fiscal 2012 building permit revenue of \$32.6 million was well above the annual average of \$24.4 million from fiscal years 2002 through 2012.

**Boston Building Permit Revenues and Estimated Construction Activity
Eleven Fiscal Years, 2002-2012**

	Building Permit Revenues ⁽¹⁾	Estimated Potential Construction Activity	
		Current Dollars ⁽²⁾	Constant Dollars ⁽³⁾
2002.....	19,055,144	\$2,241,781,647	\$2,853,628,266
2003.....	20,145,888	2,370,104,471	2,959,303,899
2004.....	22,724,810	2,673,507,019	3,235,636,991
2005.....	23,213,600	2,731,011,765	3,223,327,040
2006.....	26,253,029	3,088,591,647	3,499,046,805
2007.....	27,861,224	3,277,791,059	3,616,018,782
2008.....	31,007,327	3,647,920,824	3,834,921,427
2009.....	26,966,242	3,172,499,105	3,377,465,262
2010.....	14,764,792	1,737,034,301	1,828,298,057
2011.....	23,461,018	2,760,119,766	2,806,535,671
2012.....	32,565,249	3,831,205,732	3,831,205,732
Total 2002-2012.....	\$268,018,322	\$31,531,567,334	\$35,065,387,933
Annual Average 2002-2012.....	\$24,365,302	\$2,866,506,121	\$3,187,762,539

- (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 July constant dollars (CPI-U for the U.S.) for each year to get fiscal year with base being the June 2012 value of 228.618.

Source: City of Boston, Auditing Department and City of Boston Annual Reports. Compiled by Boston Redevelopment Authority's Research Division (January 2013).

Large Public Sector Projects

In addition to major construction projects of the MBTA and Massport, Boston has witnessed several other major public sector projects in recent years 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 Department of Transportation, successor to 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 2.1 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 2011 the BCEC hosted conventions with 622,854 attendees and since opening in late 2004 has hosted over 3.1 million conventioners. 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 also spent over \$7.7 billion on capital improvements, including the Boston Harbor Project, since its inception. The MWRA’s FY13 Capital Improvements Program shows spending of approximately \$1.66 billion in improvements to its wastewater system and approximately \$1.80 billion on its waterworks system through June 30, 2012. 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 FY13 Capital Improvement Program anticipates the spending of approximately \$165.0 million on additional water and wastewater system improvements during Fiscal Year 2013 and \$1.78 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 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 February 1, 2013.

Office Market and New Development

The City and its inner neighborhoods currently have approximately 60 million square feet of office space. During the fourth quarter of 2012, Boston’s direct vacancy rate according to realty firm Jones Lang LaSalle was 9.8% (and 16.5% availability when including space to sublet). Another realty firm, Colliers Meredith & Grew, placed the City’s office availability rate at 13.1%. Boston’s vacant and available space increased from mid-year 2008 to mid-year 2010. Jones Lang LaSalle puts the annual 2011 office absorption at a positive 1,194,181 square feet of space while Colliers Meredith & Grew measured 608,079 square feet of annual absorption. For 2012 Jones Lang LaSalle reports 13,498 square feet of net absorption while Colliers Meredith and Grew reports 1,487,576 square feet. The principal reason for the difference between these two assessments is differing conventions for the timing of major new leases.

Boston Office Market—Fourth Quarter, 2012

Market	Inventory Square Foot	Annual Absorption	Vacancy	Available	Average Asking Rent *
Back Bay	12,160,093	-582,520	6.1%	13.6%	\$53.37
Charlestown	1,966,811	100,645	8.0	15.0	27.76
Financial District.....	35,524,109	17,141	11.9	19.1	47.49
North Station.....	2,832,836	63,914	6.5	10.3	34.61
South Boston Waterfront	6,108,408	66,629	9.5	11.9	42.10
South Station.....	2,349,929	-71,839	4.6	13.4	37.63
Total	59,942,186	13,498	9.8	16.5	\$46.85

* Dollars per square foot

Source: Jones Lang LaSalle, Fourth Quarter 2012.

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.

Boston ranks near the middle of downtown office markets around the nation. As of the third quarter of 2012, realty firm Cushman & Wakefield ranked Boston’s downtown office market as having the eleventh best overall vacancy rate among the twenty largest downtown office markets in the U.S. with a rate of 15.1%.

**Comparative Office Vacancy Rates
20 Largest Downtown Office Markets—Third Quarter, 2012**

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Manhattan (Midtown South)	5.6%	Boston.....	15.1%
Manhattan (Downtown)	7.7	Pittsburgh	15.4
Manhattan (Midtown)	8.5	Orange County, CA.....	15.8
San Francisco	9.7	Seattle	15.8
Washington DC.....	11.6	Chicago.....	16.5
Cleveland.....	12.2	Los Angeles.....	17.9
Houston	12.9	Minneapolis.....	18.3
Portland	13.6	Dallas.....	20.6
Philadelphia.....	14.8	Detroit.....	22.9
Denver	15.0	Phoenix.....	24.0
National Average ⁽¹⁾		15.2%	

(1) National Average is based on 61 downtowns.

Source: Cushman & Wakefield “Marketbeat: Office Snapshot United States CBD”, Third Quarter 2012

From 2006 through 2009 downtown office projects included: 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. In 2010 the 500,000 square foot One Marina Park Drive at Fan Pier in the South Boston Seaport District was completed. In February, 2011 Weston Associates also completed their renovation of the existing 38,852 gross square foot structure at 90 Smith Street in Mission Hill, which will provide office space for the Harvard School of Public Health. Also opening in 2011 was the 660,000 square foot Russia Wharf at 540 Atlantic Avenue on the downtown waterfront.

As of January 2013, two major office projects were under construction and several office buildings had been approved by the BRA Board. The largest project now in construction is the 1.1 million square foot headquarters for Vertex Pharmaceuticals in the South Boston Waterfront. The Vertex headquarters will include both office and research space in two buildings. Also under construction is the 590,000 square foot headquarters building for Liberty Mutual Insurance Company in the Back Bay district. In 2008, Commonwealth capital ventures completed phase 2 of Channel Center, which included the renovation of 240,000 square feet of office space at 10 and 20 Channel Center. In 2011, Commonwealth Ventures began renovations on 625,000 square feet of office space at 185 Franklin Street, the former Verizon building. Commonwealth Ventures has also received approval to preserve and rehabilitate both the approximately 50,000 square foot, six-story building located in Boston’s Seaport District for office uses, research and development uses, a business incubator space for “clean tech” businesses, and related uses (e.g., alternative energy testing), and an approximately 22,700 square foot, three-story building for office purposes. This project is now under construction.

Retail Market

For 2011, from the table in a previous section in this Appendix entitled “Employment Structure, Employment Trends and Occupational Changes”, it is estimated that there are about 73,358 employees in retail stores, and food service and eating and drinking establishments in the City, with 30,947 in retail, and 42,411 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 estimated total sales of \$6.81 billion. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 1,986 establishments with \$2.35 billion in sales. The retail sector is also complemented by an estimated 14,000 employees in the personal services businesses, which includes such services as repair and maintenance, hair and nail care, and laundry and dry cleaning service. The 2007 Census of Retail Trade data was released in January of 2010 and is only done once every five years, therefore more recent information for the following table is not yet available.

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

	<u>Massachusetts</u>	<u>Metropolitan Boston⁽²⁾</u>	<u>City of Boston</u>
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 are from the 1992 Economic Census for Retail Trade. 1997 data are from the 1997 Economic Census for Retail Trade (for retail) and for the 1997 Census for Accommodations and Food Services (for food services and drinking places). 2002 data from the 2002 Economic Census for Retail Trade (for retail) and for the 2002 Census for Accommodations and Food Services (for food services and drinking places). 2007 Census from the 2007 Economic Census, January 2010.

There are now 20 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. In fiscal year 2012, 130 new and expanded businesses opened in Main Streets districts, creating 729 new jobs. Technical assistance was provided to 2,119 small businesses. Three hundred and ninety three special district events generated over 27,000 volunteer hours and the local Main Streets Programs have kept their storefront occupancy rates at an average of 95%.

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. In fall 2011 a new Whole Foods store opened in Jamaica Plain, in late 2012 a new Harvest Co-op market also opened in the Forest Hills area of the Jamaica Plain neighborhood, and also in late 2012 a new Foodie’s Market opened in South Boston. As of January 2013 plans for three new supermarkets are well advanced in the neighborhoods of the North End and the South End near Downtown and in Charlestown where a Whole Foods will replace a store which closed in late 2012.

Industrial Market and Recent Developments

Boston and Suffolk County have approximately 27.9 million square feet of industrial space. As of December 2011, there were 3.1 million square feet of industrial space vacant, a vacancy rate of 11.1%, with +42,000 square feet of net absorption over the year. The average rent for quality warehouse space was \$7.82 per square foot (triple net) and \$12.36 per square foot for flex space.

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 2012, Back Streets successfully assisted 6 companies with expansion projects, and created or retained over 214 jobs. In addition, Back Streets helped companies such as Downeast Cider House, SnapChef, Trillium Brewery, Cool Chip Technologies, Beacon Hill Framery, and Wicked Catering with their efforts to find new space to expand in Boston. These companies alone account for over 25,000 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.

Boston Marine Industrial Park (“BMIP”) consists of over 3 million square feet of developed real estate. In 2011 the Boston Redevelopment Authority issued two Requests for Proposals and awarded development rights for 7 acres to American Seafood Exchange, LLC which intends to develop 400,000 square feet of seafood processing, distribution, and cold storage space. Development rights were also awarded to Kavanagh Advisory Services for a 4-acre parcel where two buildings with 300,000 square feet of build-to-suit space will be constructed. The first building component of the project will commence in 2013. Cargo Ventures expects to break ground in 2013 on the first of three new industrial buildings.

Housing Stock, Housing Values, and Development

There were 272,481 housing units in Boston according to the 2010 U.S. Census enumeration. Of the 252,699 occupied units, 32.2% were owner-occupied and 67.8% were renter-occupied. Vacant housing units totaled 19,782 while the homeowner unit vacancy rate was 2.2% and the rental unit vacancy rate was 5.2%. The 2010 American Community Survey results showed that the median monthly cost for home owners with a mortgage was \$2,248 and the gross monthly rent (for existing renters rather than advertised rents) was \$1,233. Gross rents are what tenants pay out of their pocket and the presence of public and

subsidized housing makes this value much lower than advertised market rents for newly available units.

Preliminary data for 2012 real estate trends done by the City's Department of Neighborhood Development showed that the median rent for an apartment in Boston in 2012 as advertised by the Multiple Listing Service (MLS) was \$2,400 per month for all apartment sizes and types. The median advertised rents were up 9% citywide from that of 2011, when the average was \$2,200. Median rents for an apartment in Boston's neighborhoods ranged from a high of \$3,200 in the Central planning district (Downtown) to a low of \$1,300 in Hyde Park.

**Median Monthly Rent of Newly Rented Apartments in Boston Neighborhoods
And the Volume of All Newly Rented Apartments
2011 and 2012**

<u>Neighborhood</u>	<u>2011 Median- Monthly Rent</u>	<u>2012 Median- Monthly Rent</u>	<u>Percent Change</u>	<u>2011 Volume</u>	<u>2012 Volume</u>	<u>Percent Change</u>
Allston/Brighton.....	\$,1745	\$1,800	3%	206	326	58%
Back Bay/Beacon Hill.....	2,700	2,950	9	564	618	10
Central	2,900	3,200	10	501	515	3
Charlestown.....	2,300	2,400	4	191	173	-9
Dorchester	1,400	1,500	7	241	272	13
East Boston.....	1,450	1,600	10	60	62	3
Fenway/Kenmore	2,000	2,150	8	94	113	20
Hyde Park.....	1,250	1,300	4	33	51	55
Jamaica Plain.....	1,800	2,100	17	84	84	0
Mattapan.....	1,300	1,350	4	37	33	-11
Roslindale.....	1,400	1,650	18	59	78	32
Roxbury.....	1,363	1,550	14	66	59	-11
South Boston	2,300	2,450	7	437	445	2
South End.....	2,600	2,850	10	295	339	15
West Roxbury.....	1,500	1,600	7	84	105	25
Citywide.....	2,200	2,400	9	2,952	3,273	11

Source: City of Boston, Department of Neighborhood Development using Multiple Listing Service (MLS), January 2013. MLS rental listings are created by local real estate agents and the system helps to market and manage property listings.

Existing home prices in Greater (metropolitan) Boston peaked in 2005 and declined by 19.5% to its annual low in 2009 but were 4.1% higher by 2011 according to The National Association of Realtors ("NAR"). The third quarter 2012 median sales price was \$365,800, 5.1% above the third quarter low recorded in 2009.

**Greater Boston Annual Median Sales Prices for Existing Homes, 2005-2012 ⁽¹⁾
(Current Year Dollars)**

<u>Year</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual Median</u>	<u>Annual Change</u>
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	332,500	-7.8
2010.....	321,800	360,800	366,500	346,300	357,300	7.4
2011.....	322,100	355,700	367,700	325,000	346,200	-3.1
2012.....	311,500	362,100	365,800	NA	NA	-0.5*

(1) 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.

* 2012 change is based on Third Quarter rate from 2011 through 2012.

Source: National Association of Realtors (January 2013).

Within the City, the median sales price for a single-family home in Boston decreased by 9.2% between the fourth quarter 2005 (\$379,200) and the fourth quarter of 2012 (\$344,500), a smaller loss than the 14.9% metro-wide loss evident between third quarter 2005 and third quarter 2011 from NAR. Condominium prices however showed a gain by 16.7% from the fourth quarter 2005 price of \$339,450 to the \$395,000 price reached in the fourth quarter of 2012.

**Median Residential Sales Prices for Boston
First Quarter 2005 through Fourth Quarter 2012
(Current Year Dollars)**

Year	Quarter	Single-Family	Two-Family	Three-Family	Condominium
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
2010	First	\$320,000	\$265,000	\$270,000	\$332,000
	Second.....	372,750	299,500	290,000	355,000
	Third.....	368,805	327,000	290,000	375,000
	Fourth.....	337,250	330,000	308,750	385,000
2011	First	\$319,000	\$297,500	\$330,000	\$352,750
	Second.....	357,000	325,500	315,875	385,000
	Third.....	354,500	332,520	326,500	375,000
	Fourth.....	337,250	327,000	350,000	380,000
2012	First	\$304,900	\$295,000	\$360,000	\$380,000
	Second.....	357,450	325,000	375,000	412,500
	Third.....	369,000	380,000	389,500	399,000
	Fourth.....	344,500	371,000	375,000	395,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (February 2012).

The change in the total number of residential sales from 2011 to 2012 showed a 22% gain (from 6,294 to 7,673); the sales volume of single-family homes rose 20%; sales of condominiums were up by 21%; and sales of multi-family non-condominiums properties increased by 26% comparing data for 2011 and 2012.

**Annual Residential and Condominium Sales in Boston ⁽¹⁾
2000-2012**

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	1,403	1	4,338	-10	6,715	-6
2010	999	3	1,455	4	4,282	-1	6,736	0.4
2011	938	-6	1,484	2	3,872	-10	6,294	-7
2012	1,125	20	1,877	26	4,671	21	7,673	22

- (1) These do not include sales of apartment buildings larger than three-family structures. Condominium sales include buildings of any size.
(2) Includes two- and three-family homes only.
(3) Equals single-family, multiple-family residential sales plus total condominium sales.
Source: Banker and Tradesman (February 2012).

Prices and sales volumes for single-family homes and for condominiums are shown by neighborhoods for calendar years 2011 and 2012. 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 \$191,500 in Mattapan to \$2.6 million in the Back Bay, with the citywide median at \$350,000. The median sales price remained constant while the sales volume was up by 33% between 2011 and 2012.

**Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, Calendar Years 2011 and 2012
(Not inflation adjusted)**

Neighborhood	2011 Single-Family Price	2012 Single-Family Price	Percent Change	2011 Sales Volume	2012 Sales Volume	Percent Change
Allston/Brighton	\$370,000	\$427,500	16%	51	59	16%
Back Bay/Beacon Hill	2,550,000	2,625,000	3	31	32	3
Central	*	*		5	5	
Charlestown	638,500	637,500	0	52	84	62
Dorchester	269,000	304,500	13	118	147	25
East Boston	190,000	270,000	42	35	31	-11
Fenway/Kenmore*	*	*		3	3	
Hyde Park	245,500	260,000	6	115	171	49
Jamaica Plain	635,000	557,450	-12	39	62	59
Mattapan	239,500	191,500	-20	30	52	73
Roslindale	351,000	327,000	-7	93	138	48
Roxbury	198,800	220,000	11	28	45	61
South Boston	400,000	425,000	6	61	88	44
South End	1,715,000	1,750,000	2	33	25	-24
West Roxbury	382,500	391,500	2	200	264	32
Citywide	350,000	350,000	0	906	1,206	33

- * Medians or percentages with a sample size of less than ten are not reliable.
Note 1: 2012 data are for 1/1/2012 through 12/12/2012.
Note 2: 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.
Note 3: Data in the above table do not include "paired-sales" so the size, quality and type of houses sold vary from year-to-year.
Note 4: 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 using Banker & Tradesman data January 2013.

Condominium sales volume and prices also showed variability across the neighborhoods of Boston in 2011 and 2012. The three most expensive neighborhoods for condominiums (median price greater than \$575,000) were the Central district (comprising Downtown, the North End, the West End, and the Waterfront), Back Bay/Beacon Hill, and the South End neighborhoods, which all together form the core residential pockets closest to downtown. Four neighborhoods had moderately expensive condominiums (median price between \$440,000 and \$352,000): Charlestown, South Boston, Jamaica Plain and Fenway/Kenmore. Five neighborhoods had moderate condominium median prices (\$265,000 and \$214,000): West Roxbury, Allston/Brighton, Roslindale, Dorchester and Roxbury. Three neighborhoods had less expensive condominium prices (below \$205,125) Hyde Park, East Boston and Mattapan. The median citywide condominium price as of calendar year 2012 was \$399,000, up by 6% in price from calendar year 2011, while the sales volume rose by 23%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2011 and 2012
(Not inflation adjusted)

Neighborhood	2011 Single- Family Price	2012 Single- Family Price	Percent Change	2011 Sales Volume	2012 Sales Volume	Percent Change
Allston/Brighton.....	\$258,200	\$255,000	-1%	379	429	13%
Back Bay/Beacon Hill.....	665,000	615,000	-8	587	727	24
Central	602,500	645,000	7	444	589	33
Charlestown.....	421,625	440,000	4	246	340	38
Dorchester	212,500	220,000	4	279	331	19
East Boston.....	227,500	205,125	-10	62	110	77
Fenway/Kenmore	309,000	352,000	14	163	188	15
Hyde Park.....	175,000	150,000	-14	60	53	-12
Jamaica Plain.....	326,500	352,500	8	289	348	20
Mattapan.....	122,500	110,000	-10	42	29	-31
Roslindale.....	260,000	245,000	-6	116	132	14
Roxbury	148,500	214,500	44	96	100	4
South Boston	380,000	410,000	8	570	763	34
South End	555,580	575,000	3	524	591	13
West Roxbury.....	263,750	265,000	0	76	127	67
Citywide	375,900	399,000	6	3,933	4,857	23

- 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.
- Note 2: Data in the above table do not include "paired-sales," so the size, quality and type of houses sold vary from year-to-year.
- 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 using Banker & Tradesman data, February 2013.

When housing prices began to fall and sales volume slackened following 2005, foreclosure deeds rose through 2008, peaking at 1,215, while petitions to foreclose (the first step in the foreclosure process) peaked at 2,432 in 2007. By 2012 foreclosure deeds had declined to an annual total of 308, a total drop of 75% from 2008. Petitions to foreclose fell by 70% (to 730) by 2011. Even though 2012 foreclosure petitions did increase by 22% to 890 over the year over the five years, 2007 to 2012, petitions to foreclose were lower by 63%.

Since 1999, 24,458 new units with a total value of \$8.4 billion have been permitted in Boston. 85% (20,488) of these housing units have been completed and occupied with 3,970 units now currently in construction. Ten large housing developments (mainly private rental apartments but some with assisted units) now in construction have over 2,700 (more than two-thirds) of these housing units being built as of February 2013: Pier 4, the Kensington, the Victor, West Square, 120 Kingston Street, Waterside Place, Millennium Phase 3 at Hayward Place, Avalon/Exeter Residences, and 319 A Street (Boston Wharf Tower). Since 1999, of the total housing units permitted for construction (complete and under construction) 18,333 were in private-sector, market rate housing while 6,125 have been publicly-assisted through various federal, state or local funding sources.

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 seven 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 13,000 units of public housing in Boston and houses about 25,000 people under this program. In addition, the Authority administers approximately 14,500 tenant-based and project-based rental assistance vouchers, along with some moderate rehabilitation programs that allow families and individuals to either rent in the private market and apply a subsidy to their rent or to live in subsidized affordable housing in the city. 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 33,000 people under these programs.

The BHA between 1997 and 2013 completed major revitalization initiatives at seven public housing developments: Mission Main, in the Mission Hill neighborhood of Boston; Orchard Gardens, in Roxbury; West Broadway in South Boston; Franklin Hill in Dorchester; Maverick Gardens in East Boston; Washington Beech in Roslindale; and Old Colony in South Boston, which is currently in its second phase of redevelopment. The BHA was able to undertake revitalization of five of these developments through the use of HOPE VI grants awarded from the U.S. Department of Housing and Urban Development (“HUD”). The grants, totaling \$157 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 completed redevelopment of the Franklin Hill public housing development in 2009 through a fifth public private partnership and recently completed redevelopment of the 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 as well a subsequent HOPE VI grant led to the redevelopment efforts at the Old Colony development in South Boston. In addition, some building renovations at both the Cathedral development in the South End and the Heath Street development in Jamaica Plain were recently completed as a result of Recovery Act funding. BHA is also in the midst of implementing an energy performance contract project that will bring about \$63 million in energy efficient/infrastructure improvements to 13 BHA developments throughout the City.

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 and enter into Housing Payment Agreements for selected projects or to recommend approval of Housing Creation Proposals by the BRA. Since the inception of the linkage program through December 2012, the NHT has awarded approximately \$133.5 million in grant funds to 193 various affordable housing developments. Based on data through 2012, NHT funding contributed to the complete or pending construction or renovation of 11,836 housing units in 193 developments in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 86% (10,176 affordable units) of this total. The linkage funds, for the most part, account for less than 6% of the total development cost of the projects. NHT grant awards are allocated to fund low and moderate-income housing through the renovation of old buildings and schools and the construction of new housing. Projects have included rental developments of family-sized units, single room occupancy units, units set aside for homeless or formerly homeless households, elderly housing units, and units exclusively for other special needs populations. In addition, the NHT grants support the development of housing ownership opportunities in condominiums, housing cooperatives, and single family homes.

Between fiscal years 1988 and 2012 over \$27 million of funds were committed to the job training component of the City's linkage program and over \$24 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 transitional employment. 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.

**PROPOSED FORM OF LEGAL OPINION
2013 Series A and 2013 Series B**

APPENDIX B

_____, 2013

Meredith Weenick
Chief Financial Officer and Collector-Treasurer
City of Boston
Boston, Massachusetts

Re: City of Boston, Massachusetts
General Obligation Bonds, 2013 Series __

We have acted as Bond Counsel to the City of Boston, Massachusetts (the “City”), in connection with the issuance by the City of \$_____ General Obligation Bonds, 2013 Series __ (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. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. 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 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 WILDMAN PALMER LLP

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PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Boston, Massachusetts (the “Issuer”) in connection with the issuance of its \$_____ General Obligation Bonds, 2013 Series __ (the “Bonds”), dated _____, 2013. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated _____, 2013 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.

9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 2013

CITY OF BOSTON, MASSACHUSETTS

By _____
Chief Financial Officer and Collector-Treasurer

Mayor

City Auditor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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