

NEW ISSUE

Ratings†

Moody's	S&P
Aaa	AAA

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the 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 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

\$140,000,000

GENERAL OBLIGATION BONDS

2016 SERIES A

\$8,100,000

GENERAL OBLIGATION REFUNDING BONDS

2016 SERIES B

Dated: Date of Delivery

Due: As shown on page (i) hereof

The Bonds will be issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are set forth in this Official Statement. Interest on the Bonds will be payable on September 1, 2016 and semiannually on each March 1 and September 1 thereafter until maturity or redemption prior to maturity. The Bonds will be subject to redemption prior to maturity as more fully described herein.

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

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

The Bonds will be offered pursuant to the Official Notice of Sale dated March 1, 2016, when, as and if issued and received by the original purchasers thereof and subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described herein and in the Official Notice of Sale. FirstSouthwest, a Division of Hilltop Securities Inc. (See "Financial Advisor" herein), Boston, Massachusetts, serves as Financial Advisor to the City. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about March 24, 2016.

March 8, 2016

† See "Credit Ratings."

CITY OF BOSTON, MASSACHUSETTS

\$140,000,000 GENERAL OBLIGATION BONDS 2016 SERIES A

Dated: Date of Delivery

Due: March 1, as shown below

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*	Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2017	\$ 9,115,000	5.00%	0.46%	100853VP2	2027	\$4,300,000	5.00%	2.01%**	100853VZ0
2018	9,160,000	5.00	0.61	100853VQ0	2028	4,510,000	5.00	2.11%**	100853WA4
2019	9,615,000	5.00	0.77	100853VR8	2029	4,735,000	5.00	2.19%**	100853WB2
2020	10,100,000	5.00	0.93	100853VS6	2030	4,970,000	4.00	2.50%**	100853WC0
2021	10,600,000	5.00	1.08	100853VT4	2031	5,170,000	4.00	2.60%**	100853WD8
2022	8,005,000	5.00	1.26	100853VU1	2032	4,430,000	3.00	2.94%**	100853WE6
2023	8,400,000	5.00	1.45	100853VV9	2033	4,565,000	3.00	2.99%**	100853WF3
2024	8,820,000	5.00	1.62	100853VW7	2034	4,700,000	3.00	3.04	100853WG1
2025	9,260,000	5.00	1.78	100853VX5	2035	4,840,000	3.00	3.07	100853WH9
2026	9,720,000	5.00	1.90	100853VY3	2036	4,985,000	3.00	3.12	100853WJ5

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

\$8,100,000 GENERAL OBLIGATION REFUNDING BONDS 2016 SERIES B

Dated: Date of Delivery

Due: March 1, as shown below

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
2026	\$3,970,000	4.00%	1.90%	100853WK2
2027	4,130,000	4.00	2.10**	100853WL0

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

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

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OFFICIAL STATEMENT
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
\$140,000,000
GENERAL OBLIGATION BONDS, 2016 SERIES A
\$8,100,000
GENERAL OBLIGATION REFUNDING BONDS, 2016 SERIES B

This Official Statement (which includes the cover page and Appendices hereto) provides information concerning the City of Boston, Massachusetts (the “City”), the \$140,000,000 General Obligation Bonds, 2016 Series A (the “Series A Bonds”) and the \$8,100,000 General Obligation Refunding Bonds, 2016 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 March 1, 2016 (the “Information Statement”).”

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

SECURITY FOR THE BONDS

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

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

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

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

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

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

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

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

THE BONDS

Description

The Bonds will be dated the date of delivery thereof, expected to be March 24, 2016, 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 Bonds will be payable on September 1, 2016 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 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 advance refunding certain outstanding general obligation bonds, as more fully described under “Plan of Refunding,” below.

Redemption Prior To Maturity

Optional Redemption

The Bonds maturing on or before March 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing after March 1, 2026 will be subject to redemption prior to maturity at the option of the City, on or after March 1, 2026, as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected by DTC and its participants, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption

Notice of redemption of Bonds, specifying the numbers, series and maturities of the Bonds or portions thereof to be redeemed and the redemption date, will be given by the Paying Agent not 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal or redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or, its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

PLAN OF REFUNDING

Series B Bonds

The Series B Bonds are being issued to advance refund, at par, a portion of the City's outstanding general obligation 2007 Series A Bonds (the "Refunded Bonds"), as further described below:

Bond Series	Maturity Date	Interest Rate	Principal Amount to be Refunded	Redemption Date	CUSIP⁽¹⁾
2007 Series A	03/01/2026	3.500%	\$4,530,000	03/01/2017	100853CQ1
	03/01/2027	3.500	4,690,000	03/01/2017	100853CR9

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

The refunding of the Refunded Bonds or any other bonds of the City is subject to market conditions at the time of sale of the Bonds. The City reserves the right to refund any or all of the Refunded Bonds or to refund any other bonds of the City or not to refund any such bonds at this time.

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 refunding escrow agent (the "Escrow Agent") to provide for the refunding of the Refunded Bonds. Upon receipt of the proceeds of the Series B Bonds, the City will transfer 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 Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Accuracy

Grant Thornton LLP 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 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. Grant Thornton LLP 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 March 1, 2016, 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 March 1, 2016		The Bonds		Refunded Bonds		QSCB 2009A	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Sinking Fund ⁽¹⁾	Principal and Interest
2016	\$ 60,080	\$ 15,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,621
2017	107,862	47,606	9,115	6,321	-	(323)	-	170,581
2018	102,655	42,485	9,160	6,296	-	(323)	-	160,273
2019	96,344	37,740	9,615	5,838	-	(323)	-	149,214
2020	85,753	33,299	10,100	5,358	-	(323)	-	134,187
2021	81,687	29,227	10,600	4,853	-	(323)	-	126,044
2022	86,552	25,279	8,005	4,323	-	(323)	-	123,836
2023	79,467	21,823	8,400	3,922	-	(323)	-	113,289
2024	70,608	18,339	8,820	3,502	-	(323)	-	100,946
2025	87,083	15,083	9,260	3,061	-	(323)	(20,000)	94,164
2026	63,329	12,139	13,690	2,598	(4,530)	(323)	-	86,903
2027	50,656	9,551	8,430	1,954	(4,690)	(164)	-	65,737
2028	42,982	7,830	4,510	1,573	-	-	-	56,895
2029	37,629	6,005	4,735	1,348	-	-	-	49,717
2030	32,802	4,605	4,970	1,111	-	-	-	43,488
2031	29,035	3,436	5,170	912	-	-	-	38,553
2032	26,798	2,430	4,430	706	-	-	-	34,364
2033	23,532	1,527	4,565	573	-	-	-	30,197
2034	14,871	781	4,700	436	-	-	-	20,788
2035	7,865	263	4,840	295	-	-	-	13,263
2036	935	19	4,985	150	-	-	-	6,089
Total	<u>\$ 1,188,525</u>	<u>\$ 335,008</u>	<u>\$ 148,100</u>	<u>\$ 55,131</u>	<u>\$ (9,220)</u>	<u>\$ (3,394)</u>	<u>\$ (20,000)</u>	<u>\$ 1,694,149</u>

* Rows and columns may not add due to rounding.

(1) Quarterly payments of principal in the amount of \$363,636.36 are currently being made to the paying agent with respect to the City's outstanding \$20,000,000.00 general obligation Qualified School Construction Bonds, 2009, Series A, which were issued as tax credit bonds that do not earn interest. These funds are kept in escrow until the bonds mature on September 15, 2024.

Source: City of Boston Auditing Department.

Rate of Principal Retirement

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

Term of Retirement	Debt Outstanding as of March 1, 2016 to be Retired (in thousands)	Percentage of Debt Outstanding as of March 1, 2016 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 2016-2021	\$ 534,381	45.0%	\$ 582,971	43.9%
Fiscal 2022-2026	387,039	32.6	430,684	32.4
Fiscal 2027-2031	193,104	16.2	216,229	16.3
Fiscal 2032-2036	74,001	6.2	97,521	7.3
Total	<u>\$1,188,525</u>	<u>100.0%</u>	<u>\$1,327,405</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 purchaser(s) thereof, (d) contesting the power of the City to levy and collect taxes to pay the Bonds, (e) contesting the corporate existence or boundaries of the City, or (f) contesting the title of officials of the City who have acted with respect to the proceedings for the issuance and sale of the Bonds to their respective offices.

There are pending in courts within the Commonwealth various suits in which the City is a defendant. No litigation is pending or 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.

Telecommunications providers, Verizon and RCN have filed appeals with the Appellate Tax Board ("ATB") for fiscal 2012-2015 claiming that Boston and other Massachusetts cities and towns that classify their tax rates have disproportionately assessed the tax on their personal property in violation of the Massachusetts Constitution. The companies are challenging Chapter 40, section 56 of the Massachusetts General Laws, which was enacted after a 1978 amendment to the state constitution that provided for the current system of classified tax rates for residential and business property. The ATB heard the companies' arguments for fiscal 2012 and 2013 and rejected them, finding in favor of the City in October 2014. This matter was appealed by the companies and taken by the Massachusetts Supreme Judicial Court on direct appellate review. The appeal will be argued before the court in April, 2016.

The companies, together, would receive abatements totaling approximately \$3.6 million for each year, if they prevail. Moreover, a decision in the companies' favor would lower the tax rate for all personal property taxpayers going forward. This would not impact the amount of future revenue that could be raised by the City, but would adversely impact the tax rates for residential properties, since their share of the levy is statutorily dependent upon the portion of the total levy that personal property owners pay. It should be noted that while the Supreme Judicial Court, in response to a request for an opinion by the House of Representatives, affirmed the constitutionality of the act on which Chapter 40, section 56 is based in 1979, the City cannot predict the outcome of this matter.

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds 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 McGraw-Hill Companies, Inc. ("Standard & Poor's"), 55 Water Street, New York, New York, have assigned the ratings of "Aaa" and "AAA," respectively, to the Bonds, reflecting the City's capacity to pay debt service. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the

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

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale by the City on March 8, 2016, in accordance with the Official Notice of Sale dated March 1, 2016 (the “Official Notice of Sale”).

Citigroup Global Markets Inc. was the successful bidder for the Series A Bonds. Information provided by Citigroup Global Markets Inc. regarding the interest rates and reoffering yields of the Series A Bonds is set forth on page i of this Official Statement. The Series A Bonds are being purchased from the City by Citigroup Global Markets Inc. at an aggregate price of \$161,175,786.10, reflecting the principal amount of \$140,000,000.00, plus net original issue premium of \$21,606,986.10, less underwriter’s discount of \$431,200.00.

Citigroup Global Markets Inc. and any of their respective associates underwriting the Series A Bonds may offer to sell the Series A 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.

Bank of America Merrill Lynch was the successful bidder for the Series B Bonds. Information provided by Bank of America Merrill Lynch regarding the interest rates and reoffering yields of the Series B Bonds is set forth on page i of this Official Statement. The Series B Bonds are being purchased from the City by Bank of America Merrill Lynch at an aggregate price of \$9,533,782.10, reflecting the principal amount of \$8,100,000.00, plus net original issue premium of \$1,451,926.10, less underwriter’s discount of \$18,144.00.

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

LEGAL MATTERS

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

INDEPENDENT AUDITORS

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

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. has served as financial advisor to the City for the issuance of the Bonds.

First Southwest Company (“FirstSouthwest”) merged with its common control affiliate, Hilltop Securities Inc. (“HilltopSecurities”). The merger was completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumed all rights and obligations of FirstSouthwest. The firm’s municipal advisory business will continue to operate as FirstSouthwest, a Division of Hilltop Securities Inc.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 365 days after the end of each fiscal year (the “Annual Report”), and to provide notices of occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C (the “Certificate”). The Certificate will be executed on the delivery date of the Bonds and incorporated by reference in the Bonds. The City has executed previous undertakings to provide annual reports or notices of material events in accordance with the Rule and to the best of its knowledge has never failed to comply in all material respects with any such undertaking within the previous five years. The City has implemented procedures to ensure timely filing of annual reports and notices of certain enumerated events required under its continuing disclosure undertakings.

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

MISCELLANEOUS

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

CITY OF BOSTON, MASSACHUSETTS

By: /s/ David Sweeney
Chief Financial Officer and Collector-Treasurer

Dated: March 8, 2016



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APPENDIX A

CITY OF
BOSTON, MASSACHUSETTS



INFORMATION STATEMENT
Dated March 1, 2016

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

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

The members of the City Council, all of whose current terms will end in January 2018, are set forth below.

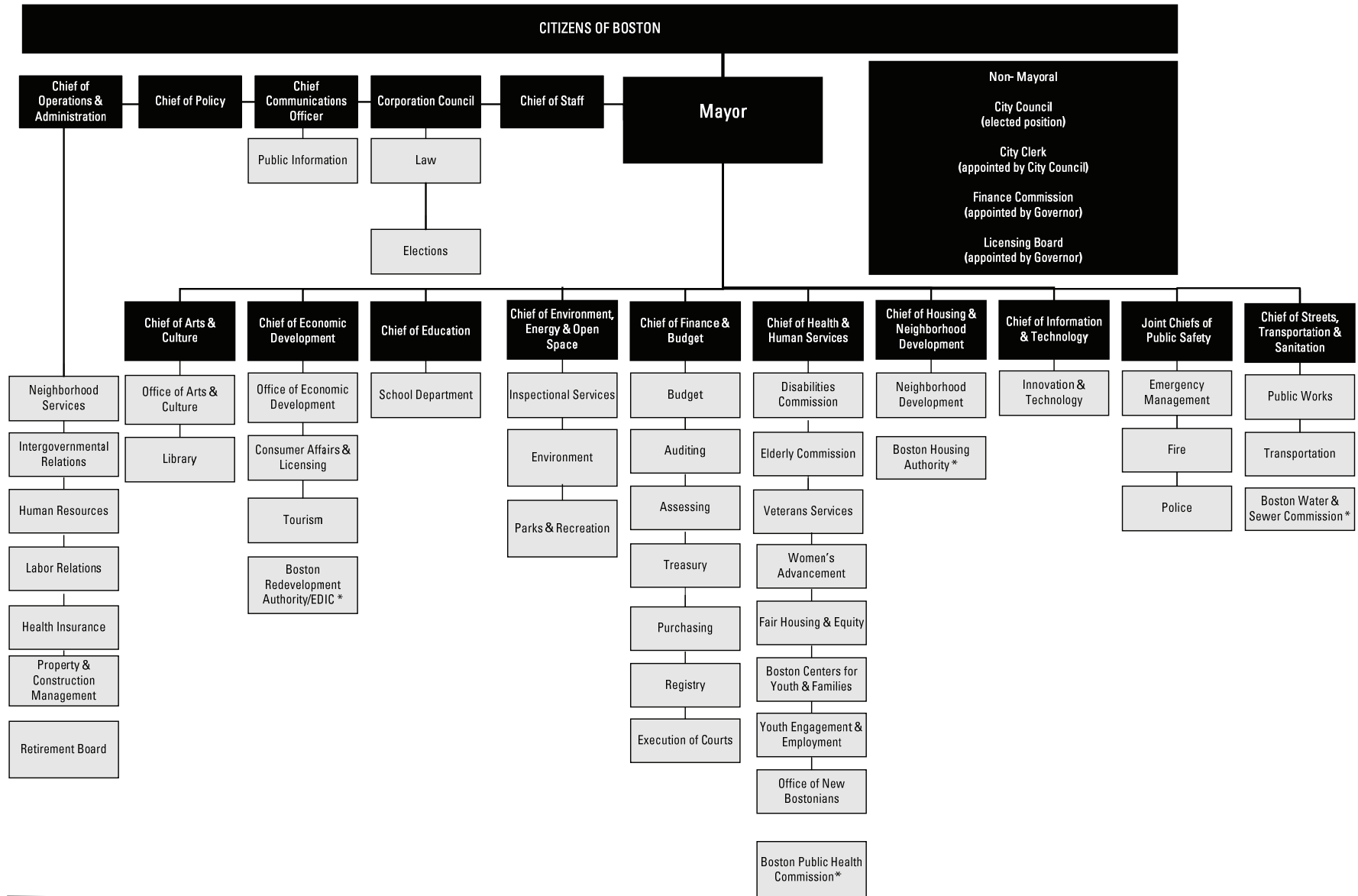
Michelle Wu (President)	At Large
Michael F. Flaherty	At Large
Annisssa Essaibi George	At Large
Ayanna Pressley	At Large
Salvatore LaMattina	District 1
William P. Linehan	District 2
Frank Baker	District 3
Andrea Campbell	District 4
Timothy McCarthy	District 5
Matthew J. O’Malley	District 6
Tito H. Jackson	District 7
Josh Zakim	District 8
Mark B. Ciommo	District 9

Organization of City Government

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

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

ORGANIZATION OF CITY GOVERNMENT



* 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."

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

Chief of Staff

Daniel Arrigg Koh was appointed Chief of Staff in January 2014. From 2012 to 2014, Mr. Koh was Chief of Staff to President and Editor-in-Chief Arianna Huffington at The Huffington Post as well as General Manager of HuffPost Live. Prior to that, Mr. Koh was a Leadership Fellow in Mayor Thomas M. Menino's office. Before his transition to the public sector, Mr. Koh worked in business development and labor relations for the New England Patriots and Major League Baseball, as well as strategy consulting for Booz Allen Hamilton. The Chief of Staff is charged with supervising and directing the operations of the Mayor's office, including but not limited to scheduling, security, policy and planning, press, constituent services and intergovernmental relations.

Chief of Policy

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

Chief of Operations

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

Corporation Counsel

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

Chief of Information and Technology

Jascha Franklin-Hodge was appointed as the City's Chief Information Officer in June 2014. He leads the City's efforts to enhance online service delivery, empower City employees with digital tools, and improve access to technology. Prior to his appointment Mr. Franklin-Hodge co-founded Blue State Digital and developed BSD Tools, an online fundraising, email, and CRM platform; led the technology team for Howard Dean's 2004 presidential campaign; and was Director of Software Development for AOL's Digital Music Division. Since 2009, Mr. Franklin-Hodge has served as an advisor to Code for America, a nonprofit which connects technologists with cities. The Chief of Information and Technology oversees the Department of Innovation and Technology ("DoIT"). DoIT is responsible for supporting and expanding the use of technology to improve the business of government and delivery of service.

Chief Financial Officer and Collector-Treasurer

David Sweeney was appointed Chief Financial Officer and Collector-Treasurer in April 2014. Prior to his appointment, Mr. Sweeney served as CFO and Assistant Executive Director of the Massachusetts State Lottery Commission. He also worked for the Massachusetts House of Representatives and in various budgeting roles, including Chief Fiscal Policy Advisor to the Speaker of the House and Budget Director for the House Committee on Ways and Means. As a member of the Mayor's Cabinet, Mr. Sweeney is

responsible for the City's human and financial resources, including Human Resources, Labor Relations, Treasury, Assessing, Auditing, Budget, Purchasing and the Boston Retirement Board. The Collector-Treasurer is also the custodian of over 300 City trust funds and is an *ex-officio* member of the Massachusetts Convention Center Authority Board.

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

Budget Director

Katherine Hammer was appointed Budget Director in August 2015. Prior to her appointment, Ms. Hammer served as Director of Workforce Management and Finance at the Massachusetts Convention Center Authority. Ms. Hammer also worked for the Commonwealth Executive Office of Administration and Finance, where she served in several administration and finance roles including Assistant Secretary for Administration, Chief of Staff, and Assistant Budget Director for Capital Planning. 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 beginning 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.

Chief of Economic Development

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

Chief of Education

Rahn Dorsey was appointed Chief of Education in September 2014. This newly-created position is reflective of Mayor Walsh's vision to implement a long-term strategy based on equity, access, accountability, transparency, and collaboration among all educational platforms in the City of Boston. Since 2009, Mr. Dorsey served at the Barr Foundation as Evaluation Director, leading development and implementation of data monitoring and evaluation frameworks for Barr's investments. Prior to Barr, Mr. Dorsey gained over 15 years of experience as program evaluator and researcher with Moore and Associates and Abt Associates.

Superintendent of Schools

The Superintendent of Schools oversees the School Department. The Boston School Committee appointed Dr. Tommy Chang as superintendent effective July 1, 2015. Previously, Dr. Chang served as the Local Instructional Superintendent, Intensive Support & Innovation Center (ISIC) at the Los Angeles Unified School District where he oversaw 135 schools and approximately 95,000 students. Dr. Chang, a former biology teacher at Compton High School and a founding principal of a charter school in Venice, California, also previously served as special assistant to the superintendent of Los Angeles Unified School District. A native of Taiwan, he immigrated to the U. S. with his family at age six and grew up in Los

Angeles. Dr. Chang holds an Ed.D. in Educational Leadership from Loyola Marymount University, two M.Ed. degrees from UCLA, and a bachelor's degree from the University of Pennsylvania.

Joint Chiefs of Public Safety

William B. Evans was appointed as the 41st Police Commissioner of the City of Boston in January 2014. A member of the Boston Police Department for over 30 years, Commissioner Evans rose through the ranks culminating in his promotion to Civil Service Captain, the highest civil service position in the department. From 2009 until his appointment as Police Commissioner, he served as the Superintendent in charge of the Bureau of Field Services, where he was responsible for supervising the department's patrol force of 1,800 as well as overseeing the planning and security of all major events including parades and sporting events.

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

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

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

Chief of Environment, Energy and Open Space

Austin Blackmon was appointed Chief of Environment, Energy and Open Space in January 2015. Prior to his appointment, Mr. Blackmon was employed as Interim Head of Project Finance at the clean energy consulting firm, Terraverde Renewable Partners. The Chief of Environment, Energy and Open Space is responsible for environmental and energy policy. He oversees the Inspectional Services Department, the Environment Department, the Parks and Recreation Department, and the Boston Landmarks Commission. Mr. Blackmon also serves as the liaison to Boston's utility companies and the Boston Water and Sewer Commission ("BWSC"), and as a board member of the Massachusetts Water Resources Authority, the Boston Groundwater Trust, 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. The Chief of Housing and Neighborhood Development is responsible for housing policy. Ms. Dillon also serves as Director of the Department of Neighborhood Development which is responsible for business development, homeowner/homebuyer programs, housing development, surplus land and building management and disposition, certain City capital construction projects, and rental housing assistance to tenants and owners.

Chief of Health and Human Services

Felix G. Arroyo was appointed Chief of Health and Human Services in January 2014. Prior to his appointment, Chief Arroyo served as an At-Large member of the Boston City Council since 2009. Health and Human Services is responsible for providing human services and other support services for all of Boston's residents through its departments: Boston Public Health Commission, including the Emergency Shelter Commission and Emergency Medical Services, Boston Centers for Youth and Families, Youth Engagement & Employment, the Elderly Commission, Women's Advancement, the Veteran's Services Department, Fair Housing & Equity, the Commission for Persons with Disabilities, and the Office of New Bostonians. For additional information concerning the Boston Public Health Commission see "The City—Principal Government Services—Public Health" below.

Chief of Arts and Culture

Julie Burros was appointed Boston's Chief of Arts and Culture in December 2014. Prior to her appointment she was the Director of Cultural Planning at the City of Chicago Department of Cultural Affairs and Special Events for over 15 years. Ms. Burros is responsible for supporting and promoting the arts community in Boston, creating a cultural plan for the City, and will work with the Boston Public Library, the Arts Commission, and the Boston Cultural Council to bring the arts to the forefront of City life.

Chief of Streets

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

Principal Government Services

The following table shows the distribution of the City's fiscal 2016 appropriations by primary government functions and departments.

Purposes of City Appropriations—Fiscal 2016 ⁽¹⁾
(Budgetary Accounting Basis) ⁽²⁾
(\$ in thousands)

	Amount	Percent of Total Appropriations
General Government	\$ 88,321	3.1%
Public Safety	604,902	21.2
Public Works	108,934	3.8
Property and Development	36,489	1.3
Parks and Recreation	21,386	0.7
Library	34,093	1.2
Human Services	33,207	1.2
Schools	1,013,500	35.5
Boston Public Health Commission	73,950	2.6
Judgments and Claims	3,500	0.1
Employee Benefits	247,706	8.7
Current Period Retirement Contributions	188,749	6.6
Debt Requirements	163,970	5.7
State and District Assessments	<u>238,391</u>	<u>8.3</u>
Total	<u>\$2,857,098</u>	<u>100.0%</u>

(1) Represents the fiscal 2016 Budget amended by Mayoral Reallocations through February 29, 2016.

(2) See "Financial Operations—Summary and Comparison of Operating Results (Budgetary Basis)—Fiscal 2012 to 2015 Actual Results and Fiscal 2016 Budget" below for a definition of budgetary accounting basis.

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

A description of certain City principal governmental services follows:

Schools

The City's School Department provides both basic education and college preparatory curricula as well as specialized vocational educational programs. The school system enrolled approximately 56,000 students for the 2015-2016 school year, roughly 1% lower than the previous year. There are 125 schools in the Boston Public Schools, including: seven schools for early learners, 41 elementary schools (K-5), 32 elementary & middle schools (K-8), six middle schools (6-8), four middle & high schools (6-12), one K-12 school, 21 high schools (9-12), three exam schools (7-12), six special education schools, and four alternative (at-risk) schools and programs.

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

and other School Department personnel except for the positions of Community Superintendent, Chairman, Secretary, or Treasurer of the School Committee, and School Committee Administrative Assistants. The School Committee appoints these excepted positions.

Public Safety

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

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

The Fire Department maintains 40 facilities consisting of 34 neighborhood fire stations, one marine unit, a training academy, a fire prevention division, a fire alarm division, a headquarters, a maintenance division, a 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.

Public Health

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

Public Works

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

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

Other Services

The Boston Public Library system is made up of the Central Library in Copley Square, 24 branches throughout the City, a map center, business library, and a website filled with digital content and services. 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, 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⁾			
	2014	2015	2016
<i>City Funded:</i>			
Public Safety ⁽²⁾	4,541	4,529	4,456
Public Works.....	366	394	377
Other City Departments ⁽³⁾	2,696	2,678	2,650
Boston Public Health Commission	<u>762</u>	<u>770</u>	<u>777</u>
Subtotal	<u>8,365</u>	<u>8,371</u>	<u>8,260</u>
Schools.....	<u>8,664</u>	<u>8,789</u>	<u>8,746</u>
Total City Funded	<u>17,029</u>	<u>17,160</u>	<u>17,006</u>
<i>Grant Funded:</i>			
Schools	698	601	656
All Others	<u>277</u>	<u>282</u>	<u>370</u>
Total.....	<u>18,004</u>	<u>18,043</u>	<u>18,032</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 and starting in fiscal 2015 the Office of Emergency Management.

(3) Includes State-Boston Retirement System employees. Since the publication of the CAFR, the 2015 number for this category has been adjusted to decrease the total by 41 full-time equivalent employees.

Source: City of Boston Office of Budget Management.

Employee Relations

Under Massachusetts General Laws Chapter 150E, most municipal employees in the Commonwealth enjoy the right to join labor unions and bargain collectively over wages and other terms and conditions of employment. The Office of Labor Relations represents the Mayor and the City in all collective bargaining matters with all unions 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: 1) the Boston Police Patrolmen's Association; 2) the Boston Police Superior Officers Federation; 3) the Boston Police Detectives Benevolent Society; and 4) the Boston Police Detectives Benevolent Society, Superior Officers Unit. Firefighters and Fire Chiefs are divided into two bargaining units represented by a single union: the International Association of Firefighters Local 718.

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

The Boston Public Schools and the City of Boston maintain a contract with a private vendor to provide bus transportation for City of Boston students who require transportation. The personnel costs under this contract are passed through to the City and the City participates in the collective bargaining negotiations between the vendor and its employees. The contract has expired and is under negotiation.

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 Police Patrolmen's Association	Police	1,510	6/30/16
Boston Police Superior Officers Federation	Police	243	6/30/16
Boston Police Detectives Benevolent Society	Police	280	6/30/16
Superior Detective Benevolent Society	Police	141	6/30/16
Forensic Group	Police	25	9/30/16
School Traffic Supervisors Assoc.	Police	179	8/31/16
International Association of Firefighters, Local 718	Fire	1,533	6/30/17
Municipal Police Patrolmen's Association	Property & Construction Mgmt	53	6/30/16
Municipal Police Superior Officers Association	Property & Construction Mgmt	7	6/30/16
SEIU, Local 888 ⁽²⁾	Citywide	975	9/30/16
SENA, Locals 9158 and 9158E	Citywide	678	9/30/16
AFSCME C93 (Citywide & various locals)	Citywide	1,141	6/30/16
AFSCME Local 1526	Library	222	9/30/16
Professional Staff Association	Library	162	9/30/16
Park Rangers	Parks	10	6/30/16
Typographical Union	Police	2	9/30/16
OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	27	6/30/16
IBEW, Local 103	Inspectional Services	9	6/30/16
NCFO	Property & Construction Mgmt	5	6/30/16
Boston Teachers Union	School	8,165	8/31/16
BASAS (School Administrators & Supervisors)	School	255	8/31/16
Administrative Guild	School	290	8/31/16
Planning & Engineering	School	32	8/31/16
Boston School Police	School	55	8/31/16
School Police Superior Officers Assoc.	School	19	6/30/16
School Custodians Local 1952, Painters & Allied			
Trades District Council #35	School	511	8/31/16
Plant Administrators Association	School	12	8/31/16
School Bus Monitors UAW Local 8751	School	541	6/30/16
Lunch Hour Monitors Association	School	357	8/31/16
AFSCME C93, Local 230 Cafeteria Workers/Mgrs	School	447	8/31/16
AFSCME C93, Storekeepers & Deliverymen	School	5	8/31/16
		<u>17,891</u>	

(1) Number of members (not Full-Time Equivalents) as of January 1, 2016.

(2) SEIU also has a new bargaining unit within the Environment Department of 19 members not included in this table. An initial contract has not been agreed to at this time.

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

The City has settled with 27 civilian unions that cover City departments, not including the Public Health Commission and the School Department. The contracts will remain in effect until various dates in 2016. The civilian unions contain the same general wage pattern, roughly 12% over the six years. The City and the Boston Police Patrolmen's Association received an arbitration award which included an increase of approximately 25.4% over six years. The City subsequently reached voluntary agreements with police superior detectives. The City and the fire union also agreed to a contract increasing salaries by 18.8% over six years through fiscal 2017. The City and the Police Detectives Benevolent Society recently received an arbitration award which includes an increase of approximately 28.7% over six years through June 30, 2016. The City Council has approved the award and it will be funded with collective bargaining reserves.

FINANCIAL OPERATIONS

Budget Process

Operating Budget

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

The City Council may reduce or reject any item in the Mayor's budget but may not, except upon the recommendation of the Mayor, increase or add an item. The City, Boston Public Health Commission and School Department operating budgets for fiscal 2016 were approved by the City Council on June 24, 2015. See "Financial Operations—Fiscal 2016 Budget." After approval of the budget and until the property tax rate is officially determined in mid-December, the Mayor may submit to the City Council such supplementary appropriation requests as are deemed necessary, including supplemental amounts for the School Department and the Boston Public Health Commission. The Mayor may also submit to the City Council supplementary appropriation requests subsequent to the setting of the property tax rate provided that an available source of revenue is identified. Under certain circumstances, the Mayor may, by executive order, require expenditures to be limited to an amount less than the appropriated level.

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

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

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

Capital 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 2015, the Mayor released the fiscal 2016-2020 capital plan and initiated loan orders for City Council consideration. There is no statutory time frame for requesting or approving such orders. All fiscal 2016 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 2012 to 2015 Actual Results and Fiscal 2016 Budget

The following table shows the City's General Fund budget for fiscal 2016, together with budgetary actual results for fiscal 2012 through 2015. 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 drawn from accumulated prior year surpluses, while GAAP ignores these impacts from prior years. "Budgetary" records encumbrances and continuing appropriations as the equivalent of expenditures but has no effect on GAAP expenditures. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures.

Summary and Comparison of Operating Results
Fiscal 2012 to 2015 Actual Results and Fiscal 2016 Budget
General Fund—Budgetary Basis
(\$ in millions)*

	Fiscal 2012 Actual Results	Fiscal 2013 Actual Results	Fiscal 2014 Actual Results	Fiscal 2015 Actual Results	Fiscal 2016 Budget ⁽¹⁾
Revenues:					
Recurring Revenue:					
Property Taxes	\$ 1,615.9	\$ 1,684.4	\$ 1,779.8	\$ 1,875.1	\$ 1,961.5
Overlay Reserve ⁽²⁾	(38.7)	(41.1)	(34.9)	(35.9)	(38.0)
Excises	155.5	174.4	187.2	192.6	179.4
Fines	64.7	59.8	59.9	60.7	60.4
Interest on Investments	1.0	0.2	0.1	0.1	0.1
Payments in Lieu of Taxes	36.0	42.6	43.4	49.4	44.1
Urban Redevelopment Chapter 121A	64.5	64.0	62.1	55.6	47.6
Misc. Department Revenue	64.5	62.0	64.9	64.7	54.6
Licenses and Permits	51.9	45.6	59.2	72.5	52.3
Penalties & Interest	8.6	9.3	10.4	13.1	9.9
Available Funds ⁽³⁾	—	—	—	19.0	21.5
State Aid	390.5	403.3	422.4	413.4	424.0
Total Recurring Revenue	\$ 2,414.4	\$ 2,504.3	\$ 2,654.4	\$ 2,780.4	\$ 2,817.1
Non-Recurring Revenues ⁽⁴⁾	—	—	—	—	40.0
Total Revenues	\$ 2,414.4	\$ 2,504.3	\$ 2,654.4	\$ 2,780.4	\$ 2,857.1
Expenditures:					
Total Departmental Expenditures					
City Departments	\$ 1,029.4	\$ 1,043.8	\$ 1,105.5	\$ 1,139.5	\$ 1,139.9
Boston Public Health Commission	72.9	67.0	66.8	73.8	74.0
School Department	831.3	881.2	937.9	974.9	1,013.5
Collective Bargaining Reserve	16.0	21.0	5.6	10.8	2.1
OPEB Trust Fund ⁽⁵⁾	35.0	40.0	40.0	40.0	40.0
Total Department Expenditures	\$ 1,984.7	\$ 2,053.0	\$ 2,155.9	\$ 2,239.0	\$ 2,269.5
Fixed Costs					
Pensions ⁽⁶⁾	\$ 126.4	\$ 137.0	\$ 152.9	\$ 169.6	\$ 184.6
Debt Service ⁽⁷⁾	130.2	129.1	137.7	147.9	164.5
State Assessments	156.6	172.4	194.1	211.7	234.5
Suffolk County Sheriff	3.9	3.9	3.9	3.9	3.9
Reserve	0.6	0.7	0.4	0.9	0.2
Total Fixed Costs	\$ 417.8	\$ 443.1	\$ 489.0	\$ 534.1	\$ 587.6
Total Expenditures	\$ 2,402.4	\$ 2,496.1	\$ 2,644.9	\$ 2,773.1	\$ 2,857.1
Excess of Revenues Over Expenditures	\$ 12.0	\$ 8.2	\$ 9.5	\$ 7.4	\$ —

* 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 17, 2015 plus any supplemental appropriations or transfers since 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 2016, the City has reserved 2.0% of the net levy for abatements.
- (3) Available Funds is comprised of appropriations from the Parking Meter Fund and the Cemetery Trust Fund. Appropriations from these funds are restricted to specific uses.
- (4) Non-recurring revenue represents the use of available Budgetary Fund Balance of \$40 million in 2016.
- (5) The City's appropriation to the OPEB Trust Fund is currently not a mandatory obligation and therefore, should not be considered a "recurring expenditure."
- (6) Excludes noncontributory pensions and annuities that are included in departmental expenditures. Such amounts equaled \$4.1 million in fiscal years 2012 – 2013, \$164 thousand in fiscal 2014 and \$3.4 million in fiscal 2015. In addition, the Boston Public Health Commission's funding supports the general fund portion of their pension obligation. Such amounts equaled \$13.0 million in fiscal 2012, \$15.2 million in fiscal 2013, \$14.7 million in fiscal 2014, \$15.0 million in fiscal 2015 and \$16.2 million is budgeted in fiscal 2016.
- (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 2013-2016 See "City Indebtedness-Debt Service Requirements."

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

Fiscal 2012-2014 Actual Results

During the fiscal 2012 to 2014 period, the City continued its pattern of the past two decades and produced budget surpluses. These years followed the period of structural budget deficits between fiscal 2009 and fiscal 2011. Rapid declines from peaks in local revenue (fiscal 2008) and state aid (fiscal 2009),

led to the overall decline in revenue that when combined with increased departmental and mandatory fixed costs, led to a structural deficit that peaked at approximately \$22 million, or 1.0% of total general fund operating expenditures in fiscal 2010. The City responded to this deficit with a mix of tools that included expanding the revenue base, slowing the growth of departmental expenditures, and the use of reserves.

The local revenue base expanded with the adoption of a new local option tax on restaurant meals and an increase in the existing local option room occupancy tax. Both were implemented in October 2009 with fiscal 2011 representing the first full year of such additional revenue collections. In total, the added levies generate nearly \$40 million in new annual revenue to the City. The City's property tax base expanded when several large properties moved from exempt to taxable status adding nearly \$15 million in additional property tax revenue in excess of the allowable levy growth.

In fiscal 2012, the City's expenditures totaled \$2.41 billion including direct expenditures for departmental services and Fixed Costs. Departmental Expenditures were \$1.98 billion and Fixed Costs were \$417.8 million.

In fiscal 2013, the City's expenditures totaled \$2.50 billion including direct expenditures for departmental services and Fixed Costs, representing an increase of \$93.7 million or 3.9% over fiscal 2012. Departmental Expenditures grew by \$68.3 million, or 3.5% from fiscal 2012 with the next round collective bargaining wage increases included in departmental budgets or in the reserve for collective bargaining. Fixed Costs grew by \$25.3 million, or 6.0% with growth in Pension and State Assessment costs.

In fiscal 2014, the City's expenditures totaled \$2.65 billion including direct expenditures for departmental services and Fixed Costs, representing an increase of \$148.8 million or 6.0% over fiscal 2013. Departmental Expenditures grew by \$102.9 million, or 5.0% from fiscal 2013 with the continued settlement of collective bargaining agreements. In addition, in September 2013 the City and the Boston Police Patrolman's Association received an arbitrator's award that required an increase to City appropriations. Fixed Costs grew by \$45.9 million, or 10.4% with growth in Pension, Debt Service and State Assessment costs.

Fiscal 2015 Actual Results

The following is a summary of the City's fiscal 2015 actual results on a budgetary accounting basis.

Expenditures

In fiscal 2015, the City's expenditures totaled \$2.77 billion including direct expenditures for departmental services and Fixed Costs, which increased \$128.2 million or 4.8% from fiscal 2014 expenditures. Fiscal 2015 actual expenditures compare with actual fiscal 2014 expenditures as follows: City Departments increased \$33.9 million or 3.1%; the Public Health Commission increased \$7.0 million or 10.6%; the School Department increased \$37 million or 3.9%; the Collective Bargaining Reserve increased \$5.2 million or 92.9% and the appropriation to the Other Post Employment Benefit ("OPEB") Trust Fund remained level at \$40.0 million. Actual Fixed Costs for fiscal 2015 compare with actual fiscal 2014 Fixed Costs as follows: Pensions increased \$16.7 million or 10.9%; Debt Service increased \$10.3 million or 7.4%; State Assessments increased \$17.6 million or 9.1%; and Suffolk County Sheriff was level with the prior year.

Within the category of City Departments, items to note are the Police and Fire appropriation deficits totaling \$24.2 million which were offset by a revenue surplus. These deficits are mainly the result of higher than budgeted overtime expenses. Fiscal 2015 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 as well as a Snow Removal deficit totaling \$19.9 million with snow costs higher than estimated in the budget due to unprecedented snowfall. The City received \$4.1 million from Federal Emergency Management Agency for costs incurred related to the January 26 – 28, 2015 blizzard, \$2.9 million of this reimbursement reduced the deficit for the City's snow removal budget and the remaining amount reimbursed costs incurred in other departmental budgets. The increase in the Collective Bargaining Reserve reflects the estimated costs of outstanding union contracts particularly the Boston Police Detectives Benevolent Society. The Emergency Medical Services collective bargaining agreement that settled in fiscal 2015 was fully funded from the Collective Bargaining Reserve.

For more information on the impact of collective bargaining on employee benefits, see "Employee Benefits—Retirement Systems."

Revenues

Actual revenues for fiscal 2015 totaled \$2.78 billion, an increase from fiscal 2014 actual revenues of \$126.0 million or 4.7%. Selected fiscal 2015 actual revenues compare with fiscal 2014 actual revenues as

follows: The Gross Property Tax Levy (including new growth) increased \$95.3 million or 5.4%; Excises increased \$5.4 million or 2.9%; Fines increased by \$0.8 million or 1.3%; Interest on Investments increased \$4 thousand or 7.7%; voluntary Payment In Lieu of Taxes (“PILOT”) revenues increased \$6.0 million or 13.8%; Licenses and Permits increased by \$13.3 million or 22.5%; and State Aid decreased \$9.0 million or (-2.1%). Parking meter fund revenue was \$19.0 million in fiscal 2015. Other available funds of \$19.0 million were appropriated from the Parking Meter Fund and were recorded as revenue. No non-recurring revenue was utilized in 2014.

The increase in Excises was due to growth in Room Occupancy and Meals excises. The modest increase in Fines is due to increased compliance after several years of targeted fine rate increases. The increase in Licenses & Permits was due to increased building permit revenue and a timing issue related to Cable Television fees. The decrease in State Aid was due to decreases in reimbursements for charter school tuition. For more detailed information regarding State Aid, see “City Revenues—State Aid.”

In both fiscal 2014 and 2015, the City was able to fund the appropriation to the Other Post Employment Benefits (“OPEB”) Trust Fund using recurring revenue sources instead of Budgetary Fund Balance. Budgetary Fund Balance is available for appropriation only after certification of its value by the Massachusetts Department of Revenue.

Fiscal 2016 Budget

The following is a summary of expectations regarding the City’s fiscal 2016 budget on a budgetary accounting basis. The figures cited below are comparisons to fiscal 2015 actual figures.

Expenditures

In fiscal 2016, the City’s budgeted expenditures total \$2.86 billion including direct expenditures for departmental services and fixed expenses, representing an increase of \$84 million or 3.0% from fiscal 2015 actual expenditures. Budgeted fiscal 2016 departmental expenditures compare with fiscal 2015 expenditures as follows. City Departments increase \$0.4 million or 0.0%. Reserves were established in fiscal 2015 for projected legal liabilities, as well as an increased contribution to the City’s risk reserve, neither of which are included in the fiscal 2016 budget.

The BPHC’s modest expenditure increase of \$0.2 million or 0.2% reflect one-time expenses related to the emergency closure of the Long Island Bridge that will not carry forward into fiscal 2016.

The School Department expenditures increase \$38.6 million or 4.0% which reflects collective bargaining and annual step increases for teachers. The School Department continues to experience expenditure pressure particularly in the area of student transportation and has enacted several cost reduction measures in an effort to stay within its fiscal 2016 appropriation.

The Collective Bargaining Reserve decreases \$8.7 million or -80.5% which reflects estimated costs of outstanding union contracts.

The appropriation to the OPEB Trust Fund is level-funded at \$40.0 million. Budgeted fixed expenses for fiscal 2016 compare with fiscal 2015 actual expenditures as follows: Pensions increase \$15.0 million or 8.8%, Debt Service increases \$16.6 million or 11.2%; and State Assessments increase \$22.8 million or 10.8%.

The increase in budgeted pension costs is due to the regular increase provided by the pension funding schedule as approved by the state actuary. Pension expenses are mandated by the City’s pension funding schedule and are a legal obligation of the City. For more on Pensions, see “Employee Benefits—Retirement Systems,” below. State assessments are also mandatory; the amounts are determined by the Commonwealth. Most of the increase in State Assessments is for charter school tuition totaling \$21.1 million, followed by the assessment to the City for Massachusetts Bay Transportation Authority (“MBTA”) service.

Revenues

Budgeted revenues for fiscal 2016 are expected to total \$2.86 billion, an increase of \$77.0 million or 2.77% from fiscal 2015 actual revenues. Selected fiscal 2016 budgeted revenues compare with fiscal 2015 actual revenues as follows: The budgeted Gross Property Tax Levy (including new growth) increases \$86.4 million or 4.6%; Excises decrease \$13.2 million or -6.9%; Chapter 121A revenues decrease \$8.0 million or -14.4%; Misc. Department Revenues decrease by \$9.8 million or -15.2%; Licenses and Permits decrease \$20.2 million or -27.9%; State Aid increases by \$10.6 million or 2.6% and Non-Recurring Revenue increases by \$40 million or 100.0% to fund the OPEB Trust Fund. The City used recurring revenue to fund the OPEB Trust Fund in fiscal 2014 and 2015.

The growth in budgeted Property Tax is due to the allowable increase of the City's levy by 2½% and strong new growth that is excluded from the levy limit. New growth is \$47.5 million in FY16 – a solid level of growth and a marked improvement over FY13. The Property Tax, the City's largest source of revenue, has become increasingly important to the City's revenue growth given the recent fluctuations in state aid from the Commonwealth—the City's second largest single source of revenue, see “City Revenues—State Aid.” The City has always increased the Property Tax levy annually by the maximum amount allowed under statutory limits.

The decrease in budgeted Excises is largely due to conservative revenue estimates across all excise categories. The decrease in Misc. Department Revenue is due to the loss of some one-time revenues received in fiscal 2015. The decrease in Licenses & Permits is due to a conservative estimate of building permit revenue. The increase in State Aid is due to increases in the reimbursement for charter school tuition to Unrestricted General Government Aid. For more detailed information regarding State Aid, see “City Revenues—State Aid.”

It is expected that in fiscal 2016 the City of Boston will meet its revenue budget in the aggregate and will have sufficient revenue to support emergency spending for snow removal and other public safety costs.

Federal Sequestration

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

The City has issued general obligation bonds in the form of Build America Bonds (“BABs”), Qualified School Construction Bonds (“QSCBs”), and Recovery Zone Economic Development Bonds (“RZEDBs”) (collectively, the “Tax Benefited Bonds”), under the American Recovery and Reinvestment Act of 2009 (“ARRA”). Pursuant to ARRA, the City is entitled to receive cash subsidy payments from the federal government, provided the City makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the City to the federal government or its agencies. The City has issued approximately \$106.6 million aggregate principal amount of Tax Benefited Bonds.

The Internal Revenue Service, under the Budget Control Act of 2011, released notifications to the City on four occasions since March 2013, stating that such interest subsidy payments are affected by sequestration reduction rates for fiscal 2013 through 2016; the projected loss in cash subsidy payments through fiscal 2016 is approximately \$904.7 thousand. The City is obligated to make payments of principal and interest on the Tax Benefited Bonds whether or not it receives interest subsidy payments and is able to adjust for federal reductions under sequestration with available funding in debt service accounts. The City does not currently believe that any reduction of cash subsidy payments will have an adverse effect on its financial condition or its ability to pay debt service on its Tax Benefited Bonds. All subsidy payments are expected to be subject to sequestration reductions through federal fiscal 2024, the rates to be set from time to time.

Bid for 2024 Olympics

In January, 2015, the United States Olympic Committee (“USOC”) selected the City of Boston as the United States applicant city for the summer 2024 Olympic and Paralympic Games (the “2024 Olympics”). Following further review of the obligations expected of the City and further development of the overall plans for the 2024 Olympics, the Mayor of Boston informed the USOC in July 2015 that the City would not be willing to enter into an open-ended commitment to cover the costs of the 2024 Olympics. The USOC and Boston 2024 Partnership, Inc., the private entity that had been formed to support the effort, then jointly agreed to end the bid effort, and the City is no longer considered as the United States applicant for the 2024 Olympics.

Fiscal 2017 and 2018 Forecasts

At the publishing of the fiscal 2016 adopted budget, the City of Boston projected a \$6 million budget deficit in fiscal 2017 and a modest \$3 million surplus in fiscal 2018. This projected shortfall in fiscal 2017 was driven in large part by growth in fixed costs, which are expected to increase by approximately 8%. The Office of Budget Management (OBM) continues to project increasing Charter School tuition assessment, moderately growing debt service, and scheduled pension cost increases. Almost all of the City's collective bargaining agreements will expire in or shortly after fiscal 2016; any wage growth under new contracts would further increase the projected fiscal 2017 shortfall. The City will continue to evaluate its long term

financial condition and expects to develop a wage proposal for successor collective bargaining agreements that will be managed within that fiscal context.

With the forecasted fiscal 2017 deficit and the future possible collective bargaining increases, the City will take steps to reduce costs for fiscal 2017 and going forward. The City has given guidance to the Boston Public School Department that it can expect to see a \$13.5 million (1.3%) increase to its fiscal 2017 general fund appropriation that is provided by the City of Boston. This appropriation will likely increase when the next round of collective bargaining agreements are negotiated. The School Department has submitted a balanced budget proposal for fiscal 2017 to the School Committee for its review and adoption by the end of March, 2016.

The City will also continue to pursue opportunities to maximize federal health insurance revenue, increased state charter school reimbursement revenue, and achieve savings initiatives uncovered through departmental operational audits.

Financial Statements

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

The City's audited financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"). The accounts of the City are organized on the basis of funds. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses. For a discussion of the significant accounting policies employed in preparing the City's fiscal 2015 audited financial statements, see Note 2 of such audited financial statements, which are attached hereto as Exhibit I. The City's fiscal 2015 financial statements received an unmodified opinion.

GAAP accounting differs from the "statutory" accounting or "budgetary" accounting basis prescribed by the Bureau of Accounts of the Commonwealth, for the annual budget and property tax certification process. The major differences are explained in Note 4 of the fiscal 2015 audited financial statements, attached hereto as Exhibit I.

Attached hereto as Exhibit II are Schedules of Comparative Financial Statements for the fiscal years ended June 30, 2015, 2014, 2013, 2012, and 2011, 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 2011-2015

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 2011 through 2015, which were prepared in accordance with the GAAP basis of accounting by the City and audited by KPMG LLP, as independent auditor.

Summary of General Fund Statements of Revenues, Expenditures, Other Financing Sources and Changes in Fund Equity Fiscal Years 2011-2015 (GAAP Basis) (\$ in millions)*

	2011	2012	2013	2014	2015
Total revenues	\$2,288.1	\$2,521.8	\$2,669.6	\$2,780.0	\$2,916.5
Total expenditures	<u>2,459.9</u>	<u>2,468.9</u>	<u>2,584.4</u>	<u>2,745.7</u>	<u>2,856.2</u>
Excess (deficiencies) of revenues over (under) expenditures	(171.8)	52.9	85.2	34.3	60.3
Total other financing (uses) sources	<u>117.5</u>	<u>(16.1)</u>	<u>(23.6)</u>	<u>(1.5)</u>	<u>17.5</u>
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	<u>(54.3)</u>	<u>36.8</u>	<u>61.6</u>	<u>32.8</u>	<u>77.8</u>
Fund balance, beginning of year	<u>707.2</u>	<u>652.9</u>	<u>689.7</u>	<u>751.4</u>	<u>784.3</u>
Fund balance, end of year ⁽¹⁾	<u>\$ 652.9</u>	<u>\$ 689.7</u>	<u>\$ 751.4</u>	<u>\$ 784.3</u>	<u>\$ 862.2</u>

* Columns may not add due to rounding.

(1) The unassigned fund balances for the General Fund for fiscal 2011, 2012, 2013, 2014 and 2015 were \$551.0 million, \$511.8 million, \$533.1 million, \$533.0 million and \$633.9 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 2011 through fiscal 2015. 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 service requirements, retirement costs, employee benefits, state and district assessments, and the School Department. Reference is made to Exhibits I and II attached hereto for a detailed presentation of the City's financial operations.

Fiscal 2011

During fiscal 2011, General Fund revenue increased by 2.0% from fiscal 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 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 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 helped 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 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 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 2011.

Fiscal 2013

During fiscal 2013, General Fund revenue increased by 5.9% from fiscal 2012. The City's largest sources of revenues were property taxes, excise taxes and payment in lieu of taxes totaling \$1.98 billion or 73.8% of total revenue. Property taxes increased \$85.6 million, representing a positive change of 5.4% from fiscal 2012. Licenses and permits decreased by \$1.5 million or -3.1%. Departmental and other revenue increased by \$9.1 million or 11.7% since fiscal 2012.

Fiscal 2013 General Fund expenditures increased by \$115.5 million, or 4.6% from fiscal 2012. The City's largest expenditures were for schools (\$879.9 million), public safety (\$553.9 million), other employee benefits (\$232.9 million), retirement costs (\$235.1 million), and state and district assessments (\$176.3 million). Schools experienced an increase in expenditures of \$49.1 million (5.9%), while public safety saw a \$29.4 million increase (5.6%) in expenditures. Other employee benefits experienced a decrease of \$18.4 million (-7.3%), while state and district assessments increased \$15.8 million (9.8%). Retirement costs increased by \$14.7 million in 2013.

The General Fund's equity balance as of June 30, 2013 was \$751.4 million, an increase of \$61.7 million from fiscal 2012.

Fiscal 2014

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

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

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

Fiscal 2015

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

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

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

Cash Balances

The following table represents the end-of-month unaudited cash balances for the City's General Fund commencing with fiscal 2013 and ending with January of fiscal 2016, 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 2013-2016

	(\$ in thousands)			
	2013	2014	2015	2016
July.....	\$ 920,015	\$1,082,365	\$1,151,837	\$1,171,874
August.....	940,206	1,051,423	1,122,465	1,197,121
September.....	914,600	931,135	1,026,937	1,131,156
October.....	1,014,017	1,102,151	1,189,793	1,250,407
November.....	1,003,768	1,093,515	1,177,115	1,286,956
December.....	916,684	905,488	1,048,257	1,126,992
January.....	1,097,659	1,060,808	1,161,243	1,302,755
February.....	1,075,560	1,043,294	1,217,663	
March.....	1,020,415	1,047,666	1,076,085	
April.....	1,096,145	1,166,465	1,291,177	
May.....	1,088,052	1,159,733	1,290,568	
June.....	1,105,478	1,188,635	1,268,936	

Source: City of Boston Treasury Department.

Financial Administration

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

Revenue Collections

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

Debt Management

The 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, if any, 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. The City has no outstanding variable rate debt.

Financial Management

Financial management is supported through the use of the Boston Administrative Information Systems ("BAIS"). BAIS is an integrated financial and human capital management system that is designed to track and control daily activities and report the financial position of the City. BAIS performs the specialized functions of encumbrance control, budget control, position management, payroll allotment

reporting, fund accounting, and capital project and grant management. Real time edits prohibit excessive commitments and overspending, while on-line access to information, including monthly revenue and expenditure reports, allows department managers to evaluate directly the financial status of individual programs and the entire department. The utilization of these systems supports the rigorous monitoring and reporting requirements enforced by the City.

The City of Boston has consistently received unmodified opinions on the audit of its Basic Financial Statements and has been presented with a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its Comprehensive Annual Financial Report (“CAFR”) for 20 consecutive years. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable state and local legal requirements.

Investment Policy

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

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. Civilian workplace injuries are managed through the City’s Workers’ Compensation Program. Police and Fire Departments manage their uniformed injury programs under M.G.L. Chapter 42 Section 111F. These costs are budgeted and funded through the General Fund. Departments are charged for their share of costs in order to promote awareness and prevention efforts.

Health benefits for over 29,000 City employees and retirees are managed by the Health Benefits Program. Over 90% of the City’s share of health benefit costs are self-insured through internal service funds established in compliance with M.G.L Chapter 32B Section 3A. Actuarially determined reserves are maintained in the Funds to stabilize rate increases and protect against large claims or cost increases.

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

For unexpected large costs in all categories just described, the City maintains a catastrophic risk reserve, which had an available balance of \$30.8 million at the end of fiscal 2015.

Energy Management

The Chief of Environment, Energy and Open Space and Chief Financial Officer are charged with making decisions regarding the City’s procurement, use, and conservation of energy. In addition, the Chief of Environment, Energy and Open Space monitors the City’s progress in meeting the greenhouse gas reduction goals required by the City’s Climate Action Plan. The Municipal Energy Unit housed within the Environment, Energy and Open Space Cabinet works with City departments and the Office of Budget

Management to develop design standards and implement measures that enhance the energy efficiency of the City's new construction and capital improvement projects.

Over the past five years, the City has achieved operational savings through the conversion of street lights to newer fixtures using Light Emitting Diode (LED) technology. Starting in fiscal 2011, and initially taking advantage of funds from the American Recovery and Reinvestment Act (ARRA) as well as rebates from NSTAR, the street lights converted under this program in fiscal 2016 are expected to save the City \$1 million annually, in addition to the \$3 million projected annual savings from conversions completed in prior years.

In fiscal 2017, the City plans to make energy efficiency improvements to City buildings, under an initiative entitled "Renew Boston Trust". This initiative is not a trust in the traditional sense, but a program to bundle municipal energy efficiency renovation projects and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable in part with the financial savings that resulted from reduced energy consumption. The City expects to implement the program through contracts with Energy Service Companies (ESCOs) that will provide financial guarantees that the energy savings generated by the projects will be sufficient to cover anticipated debt service costs.

To better track and control energy use, the City is re-procuring a cloud-based Enterprise Energy Management System ("EEMS"). The current EEMS enables the City to monitor and report on the energy consumed by its 314 buildings and other fixed assets, and its vehicle fleet, and is used by the City to meet its public reporting obligation under the Building Energy Reporting and Disclosure Ordinance.

The City's electricity requirements have been met by third-party commodity supply contractors since March 2005. To date, the amounts the City has paid to its third-party electricity suppliers have been less than the amounts it would have paid if it had continued to accept default electric service from its local distribution company, Eversource, formerly known as 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 2016 equals \$1.96 billion, or 68.5% of City General Fund revenues of \$2.86 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 2016, 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 2016 equals \$1.96 billion. In fiscal 2016, the allowable 2.5% increase is \$46.7 million, and "new growth" is \$47.5 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 2012-2016 ⁽¹⁾
(\$ in thousands)

	2012	2013	2014	2015	2016
Total Assessed Valuation	\$88,500,410	\$92,199,272	\$99,832,813	\$110,736,862	\$128,047,081
Growth Levy Limit ⁽²⁾	1,614,744	1,683,779	1,778,952	1,867,957	1,962,274
Levy Ceiling ⁽³⁾	2,212,510	2,304,982	2,495,820	2,768,422	3,201,177
Tax Levy ⁽⁴⁾	1,614,029	1,683,681	1,778,801	1,867,767	1,961,477
Under Levy Ceiling	598,481	621,301	717,019	900,655	1,239,700

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

Source: City of Boston Assessing Department.

Revaluation

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 2015, the City concluded work on its 12th triennial revaluation for fiscal 2016, with an assessment date of January 1, 2015. For fiscal 2016, assessments were based on market activity leading up to the assessment date of January 1, 2015. Fiscal 2016 assessments reflected strong real estate market activity with assessed values in most neighborhoods having increased over the prior year. See “City Revenues—Property Taxation—Taxes by Use; Tax Rates.”

Certified Triennial Revaluations

Assessment Date	Real and Personal Property Value	Applicable Years
January 1, 2015	\$128.05 billion	fiscal 2016 through 2018
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

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, 2015. The fiscal 2016 tax rates were applied to the January 1, 2015 valuation to determine levy and tax liability for fiscal 2016.

Assessed Valuation of Taxable Real Property by Real Estate Classes, Assessment Dated January 1, 2015

Real Estate Classes	Land Area (Square feet)	Land Valuation	Building Valuation	Total Valuation
Apartments	34,933,805	\$2,378,747,896	\$5,222,362,903	\$7,601,110,799
Agricultural	1,439,267	86,000	241,800	327,800
Commercial	97,401,849	9,829,583,690	21,939,009,608	31,768,593,298
Commercial Condominium	11,711,312	794,200	3,192,205,200	3,192,999,400
Residential Condominium	62,759,800	2,146,100	33,548,290,439	33,550,436,539
Commercial Land	28,223,859	797,156,045	394,574,689	1,191,730,734
Condominium Main ⁽¹⁾	63,460,546	—	—	—
Condominium Parking	195,294	600	195,590,500	195,591,100
Industrial	19,943,748	407,922,062	365,619,330	773,541,392
Residential & Commercial	23,156,927	2,800,714,976	5,894,754,108	8,695,469,084
Residential Land	31,014,909	315,238,382	23,385,355	338,623,737
1-Family	156,913,880	5,435,442,308	9,845,947,446	15,281,389,754
2-Family	85,639,166	3,138,710,398	6,168,140,594	9,306,850,992
3-Family	52,433,801	2,545,598,881	5,592,302,490	8,137,901,371
4-Family (4-6 units)	9,379,170	853,520,783	1,771,520,593	2,625,041,376
TOTAL	678,607,333	\$28,505,662,321	\$94,153,945,055	\$122,659,607,376

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

Source: City of Boston Assessing Department.

Tax Rates, Fiscal 2012-2016 (per \$1,000 of assessed value)

Fiscal Year	Commercial, Industrial and Personal Property	Residential Property
2016	\$26.81	\$11.00
2015	29.52	12.11
2014	31.18	12.58
2013	31.96	13.14
2012	31.92	13.04

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 2016, qualifying residents who receive the residential exemption have their taxable assessed values reduced by \$178,325. 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 2012 through 2016.

Assessed Valuations—Fiscal Years 2012-2016⁽¹⁾ **(\$ in thousands)***

Fiscal Year	Value of Taxable Land	Value of Taxable Buildings	Total Value Taxable Land and Buildings	Value of Taxable Personal Property	Total Assessed Taxable Value
2016	\$28,505,662	\$94,153,945	\$122,659,607	\$5,387,473	\$128,047,081
2015	24,394,619	81,188,032	105,582,651	5,154,211	110,736,862
2014	22,152,403	72,728,426	94,880,829	4,951,983	99,832,813
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

* 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 2016 assessed values are as of January 1, 2015.

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 2016. Assessed valuations and fiscal 2016 taxes reflect the valuation of property as of January 1, 2015 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2016 ⁽¹⁾

Name	Personal Property Value ⁽²⁾	Real Property Value	Total Assessed Value	Fiscal 2016 Tax Liability
Boston Properties	\$ 5,169,690	\$ 3,137,904,001	\$ 3,143,073,691	\$ 83,755,482
NSTAR / Boston Edison Company	2,081,207,880	98,382,801	2,179,590,681	58,434,826
Blackstone Group Equity Office ⁽³⁾	474,640	1,508,340,000	1,508,814,640	40,451,320
Teachers Insurance and Annuity Association ⁽⁴⁾	238,610	1,154,620,500	1,154,859,110	30,961,773
Tishman Speyer Properties	1,281,120	1,082,006,000	1,083,287,120	29,042,928
Oxford Properties ⁽⁵⁾	–	923,451,500	923,451,500	24,757,735
MetLife Real Estate Investments ⁽⁶⁾	34,410	903,022,500	903,056,910	24,210,956
Fort Hill Associates	21,170	843,772,500	843,793,670	22,622,108
Synergy Investments ⁽⁷⁾	–	625,148,439	625,148,439	16,755,150
National Grid	586,770,000	27,434,500	614,204,500	16,466,823
Liberty Mutual	132,300	604,738,163	604,870,463	16,216,577
John Hancock Financial	657,640	623,500,000	624,157,640	15,983,160
UIDC of Massachusetts, Inc.	462,890	534,916,500	535,379,390	14,353,521
Senior Housing Properties Trust ⁽⁸⁾	–	522,862,500	522,862,500	14,017,944
Fortis Property Group	150,190	489,720,500	489,870,690	13,133,433
UBS Realty Advisors	–	464,234,000	464,234,000	12,446,114
Fallon Company / MA Mutual ⁽⁹⁾	160,940	435,833,900	435,994,840	10,660,495
Biomed Realty Trust	–	378,061,000	378,061,000	10,135,815
TOTAL	\$2,676,761,480	\$14,357,949,304	\$17,034,710,784	\$454,406,160

- (1) The Largest Taxpayers table includes entities with a fiscal 2016 tax liability greater than \$10 million. The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in a particular parcel.
- (2) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. There are three general types of personal property that are taxable: business and professional furnishings, machinery used in the conduct of business, and personal property of public utilities.
- (3) Blackstone Group Equity Office ("Blackstone") sold their interest in One Post Office Square to Morgan Stanley in August 2013; the tax adjustment associated with this transaction was reflected in fiscal 2015. Blackstone sold their interest in 1-3 Center Plaza to Shorenstein Properties in January 2014 and purchased 399 Boylston St from Shorenstein Properties in September 2014. Blackstone also sold their interest in 28 State St to Rockefeller Group Development in March 2014, sold their interest in 60 State St, 225 Franklin St, and 125 Summer St to Oxford Properties as well as their interest in 150 Federal St to CBRE in September 2014; the tax adjustment associated with these transactions are reflected in fiscal 2016. Blackstone sold their interest in 500 Boylston St and 222 Berkeley St to Oxford Properties in November 2015; the tax adjustment associated with these transactions will be reflected in fiscal 2017.
- (4) Teachers Insurance and Annuity Association purchased 40 Broad Street in May 2013; the taxes associated with this property were reflected in fiscal 2015.
- (5) Oxford Properties ("Oxford") purchased 60 State St, 225 Franklin St, and 125 Summer St from Blackstone Group Equity Office in September 2014; the tax adjustment associated with these transactions is reflected in fiscal 2016, increasing Oxford's total tax liability to an amount greater than \$10 million. Oxford sold 125 Summer St to Alony Hetz Properties & Investments Ltd. in December 2015 and purchased the properties located at 500 Boylston St and 222 Berkeley St from Blackstone Group Equity Office in November 2015; the tax adjustment associated with these transactions will be reflected in fiscal 2017.
- (6) Met Life Real Estate Investments ("MetLife") purchased 655 Atlantic Ave from Beacon Capital Partners, which was held under Dewey Square Tower Associates, in December 2013. The taxes associated with this property were reflected in fiscal 2015. In July 2014, MetLife purchased One Beacon St from Beacon Capital Partners; the tax adjustment associated with this transaction is reflected in fiscal 2016.
- (7) Synergy Investments ("Synergy"), as a result of several real estate purchases in 2014, increased their fiscal 2015 tax liability to an amount greater than \$10 million in fiscal 2015. These transactions included the purchase of 11 Beacon St from Beacon Street Holdings, and a joint venture agreement with DivcoWest on 71-87 Summer St. Synergy also purchased 10 Post Office Square and 55 Summer St in Fall 2014; the tax adjustment associated with these transactions is reflected in fiscal 2016. In 2015, Synergy sold their interest in 100 Franklin St to Clarion Partners (May) and 2 Oliver St to NTT Urban Development Corporation (July); the tax adjustment associated with these transactions will be reflected in fiscal 2017. In 2016, Synergy sold their interest in 100 N. Washington St, 115 Broad St, 184 High St, and 211 Congress St to Westbrook Partners (January); the tax adjustment associated with these transactions will be reflected in fiscal 2018.
- (8) Senior Housing Properties Trust ("SNH") purchased the Fallon Company's interest in 50 Northern Ave and 11 Fan Pier Blvd in May 2014; the tax adjustments associated with these transactions are reflected fiscal 2016, increasing SNH's total tax liability to an amount greater than \$10 million.
- (9) The Fallon Company sold their interest in 50 Northern Ave and 11 Fan Pier Blvd to Senior Housing Properties Trust in May 2014; the tax adjustments associated with these transactions are reflected in fiscal 2016.

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, 2015 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 2011 through 2015. 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 2011-2015 (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
2015	\$1,869.0	\$1,833.1	98.1%	\$1,865.6	99.8%	101.8%	\$1,853.6	99.2%	101.1%
2014	1,779.8	1,744.9	98.0	1,784.7	100.3	102.3	1,765.8	99.2	101.2
2013	1,684.4	1,643.4	97.6	1,677.0	99.6	102.0	1,669.1	99.1	101.6
2012	1,615.9	1,577.3	97.6	1,604.2	99.3	101.7	1,597.8	98.9	101.3
2011	1,541.1	1,503.8	97.6	1,531.8	99.4	101.9	1,523.5	98.9	101.3

(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 \$17.1 million, \$15.9 million and \$16.1 million, in fiscal 2013, 2014 and 2015, respectively.

Revenues from Chapter 121A Corporations

A local government in cooperation with its redevelopment authorities may suspend the imposition of real property taxes at normal levels on properties determined to be “blighted” in order to encourage redevelopment of such properties by special corporations organized under Chapter 121A (“Chapter 121A Corporations”). The City receives two principal sources of revenue from Chapter 121A Corporations. The first consists of 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.

Revenues received by the City from Chapter 121A Corporations for the last five 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*
2015	\$26,198	\$29,417	\$55,615
2014	31,634	30,423	62,058
2013	35,200	28,793	63,994
2012	37,579	26,918	64,497
2011 ⁽²⁾	33,808	36,497	70,305

* Rows may not add due to rounding.

- (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: City of Boston Office of Budget Management.

State Aid

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

The City experienced reductions in actual state aid revenue totaling \$102.9 million or -20.8% between fiscal 2008 and fiscal 2012. In fiscal 2013, the trend of declining state aid revenue ended with an increase of \$12.8 million or 3.3%. Fiscal 2014 state aid also grew, increasing by \$19.1 million or 4.7%. In fiscal 2015, state aid declined again by almost \$9 million due to the Commonwealth underfunding the charter school reimbursement account.

Distributions from the Commonwealth charter school reimbursement account are based on a formula to provide transitional dollars to municipalities when a student leaves a district school for a charter school, but this account is subject to appropriation. For the past two years the Commonwealth has underfunded the charter school reimbursement account, which has translated to \$12.2 million less in fiscal 2015 and \$16 million less in fiscal 2016 for Boston than full funding of the formula would have provided.

In fiscal 2016, state aid is budgeted to rise again by \$10.6 million over fiscal 2015. Adjusting for these changes, the total loss in state aid revenue between fiscal 2008 and fiscal 2016 (budgeted) amounts to \$69.3 million or -14%.

The State Treasurer is empowered to deduct “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. Charter Schools are public schools, open to all students that apply, that are funded by “tuition,” 100% of which is paid by the students’ home or “sending” school district. A 2010 increase in the legislatively imposed cap on charter school enrollments has caused this cost to grow rapidly. Under the 2010 legislation, the cap is scheduled to cease increasing in 2017 at which point, Boston’s charter student assessment will be capped at 18% of net school spending. In 2016, the state legislature is reviewing various proposals to lift the cap, and advocates have filed a question on the November ballot initiative. The proposals to lift the cap vary in the projected impact to the City of Boston’s charter assessment, and City officials are tracking this debate closely and advocating for legislative options that are more manageable for the City’s budget to accommodate.

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

“Net state aid” or, total state aid net of “assessments”, has declined more than state aid revenue due to the rapidly increasing assessment for charter school tuition mentioned above. Between fiscal 2008 and fiscal 2015, net state aid declined by \$163.8 million or (44.7%). State Assessments are expected to increase to \$234.5 million in fiscal 2016, compared to \$211.7 million in fiscal 2015, \$194.1 million in fiscal 2014, and \$172.4 million in fiscal 2013.

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.

State School Building Assistance

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

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the MSBA based on the approved project cost and reimbursement rate applicable under the prior law. As of March 1, 2016, the City expects to receive \$27.2 million in grant payments to offset its outstanding debt service on school projects approved for grants under the prior law at a reimbursement rate of 90% of approved project costs. The MSBA has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the City to finance such projects.

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. The City has received approximately \$40.7 million in Commonwealth support for the project.

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, three City school projects are in the MSBA’s Core Program which can include extensive repairs, renovations, addition/renovations, and new school construction. Projects go through several development stages including feasibility studies, design development, construction, and project closeout. The early stages assist the MSBA with managing its financial resources by identifying whether a School District is ready to manage and fund a capital project. It helps determine a District’s financial and community readiness to enter the capital pipeline. 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 a project funding agreement after careful analysis and the development of architectural and engineering documents. In 2014, the City entered into a Project Funding Agreement for the construction of a new school in Roxbury. The City expects to receive a grant totaling 75.34% of eligible project costs. Two other projects are in the feasibility study and design stage.

Seven City schools are in the MSBA’s Accelerated Repair Program (ARP). The ARP funds boiler, roof and window/doors replacement projects with a focus on the preservation of existing assets through energy-efficient and cost-saving upgrades, which will result in direct operational savings for school districts. All seven City projects involve window and exterior door replacements. The projects are currently in design.

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 2012 to 2015 Actual Results and Fiscal 2016 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

As is its option under state law approved in 1985, the City imposed a 4.0% local room occupancy excise upon the transfer of occupancy of any room in a hotel, lodging house or motel. The Commonwealth granted authority to municipalities in 2009 to increase the local option room occupancy excise up to 6.0%. The City increased the local option room occupancy excise to 6.0%, effective October 1, 2009. The Massachusetts Department of Revenue is responsible for collecting and remitting local option room occupancy excise receipts to the City in arrears. The City’s room occupancy excise receipts totaled \$66.1 million, \$71.1 million, and \$83.5 million in fiscal 2013, 2014 and 2015, respectively.

Aircraft Fuel Excise

The City also assesses an aircraft fuel excise upon the sale of jet fuel. The Commonwealth collects this tax and distributes it to the City. The City’s aircraft fuel excise receipts totaled \$36.6 million, \$37.1 million, and \$29.7 million in fiscal 2013, 2014 and 2015, respectively. (Note, a late payment for aircraft fuel excise in the amount of \$7.6 million was deposited in fiscal 2016 rather than fiscal 2015.)

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 \$47.1 million, \$53.0 million, and \$52.9 million in fiscal 2013, 2014 and 2015, respectively.

Meals Excise

The Commonwealth granted the option to municipalities in 2009 to levy a 0.75% excise on locally sold prepared food and beverages. The Massachusetts Department of Revenue is responsible for collecting and remitting meals excise receipts to the City. The City’s annual meals excise receipts totaled \$22.9 million, \$24.3 million, and \$25.9 million in fiscal 2013, 2014 and 2015, respectively.

Vehicular Rental Surcharge

The Commonwealth imposes a \$10 surcharge on each vehicular rental transaction contract in the City. The City’s annual share of vehicular rental surcharges totaled \$1.4 million, \$1.1 million, and \$0.3 million in fiscal 2013, 2014 and 2015 respectively. Beginning in fiscal 2013, this revenue source is deposited 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 fines, fees, charges and reimbursements.

Parking Fines

The City’s annual parking fine receipts totaled \$56.3 million, \$56.5 million, and \$57.1 million in fiscal 2013, 2014, and 2015, respectively.

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 \$29.2 million, \$40.1 million, and \$51.7 million in fiscal 2013, 2014, and 2015, respectively.

Municipal Medicaid Reimbursement

The Office of Budget Management oversees a vendor contract to collect federal reimbursements for Medicaid eligible services provided through the Boston Public Schools. The City’s annual municipal Medicaid reimbursement revenue totaled \$7.4 million, \$6.2 million, and \$7.1 million in fiscal 2013, 2014, and 2015, respectively.

Other Available Revenues

Under state law, proceeds of the sale of City facilities must be applied to the Surplus Property Disposition Fund to be used to finance capital projects, unless the City Council, with the approval of the Mayor, votes to credit to the General Fund the difference between the sale proceeds and the amount of debt (both principal and interest) incurred in acquiring or improving the sold facility. As of June 30, 2015, there was \$15.3 million remaining in the Surplus Property Disposition Fund.

Grants

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

Federal Grants

Some major sources of federal grant funds in fiscal 2015 included: a Community Development Block Grant (“CDBG”) Entitlement Program award of \$16.4 million; a Home Investment Partnership Program (“HOME”) award of \$4.5 million; a Housing Opportunities for Persons with AIDS Program (“HOPWA”) award of \$2.2 million and an Emergency Services Grant award of \$1.4 million. The Department of Neighborhood Development received an additional \$21.7 million in federal competitive grants.

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 \$31.6 million; Special Education Entitlement Grant awards of \$16.1 million; School Lunch Program and Summer Food Program awards of \$39.9 million; and Title II teacher quality award of \$5.8 million. The Boston Public Schools were also awarded \$16.3 million from a variety of other federal grant sources during the 2015 fiscal year. Total federal aid to Boston Public Schools in fiscal 2015 was \$109.7 million compared to \$125.4 million fiscal 2014.

State Grants

In addition to State Aid, the City also received state grants. In fiscal 2015, the Boston Police Department received Community Services grant awards that totaled \$5.7 million from the Massachusetts Executive Office of Public Safety and Security.

Boston Public Schools were awarded approximately \$6.6 million for early childhood, elementary and secondary, and adult education. In addition, the state paid \$15.0 million in Special Education Reimbursement to the Boston School Department.

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, 2015, the City had outstanding approximately \$1.22 billion of general obligation long-term bonds, all of which bear fixed rates of interest. On March 1, 2016, the City had approximately \$1.19 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 2015 equals \$110.81 billion. Based on the current equalized valuation, the City's debt limit equals approximately \$5.54 billion, and its double debt limit equals \$11.08 billion as of March 1, 2016.

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, 2015, the City had outstanding debt of \$1.08 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$689.3 million. As of March 1, 2016, the City had outstanding debt of \$1.05 billion subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$836.6 million. Based on the City's current debt limit of \$5.54 billion, the City had the capacity to authorize an additional \$3.66 billion of debt as of March 1, 2016.

Debt Incurring Capacity As of March 1, 2016

	<u>Debt Limit</u>
Normal Debt Limit as of June 30, 2015	\$5,540,530,465
Debt Outstanding as of June 30, 2015	(1,082,910,326)
Debt Authorized but Unissued as of June 30, 2015	<u>(689,264,960)</u>
Available Debt Incurring Capacity under the Debt Limit as of June 30, 2015.....	<u>\$3,768,355,179</u>
Authorization Adjustments approved through March 1, 2016.....	(1,938,458)
New Authorizations approved through March 1, 2016	(145,442,180)
Principal paid through March 1, 2016.....	<u>37,372,752</u>
Available Debt Incurring Capacity under the Debt Limit as of March 1, 2016	<u>\$3,658,347,292</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 March 1, 2016, the City had a total of \$1.19

billion in long-term debt outstanding, of which \$143.0 million was exempt from the debt limit. As of that date the City also had \$80.0 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, 2015 and March 1, 2016***

	<u>Authorized/ Unissued 6/30/15</u>	<u>New Authorizations and Adjustments 7/1/15 to 3/1/16</u>	<u>Authorized/ Unissued 3/1/16</u>
“Within” Debt Limit	\$689,264,960	\$147,380,638	\$836,645,598
“Outside” Debt Limit	<u>81,985,936</u>	<u>(1,938,458)</u>	<u>80,047,478</u>
TOTAL:	<u>\$771,250,896</u>	<u>\$145,442,180</u>	<u>\$916,693,076</u>

* Some columns may not add due to rounding.

Source: City of Boston Office of Budget Management.

Debt Statement

The following table sets forth the City’s outstanding general obligation debt as of March 1, 2016.

**Debt Statement as of March 1, 2016
General Obligation Debt ***

Purpose for Which Issued	Principal Outstanding as of 6/30/15	Issued in Fiscal 2016 as of 3/1/16	Retired in Fiscal 2016 as of 3/1/16	Principal Outstanding as of 3/1/16	Deemed Payable from Related Revenues ⁽¹⁾	Net Principal Amount
General Purpose	\$ 979,917,060	\$ —	\$(34,261,298)	\$ 945,655,762	\$ (791,591)	\$ 944,864,171
MCWT.....	4,065,000	15,365,268	(765,000)	18,665,268	(407,236)	18,258,032
Economic Development	5,998,282	—	(134,447)	5,863,836	—	5,863,836
State Urban Development						
Relocation.....	8,138,300	—	(680,091)	7,458,209	—	7,458,209
Schools	40,521,986	—	(3,630,293)	36,891,694	(27,643,763)	9,247,930
Public Buildings	27,081,749	—	(3,312,338)	23,769,411	(14,023,081)	9,746,331
Public Works	157,558,196	—	(7,688,762)	149,869,434	—	149,869,434
Cemeteries	<u>389,426</u>	<u>—</u>	<u>(37,772)</u>	<u>351,655</u>	<u>—</u>	<u>351,655</u>
TOTAL.....	<u>\$ 1,223,670,000</u>	<u>\$15,365,268</u>	<u>\$(50,510,000)</u>	<u>\$1,188,525,268</u>	<u>\$(42,865,671)</u>	<u>\$ 1,145,659,597</u>

* Columns may not add due to rounding.

- (1) Includes revenues related to, or derived from facilities for which the debt was incurred. Such revenues include:
- Receipts from the Boston Public Health Commission for debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals, and from the Fund for Parks and Recreation and rental income from a City-owned building at 1010 Massachusetts Avenue;
 - Debt service subsidies on City debt issued to the MCWT; and
 - Grants from the MSBA for school construction projects.
- Source: City of Boston Auditing Department.

Debt Service Requirements

The following table sets forth the City's debt service requirements for general obligation debt for each fiscal year 2013 through 2016. The debt service requirements table shows the gross Debt Service Requirements, offset by revenues received from related sources.

Debt Service Requirements—Fiscal 2013-2016 *

Gross Debt Service Requirements Bonded Debt:	2013	2014	2015	2016 (Projected)
Principal.....	\$ 100,135,000	\$ 104,395,000	\$107,660,000	\$110,590,000
Interest.....	45,344,143	49,006,032	51,231,061	55,497,598
Total	<u>145,479,143</u>	<u>153,401,032</u>	<u>158,891,061</u>	<u>166,087,598</u>
<u>Less Revenue Deemed Available From Related Sources: ⁽¹⁾</u>				
Boston Medical Center and Public Health Commission	527,203	211,478	182,393	—
Fund for Parks & Recreation/Irrigation Project	223,246	214,915	206,501	199,023
1010 Massachusetts Ave Project	1,856,743	1,886,304	2,285,656	2,265,029
Interest on Loans to BOA Fund and BOA Dudley Fund.....	—	—	146,665	—
Pension Management System.....	2,693,959	1,858,098	1,858,297	1,904,612
Room Occupancy Excise Fund	3,298,625	3,300,375	—	—
Premium and Subsidies.....	9,763,714	10,322,202	8,520,909	3,651,497
<u>Plus Interest On Temporary Loan Notes and Additional Items:</u>				
Revenue Anticipation	—	—	—	3,000,000
Cost of Issuance	47,228	138,509	113,905	500,000
QSCB of 11/09 Sinking Fund	1,454,545	1,454,545	1,454,545	1,454,545
Dudley Square Site/Sec. 108	505,000	505,000	505,000	505,000
COB Lease Payment – Bolling Municipal Building.....	—	—	128,835	943,000
Total Debt Service/Budget Summary	<u>\$129,122,426</u>	<u>\$137,705,714</u>	<u>\$147,892,926</u>	<u>\$164,469,983</u>
<u>Additional Adjustments:</u>				
Less:				
School Construction Assistance ⁽¹⁾	8,784,815	8,474,584	8,175,513	7,344,337
Total Net Debt Service Requirements	<u>\$120,337,611</u>	<u>\$129,231,130</u>	<u>\$139,717,413</u>	<u>\$157,125,646</u>

* Columns may not add due to rounding.

- (1) Includes revenues related to, or derived from facilities for which the debt was incurred. Such revenues include: receipts from the Boston Public Health Commission for debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals; the Fund for Parks and Recreation; rental income from a City-owned building at 1010 Massachusetts Avenue; the Retirement Board; Debt Service Subsidies relative to prior City issuances; and grants from the MSBA for school construction projects.

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

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

Certain Debt Ratios

The following table sets forth information as of March 1, 2016 with respect to the approximate ratio of the City's long-term general obligation debt to certain economic factors.

Debt Ratios As of March 1, 2016

	Amount	Per Capita ⁽¹⁾	Ratio to Assessed Property Value ⁽²⁾	Debt Per Capita as a % of Personal Income Per Capita ⁽³⁾
Gross General Obligation Long-Term Debt	\$1,188,525,268	\$1,811.64	0.93%	2.88%
Net General Obligation Long-Term Debt ⁽⁴⁾	1,145,659,597	1,746.30	0.89%	2.78%

(1) U.S. Census Bureau as of January 2016—Boston's Estimated 2014 Population equaled 656,051.

(2) Assessed Property Value equaled \$128.05 billion as of January 1, 2015. 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, 2015, Revised Series—Suffolk County's 2014 Per Capita Personal Income = \$62,811.

(4) As represented in "Debt Statement as of March 1, 2016."

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 2013 - 2015 (\$ in thousands)

	2013	2014	2015
Outstanding General Obligation Debt	\$1,150,060	\$1,198,665	\$1,223,670
Authorized But Unissued Debt, Budgetary Basis.....	<u>\$607,927</u>	<u>\$631,690</u>	<u>\$771,251</u>
Debt Service, Budgetary Basis	\$129,122	\$137,706	\$147,893
Debt Service as a % of Total General Fund Revenues, and Other Available Funds, Budgetary Basis.....	5.2%	5.2%	5.3%
Debt Service as a % of Total General Fund Expenditures, Budgetary Basis	5.2%	5.2%	5.3%
Debt Service as a % of Total Net Tax Levy, Budgetary Basis	7.9%	7.9%	8.1%
Bonds Issued:			
General Obligation – New Money	\$173,720	\$153,000	\$140,000
General Obligation – Refunding Bonds	<u>24,380</u>	<u>—</u>	<u>126,735</u>
Total Bonds Issued	<u>\$198,100</u>	<u>\$153,000</u>	<u>\$266,735</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 March 1, 2016, 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 (“BWSC”) is an independent body politic and corporate and a political subdivision of the Commonwealth created in July 1977. The BWSC, among its other powers, is authorized to operate and maintain the water and sewer systems of the City, construct improvements to the systems, collect user charges for its services, and finance its activities and its borrowing through its revenues. The City is not obligated on debt issued by the BWSC. The BWSC’s user charges, as required by statute, are designed to produce revenues to the BWSC sufficient to pay all of its current operating 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 BPHC is responsible for the implementation of public health programs in the City and serves as the board of health of the City. In addition to its other powers, the BPHC is authorized by its enabling act, with the approval of the City Council and the Mayor, to borrow money for any of its corporate purposes from the City or from the Massachusetts Health and Educational Facilities Authority. Debt of the BPHC is not a debt or other obligation of the City. The BPHC has no debt currently outstanding.

The BPHC is also obligated to reimburse the City for debt service paid on all outstanding general obligation bonds of the City issued for public health and hospital purposes, which was paid in full in fiscal 2015. The BPHC has required, and can be expected to continue to require, substantial financial support from the City to maintain its public health mission and programs, including satisfaction of its obligations described above.

Other Agencies and Corporations

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

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

Major Contractual Obligations

In addition to its debt obligations, the City has substantial contractual obligations. Included in this category are the City’s obligation for pension benefit payments to its contributory retirement system for City employees and other post-employment benefits which 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 (see “City Indebtedness—Special Obligation Debt” and “Debt of Agencies Related to the City—Boston Public Health Commission” above). The City has also executed several equipment lease agreements in order to finance the acquisition of departmental equipment. As of March 1, 2016, the amount outstanding under the lease agreements equals \$71.5 million. Lease payments are subject to annual appropriation and are not included in the City’s debt limit.

The City has also entered into three transactions under the Commonwealth’s Infrastructure Investment Incentive (“I-Cubed”) program. See Note 16 to the City’s audited financial statements for the fiscal year ended June 30, 2015, which are attached as Exhibit I to this Appendix A, for information regarding this program and the City’s contingent obligations under it.

Capital Planning and Borrowing Program

Capital Planning Process

The capital planning process coincides with the annual budget cycle and provides an opportunity for City departments to identify their facility, equipment, infrastructure, technology and planning needs in a systematic manner and to forward their proposals to the Office of Budget Management (“OBM”) for funding consideration. The first phase concludes with the release of an updated five-year capital plan published as part of the City’s annual budget document. The process allows for a continuing reassessment of capital needs. On April 8, 2015, the Mayor submitted his fiscal 2016 budget to the City Council and filed \$152.7 million in new capital authorizations which were subsequently approved by the City Council.

Capital Funding Plan

The City funds its capital plan primarily through general obligation bonds 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 2016-2020 capital plan proposes long-term investments over the next five years. In all, \$1.9 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 2016-2020 capital plan includes projects that improve the physical condition of schools, parks, community centers, libraries, public safety facilities and equipment across the City. Major renovation work is underway on several school buildings. Significant investment in the City’s technology infrastructure and business applications include major upgrades to its human capital management system and Police Department radio system.

In December 2014, substantial completion was achieved in the construction of the Bruce C. Bolling Building—a 215,000-square-foot multi-story municipal office facility with street level retail and public

assembly space—which incorporates the facades of the historic Ferdinand Furniture Building and two other late 19th century buildings and serves as the new administrative headquarters for Boston Public Schools (“BPS”). The project represents the first major new construction of a 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 2015, 54.0 lane-miles of roads were reconstructed or resurfaced and 7.3 miles of bike lanes were added. The City continued replacing sodium vapor street lights with LED street lights with plans to continue to retrofit the City’s streetlights in fiscal 2016. 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 cost sharing multiple-employer qualified defined benefit governmental pension plan as defined by federal law and is governed by the provisions of Massachusetts General Law Chapter 32. The 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 2016, the City is providing such benefits to 78 pensioners; these benefits are funded on a pay-as-you-go basis with monthly pension payments of approximately \$329,000.

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

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

The following table reflects amounts expended or budgeted by the City for pension payments for fiscal 2012 through fiscal 2016. These numbers include contributions for both contributory and non-contributory members. The contributory numbers are primarily driven by amortization of the SBRS unfunded liability, which is on a schedule that targets reducing this liability to zero by fiscal 2025, 15 years earlier than the statutory deadline at the end of fiscal 2040.

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

Fiscal Year Ending June 30	SBRS Contributory System	Predecessor/ Noncontributory System	Net Pension Cost	Percentage of Total General Fund Expenditures
2016 Budgeted	\$184.6	\$4.2	\$188.8	6.5%
2015	169.6	3.4	173.0	6.1
2014	152.9	0.2	153.1	5.8
2013	137.0	4.1	141.1	5.5
2012	126.4	4.1	130.5	5.3

Source: City of Boston

The City's 2016 budgeted contribution of \$184.6 million includes \$175.6 million allocable to City employees, other than teachers, \$9.0 million allocable to the BWSC, of which approximately \$7.9 million will be reimbursed to the City for service accrued after BWSC became an independent commission, and \$0.3 million allocable to the BPHC. In addition, approximately \$16.2 million of the total \$74 million appropriation to the BPHC from the City's fiscal 2016 operating budget will be contributed by the BPHC to the SBRS.

The actuarial accrued liability of the SBRS exceeds the actuarial value of the assets of the SBRS as of the most recent valuation dated January 1, 2014. The following table summarizes the results of the last four actuarial valuations for SBRS—Excluding Teachers.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
January 1, 2014	\$3,989,922	\$5,682,673	\$1,692,751	70.2%	\$869,004	194.8%
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 is as of January 1, 2014 and is available at <http://www.cityofboston.gov/retirement/investment.asp>. The January 1, 2014 valuation assumes a long-term rate of return of 7.75% for SBRS—Excluding Teachers assets. The long-term rate of return assumption was lowered from 8.00% to 7.75% beginning with the January 1, 2012 valuation. The actuarial valuation of assets is determined annually by recognizing 20% of gains or losses, and to the extent necessary, by also recognizing any additional portion of gains or losses, which keeps the actuarial valuation of assets between 80% and 120% of market value. The net effect is a smoother trend of annual pension funding during volatile short-term periods of asset gains or losses. The following table shows the market and actuarial value of the plan's non-teacher assets.

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

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Value as Percentage of Market Value
January 1, 2014	\$4,044,721	\$3,989,922	98.6%
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, 2015, the estimated market value of assets not held for teacher benefit payments was approximately \$3.90 billion. This amount is an estimate based upon then current market values of certain assets held by the 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–Excluding Teachers is currently funded at 70.2%.

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 2004 through 2013, see Exhibit G in Section 4 of the January 1, 2014 actuarial valuation referenced above. The City is currently committed to a funding schedule for fiscal 2016, and 2017 that is based on the most recent actuarial valuation, incorporating asset and liability data as of January 1, 2014. The funding schedule is calculated in accordance with the entry age actuarial cost method and includes paying the current year’s present value of benefits earned during the year (“normal cost”) and an annual contribution toward eliminating the unfunded liability of the SBRS by 2025, 15 years ahead of the statutory deadline at the end of fiscal 2040.

Many variables are in play with each new valuation, and the actuary’s recommendations and consultation with the City are part of a careful planning process that precedes the SBRS final approval of the valuation and funding schedule. The 2014 actuarial valuation adjusted the mortality tables to better reflect longer life expectancies. Beginning in 2012, the SBRS lowered the investment long-term rate of return assumption from 8.0% to 7.75%. In the 2012 valuation, assumptions were adjusted to reflect 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.

The City currently expects to fully amortize the unfunded actuarial accrued liability by June 30, 2025. Chart 2-16 of the January 1, 2014 actuarial valuation sets forth the aggregate funding schedule from 2015 through 2025 for the SBRS, excluding teachers. The City’s contributions for the amortization of the unfunded liability are estimated to increase from \$184.6 million in fiscal 2016 to \$356.0 million in fiscal 2025. The City’s total employer contributions each year will also include the normal costs for each year. 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, 2014 valuation. In particular, the actual rates of return on assets for the years ended December 31, 2014 and 2015, estimated by the SBRS to be approximately 5.7% for 2014 and essentially flat for 2015, were substantially below the assumed rate of return currently in effect and this will cause a significant increase in the total annual contribution necessary to amortize fully the unfunded actuarial accrued liability by June 30, 2025, absent other offsetting factors. The City believes that its current pension funding schedule, with its conservative salary growth assumptions, is sufficient to absorb the long term impacts of collective bargaining awards. The funding schedule assumes a 4.5% salary growth assumption for general service employees, a 4.75% salary growth assumption for certain employees with hazardous occupations, and a 5.0% salary growth assumption for public safety officers. The City’s pension liability is reevaluated every two years and adjustments are made to the funding schedule, as needed.

In June 2012, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 68, which sets forth new standards that modifies the accounting and financial reporting of the City’s pension obligations. The new standard for governments that provide employee pension benefits requires the City to report in its statement of net position a net pension liability (“NPL”), defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the fiduciary net position of the Plan determined based on U.S. Generally Accepted Accounting Principles set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate based on tax-exempt 20-year AA or higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or

index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a “crossover date.”

The new GASB 68 standard was effective commencing with the City’s fiscal 2015. The Total Pension Liability (“TPL”) and plan’s fiduciary net position as of December 31, 2014 for the SBRS, including Teachers were approximately \$9.52 billion and \$5.67 billion, respectively, which results in a Net Pension Liability (“NPL”) of approximately \$3.85 billion as of December 31, 2014, as compared to an NPL of \$3.60 billion as of December 31, 2013. The portion of the SBRS NPL allocable to the City reported at June 30, 2015 is approximately \$1.42 billion, which amount includes the NPL associated with City employees, excluding Teachers, and certain retirees of the Suffolk County Sheriff Department. The SBRS did not experience a “crossover date” in connection with determination of the NPL and accordingly, the measurement of the City’s NPL for fiscal 2015 assumes a 7.75% discount rate which is the same as the expected rate of return of Plan investments for the SBRS, excluding Teachers. The annual money-weighted rate of return, net of investment expense for the SBRS for the year ended December 31, 2014 was 5.72%. The comparable rate of return for the year ended December 31, 2015 is not yet available, but the SBRS expects it to be essentially flat.

Implementation of GASB 68 also requires setting forth the sensitivity of the City’s net pension liability using an assumed discount rate that is one percentage point lower and one percentage point higher than the current rate. A 1% decrease would increase the City’s net pension liability to approximately \$1.96 billion and a 1% increase would lower it to approximately \$954 million.

As a result of the implementation of GASB 68, the net position of the governmental activities as of July 1, 2014 was restated by (\$1.31) billion, which resulted in a net deficit position as of June 30, 2014 of (\$708.3) million, as compared to a previously determined net surplus position as of June 30, 2014 of \$603.1 million.

While GASB 68 changes the way state and local governments report pension benefits in their financial statements it does not impact pension funding requirements or contribution amounts. To date, the City has contributed to the SBRS 100% of the amounts required to be so contributed, as determined in accordance with actuarial valuations and a funding schedule established pursuant to state law, which are approved by PERAC, and the City expects to continue to do so. As noted above, the City currently intends to fully fund its unfunded actuarial accrued liability by June 30, 2025.

In connection with the implementation of GASB 68, the SBRS prepared a document called “Schedules of Employer Allocations and Pension Amounts by Employers”, which were audited by Ernst & Young LLP, independent auditors for the SBRS. These schedules are based on financial information pertaining to the SBRS of December 31, 2014 and the January 1, 2014 actuarial valuation referenced above. The schedules are available at <http://www.cityofboston.gov/retirement/investment.asp>, along with the most recent actuarial valuation reports and audited financial statements of the SBRS. See also Note 11 to the City’s fiscal 2015 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 14,900 City (including teachers) and Boston Public Health Commission participating retirees and their beneficiaries.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, became effective June 30, 2007, and June 30, 2008, respectively. These statements require the City to account for and report the value of its future Other Post Employment Benefit (“OPEB”) obligations.

In compliance with these reporting requirements, the City obtains an independent actuarial valuation which is prepared every other fiscal year. In fiscal 2008, the City began voluntary annual appropriations to reduce its OPEB liability. Aggregate City appropriations since that time through fiscal 2015 total \$255 million. The City appropriated an additional \$40 million in fiscal 2016. Annual appropriations are retained in an irrevocable trust fund, which is authorized through the City’s acceptance of M.G.L. Chapter 32B section 20, and is established under a Trust Agreement between the City and the City’s Collector-Treasurer as trustee and custodian. A separate OPEB trust fund has also been established by the BPHC and \$9.250 million has been deposited through fiscal 2015. The BPHC deposited an additional \$2.25 million in fiscal 2016. 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, 2015 was \$369 million.

Trust Funds. The aggregate amount on deposit in the OPEB Trust Funds as of December 31, 2015 was \$369 million.

The most recent independent actuarial valuation of the City's OPEB obligations at June 30, 2015, estimated that the total OPEB unfunded actuarial accrued liability ("UAAL") of the City and the BPHC as of that date on account of then current retirees, beneficiaries, dependents and current active members was approximately \$2.26 billion, based on current funding policies. This represents an increase of \$121 million or 6% from the June 30, 2013 valuation. Of this amount, approximately \$2.16 billion is allocable to the City (including teachers) and \$97.6 million is allocable to the BPHC. The valuation, currently in draft form, is subject to change.

The increase in the UAAL was due to the net effect of a number of factors. The UAAL had been expected to increase by \$104 million due to normal plan operations. An actuarial gain decreased obligations by \$51 million while valuation assumption and plan changes increased obligations by \$68 million, including a decrease in the discount rate from 7.50% to 7.00% for the City. The BPHC discount rate was also decreased from 5.75% to 5.50%.

If the City and the BPHC were to fund the annual required contribution rather than the pay-as-you-go amounts described in the next paragraph, the required funding for fiscal 2016 would be \$172.0 million, of which \$68.7 million represents the normal cost and \$103.3 million represents amortization of the unfunded actuarial accrued liability.

The most recent valuation projects that the City and the BPHC (the funding for which is appropriated by the City to the BPHC as part of its overall departmental budget) will pay benefits (net of retiree contributions) on behalf of current retired employees of approximately \$112.2 million in fiscal 2016, on a pay-as-you-go basis (as compared to \$124 million in fiscal 2015). Along with the previously mentioned additional appropriation to the trust funds mentioned above from both the City and the BPHC totaling \$42.25 million in fiscal 2016, the City and the BPHC are projected to fund 90% of the annual required contribution in fiscal 2016.

The June 30, 2015 actuarial valuation projects pay-as-you-go benefit payments to increase to approximately \$481.2 million in fiscal 2043, as compared to an annual required contribution of \$290.7 million in fiscal 2043, assuming an annual additional appropriation of \$40 million through fiscal 2025 and \$100 million annually thereafter from the City, and an annual amount from the BPHC of \$2.25 million through 2043. When the obligations are fully funded, the City expects to continue to fund the normal cost into the trust fund and pay the projected benefits (net retiree contributions) on behalf of current retired employees from the trust fund. This is illustrative only of the currently expected funding schedule. The actual funding schedule will be different due to the actual circumstances that will occur and that will likely vary from the assumptions used in the June 30, 2015 valuation. In fiscal 2014, the City changed the manner in which the projected unit credit actuarial cost method was applied to estimate the OPEB liability. The City currently accrues OPEB benefits earned over the estimated working life of the employee (previously, benefits earned were accrued through the date of initial benefit eligibility). Such change was made to achieve greater comparability with other municipalities within the Commonwealth. The change in methodology was retroactively applied to past actuarial valuations to re-estimate the net OPEB obligation of the City and the BPHC. As a result of this revision, the unfunded actuarial accrued liability as of June 30, 2011 was restated from \$3.06 billion to \$2.60 billion.

Additional information regarding the City's OPEB obligations may be found in the "Actuarial Valuation & Review of Other Post Employment Benefits ("OPEB") as of June 30, 2015," available at <http://www.cityofboston.gov/administrationfinance> and Note 12 to the City's fiscal 2015 audited financial statement attached hereto as Exhibit I.

AVAILABILITY OF OTHER INFORMATION

The City's Auditing Department prepares a Comprehensive Annual Financial Report ("CAFR") with respect to each fiscal year ended June 30 which generally becomes available in December of the following fiscal year. The CAFR is presented in three sections: (1) an Introductory Section which includes general information about the City and summarizes financial activity for the fiscal year; (2) a Financial Section which includes the Independent Auditors' Report on the City's Basic Financial Statements for the fiscal year, Management's Discussion and Analysis, the Basic Financial Statements for the fiscal year and the Combining and Individual Fund Financial Statements and Schedules for the various funds of the City, including required supplemental information; and (3) a Statistical Section which includes financial data, debt computations, and a variety of demographic, economic and supplemental statistical information concerning the City. Specific reference is made to the City's CAFR for the year ended June 30, 2015, which is available from the City. A copy of the CAFR has been filed with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access System ("EMMA") and is also posted at the City's internet site at 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, Locke Lord LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0389.



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**REPORT OF CERTIFIED PUBLIC ACCOUNTS: AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

City of Boston
Massachusetts



***Basic Financial
Statements***

Fiscal Year Ended June 30, 2015

Martin J. Walsh, Mayor

David Sweeney, Chief Financial Officer & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, and the City's Permanent Funds, which represent 5.9% and .2% of the assets and revenues of the governmental activities, respectively, and 1.4% and .4% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the State-Boston Retirement System and the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 97.0% and 75.0% of the assets and revenues of the aggregate remaining fund information, respectively. Further, we did not audit the financial statements of the Boston Public Health Commission, Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 55.0% and 91.9% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of



accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 2n to the financial statements, in 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information related to the budgetary comparison for the City's General Fund. Such information does not include all of the information required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2014, from which such partial information was derived.

Required Supplementary Information

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
December 29, 2015

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, 2015. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses. The City's four discretely presented component units are the Boston Public Health Commission, the Boston 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 to cover a prior year deficit as an expenditure and any available funds raised from prior year surpluses as a revenue, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. Additional information and a reconciliation of "budgetary" to GAAP statements is provided in note 4 to the Financial Statements.

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

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

The City's fiduciary funds are the Employee Retirement Fund (the State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net position of the City employees' pension plan; the OPEB 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 OPEB Trust Fund, a schedule of the City's

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

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, 2013, estimated that the total OPEB unfunded actuarial accrued liability of the City decreased by \$433.1 million to \$2.05 billion. This decrease was largely as a result of changes to the discount rate based on the City's funding policy and a result of a change in the application of the Projected Unit Credit cost method to allocate benefits through an employee's expected retirement age.
- In fiscal year 2015, the City's contribution to the OPEB Trust Fund (\$162.1 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability and also met the annual required contribution (ARC) of \$158.4 million. In fiscal year 2016, the City has also appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.
- The City of Boston's net pension liability significantly impacts the Government-wide financial results. With the implementation of GASB Statement No. 68 in fiscal year 2015, the City is required to report its proportionate share of the State-Boston Retirement System collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. As a result of the implementation of GASB Statement No. 68, beginning net position of the governmental activities as July 1, 2014 was restated by \$(1.31) billion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Government-wide Highlights

Net Position – Primary Government – The total liabilities of the City exceeded its assets at fiscal year ended June 30, 2015 by \$630.6 million (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$1.18 billion.

Changes in Net Position – Primary Government – The City's total net position decreased by \$1.23 billion from the amount reported in fiscal year 2014, which includes a \$1.31 billion change in beginning net position related to the implementation of GASB Statement No. 68.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net deficit totaled \$(630.6) million at the end of 2015, compared to a net surplus of \$603.1 million reported at the end of the previous year.

The components of net position comprise the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding – this amount is \$503.0 million indicating that the net book value of the City's capital assets exceeds the amount of related capital debt outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's governmental activities net position, \$51.5 million, represents restricted net position, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. Unrestricted net position decreased \$1.27 billion from 2014.

Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2015	2014
ASSETS:		
Current assets.....	\$ 1,602,899	\$ 1,598,640
Capital assets.....	1,858,187	1,746,054
Other assets.....	102,677	129,984
Total assets.....	3,563,763	3,474,678
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources.....	114,209	6,435
LIABILITIES:		
Current liabilities.....	607,333	677,495
Noncurrent liabilities.....	3,699,361	2,198,451
Total liabilities.....	4,306,694	2,875,946
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources.....	1,834	2,039
NET POSITION:		
Net investment in capital assets.....	502,985	457,789
Restricted	51,446	62,701
Unrestricted.....	(1,184,987)	82,638
Total net position.....	\$ (630,556)	\$ 603,128

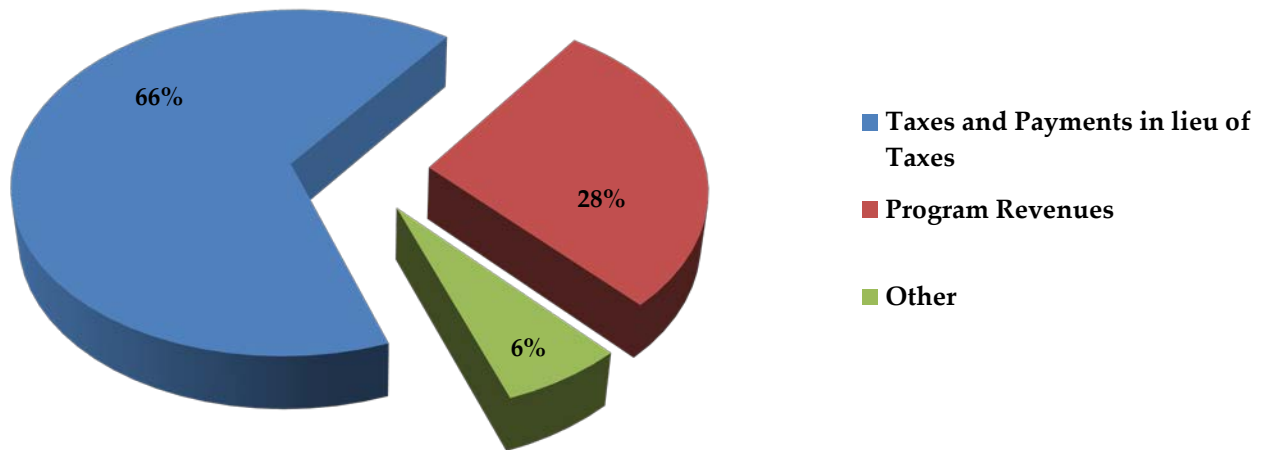
Changes in Net Position – Primary Government

(In thousands)

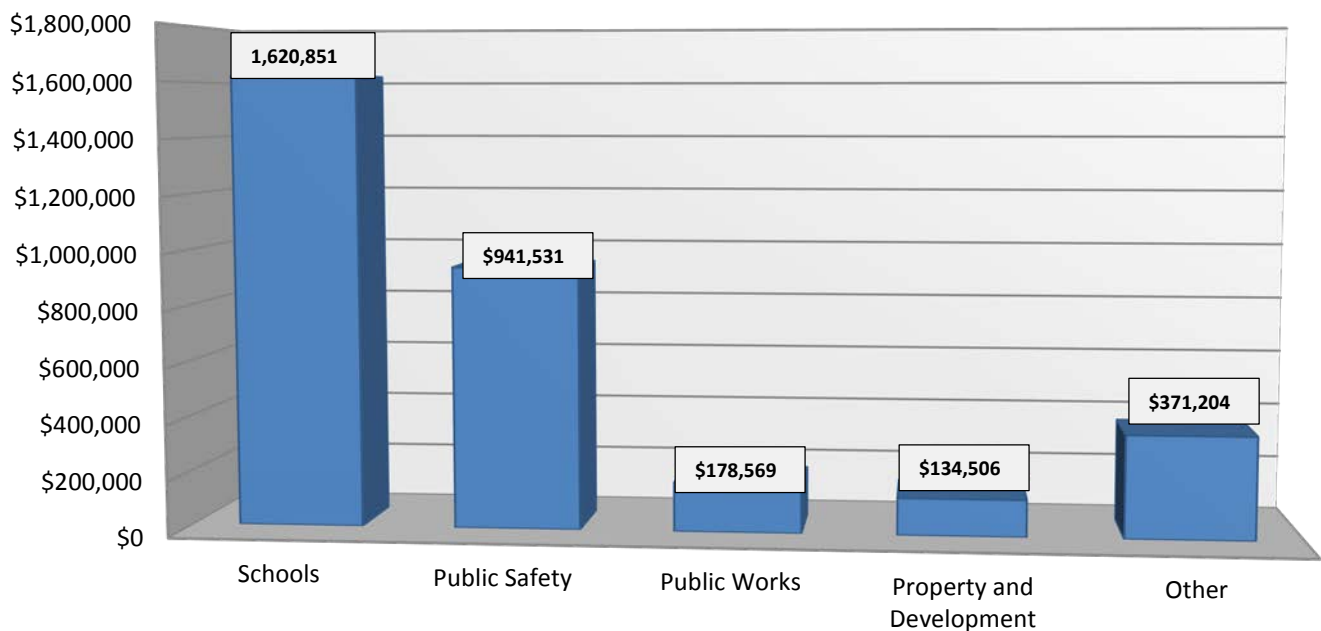
	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services.....	\$ 209,382	\$ 203,239
Operating grants and contributions.....	670,640	583,480
Capital grants and contributions.....	53,099	11,972
General revenues:		
Taxes.....	2,181,717	2,065,251
Grants and contributions not restricted.....	191,172	199,007
Investment income.....	15,404	16,713
Miscellaneous.....	2,983	4,012
Total revenues.....	3,324,397	3,083,674
Program expenses:		
General government.....	103,923	161,913
Human services.....	49,884	49,291
Public safety.....	941,531	821,196
Public works.....	178,569	157,491
Property and development.....	134,506	118,816
Parks and recreation.....	35,890	32,297
Library.....	48,931	52,192
Schools.....	1,620,851	1,554,563
Public health programs.....	83,276	69,896
Interest on long-term debt.....	49,300	48,188
Total program expenses.....	3,246,661	3,065,843
Excess before transfers and other items.....	77,736	17,831
Loss on disposal of capital assets.....	-	-
Change in net position.....	77,736	17,831
Net position – beginning of year.....	603,128	585,297
Cumulative effect of changes in accounting principle (note 2n).....	(1,311,420)	-
Net position – end of year.....	\$ (630,556)	\$ 603,128

Note that the 2014 amounts in the tables above have not been restated to reflect the implementation of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27,” described in note 2n to the Financial Statements.

Revenues - Governmental Activities Fiscal Year 2015



Expenses - Governmental Activities FY15 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$77.7 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2015: In the assets accounts, cash and investments increased by \$38.4 million, receivables decreased by \$59.4 million, and capital assets increased by \$112.1 million. In the liability accounts, there was a decrease in warrants and accounts payable of \$33.9 million and an increase in accrued liabilities of \$353.8 million. Additionally, an increase of \$13.5 million was recorded relative to the City's other postemployment benefit obligation in 2015.

During fiscal year 2015, the City's revenues increased by 7.8%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.18 billion (65.6% of total revenues) and \$933.1 million of program revenues (28.1% of total revenues). Taxes increased by \$116.5 million from the previous year. Program revenues increased by \$134.4 million for fiscal year 2015. This is largely due to increases in operating and capital grants and contributions. The City's expenses cover a range of services. The largest expenses were for schools (\$1.62 billion), public safety (\$941.5 million), public works (\$178.6 million), property and development (\$134.5 million), general government (\$103.9 million), public health programs (\$83.3 million), and human services (\$49.9 million). In 2015, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.31 billion. This shortfall was covered primarily through taxes (\$2.18 billion) and unrestricted grants and contributions (\$191 million).

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

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

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

Fund Highlights

Governmental Funds – Fund Balances – as of the close of fiscal year 2015, the City's governmental funds reported a combined ending fund balance of \$1.22 billion, an increase of \$79.3 million from the prior year. Of this total amount, \$633.9 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes.

Governmental Funds

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

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 15%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2015 was \$633.9 million, which represents approximately 22.2% of GAAP General Fund operating expenditures.

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

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

Special Revenue Fund – Fund Balance – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal year 2015 Special Revenue Fund balance is reported at \$208.7 million, a \$6.0 million decrease from fiscal year 2014.

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 2015 Capital Projects Fund balance is \$64.7 million, a \$3.7 million decrease from fiscal year 2014.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds, as well as the activities related to DSRC and FBDC. The fiscal year 2015 Other Governmental Funds fund balance is \$87.4 million, a \$11.0 million increase from fiscal year 2014.

Internal Service Fund

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

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2015 with a \$7.4 million surplus. This represents the City's 30th consecutive year with a balanced budget. There were no material 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, public safety and public works. Public safety saw an unfavorable variance of \$24.1 million due to an increase in overtime expenditures in the Police Department. Also, public works saw an unfavorable variance of \$19.9 million in snow removal.

Favorable results were reported for General Fund revenue sources, including \$27.1 million in licenses and permits, \$25.6 million in excises, predominantly in motor vehicle and room occupancy excise taxes, \$14.9 million in departmental and other revenue, \$14.4 million in payments in lieu of taxes. Other available funds shows a revenue deficit of \$40.8 million, however, this is a result of not transferring \$773 thousand of cemetery funds and \$40.0 million of free cash from the general fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2015, has a net book value of \$1.86 billion, made up of costs totaling \$3.61 billion less accumulated depreciation of \$1.75 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 \$112.1 million in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$219.9 million for the fiscal year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements. Depreciation charges for the year totaled \$107.7 million. Additional information on the City's capital assets can be found in note 8 to the Financial Statements.

Long Term Obligations

Debt Administration – The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt. At year end, the City had \$1.22 billion in General Obligations Bonds principal outstanding – an increase of \$25.8 million over last year.

There was one bond issuance that took place in fiscal year 2015. The April 1, 2015 \$140.0 million Series A general obligation bond issuance used to finance various capital projects in the City, along with \$126.7 million Series B that were issued for the purpose of advance refunding prior debt in March 2015. In conjunction with the City's annual bond offering, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa and the rating service bureau Standard & Poor's increased the bond rating to AAA. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Notes and Leases Payable and Other Long Term Obligations – The City's general long term notes and leases and other long term obligations increased \$142.6 million, or 5.76%, during the current fiscal year. Key factors for this increase are an increase in the net pension liability of \$105.5 million, an increase in the workers' compensation liability of \$16.2 million, and the increase in the net OPEB obligation of \$13.5 million.

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

NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 67, *"Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25."* This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

The GASB has issued Statement No. 68, *"Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27."* This Statement replaces the requirements of Statements No. 27 and No. 50 for employers' provision of pension benefits related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or

equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68."* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *"Accounting and Financial Reporting for Pensions."* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

FUTURE PRONOUNCEMENTS

The GASB has issued Statement No. 72, *"Fair Value Measurement and Application."* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The GASB has issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain provisions of Statements No. 67 and No. 68. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

The GASB has issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,"* and No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."* This Statement is effective for fiscal years beginning after June 15, 2017.

The GASB has issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,”* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

The GASB has issued Statement No. 77, *“Tax Abatement Disclosures.”* The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

REQUESTS FOR INFORMATION

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

Statement of Net Position

June 30, 2015

(Amounts in thousands)

	Primary Government	Discretely Presented
	Governmental	
	Activities	Component Units
ASSETS:		
Current Assets:		
Cash and investments.....	\$ 1,392,978	\$ 85,434
Cash and investments held by trustees.....	75,183	2,586
Receivables, net:		
Property and other taxes.....	31,624	-
Intergovernmental.....	77,110	-
Other.....	20,686	56,403
Other assets.....	2,677	868
Due from primary government.....	-	2,091
Due from component units.....	2,641	-
Total current assets.....	1,602,899	147,382
Noncurrent Assets:		
Intergovernmental receivables.....	21,009	-
Cash and investments held by Trustee.....	-	57,471
Notes and other receivables.....	73,573	194,174
Capital assets:		
Nondepreciable.....	125,752	29,651
Depreciable, net.....	1,732,435	54,420
Due from component units.....	8,095	-
Total noncurrent assets.....	1,960,864	335,716
Total assets.....	3,563,763	483,098
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount from debt refunding.....	8,332	-
Deferred amount for pension costs.....	105,877	10,114
Total deferred outflows of resources.....	114,209	10,114
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable.....	105,153	35,563
Accrued liabilities - current:		
Compensated absences.....	53,242	-
Judgments and claims.....	72,013	-
Payroll and related costs.....	156,023	-
Deposits and other.....	86,320	3,402
Unearned revenue.....	600	5,108
Current portion of long-term debt and leases.....	131,891	1,401
Due to component units.....	2,091	-
Due to primary government.....	-	2,641
Total current liabilities.....	607,333	48,115
Noncurrent Liabilities:		
Bonds due in more than one year.....	1,229,542	15,990
Notes and leases payable due in more than one year.....	97,720	-
Other noncurrent liabilities.....	285,280	162,416
Net pension liability.....	1,416,932	151,395
Other postemployment benefits obligation.....	669,887	87,812
Unearned revenue.....	-	68,614
Due to primary government.....	-	8,095
Total noncurrent liabilities.....	3,699,361	494,322
Total liabilities.....	4,306,694	542,437
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount from debt refunding.....	1,834	-
Deferred amount for pension costs.....	-	8,386
Total deferred inflows of resources.....	1,834	8,386
NET POSITION:		
Net investment in capital assets.....	502,985	56,559
Restricted for:		
Nonexpendable trust.....	4,974	68,531
Expendable trust.....	41,791	-
Capital projects.....	4,681	-
Unrestricted deficit.....	(1,184,987)	(182,701)
Total net position.....	\$ (630,556)	\$ (57,611)

See accompanying notes to the basic financial statements

Statement of Activities

Year Ended June 30, 2015

(Amounts in thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 103,923	\$ 32,043	\$ 1,215	\$ 1,028
Human services.....	49,884	2	9,089	17
Public safety.....	941,531	138,066	34,439	618
Public works.....	178,569	23,975	11	32,772
Property and development.....	134,506	7,659	93,980	6,632
Parks and recreation.....	35,890	704	582	1,324
Library.....	48,931	310	1,644	5,042
Schools.....	1,620,851	6,623	529,679	5,452
Public health programs.....	83,276	-	1	214
Interest on long-term debt.....	49,300	-	-	-
Total primary government.....	\$ 3,246,661	\$ 209,382	\$ 670,640	\$ 53,099
Component Units:				
Boston Public Health Commission.....	182,317	44,357	48,262	375
Boston Redevelopment Authority.....	18,991	9,171	5,795	-
Trustees of the Public Library of the City of Boston.....	9,573	1,656	7,450	-
Economic Development and Industrial Corporation of Boston.....	36,384	19,872	18,117	-
Total component units	\$ 247,265	\$ 75,056	\$ 79,624	\$ 375

General Revenues:

Taxes:

Property taxes, levied for general purposes.....	
Excises.....	
Payments in lieu of taxes.....	
Grants and contributions not restricted.....	
Investment income.....	
City appropriation.....	
Miscellaneous.....	
Special item - gain on sale of land.....	
Total general revenues.....	
Change in net position.....	
Net position - beginning of year, as restated (note 2n).....	
Net position - end of year.....	

**Net (Expense) Revenue and Changes in
Net Position**

Governmental Activities	Component Units
\$ (69,637)	\$ -
(40,776)	-
(768,408)	-
(121,811)	-
(26,235)	-
(33,280)	-
(41,935)	-
(1,079,097)	-
(83,061)	-
(49,300)	-
(2,313,540)	-
-	(89,323)
-	(4,025)
-	(467)
-	1,605
-	(92,210)
1,866,277	-
236,208	-
79,232	-
191,172	-
15,404	1,147
-	69,827
2,983	10,729
-	2,692
2,391,276	84,395
77,736	(7,815)
(708,292)	(49,796)
\$ (630,556)	\$ (57,611)

See accompanying notes to the basic financial statements

Balance Sheet

Governmental Funds

June 30, 2015

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments.....	\$ 1,043,384	\$ 185,486	\$ 69,610	\$ 7,625	\$ 1,306,105
Cash and investments held by trustees.....	468	-	17,606	57,109	75,183
Receivables, net:					
Property and other taxes.....	31,624	-	-	-	31,624
Intergovernmental.....	47,115	44,741	6,263	-	98,119
Departmental and other.....	18,811	44,240	1,761	29,447	94,259
Total receivables.....	97,550	88,981	8,024	29,447	224,002
Due from other funds.....	1,899	888	5,375	4,882	13,044
Due from component units.....	9,806	-	-	-	9,806
Prepaid expenditures.....	-	-	-	125	125
Total assets.....	\$ 1,153,107	\$ 275,355	\$ 100,615	\$ 99,188	\$ 1,628,265
LIABILITIES					
Warrants and accounts payable.....	\$ 47,066	\$ 20,474	\$ 31,164	\$ 1,539	\$ 100,243
Accrued liabilities:					
Payroll and related costs.....	155,406	615	-	2	156,023
Deposits and other.....	23,277	42,195	-	10	65,482
Unearned revenue.....	-	600	-	-	600
Due to other funds.....	184	2,600	-	10,260	13,044
Due to component unit.....	2,091	-	-	-	2,091
Total liabilities.....	\$ 228,024	\$ 66,484	\$ 31,164	\$ 11,811	\$ 337,483
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available.....	62,911	178	4,761	-	67,850
Total deferred inflows of resources.....	\$ 62,911	\$ 178	\$ 4,761	\$ -	\$ 67,850
FUND BALANCES					
Nonspendable.....	-	-	-	4,974	4,974
Restricted.....	-	46,951	64,690	82,403	194,044
Assigned.....	228,236	161,742	-	-	389,978
Unassigned.....	633,936	-	-	-	633,936
Total fund balances.....	862,172	208,693	64,690	87,377	1,222,932
Total liabilities, deferred inflows of resources and fund balances.....	\$ 1,153,107	\$ 275,355	\$ 100,615	\$ 99,188	\$ 1,628,265

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2015

(Amounts in thousands)

Total fund balance - governmental funds.....	\$ 1,222,932
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.....	1,858,187
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental funds and are, therefore, reported as deferred inflows of resources.....	67,850
Internal service funds are included in the government-wide financial statements.....	62,892
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.....	(1,282,966)
Capital leases.....	(56,425)
Bond issue premiums/discounts, net.....	(119,762)
Deferred bond refunding losses/gain, net.....	6,498
Accrued interest on bonds.....	(20,838)
Compensated absences.....	(196,467)
Landfill.....	(7,858)
Judgments and claims.....	(183,157)
Other postemployment benefits.....	(669,887)
Net pension liability, net of deferred amounts.....	(1,311,055)
Pollution remediation.....	(500)
Net position of governmental activities.....	\$ (630,556)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds Year Ended June 30, 2015

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes.....	\$ 1,867,259	\$ -	\$ -	\$ -	\$ 1,867,259
Excises.....	228,962	-	-	-	228,962
Payments in lieu of taxes.....	79,232	-	-	-	79,232
Fines.....	60,116	-	-	-	60,116
Investment income.....	61	23	-	2,228	2,312
Licenses and permits.....	71,205	86	-	-	71,291
Departmental and other.....	86,392	49,789	-	3,140	139,321
Intergovernmental.....	523,256	243,220	63,106	-	829,582
Total revenues.....	2,916,483	293,118	63,106	5,368	3,278,075
EXPENDITURES:					
Current:					
General government.....	58,242	7,544	-	1,675	67,461
Human services.....	31,507	8,071	-	-	39,578
Public safety.....	633,471	32,184	-	-	665,655
Public works.....	123,767	18,456	-	-	142,223
Property and development.....	35,594	75,919	-	-	111,513
Parks and recreation.....	20,063	1,511	-	-	21,574
Library.....	33,966	2,552	-	-	36,518
Schools.....	960,228	127,668	-	-	1,087,896
Public health programs.....	73,577	1,244	-	-	74,821
Judgments and claims.....	3,678	-	-	-	3,678
Retirement costs.....	282,648	-	-	-	282,648
Other employee benefits.....	230,089	-	-	-	230,089
State and district assessments.....	215,538	-	-	-	215,538
Capital outlays.....	348	2,411	226,835	17,880	247,474
Debt service.....	153,448	4,823	-	-	158,271
Total expenditures.....	2,856,164	282,383	226,835	19,555	3,384,937
Excess (deficiency) of revenues over (under) expenditures.....	60,319	10,735	(163,729)	(14,187)	(106,862)
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	455	169,735	-	170,190
Refunding bonds issued.....	-	-	126,735	-	126,735
Payments to escrow agents.....	-	(21,079)	(126,579)	-	(147,658)
Premiums on long-term debt issued.....	-	22,922	13,953	-	36,875
Transfers in	19,000	-	-	25,234	44,234
Transfers out.....	(1,455)	(19,000)	(23,779)	-	(44,234)
Total other financing sources (uses).....	17,545	(16,702)	160,065	25,234	186,142
Net change in fund balances.....	77,864	(5,967)	(3,664)	11,047	79,280
Fund balance - beginning of year.....	784,308	214,660	68,354	76,330	1,143,652
Fund balance - end of year.....	\$ 862,172	\$ 208,693	\$ 64,690	\$ 87,377	\$ 1,222,932

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, 2015

(Amounts in thousands)

Net change in fund balances - total governmental funds.....	\$	79,280
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 (\$219,889) exceeded depreciation expense (\$107,730) and loss on disposals (\$26).....		112,133
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available.....		(19,195)
Issuances of long-term debt (\$296,470) and notes (\$455) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond, note, and lease principal (\$138,885) and payments to the escrow agent for par value of refunded bonds (\$134,070) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position. This is the amount by which issuances exceed repayments and escrow payments.....		(23,970)
Increases in bond premiums net (\$17,464) increase the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Increases in deferred loss on refunding, net (\$2,102) increase deferred outflows, net on the statement of net position, but are included in the operating statement of the governmental funds.....		(15,362)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the increase in liabilities for compensated absences (\$6,098), other postemployment benefits (\$13,544) workers compensation (\$16,188), interest payable (\$2,577) and judgments and claims (\$4,931) offset by a decrease in liabilities for landfill closure and post closure costs (\$93) and a decrease in net pension liability, net of deferred amounts (\$365).....		(42,879)
Net income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds.....		(12,271)
Change in net position of governmental activities.....	\$	77,736

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2015 (with comparative actual amounts for 2014)

(Amounts in thousands)

	2015				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2014 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net.....	\$ 1,831,901	\$ 1,831,901	\$ 1,839,279	\$ 7,378	\$ 1,744,904
Excises.....	193,174	193,174	218,818	25,644	218,863
Commonwealth of Massachusetts.....	418,482	418,482	413,430	(5,052)	422,403
Departmental and other revenue.....	63,245	63,245	78,117	14,872	75,525
Fines.....	58,955	58,955	60,347	1,392	59,604
Payments in lieu of taxes.....	64,440	64,440	78,831	14,391	73,837
Investment income.....	150	150	61	(89)	57
Licenses and permits.....	45,475	45,475	72,536	27,061	59,162
Other available funds.....	59,773	59,773	19,000	(40,773)	-
Total revenues and other available funds.....	2,735,595	2,735,595	2,780,419	44,824	2,654,355
EXPENDITURES:					
General government.....	93,325	101,879	98,672	3,207	90,039
Human services.....	33,164	31,778	31,667	111	31,134
Public safety.....	578,005	578,526	602,663	(24,137)	576,618
Public works.....	105,870	104,742	124,664	(19,922)	112,615
Property and development.....	33,271	35,801	35,717	84	33,843
Parks and recreation.....	19,639	20,575	20,416	159	19,796
Library.....	33,416	33,416	33,291	125	33,076
Schools.....	974,929	974,929	974,925	4	937,949
Boston Public Health Commission.....	69,827	73,827	73,827	-	66,757
Judgments and claims.....	3,500	3,500	9,698	(6,198)	13,470
Other employee benefits.....	241,778	231,259	231,090	169	240,825
Retirement costs.....	173,824	173,062	172,997	65	153,115
Debt requirements.....	154,474	151,633	147,893	3,740	137,706
State and district assessments.....	220,573	220,668	215,538	5,130	197,939
Total expenditures.....	2,735,595	2,735,595	2,773,058	(37,463)	2,644,882
Excess of revenues and other available funds over expenditures.....	\$ -	\$ -	\$ 7,361	\$ 7,361	\$ 9,473

See accompanying notes to the basic financial statements

Statement of Net Position

Proprietary Fund

June 30, 2015

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents.....	\$ 86,873
Due from component units.....	930
Total current assets.....	87,803
Noncurrent assets:	
Other assets.....	2,552
Total noncurrent assets.....	2,552
Total assets.....	90,355
LIABILITIES:	
Current liabilities:	
Warrants and accounts payable.....	4,910
Accrued liabilities	22,553
Total current liabilities.....	27,463
NET POSITION:	
Unrestricted.....	62,892
Total net position.....	\$ 62,892

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund Year Ended June 30, 2015

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions.....	\$ 60,167
Employer contributions.....	<u>251,194</u>
Total operating revenues.....	<u><u>311,361</u></u>
OPERATING EXPENSES:	
Health benefits.....	<u>323,632</u>
Total operating expenses.....	<u>323,632</u>
Operating loss.....	<u>(12,271)</u>
 Change in net position.....	 (12,271)
Net position - beginning of year.....	<u>75,163</u>
Net position - end of year.....	<u><u>\$ 62,892</u></u>

See accompanying notes to the basic financial statements

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer.....	\$ 310,431
Cash paid to vendors.....	(323,234)
Net cash used in operating activities.....	<u>(12,803)</u>
 Decrease in cash and cash equivalents.....	 (12,803)
Cash and cash equivalents - beginning of year.....	99,676
Cash and cash equivalents - end of year.....	<u>\$ 86,873</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss.....	\$ (12,271)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Other assets.....	(1,138)
Due from component units.....	(930)
Accounts payable and accrued liabilities.....	1,536
Net cash used in operating activities.....	<u>\$ (12,803)</u>

See accompanying notes to the basic financial statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

(Except Employee Retirement Plan, which is as of December 31, 2014)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents.....	\$ 159,364	\$ 150	\$ 104,718	\$ 7,626
Receivables:				
Interest and dividends.....	7,062	-	-	-
Securities sold.....	28,332	-	-	-
Employer contributions.....	18,375	-	-	-
Other.....	9,077	-	1,963	-
Total receivables.....	62,846	-	1,963	-
Investments, at fair value:				
Short-term:				
Domestic.....	78,574	-	-	-
International.....	4,285	-	-	-
Equity:				
Domestic.....	1,096,996	117,005	-	-
International.....	1,019,665	38,263	-	-
Fixed-income:				
Domestic.....	806,980	149,803	-	-
International.....	241,723	-	-	-
PRIT Pooled Fund.....	1,393,111	-	-	-
Real estate.....	350,763	-	-	-
Alternative.....	531,346	-	-	-
All asset fund.....		30,068	-	-
Total investments.....	5,523,443	335,139	-	-
Securities lending short-term collateral investment pool.....	204,030	-	-	-
Total assets.....	5,949,683	335,289	106,681	7,626
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities.....	15,149	83	1,957	7,626
Securities purchased.....	56,066	-	-	-
Collateral held on securities lending.....	204,321	-	-	-
Total liabilities.....	275,536	83	1,957	7,626
NET POSITION:				
Held in trust for pension benefits and other purposes.....	\$ 5,674,147	\$ 335,206	\$ 104,724	\$ -

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2015

(Except Employee Retirement Plan, which is year ended December 31, 2014)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
ADDITIONS:			
Contributions:			
Employers.....	\$ 203,075	\$ 166,317	\$ -
Commonwealth of Massachusetts (nonemployer).....	114,335	-	-
Employees.....	143,397	-	-
Donations and other.....	-	-	21,987
Total contributions.....	460,807	166,317	21,987
Investment earnings:			
Realized and unrealized gains on investments.....	191,037	1,103	1,070
Investment income.....	115,344	4,482	5,623
Less investment expenses.....	(23,600)	(441)	-
Net investment earnings.....	282,781	5,144	6,693
Securities lending activities:			
Securities lending income.....	1,220	-	-
Less borrower rebates and fees.....	(312)	-	-
Net income from securities lending activities.....	908	-	-
Total net investment income.....	283,689	5,144	6,693
Intergovernmental.....	6,448	-	-
Total additions.....	750,944	171,461	28,680
DEDUCTIONS:			
Benefits.....	528,022	124,067	-
Reimbursements.....	10,619	-	-
Refunds of contributions.....	18,791	-	-
Administrative expenses and other.....	10,562	5	23,430
Total deductions.....	567,994	124,072	23,430
Change in net position.....	182,950	47,389	5,250
Net position - beginning of year.....	5,491,197	287,817	99,474
Net position - end of year.....	\$ 5,674,147	\$ 335,206	\$ 104,724

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

1. The Financial Reporting Entity

a. Primary Government

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

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

b. Blended Component Units Disclosure

- i. **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 a blended component unit among the City's fiduciary funds. The financial statements of SBRS are included for its fiscal year end which is December 31, 2014.
- ii. **Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)** – The DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. FBDC leases the property from DSRC and the City subleases the property from FBDC. The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Both entities are instrumentalities of the City, as the Mayor has full control of appointments to their boards of directors. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. These funds are presented as non-major funds within the other governmental funds as of their fiscal year end, which is June 30, 2015.

c. *Discretely Presented Component Units Disclosure*

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

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

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2015.

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

d. Related Organizations

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

2. Summary of Significant Accounting Policies

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

a. Government-wide and Fund Financial Statements

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

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

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

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

i. Government-wide Financial Statements

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

ii. Governmental Fund Financial Statements

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

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

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

iii. **Proprietary Fund Financial Statements**

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

iv. **Description of Major Funds**

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

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

Proprietary fund – The City reports the following proprietary fund:

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

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

5. The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments. The City operates four pools used for the improvement of the City's parks and cemeteries, educational scholarships and sporting equipment, creation of public utility and beauty, and co-mingled nontestamentary trusts.

6. The *Pension Trust Fund* accounts principally for the activities of the 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 for 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 of property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

c. Cash Equivalents

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

d. Basis of Investment Valuation

Investments 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.”

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 Projects Fund.

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

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

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

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. Public Safety employees are compensated for unused personal leave in addition to sick and vacation leave. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2015 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

i. Long-Term Obligations and Related Costs

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

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

j. Net Position and Fund Balance

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

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

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

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

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

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

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

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

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

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

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

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

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 has been recorded in the Government-wide Statement of Net Position.

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, 2015, 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, 2015.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Position. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2015 were \$93 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.

n. Adoption of Accounting Pronouncements

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.”* Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this Statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. City employees are provided with defined benefit pensions through the SBRS, a cost-sharing, multiple-employer defined benefit pension plan. In accordance with the provisions of Statement No. 68, the City has reported its proportionate share of the SBRS collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. As a result of the implementation of Statement No. 68, beginning net position of the governmental activities and discretely presented component units as of July 1, 2014, were restated as follows (in thousands):

	Governmental Activities	Discretely Presented Component Units
Beginning Net Position, as previously reported	\$ 603,128	\$ 101,471
Implementation of GASB Statement No. 68	(1,311,420)	(151,267)
Beginning Net Position, as restated	<u>\$ (708,292)</u>	<u>\$ (49,796)</u>

The City also adopted GASB Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”* Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. There was no impact to the City’s financial statements as a result of this new statement.

o. Accounting Pronouncements Applicable to the City, Issued but Not Yet Effective

In February 2015, the GASB issued Statement No. 72, *“Fair Value Measurement and Application.”* This Statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. Statement No. 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. Statement No. 72 will be effective for periods beginning after June 15, 2015. The City is evaluating the impact of this new Statement.

In June 2015, the GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68. Other provisions of this Statement that are applicable to the City include clarification of information that is required to be presented as notes to the required supplementary information for pensions. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The City is evaluating the impact of this new Statement.

In June 2015, the GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans and OPEB trust funds for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City is evaluating the impact of this new Statement.

In June 2015, the GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. Statement No. 75 will be effective for periods beginning after June 15, 2017. The City is evaluating the impact of this new Statement.

In June 2015, the GASB issued Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements of this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The City is evaluating the impact of this new Statement.

In August 2015, the GASB issued Statement No. 77, *"Tax Abatement Disclosures."* The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact of this new Statement.

3. Short-Term Debt

During fiscal year 2015, the City had no short-term debt issued or outstanding.

4. Budgetary Data

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

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

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 6). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years' deficits, if any; less (d) the aggregate of all 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, 2015 (in thousands):

	Revenue	Expenditures	Other financing sources, net	Excess (deficiency) of revenue and other financing sources
As reported on a budgetary basis	\$ 2,780,419	2,773,058	-	7,361
Adjustments:				
Revenues to modified accrual basis	44,124	-	-	44,124
Expenditures, encumbrances, and accruals, net	-	(26,379)	-	26,379
On-behalf contribution for teachers pension	109,485	109,485	-	-
Reclassifications:				
Other transfers	(17,545)	-	17,545	-
As reported on a GAAP basis	\$ 2,916,483	2,856,164	17,545	77,864

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, 2015, 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 discipline in which all of the City's investment activities may be safely conducted while it strives to use its capital resources as

efficiently as possible. The foundation of that discipline is fixed by Massachusetts General Laws (M.G.L.) c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limits the amount of the City's bank deposits in any one financial institution; and establishes qualifying criteria for banking institutions. Further, all investments held by third parties are to be held in the City's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to 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, 2015:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
External investment pool	\$ 67,534	67,534	-	-	-
Money market mutual funds	197,583	197,583	-	-	-
U.S. Treasury notes and bonds	7,086	557	1,813	3,772	944
Domestic corporate	3,240	30	977	1,377	856
	<u>\$ 275,443</u>	<u>265,704</u>	<u>2,790</u>	<u>5,149</u>	<u>1,800</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, 2015 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

Investment type	Fair value	Rating
Money market mutual funds	\$ 197,583	Not Rated
External investment pool	67,534	Not Rated
Domestic corporate	3,240	AAA to B
	<u>\$ 268,357</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, 2015 the City of Boston Trust Funds held international equity mutual funds valued at \$45.9 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, 2014, all of the System's deposits were insured or collateralized.

b. Investment Policy

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

The System has retained an investment consultant to work with the 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, 2014:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes and bonds \$	94,113	6,609	52,227	11,114	24,163
U.S. agencies	53,601	-	481	1,676	51,444
Domestic corporate	589,798	24,577	85,611	138,165	341,445
Municipal	2,757	-	105	-	2,652
International corporate	201,860	5,497	10,639	17,012	168,712
International government	34,712	343	12,073	11,649	10,647
Asset-backed:					
CMOs	32,834	-	771	5,601	26,462
Other	39,028	-	17,900	12,749	8,379
	<u>\$ 1,048,703</u>	<u>37,026</u>	<u>179,807</u>	<u>197,966</u>	<u>633,904</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The 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, 2014 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, 2014 were rated by S & P and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the S & P rating scale:

Investment type	Fair value	AAA	AA	A	BBB	BB	B	CCC	Not rated
U.S. agencies	\$ 53,601	-	1,295	-	-	-	-	-	52,306
Domestic corporate	589,798	268	23,512	91,916	52,481	50,168	63,498	3,759	304,196
Municipal	2,757	-	926	1,831	-	-	-	-	-
International corp.	201,860	1,103	4,995	11,883	10,160	3,627	2,920	-	167,172
International gov't	34,712	5,490	1,567	3,469	1,319	-	-	-	22,867
Asset-backed:									
CMOs	32,834	10,736	1,736	369	494	-	-	-	19,499
Other	39,028	22,774	2,807	2,458	416	-	-	-	10,573
	<u>\$ 954,590</u>	<u>40,371</u>	<u>36,838</u>	<u>111,926</u>	<u>64,870</u>	<u>53,795</u>	<u>66,418</u>	<u>3,759</u>	<u>576,613</u>

In addition to the above schedule, the System has approximately \$94.1 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, 2014.

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

f. Foreign Currency Risk

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

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

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Australian dollar	\$ 150	1,559	33,235	1,094	36,038
Brazilian real	-	540	-	-	540
Canadian dollar	96	2,094	4,398	-	6,588
Danish krone	31	769	15,974	-	16,774
Euro currency	927	13,272	194,871	7,926	216,996
Hong Kong dollar	202	-	23,590	-	23,792
Indonesian rupiah	2	808	386	-	1,196
Israeli Shekel	2	-	1,147	-	1,149
Japanese yen	457	7,214	111,112	-	118,783
Malaysian ringgit	281	969	-	-	1,250
Mexican peso	177	2,420	-	-	2,597
New Taiwan dollar	19	-	-	-	19
New Zealand dollar	220	1,567	1,034	-	2,821
Norwegian krone	197	2,049	769	-	3,015
Philippine Peso	-	351	-	-	351
Polish zloty	187	827	-	-	1,014
Pound sterling	420	5,003	130,579	1,150	137,152
Singapore dollar	67	604	7,588	-	8,259
South African rand	133	269	895	-	1,297
South Korean won	184	1,794	6,712	-	8,690
Swedish krona	542	871	18,128	-	19,541
Swiss franc	29	597	64,095	-	64,721
Thailand Baht	31	-	-	-	31
Turkish Lira	26	280	1,118	-	1,424
Total securities subject to foreign currency risk	\$ 4,380	43,857	615,631	10,170	674,038
U.S. dollars (securities held by international investment managers)	-	31,527	41,555	-	73,082
Total international investment securities	\$ 4,380	75,384	657,186	10,170	747,120

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, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund.

The fair value of the PRIT 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.

As of December 31, 2014, the System had \$1.5 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.

i. Securities Lending

The Public Employment Retirement Administration Commission of Massachusetts (PERAC) has issued supplemental regulations that permit the System to engage in securities lending transactions. 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, 2014. 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, 2014, 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, 2014, the fair value of securities loaned by the System amounted to \$233.0 million, against which was held collateral of \$240.4 million as follows (in thousands):

Short-term collateral investment pool	\$	204,321
Noncash collateral		36,080
Total	\$	<u>240,401</u>

j. Commitments

At December 31, 2014, the System had contractual commitments to provide \$141.2 million of additional funding to private equity funds, and \$138.5 million to real estate funds.

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 9, 2014, all properties with

unpaid fiscal year 2014 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

7. Receivables

Receivables as of year-end for the City’s individual major governmental funds, nonmajor governmental 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>Total</u>
Receivables:					
Property taxes	\$ 15,658	-	-	-	15,658
Other taxes	118,094	-	-	-	118,094
Intergovernmental	47,115	44,741	6,263	-	98,119
Other	18,811	44,240	1,761	29,447	94,259
Gross receivables	199,678	88,981	8,024	29,447	326,130
Less allowance for uncollectibles	(102,128)	-	-	-	(102,128)
Net total receivables \$	<u>97,550</u>	<u>88,981</u>	<u>8,024</u>	<u>29,447</u>	<u>224,002</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, 2015, under this program, the City was due funds totaling \$28.3 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The following is a schedule of the five-year paydown (in thousands) as of June 30, 2016 through 2020:

	<u>Anticipated revenue</u>
Fiscal year(s):	
2016	\$ 7,344
2017	6,720
2018	6,720
2019	5,107
2020	2,462
Total	<u>\$ 28,353</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 or loans to local governments, which in turn provides loans to developers. As of June 30, 2015, under this program, the City determined that \$44.2 million was collectible. This amount is recorded in the City's Special Revenue fund.

8. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2015 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,675	3,540	-	29,215
Construction in progress	189,189	166,720	(259,372)	96,537
Total capital assets not being depreciated	<u>214,864</u>	<u>170,260</u>	<u>(259,372)</u>	<u>125,752</u>
Capital assets being depreciated:				
Land improvements	203,162	16,033	-	219,195
Buildings and improvements	1,963,487	203,643	-	2,167,130
Furniture and equipment	358,835	37,117	(13,685)	382,267
Infrastructure	658,346	52,208	-	710,554
Total capital assets being depreciated	<u>3,183,830</u>	<u>309,001</u>	<u>(13,685)</u>	<u>3,479,146</u>
Less accumulated depreciation for:				
Land improvements	75,427	11,065	-	86,492
Buildings and improvements	1,082,405	41,800	-	1,124,205
Furniture and equipment	264,591	34,053	(13,659)	284,985
Infrastructure	230,217	20,812	-	251,029
Total accumulated depreciation	<u>1,652,640</u>	<u>107,730</u>	<u>(13,659)</u>	<u>1,746,711</u>
Total capital assets being depreciated, net	<u>1,531,190</u>	<u>201,271</u>	<u>(26)</u>	<u>1,732,435</u>
Governmental activities capital assets, net	<u>\$ 1,746,054</u>	<u>371,531</u>	<u>(259,398)</u>	<u>1,858,187</u>

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

General government	\$	12,430
Human services		2,584
Public safety		14,878
Public works, including depreciation of general infrastructure assets		21,764
Property and development		6,934
Parks and recreation		10,246
Library		4,365
Schools		34,260
Public health		269
Total depreciation expense – governmental activities	\$	<u>107,730</u>

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

Individual fund receivable and payable balances at June 30, 2015 are as follows (in thousands):

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 1,899	184
Special revenue	888	2,600
Capital projects	5,375	-
Non-major governmental funds	4,882	10,260
Balances at June 30, 2015	\$ <u>13,044</u>	<u>13,044</u>

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

Amounts due to and from discretely presented component units at June 30, 2015 are as follows (in thousands):

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ <u>10,736</u>	<u>2,091</u>
Balances at June 30, 2015	<u>10,736</u>	<u>2,091</u>
Discretely presented component units:		
TPL	-	640
BPHC	2,091	2,001
BRA	-	8,095
	<u>2,091</u>	<u>10,736</u>
Balances at June 30, 2015	\$ <u>12,827</u>	<u>12,827</u>

10. Long-Term Obligations

Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2015 (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%	\$ 844,765	140,000	179,110	805,655	65,560
General Obligation Refunding Bonds	0.125-5.0%	349,090	126,735	61,875	413,950	44,265
Total governmental general obligation bonds payable		\$ 1,193,855	266,735	240,985	1,219,605	109,825
Add (deduct):						
Unamortized bond premiums/discounts net					119,762	
Current portion of long-term debt					(109,825)	
					\$ 1,229,542	
Notes, Leases and Other long-term obligations:						
Notes payable	4.25-7.18%	\$ 75,680	455	12,774	63,361	2,108
Leases payable		45,887	29,735	19,197	56,425	19,958
Judgments and claims		21,996	5,631	700	26,927	6,405
Workers' compensation		140,042	29,875	13,687	156,230	42,855
Health and life claims		24,312	321,873	323,632	22,553	22,553
Compensated absences		190,369	78,470	72,372	196,467	53,242
Landfill closure and postclosure care costs		7,951	-	93	7,858	200
Pollution remediation		500	-	-	500	-
Other postemployment benefits		656,343	175,602	162,058	669,887	-
Net pension liability		1,311,420	105,512	-	1,416,932	-
Total notes, leases, and other long-term obligations		\$ 2,474,500	747,153	604,513	2,617,140	147,321

The net pension liability as of the beginning of the year was restated. See note 2(n) for further explanation.

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, 2015, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General Obligation Bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2016	\$ 109,825	58,070	(3,527)	164,368
2017	106,450	52,753	(3,495)	155,708
2018	101,205	46,606	(3,430)	144,381
2019	94,855	38,992	(3,358)	130,489
2020	84,235	33,353	(3,273)	114,315
2021-2025	401,860	109,003	(12,276)	498,587
2026-2030	223,460	39,359	(1,553)	261,266
2031-2035	97,715	8,366	-	106,081
	<u>\$ 1,219,605</u>	<u>386,502</u>	<u>(30,912)</u>	<u>1,575,195</u>
Notes Payable:				
Year(s) ending June 30:				
2016	\$ 2,108	1,084	-	3,192
2017	1,731	1,009	-	2,740
2018	4,812	849	-	5,661
2019	1,012	713	-	1,725
2020	1,138	700	-	1,838
2021-2025	7,835	2,861	-	10,696
2026-2030	9,933	2,097	-	12,030
2031-2035	13,662	911	-	14,573
Thereafter	21,130	1,499	-	22,629
	<u>\$ 63,361</u>	<u>11,723</u>	<u>-</u>	<u>75,084</u>
Leases Payable:				
Year(s) ending June 30:				
2016	\$ 19,958	583	-	20,541
2017	15,745	386	-	16,131
2018	10,629	225	-	10,854
2019	6,338	110	-	6,448
2020	2,762	39	-	2,801
2021-2022	993	13	-	1,006
	<u>\$ 56,425</u>	<u>1,356</u>	<u>-</u>	<u>57,781</u>

On April 1, 2015, the City issued \$266.7 million of general obligation and refunding bonds, including \$134.3 million for various municipal capital projects, \$5.7 million for the Dudley Municipal Center, and \$126.7 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$134.1 million. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2029 and 2035, respectively.

The cash flow difference and economic gain (the difference between the present value of the debt service payments and old and new debt) obtained from the April 1, 2015 refunding were \$11.3 million and \$9.7 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 gross amount of assets acquired under the equipment lease agreements totals \$56.4 million as of June 30, 2015. The City's operating lease with DSRC is described in note 19.

No Obligation Debt

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

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions for governmental activities and still outstanding at June 30, 2015 was approximately \$163.2 million.

Debt Capacity

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

As of June 30, 2015, the City may issue \$3.8 billion of additional general obligation debt under the debt limit. General obligation debt of \$689.3 million, subject to the debt limit, and \$82.0 million, exempt from the debt limit, are authorized but unissued as of June 30, 2015.

11. Retirement Plans

a. Plan Description

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

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

The 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, 2014 can be obtained through the SBRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website www.cityofboston.gov/retirement/investment.asp.

Participation in the System is mandatory for all permanent, full time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment, or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance are

entitled to request a refund of their accumulated total deductions. In addition, those participants that resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2014).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of twenty years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2013). Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigns authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to the SBRS.

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

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

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

Special Funding Situations

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

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

b. SBRS Basis of Accounting

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

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, and real estate, for which fair values are estimated as detailed below:

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

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

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

c. Membership

Membership in the System consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Active plan members	20,278
Retirees and beneficiaries receiving benefits	14,341
Inactive members entitled to a return of contributions	7,983
Inactive members entitled to, but not yet receiving benefits	808
	<hr/>
Total membership	43,410
	<hr/>
Total number of participating employers	6
	<hr/>

d. Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 11% of their regular gross compensation. Non-teacher members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on an actuarial computation. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended December 31, 2014, the System was due \$312.6 million from all employers and the Commonwealth and received \$312.6 million in these contributions. For the year ended June 30, 2015, inclusive of contributions related to SCSD, and exclusive of contributions related to the City's teachers, the City's required and actual contribution was \$164.6 million.

For the year ended June 30, 2015, the Commonwealth's required and actual contribution related to City Teachers was \$109.5 million. The amount is reported as intergovernmental revenue and retirement cost expenditures in the General Fund.

e. Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2014 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,580,428	Active members' contribution balance
Annuity reserve fund	461,179	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	3,404,283	Amounts appropriated to fund future retirement benefits
Pension fund	228,207	Remaining net position
	<u>\$ 5,674,147</u>	

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

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

At June 30, 2015, the City reported a liability of \$1.42 billion for its proportionate share of the SBRS net pension liability measured as of December 31, 2014. This net pension liability includes amounts related to SCSD retirees and reflects a reduction for the special funding situations with the Commonwealth. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situations, and the total portion of the net pension liability associated with the City at June 30, 2015 were as follows (in thousands):

City's proportionate share of net pension liability	\$ 1,416,932
Commonwealth's proportionate share of net pension liability associated with the City	<u>2,092,023</u>
Total	<u>\$ 3,508,955</u>

To determine employer's proportionate share of the net pension liability, separate calculations of net pension liability were performed for each of the Commonwealth special funding situations, SCSD retirees, and the remaining non-teacher group. At December 31, 2014, the City was allocated 100% of the net pension liability for SCSD retirees and 80.67% of the remaining non-teacher group based on its proportion of 2014 required employer contributions related to this group. The City's proportion of the collective SBRS net pension liability at December 31, 2014 was 36.82% compared to 36.46% at December 31, 2013.

For the year ended June 30, 2015, in the Government-wide financial statements, the City recognized pension expense of \$340.6 million and revenue of \$176.1 million related to the Commonwealth special funding situations. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources
Net difference between projected and actual investment earnings	\$ 86,723
Changes in assumptions	6,114
Changes in employer proportion	13,040
	<u>\$ 105,877</u>

Amounts reported as deferred outflows of resources at June 30, 2015 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:

2016	\$ 25,511
2017	25,512
2018	25,511
2019	25,512
2020	3,831
Total	<u>\$ 105,877</u>

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

g. Actuarial Assumptions

The total pension liability for the December 31, 2014 measurement date was determined by using an actuarial valuation as of December 31, 2013, with updated procedures used to roll forward the total pension liability to December 31, 2014. This actuarial valuation applied the following actuarial assumptions:

Inflation	4.50%
Salary scale	7.5% to 4% percent, indexed by year of service, for teachers and 5.0% to 4.5% for non-teachers
Investment rate of return, including inflation	7.75 % for SBRS excluding teachers and 8% for teachers, net of expenses, including inflation
Cost of living adjustments	3 % of first \$13,000
Mortality	RP-2000 mortality tables projected generationally using Scale AA

On the roll-forward of the total pension liability to the December 31, 2014 measurement date, mortality assumptions were changed to reflect RP-2000 mortality tables projected using Scale BB2D for SBRS excluding Teachers, and RP-2014 mortality tables projected using Scale BB2D for Teachers.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of

pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation date of December 31, 2013 for SBRS, excluding Teachers, are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	23%	6.60%
International developed markets equity	16	7.10
Emerging markets equity	9	9.40
Core fixed income	10	2.20
High yield fixed income	14	4.70
Real estate	10	4.40
Short-term government money market	3	1.80
Hedge fund, GTAA, Risk parity	8	3.90
Private equity	7	11.70
	<u>100%</u>	

h. Discount Rate

The discount rate used to measure the total pension liability was 7.75% for SBRS excluding Teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employers and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based upon these assumptions, the SBRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the SBRS net pension liability calculated using the discount rate of 7.75% for the SBRS excluding Teachers, as well as what the City's proportionate share of the SBRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate for SBRS excluding Teachers (in thousands):

	City's net pension liability		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2015	\$ 1,963,604	\$ 1,416,932	\$ 953,899

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 Position 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, 2013, the most recent actuarial valuation date, approximately 14,700 retirees and 14,400 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, 2013, 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 are reported at fair value. Fair value of securities held directly are based on quotations from national securities exchanges.

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, 2015, 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, 2013 (in thousands):

ARC	\$	158,387
Interest on net OPEB obligation		49,225
Adjustment to ARC		(32,010)
Annual OPEB cost		175,602
Contributions made		(162,058)
Change in net OPEB obligation		13,544
Net OPEB obligation – beginning of year		656,343
Net OPEB obligation – end of year	\$	669,887

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
2015	\$ 175,602	92%	\$ 669,887
2014	170,249	90%	656,343
2013	208,057	78%	639,733

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 the most recent actuarial valuation at June 30, 2013 was as follows (in thousands):

	Plan	City
AAL	\$ 2,352,101	2,257,699
Actuarial value of plan assets	209,779	204,567
UAAL	\$ 2,142,322	2,053,132
Funded ratio (actuarial value of plan assets/AAL)	8.92%	9.06%
Covered payroll (active plan members)	\$ 1,080,837	1,021,081
UAAL as a percentage of covered payroll	198%	201%

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 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, 2013. The projected unit credit cost method was used. The actuarial assumptions included a 7.5% investment rate of return, an inflation rate of 4.5% and an annual healthcare cost trend rate of 7.5% 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, 2013 was 30 years.

13. Transfers

Transfers and their purposes during the year ended June 30, 2015 were as follows (in thousands):

	Governmental funds			
	General	Special revenue	Capital projects	Other governmental
Primary government:				
Dudley Municipal Center	-	-	(23,779)	23,779
Parking Meter Fees	19,000	(19,000)	-	-
Debt Service	(1,455)	-	-	1,455
Total	\$ 17,545	(19,000)	(23,779)	25,234

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2015 in the following categories (in thousands):

Public safety:		
Police Department	\$	17,611
Fire Department		6,619
Public Works:		
Snow Removal		19,942
Judgments and Claims:		
Execution of Courts		6,198
	\$	<u>50,370</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, 2015 are as follows (in thousands):

Fund Balances:	General	Special revenue	Capital projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ -	-	-	4,974
Subtotal	-	-	-	4,974
Restricted for:				
General government	-	-	4,514	760
Public safety	-	-	335	-
Property and development	-	46,951	15,413	34,366
Parks and recreation	-	-	1,916	40,248
Library	-	-	24,451	-
Schools	-	-	18,061	7,029
Subtotal	-	46,951	64,690	82,403
Assigned to:				
General government	4,668	1,554	-	-
Human services	223	-	-	-
Police	407	-	-	-
Fire	898	-	-	-
Other public safety	85	97,210	-	-
Public works	850	-	-	-
Property and development	1,388	39,265	-	-
Parks and recreation	452	2,532	-	-
Library	87	-	-	-
Schools	21,723	21,181	-	-
Boston Public Health Commission	4,000	-	-	-
Judgments and claims	25,316	-	-	-
Catastrophic Loss	30,750	-	-	-
Housing initiative	22,535	-	-	-
Debt service	7,162	-	-	-
Employee related costs	50,000	-	-	-
Designated for subsequent year expense	57,692	-	-	-
Subtotal	228,236	161,742	-	-
Unassigned	633,936	-	-	-
Total fund balances	\$ 862,172	208,693	64,690	87,377

16. Commitments and Contingencies

The City has committed \$60.0 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$52.6 million in the Special Revenue Fund, \$172.0 million in the Capital Projects Fund, and \$165 thousand in Other Governmental Funds.

Infrastructure Investment Incentive Transactions

Infrastructure Investment Incentive transactions (I-Cubed) are governed by Chapter 293 of the Acts of 2006 (the Act). Under the Act, the funding for the projects associated with these transactions is provided through proceeds of bonds issued by the Massachusetts Development Finance Agency (MDFA) and is to be used for approved public infrastructure improvements undertaken by the developer. The debt service on these bonds

will be paid by the Commonwealth through State Infrastructure Development Assistance to the extent that New State Tax Revenues generated once the project is operational offset the amounts paid to MDFA to cover the debt service. When this is not the case, the participating municipality or developer generally will be responsible for the shortfall depending on the transaction agreement. The Act provides for the establishment of a Municipal Liquidity Reserve (MLR) from which the participating municipality can draw to offset any required payments made to the Commonwealth. The MLR is generally funded by the developer either through cash or a direct pay letter of credit.

During fiscal year 2015, the City executed two Infrastructure Development Assistance Agreements (IDAA) for I-Cubed transactions. Under the first IDAA, \$32.4 million in bonds were issued by MDFA subsequent to the City's year end. The City will be obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2015.

Under the second IDAA, \$10.0 million in bonds were issued by MDFA subsequent to the City's year-end. The City will be obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for one-third of any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2015.

In connection with this second I-Cubed transaction, the City has a leasehold interest in a portion of the parking garage, which represents the public infrastructure improvements under the transaction, created under a master lease and its assignments and a sublease. With the execution of the master lease and sublease agreements, along with the assignment agreements transferring the interests of the owner of the parking garage to the City through the Boston Redevelopment Authority, the City essentially becomes the lessee on the master lease and the sub-landlord on the sublease. This results in the City having no responsibility for the operation of the parking garage and having the right to collect from the sub-lessee Section 121A PILOT payments from 2015 through 2036 and then base rent from 2036 through 2055, both of which are largely based on a percentage of gross revenues of the parking garage. The City has no obligation for any payments as lessee under the master lease.

17. Public Health System

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

Also effective July 1, 1996, the operations of BCH and BSRH were consolidated with the operations of the Boston University Medical Center under the licensure and control of the BMC.

The BPHC receives the majority of its funding from federal and state grants, and a City appropriation. During fiscal year 2015, the City appropriated \$73.8 million to the PHC. As described below, the BPHC uses the appropriation to pay debt service on certain general obligation bonds, for administrative purposes and to support the various public health programs run by the PHC. The City has budgeted \$74.0 million for the BPHC for fiscal year 2016.

Due from BPHC/BMC

General obligation bonds issued by the City between December 1967 and October 1995 for which BPHC is responsible for repayment total \$300 thousand as of June 30, 2015. 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 BPHC is also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

18. Risk Management

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

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

The City provides health insurance coverage for employees and retirees through a variety of insured and self-insured plans. The City budgets for and funds the premium costs for all plans through the General Fund. Self-insured plans are financially managed through the Internal Service Fund established in compliance with M.G.L. Chapter 32B, Section 3A. In fiscal year 2013, 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 \$30.8 million at the end of fiscal 2015. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$25.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorneys' estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2015 and 2014 are as follows (in thousands):

		Internal service fund	
		2015	2014
Health and life claims, beginning of year	\$	24,312	21,862
Incurred claims		321,873	305,326
Payments of claims attributable to events of both the current and prior fiscal years:			
Health and life		(323,632)	(302,876)
Health and life claims, end of year	\$	<u>22,553</u>	<u>24,312</u>
		Government-wide statements	
		2015	2014
Judgments and claims, beginning of year	\$	162,038	168,467
Incurred claims		45,912	38,513
Payments of claims attributable to events of both the current and prior fiscal years:			
Workers' compensation		(13,686)	(21,348)
Unemployment compensation		(4,886)	(3,552)
Tax abatement liability		(700)	(2,100)
Court judgments		(5,521)	(17,942)
Judgments and claims, end of year	\$	<u>183,157</u>	<u>162,038</u>

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

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

19. Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)

As described in note 1, the DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. During the year ended June 30, 2015, the City granted DSRC \$23.8 million. This is a grant for funding the project and there is no obligation for any payments back to the City regarding this grant. As the project sponsor during fiscal year 2013, the City authorized and issued \$28.9 million in general obligation bonds and transferred proceeds to FBDC. FBDC, utilizing these bond proceeds, made loans totaling \$29.3 million to two investment funds. As of June 30, 2015, \$29.3 million is due to FBDC on such loans. The investment funds made these proceeds and funds from additional investments available to eight leverage lenders that made loans in the aggregate amount of \$40.8 million to DSRC to finance the Dudley Municipal Center project. This amount is recorded in the City's Notes and Leases Payable line of note 10. With the completion of the Dudley Municipal Center project, FBDC is the master tenant and leases the project from DSRC.

FBDC subleases the majority of space of the project to the City. The schedule of payments is the same in the lease and the sublease as follows (in thousands):

Year(s) ending June 30:	Lease payments
2016	\$ 735
2017	551
2018	551
2019	638
2020	638
2021-2025	7,366
2026-2030	10,150
2031-2035	10,150
2036-2040	10,150
2041-2045	10,150
2046-2049	4,060
Total	\$ 55,139

20. Discretely Presented Component Units

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

Condensed Statements of Net Position

June 30, 2015

(In thousands)

	BPHC	BRA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 29,036	\$ 32,932	\$ 10,826	\$ 12,640	\$ 85,434
Cash and investments held by trustee	-	-	2,586	-	2,586
Receivables, net:					
Other	34,388	12,629	1,502	7,884	56,403
Other assets	334	15	85	434	868
Due from primary government	2,091	-	-	-	2,091
Total current assets	65,849	45,576	14,999	20,958	147,382
Noncurrent assets:					
Cash and investments held by trustee	-	-	57,471	-	57,471
Notes receivable	41,472	152,545	157	-	194,174
Other assets	-	-	-	-	-
Capital assets:					
Nondepreciable	11,996	15,321	150	2,184	29,651
Depreciable	13,643	4,187	646	35,944	54,420
Total noncurrent assets	67,111	172,053	58,424	38,128	335,716
Total assets	132,960	217,629	73,423	59,086	483,098
Deferred outflows of resources:					
Deferred amount for pension costs	8,876	1,238	-	-	10,114

Condensed Statements of Net Position**June 30, 2015****(In thousands)**

	BPHC	BRA	TPL	EDIC	Total
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 23,750	\$ 4,216	\$ 933	\$ 6,664	\$ 35,563
Accrued liabilities:					
Other	818	549	369	1,666	3,402
Current portion of long-term debt and leases	498	-	-	903	1,401
Due to primary government	2,001	-	640	-	2,641
Unearned revenue	3,004	1,999	-	105	5,108
Total current liabilities	30,071	6,764	1,942	9,338	48,115
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	1,556	1,475	-	12,959	15,990
Other noncurrent liabilities	1,451	160,290	-	675	162,416
OPEB	78,925	8,887	-	-	87,812
Unearned revenue	42,533	26,081	-	-	68,614
Net pension liability	132,868	18,527	-	-	151,395
Due to primary government	-	8,095	-	-	8,095
Total noncurrent liabilities	257,333	223,355	-	13,634	494,322
Total liabilities	287,404	230,119	1,942	22,972	542,437
Deferred outflows of resources:					
Deferred amount for pension costs	7,283	1,103	-	-	8,386
Net position:					
Net investment in capital assets	23,585	7,912	796	24,266	56,559
Restricted	-	-	67,828	703	68,531
Unrestricted	(176,436)	(20,267)	2,857	11,145	(182,701)
Total net position	\$ (152,851)	\$ (12,355)	\$ 71,481	\$ 36,114	\$ (57,611)

Condensed Statements of Revenues, Expenses, and Changes in Net Position**Year ended June 30, 2015****(In thousands)**

	BPHC	BRA	TPL	EDIC	Total
Expenses	\$ 182,317	\$ 18,991	\$ 9,573	\$ 36,384	\$ 247,265
Program revenues:					
Charges for services	44,357	9,171	1,656	19,872	75,056
Operating grants and contributions	48,262	5,795	7,450	18,117	79,624
Capital grants and contributions	375	-	-	-	375
Total program revenues	92,994	14,966	9,106	37,989	155,055
Net expenses	(89,323)	(4,025)	(467)	1,605	(92,210)
General revenues:					
Investment income	51	984	110	2	1,147
Sale of property	-	2,692	-	-	2,692
City appropriation	69,827	-	-	-	69,827
Miscellaneous income	8,629	827	1,258	15	10,729
Total general revenues	78,507	4,503	1,368	17	84,395
Change in net position	(10,816)	478	901	1,622	(7,815)
Net position – beginning of year, as restated (refer to note 2n)	(142,035)	(12,833)	70,580	34,492	(49,796)
Net position – end of year	\$ (152,851)	\$ (12,355)	\$ 71,481	\$ 36,114	\$ (57,611)

Required Supplementary Information

(Unaudited)

(Amounts in thousands)

Schedules of Funding Progress – Other Postemployment Benefits

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)
OPEB - City						
06/30/13	\$ 204,567	2,257,699	2,053,132	9.06 %	\$ 1,021,081	201.1 %
06/30/11	109,736	2,595,942	2,486,206	4.23	1,045,488	237.8
06/30/09	—	3,854,998	3,854,998	—	1,008,004	382.4
OPEB - Plan						
06/30/13	\$ 209,779	2,352,101	2,142,322	8.92 %	\$ 1,080,837	198.2 %
06/30/11	111,038	2,704,200	2,593,162	4.11	1,102,402	235.2
06/30/09	—	3,950,701	3,950,701	—	1,060,919	372.4

Schedules of Employer Contributions - Other Postemployment Benefits

	Annual required contribution	Percentage contributed
OPEB - City		
June 30, 2015	\$ 158,387	102 %
June 30, 2014	153,469	100
June 30, 2013	186,929	87
OPEB - Plan		
June 30, 2015	\$ 168,281	99 %
June 30, 2014	162,798	97
June 30, 2013	200,041	84

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

(Amounts in millions)

	<u>2015</u>
City's proportion of the net pension liability	36.82%
City's proportionate share of the net pension liability	\$ 1,417
Commonwealth's proportionate share of net pension liability associated with the City	<u>2,092</u>
Total	<u><u>\$ 3,509</u></u>
City's covered-employee payroll (for the period ended on the measurement date December 31, 2014)	\$ 1,423
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	99.58%
SBRS fiduciary net position as a percentage of the total pension liability	59.59%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

Schedule of City's Contributions - State-Boston Retirement System

(Amounts in millions)

	<u>2015</u>
Actuarially determined contribution	\$ 165
Contributions in relation to the actuarially determined contribution	<u>165</u>
Contribution deficiency	<u><u>\$ -</u></u>
Covered-employee payroll (for the fiscal year ended June 30, 2015)	\$ 1,442
Contributions as a percentage of covered-employee payroll	11.44%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.



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EXHIBIT II

Schedules of Comparative Financial Statements for Fiscal Years Ended June 30, 2015, 2014, 2013, 2012, and 2011

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Transfers and Fund Equity for the fiscal years ended June 30, 2015, 2014, 2013, 2012, and 2011 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, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:					
Cash and investments.....	\$ 1,043,852	\$ 1,006,745	\$ 950,678	\$ 925,637	\$ 823,210
Receivables :					
Property taxes.....	15,658	13,989	15,355	18,736	18,277
Motor vehicle excise.....	32,956	54,751	55,135	53,978	49,994
Intergovernmental.....	47,115	50,216	59,011	58,086	63,689
Departmental and other.....	18,811	25,139	27,297	23,417	33,253
Tax title and possession.....	85,138	87,645	91,698	90,837	90,950
Total receivables.....	<u>199,678</u>	<u>231,740</u>	<u>248,496</u>	<u>245,054</u>	<u>256,163</u>
Allowance:					
Abatement res/property tax allow.....				-	-
Tax title and possession.....	(85,138)	(87,645)	(91,698)	(90,810)	(90,950)
Motor vehicle excise.....	(16,990)	(46,031)	(45,436)	(45,265)	(45,010)
Other.....	-	-	-	(3,078)	(7,081)
Total allowances.....	<u>(102,128)</u>	<u>(133,676)</u>	<u>(137,134)</u>	<u>(139,153)</u>	<u>(143,041)</u>
Net receivable.....	97,550	98,064	111,362	105,901	113,122
Due from other funds.....	1,899	1,259	2,161	27	1,973
Due from component units.....	9,806	13,998	13,625	16,072	5,449
Total assets.....	<u>\$ 1,153,107</u>	<u>\$ 1,120,066</u>	<u>\$ 1,077,826</u>	<u>\$ 1,047,637</u>	<u>\$ 943,754</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 47,066	\$ 59,800	\$ 45,211	\$ 102,736	\$ 51,773
Accrued liabilities:					
Payroll and related costs.....	155,406	178,308	167,301	139,022	126,222
Other.....	23,277	26,868	25,709	19,561	20,133
Due to other funds.....	184	1,799	8,721	1,922	6,023
Due to component units.....	2,091	252	142	4	195
Deferred revenue.....	-	-	79,346	94,695	86,477
Total liabilities.....	<u>\$ 228,024</u>	<u>\$ 267,027</u>	<u>\$ 326,430</u>	<u>\$ 357,940</u>	<u>\$ 290,823</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	<u>62,911</u>	<u>68,731</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:					
Assigned.....	228,236	251,353	218,292	177,942	141,891
Unassigned.....	633,936	532,955	533,104	511,755	511,040
Total fund balance.....	<u>862,172</u>	<u>784,308</u>	<u>751,396</u>	<u>689,697</u>	<u>652,931</u>
Total liabilities, deferred inflows of resources and fund balance.....	<u>\$ 1,153,107</u>	<u>\$ 1,120,066</u>	<u>\$ 1,077,826</u>	<u>\$ 1,047,637</u>	<u>\$ 943,754</u>

City of Boston

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES:					
Local:					
Real and personal property taxes, net.....	\$ 1,867,259	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361
Excises.....	228,962	223,133	221,254	187,572	124,214
Payments in lieu of taxes.....	79,232	73,324	72,335	63,066	65,461
Fines.....	60,116	59,922	58,835	64,566	64,751
Investment income.....	61	57	179	982	4,733
Licenses and permits.....	71,205	62,257	47,220	48,753	41,676
Departmental and other revenue.....	86,392	84,385	87,585	78,438	65,498
Total local revenues.....	<u>2,393,227</u>	<u>2,270,861</u>	<u>2,164,989</u>	<u>2,035,375</u>	<u>1,892,694</u>
Intergovernmental:					
Intergovernmental.....	523,256	509,199	504,656	486,379	395,374
Total intergovernmental revenues.....	<u>523,256</u>	<u>509,199</u>	<u>504,656</u>	<u>486,379</u>	<u>395,374</u>
Total revenues.....	<u>2,916,483</u>	<u>2,780,060</u>	<u>2,669,645</u>	<u>2,521,754</u>	<u>2,288,068</u>
EXPENDITURES:					
Current:					
General government.....	58,242	102,786	77,515	68,828	65,459
Human services.....	31,507	31,358	29,924	28,604	29,233
Public safety.....	633,471	558,802	553,851	524,476	516,725
Public works.....	123,767	113,239	102,789	84,727	105,318
Property and development.....	35,594	33,376	32,568	30,089	35,138
Parks and recreation.....	20,063	19,792	19,229	16,653	16,634
Library.....	33,966	33,978	30,888	30,069	30,532
Schools.....	960,228	940,276	879,898	830,839	812,949
Public Health Programs.....	73,577	65,953	67,845	73,455	70,092
Judgments and claims.....	3,678	9,493	3,010	3,871	811
Retirement costs.....	282,648	255,647	235,078	220,340	195,976
Other employee benefits.....	230,089	234,400	232,831	251,194	294,200
State and district assessments.....	215,538	197,939	176,300	160,547	152,042
Capital outlays.....	348	1,106	1,745	6,950	2,588
Debt Service.....	153,448	147,548	140,900	138,210	132,156
Total expenditures.....	<u>2,856,164</u>	<u>2,745,693</u>	<u>2,584,371</u>	<u>2,468,852</u>	<u>2,459,853</u>
Excess (deficiencies) of revenues over (under) expenditures.....	<u>60,319</u>	<u>34,367</u>	<u>85,274</u>	<u>52,902</u>	<u>(171,785)</u>
OTHER FINANCING SOURCES (USES):					
Payments to escrow agent to refund debt.....	-	-	-	-	-
Transfers in.....	19,000	-	-	-	-
Transfers out.....	(1,455)	(1,455)	(23,575)	(16,136)	117,523
Total other financing uses, net.....	<u>17,545</u>	<u>(1,455)</u>	<u>(23,575)</u>	<u>(16,136)</u>	<u>117,523</u>
Net change in fund balances.....	77,864	32,912	61,699	36,766	(54,262)
Fund balance, beginning of year.....	784,308	751,396	689,697	652,931	707,193
Fund balance, end of year.....	<u>\$ 862,172</u>	<u>\$ 784,308</u>	<u>\$ 751,396</u>	<u>\$ 689,697</u>	<u>\$ 652,931</u>

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City of Boston

General Fund - Budgetary Basis

**Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011**

(in thousands)

	2015			2014		
	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:						
Real and personal property taxes, net.....	\$ 1,831,901	\$ 1,839,279	\$ 7,378	\$ 1,743,923	\$ 1,744,904	\$ 981
Motor vehicle excise.....	41,849	52,988	11,139	40,065	53,032	12,967
Other excises.....	151,325	165,830	14,505	140,757	165,831	25,074
Commonwealth of Massachusetts.....	418,482	413,430	(5,052)	409,211	422,403	13,192
Departmental and other revenue.....	63,245	78,117	14,872	58,675	75,525	16,850
Fines.....	58,955	60,347	1,392	58,955	59,604	649
Payments in lieu of taxes.....	64,440	78,831	14,391	63,269	73,837	10,568
Investment income.....	150	61	(89)	175	57	(118)
Licenses and permits.....	45,475	72,536	27,061	40,460	59,162	18,702
Transfers from other available funds.....	59,773	19,000	(40,773)	57,307	-	(57,307)
Total revenues, transfers and other available funds.....	<u>2,735,595</u>	<u>2,780,419</u>	<u>44,824</u>	<u>2,612,797</u>	<u>2,654,355</u>	<u>41,558</u>
Expenditures and Encumbrances:						
General government.....	101,879	98,672	3,207	92,337	90,039	2,298
Human services.....	31,778	31,667	111	31,183	31,134	49
Public safety.....	578,526	602,663	(24,137)	555,939	576,618	(20,679)
Public works.....	104,742	124,664	(19,922)	108,275	112,615	(4,340)
Property and development.....	35,801	35,717	84	33,889	33,843	46
Parks and recreation.....	20,575	20,416	159	19,958	19,796	162
Library.....	33,416	33,291	125	33,076	33,076	-
Schools.....	974,929	974,925	4	937,962	937,949	13
Boston Public Health Commission.....	73,827	73,827	-	66,757	66,757	-
Judgments and claims.....	3,500	9,698	(6,198)	3,500	13,470	(9,970)
Other employee benefits.....	231,259	231,090	169	240,900	240,825	75
Retirement costs.....	173,062	172,997	65	153,180	153,115	65
State and district assessments.....	220,668	215,538	5,130	197,939	197,939	-
Debt requirements.....	151,633	147,893	3,740	137,902	137,706	196
Total expenditures.....	<u>2,735,595</u>	<u>2,773,058</u>	<u>(37,463)</u>	<u>2,612,797</u>	<u>2,644,882</u>	<u>(32,085)</u>
Excess of revenues available for appropriation over expenditures.....	<u>\$ -</u>	<u>\$ 7,361</u>	<u>\$ 7,361</u>	<u>\$ -</u>	<u>\$ 9,473</u>	<u>\$ 9,473</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, 2015, 2014, 2013, 2012, and 2011**

(in thousands)

2013			2012			2011		
Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)	Budget	Actual	Variance Fav. (Unfav.)
\$ 1,642,626	\$ 1,643,367	\$ 741	\$ 1,575,373	\$ 1,577,253	\$ 1,880	\$ 1,502,324	\$ 1,504,566	\$ 2,242
38,484	47,169	8,685	40,075	40,507	432	33,570	46,977	13,407
146,050	162,411	16,361	123,850	152,619	28,769	106,775	112,064	5,289
404,058	403,275	(783)	385,877	390,475	4,598	395,700	395,201	(499)
59,758	68,502	8,744	53,298	69,369	16,071	137,094	144,438	7,344
62,390	59,475	(2,915)	64,155	64,338	183	70,133	65,051	(5,082)
66,312	71,372	5,060	66,620	62,902	(3,718)	57,303	71,999	14,696
900	179	(721)	1,150	982	(168)	2,000	1,392	(608)
38,743	45,574	6,831	33,750	51,932	18,182	32,490	39,887	7,397
17,015	3,023	(13,992)	51,096	4,030	(47,066)	72,139	48,139	(24,000)
<u>2,476,336</u>	<u>2,504,347</u>	<u>28,011</u>	<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>
107,577	105,764	1,813	90,500	88,998	1,502	77,806	75,879	1,927
30,811	30,667	144	29,391	29,350	41	29,670	29,377	293
516,462	531,682	(15,220)	503,088	520,723	(17,635)	499,243	504,759	(5,516)
103,244	103,926	(682)	103,933	92,152	11,781	101,032	106,239	(5,207)
33,008	32,981	27	30,426	30,302	124	30,205	30,145	60
19,595	19,301	294	17,184	17,121	63	16,838	16,747	91
31,177	31,069	108	30,157	30,152	5	30,378	30,378	-
881,229	881,203	26	831,467	831,343	124	821,382	821,375	7
67,041	67,041	-	72,903	72,903	-	69,808	69,808	-
3,500	11,976	(8,476)	3,500	14,500	(11,000)	3,500	21,022	(17,522)
234,193	233,985	208	254,376	253,592	784	249,481	243,624	5,857
141,177	141,111	66	130,680	130,530	150	196,207	195,998	209
178,065	176,300	1,765	166,485	160,547	5,938	153,048	152,043	1,005
129,257	129,122	135	131,154	130,227	927	130,930	126,410	4,520
<u>2,476,336</u>	<u>2,496,128</u>	<u>(19,792)</u>	<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>
<u>\$ -</u>	<u>\$ 8,219</u>	<u>\$ 8,219</u>	<u>\$ -</u>	<u>\$ 11,967</u>	<u>\$ 11,967</u>	<u>\$ -</u>	<u>\$ 5,910</u>	<u>\$ 5,910</u>

City of Boston

Special Revenue Fund

Balance Sheets

June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:					
Cash and investments.....	\$ 185,486	\$ 163,496	\$ 132,314	\$ 159,581	\$ 128,083
Receivables, net:					
Intergovernmental.....	44,741	77,040	103,430	107,892	117,942
Departmental and other.....	44,240	60,084	59,515	64,048	73,752
Total receivables.....	<u>88,981</u>	<u>137,124</u>	<u>162,945</u>	<u>171,940</u>	<u>191,694</u>
Due from other funds.....	<u>888</u>	<u>2,963</u>	<u>5,132</u>	<u>1,855</u>	<u>6,709</u>
Total assets.....	<u>\$ 275,355</u>	<u>\$ 303,583</u>	<u>\$ 300,391</u>	<u>\$ 333,376</u>	<u>\$ 326,486</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 20,474	\$ 32,379	\$ 41,221	\$ 25,863	\$ 20,921
Accrued liabilities:					
Payroll and related costs.....	615	3,504	302	2,938	1,871
Other.....	42,195	41,539	41,049	46,329	45,129
Unearned revenue.....	600	8,959	-	-	-
Deferred revenue.....	-	-	81,930	86,786	81,751
Due to other funds.....	<u>2,600</u>	<u>2,423</u>	<u>3,000</u>	<u>-</u>	<u>4,546</u>
Total liabilities.....	<u>66,484</u>	<u>88,804</u>	<u>167,502</u>	<u>161,916</u>	<u>154,218</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	<u>178</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted.....	46,951	59,993	-	72,903	91,293
Assigned.....	161,742	154,667	-	98,557	80,975
Unassigned.....	-	-	132,889	-	-
Reserved for:					
Encumbrances.....	-	-	-	-	-
Unreserved:					
Undesignated.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance.....	<u>208,693</u>	<u>214,660</u>	<u>132,889</u>	<u>171,460</u>	<u>172,268</u>
Total liabilities and fund balance.....	<u>\$ 275,355</u>	<u>\$ 303,583</u>	<u>\$ 300,391</u>	<u>\$ 333,376</u>	<u>\$ 326,486</u>

City of Boston

Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES:					
Local:					
Fines.....	\$ -	\$ 30	\$ 17	\$ 27	\$ 21
Investment income.....	23	17	21	26	33
Licenses and permits.....	86	68	70	85	74
Departmental and other revenue.....	49,789	46,626	41,225	43,871	34,659
Total local revenues.....	<u>49,898</u>	<u>46,741</u>	<u>41,333</u>	<u>44,009</u>	<u>34,787</u>
Intergovernmental:					
Intergovernmental.....	243,220	276,837	232,523	263,223	283,658
Total intergovernmental revenues.....	<u>243,220</u>	<u>276,837</u>	<u>232,523</u>	<u>263,223</u>	<u>283,658</u>
Total revenues.....	<u>293,118</u>	<u>323,578</u>	<u>273,856</u>	<u>307,232</u>	<u>318,445</u>
EXPENDITURES:					
Current operations:					
General government.....	7,544	5,244	13,523	10,689	7,492
Human services.....	8,071	7,847	7,697	6,802	6,775
Public safety.....	32,184	37,437	34,920	28,309	9,607
Public works.....	18,456	14,464	11,942	5,487	4,317
Parks and recreation.....	1,511	1,145	2,178	6,142	3,132
Libraries.....	2,552	2,048	2,559	1,730	3,024
Schools.....	127,668	151,623	155,930	173,329	161,883
County.....	-	-	-	-	-
Public health.....	1,244	2,744	1,260	281	288
Property & development.....	75,919	74,395	73,855	79,618	76,469
Other employee benefits.....	-	-	2,171	-	-
Capital outlays.....	2,411	1,380	2,461	3,239	2,383
Debt service.....	4,823	6,367	5,784	9	1,626
Total expenditures.....	<u>282,383</u>	<u>304,694</u>	<u>314,280</u>	<u>315,635</u>	<u>276,996</u>
Excess (deficiency) of revenues over expenditures.....	<u>10,735</u>	<u>18,884</u>	<u>(40,424)</u>	<u>(8,403)</u>	<u>41,449</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	455	3,200	718	7,010	1,366
Premiums on long-term debt issued.....	22,922	172	3,836	17,415	11,401
Payments to escrow agents.....	(21,079)	-	(2,701)	(12,857)	(1,118)
Transfers out, net.....	(19,000)	-	-	(3,973)	(53,962)
Total other financing sources (uses), net.....	<u>(16,702)</u>	<u>3,372</u>	<u>1,853</u>	<u>7,595</u>	<u>(42,313)</u>
Net change in fund balances.....	<u>(5,967)</u>	<u>22,256</u>	<u>(38,571)</u>	<u>(808)</u>	<u>(864)</u>
Cumulative effect of implementation of GASB 65.....	-	59,515	-	-	-
Fund balance, beginning of year.....	214,660	132,889	171,460	172,268	173,132
Fund balance, end of year.....	<u>\$ 208,693</u>	<u>\$ 214,660</u>	<u>\$ 132,889</u>	<u>\$ 171,460</u>	<u>\$ 172,268</u>

City of Boston

Capital Projects Fund

Balance Sheets

June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:					
Cash and investments.....	\$ 69,610	\$ 86,084	\$ 118,829	\$ 96,472	\$ 88,394
Cash and investments held by trustees.....	17,606	7,244	7,734	2,253	1,838
Intergovernmental receivable.....	6,263	18,195	34,593	9,834	10,619
Department and other receivables.....	1,761	611	247	-	-
Due from other funds.....	5,375	14,059	6,364	67	1,457
Total assets.....	<u>\$ 100,615</u>	<u>\$ 126,193</u>	<u>\$ 167,767</u>	<u>\$ 108,626</u>	<u>\$ 102,308</u>
LIABILITIES:					
Warrants and accounts payable.....	\$ 31,164	\$ 35,569	\$ 40,717	\$ 28,843	\$ 20,907
Other accrued liabilities.....	-	-	-	416	2,827
Due to other funds.....	-	4,075	-	27	-
Deferred revenue.....	-	-	31,478	9,654	10,176
Total liabilities.....	<u>31,164</u>	<u>39,644</u>	<u>72,195</u>	<u>38,940</u>	<u>33,910</u>
DEFERRED INFLOWS OF RESOURCES:					
Revenue not considered available.....	<u>4,761</u>	<u>18,195</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted.....	64,690	68,354	95,572	69,686	68,398
Reserved for:					
Encumbrances and other.....	-	-	-	-	-
Future appropriations.....	-	-	-	-	-
Unreserved:					
Undesignated (deficit).....	-	-	-	-	-
Total fund balance.....	<u>64,690</u>	<u>68,354</u>	<u>95,572</u>	<u>69,686</u>	<u>68,398</u>
Total liabilities and fund balance.....	<u>\$ 100,615</u>	<u>\$ 126,193</u>	<u>\$ 167,767</u>	<u>\$ 108,626</u>	<u>\$ 102,308</u>

City of Boston

Capital Projects Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES:					
Departmental and other revenue.....	\$ -	\$ 45	\$ -	\$ 156	\$ -
Intergovernmental.....	63,106	18,253	12,190	22,889	28,722
Total revenues.....	<u>63,106</u>	<u>18,298</u>	<u>12,190</u>	<u>23,045</u>	<u>28,722</u>
EXPENDITURES:					
Capital outlays.....	226,835	177,991	198,156	178,188	135,434
Debt Service.....	-	-	-	-	-
Total expenditures.....	<u>226,835</u>	<u>177,991</u>	<u>198,156</u>	<u>178,188</u>	<u>135,434</u>
Excess (deficiency) of revenues over expenditures.....	<u>(163,729)</u>	<u>(159,693)</u>	<u>(185,966)</u>	<u>(155,143)</u>	<u>(106,712)</u>
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	169,735	175,244	193,613	139,825	154,743
Refunding bonds issued.....	126,735	-	37,080	110,100	52,720
Payments to escrow agent.....	(126,579)	-	(33,274)	(83,019)	(14,372)
Premiums on long-term debt issued.....	13,953	17,000	21,646	16,470	-
Transfers in (out).....	(23,779)	(59,769)	(7,213)	(26,945)	(63,299)
Total other financing sources, net.....	<u>160,065</u>	<u>132,475</u>	<u>211,852</u>	<u>156,431</u>	<u>129,792</u>
Net change in fund balances.....	(3,664)	(27,218)	25,886	1,288	23,080
Fund balance, beginning of year.....	68,354	95,572	69,686	68,398	45,318
Fund balance, end of year.....	<u>\$ 64,690</u>	<u>\$ 68,354</u>	<u>\$ 95,572</u>	<u>\$ 69,686</u>	<u>\$ 68,398</u>

City of Boston

Internal Service Fund

Balance Sheets
June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:					
Cash and cash equivalents.....	\$ 86,873	\$ 99,676	\$ 78,153	\$ 53,592	\$ 54,042
Receivables, net.....	-	-	7,351	53	164
Due from other funds and sources.....	-	-	3,439	-	430
Due from component units.....	930	-	1,565	-	-
Other assets.....	2,552	1,414	4,844	1,797	1,885
Total assets.....	<u>\$ 90,355</u>	<u>\$ 101,090</u>	<u>\$ 95,352</u>	<u>\$ 55,442</u>	<u>\$ 56,521</u>
LIABILITIES:					
Accrued Liabilities:					
Warrants and accounts payable.....	\$ 4,910	\$ 1,615	\$ 6,505	\$ 7,768	\$ -
Accrued liabilities.....	22,553	24,312	21,862	5,614	6,550
Total liabilities.....	<u>27,463</u>	<u>25,927</u>	<u>28,367</u>	<u>13,382</u>	<u>6,550</u>
NET ASSETS:					
Unrestricted.....	<u>62,892</u>	<u>75,163</u>	<u>66,985</u>	<u>42,060</u>	<u>49,971</u>
Total fund equity.....	<u>62,892</u>	<u>75,163</u>	<u>66,985</u>	<u>42,060</u>	<u>49,971</u>
Total liabilities and fund equity.....	<u>\$ 90,355</u>	<u>\$ 101,090</u>	<u>\$ 95,352</u>	<u>\$ 55,442</u>	<u>\$ 56,521</u>

City of Boston

Internal Service Fund

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES:					
Employer contributions.....	\$ 251,194	\$ 253,122	\$ 246,420	\$ 58,543	\$ 61,845
Employee contributions.....	60,167	57,932	63,724	20,123	21,404
Total operating revenues.....	<u>311,361</u>	<u>311,054</u>	<u>310,144</u>	<u>78,666</u>	<u>83,249</u>
EXPENSES:					
Health Benefits.....	<u>323,632</u>	<u>302,876</u>	<u>285,219</u>	<u>86,577</u>	<u>85,051</u>
Total operating expenditures.....	<u>323,632</u>	<u>302,876</u>	<u>285,219</u>	<u>86,577</u>	<u>85,051</u>
Changes in net assets.....	(12,271)	8,178	24,925	(7,911)	(1,802)
Net assets (deficit), beginning of year.....	<u>75,163</u>	<u>66,985</u>	<u>42,060</u>	<u>49,971</u>	<u>51,773</u>
Net assets, end of year.....	<u>\$ 62,892</u>	<u>\$ 75,163</u>	<u>\$ 66,985</u>	<u>\$ 42,060</u>	<u>\$ 49,971</u>

City of Boston

Enterprise Funds

Statements of Net Assets
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011
(in thousands)

	2015	2014	2013	2012	2011
ASSETS:					
Current assets:					
Cash and investments.....	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and investments held by trustees.....	-	-	-	-	23,472
Receivables, net.....	-	-	-	-	-
Due from component units.....	-	-	-	-	8,335
Total current assets.....	-	-	-	-	31,807
Noncurrent assets:					
Due from component units.....	-	-	-	-	58,223
Due from other governments.....	-	-	-	-	-
Other assets.....	-	-	-	-	871
Total noncurrent assets.....	-	-	-	-	59,094
Total assets.....	-	-	-	-	90,901
LIABILITIES:					
Current liabilities:					
Warrants and accounts payable.....	-	-	-	-	-
Due to other funds.....	-	-	-	-	-
Other liabilities.....	-	-	-	-	1,421
Current portion of long-term debt.....	-	-	-	-	7,830
Total current liabilities.....	-	-	-	-	9,251
Noncurrent liabilities:					
Special obligation bonds.....	-	-	-	-	-
Revenue bonds.....	-	-	-	-	66,818
Total noncurrent liabilities.....	-	-	-	-	66,818
Total liabilities.....	-	-	-	-	76,069
NET ASSETS:					
Restricted for debt service.....	-	-	-	-	14,832
Unrestricted.....	-	-	-	-	-
Total net assets.....	\$ -	\$ -	\$ -	\$ -	\$ 14,832

City of Boston

Enterprise Funds

Statement of Revenues, Expenditures, and Changes in Net Assets
Fiscal Years Ending June 30, 2015, 2014, 2013, 2012, and 2011

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:					
State Aid - pledged for debt service.....	\$ -	\$ -	\$ -	\$ -	\$ 58,508
Departmental and other - pledged for debt service.....	-	-	-	-	-
Total operating revenues.....	-	-	-	-	58,508
Operating expenditures:					
Contributions to State.....	-	-	-	-	-
Total operating expenses.....	-	-	-	-	-
Operating (loss) income.....	-	-	-	-	58,508
Nonoperating revenue (expenditure):					
Intergovernmental - state grants.....	-	-	-	-	1,172
Investment earnings - pledged for debt service.....	-	-	-	2,688	3,561
Investment earnings - other.....	-	-	-	-	-
Interest expense.....	-	-	-	(2,523)	(4,852)
Loss on extinguishment of debt.....	-	-	-	(257)	(7,509)
Total nonoperating revenue (expense).....	-	-	-	(92)	(7,628)
Income before transfers.....	-	-	-	(92)	50,880
Transfer to (from) general fund.....	-	-	-	13,954	(39,569)
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.....	-	-	-	(14,832)	52,000
Total net assets - beginning.....	-	-	-	14,832	(37,168)
Total net assets - ending.....	\$ -	\$ -	\$ -	\$ -	\$ 14,832

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EXHIBIT III

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

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION

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

This report contains estimates that are based on expectations and assumptions which existed at the time estimates were prepared. In light of the important factors that may materially affect economic conditions of the City, the inclusion in this report of such estimates should not be regarded as a representation of the BRA or the City that such 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

Boston is the twenty-fourth largest city, in terms of population, in the United States and the economic hub of The Commonwealth of Massachusetts (the “Commonwealth”). It is a center for professional, business, financial, technology, research and development, higher educational and medical services, as well as for transportation, communications, export, cultural and entertainment activities. Boston is the capital of the Commonwealth and is host to several federal regional offices.

According to the U.S. Census Bureau’s American Community Survey (“ACS”) Boston’s population for 2014 was 656,051. The Boston Redevelopment Authority Research Division estimates there are 718,500 payroll and non-payroll jobs in Boston as of 2014 based on data provided by the Bureau of Economic Analysis (“BEA”) and Massachusetts Executive Office of Labor and Workforce Development (“EOLWD”). Boston’s jobs represent 16.2% of the total statewide jobs.

Overview of Recent Economic Conditions

Boston’s economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2005 through 2014. During that period Boston’s average annual job growth was 1.4%. Following the start of the Great Recession in December 2007, the national economy began to experience rising unemployment and deteriorating economic conditions. In late 2008 Boston’s economy began to show signs of a weakening labor market, and economic conditions worsened from late 2008 until February 2010, when positive job growth returned. Payroll jobs grew in Boston at an average annual rate of 1.8% from 2010 through 2014, exceeding the national recovery. Boston’s unemployment rate for 2015 was 4.4%, which was almost half a percentage point less than the national rate.

Similar to the job market, Boston’s office real estate market experienced a downward shift beginning in the last half of 2008 through mid-2010. The housing market in Boston, also hurt by the recession’s rising foreclosures and the tight lending market, saw reductions in sales volumes and small to moderate drops in prices. Boston’s experience during the recession was milder than conditions experienced in many other large markets across the U.S. Following the recession, Boston’s economic growth continued through 2015 with lower unemployment rates and improvements to the real estate market. The 2015 median house price in Boston was \$455,000.

Statistical Data

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

The Census Bureau publishes information about population, housing and the economy. The most recent decennial Census data are from the 2010 Census. In addition, some monthly, quarterly and annual data are available through December 2015 on certain topics for the region, the Commonwealth, and Metropolitan Boston¹. The Census Bureau also publishes the American Community Survey (“ACS”) which provides data through 2014 on a citywide basis and by census tract.

The Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, Massachusetts and for Metropolitan Boston are for 2014. The City accounts for approximately 85.5% 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 November 2015.

¹ Federal data sources have three prevailing definitions of the Boston Metropolitan Area. Each table with Metropolitan data explains whether Metropolitan Boston refers to: the Metropolitan Statistical Area (“MSA”), the New England City and Town Area (“NECTA”), or Combined Statistical Area (“CSA”). Revised data was unavailable for Boston-Cambridge-Quincy MA-NH MSA and NECTA. All data was revised to reflect the new Boston-Cambridge-Newton MA-NH MSA and NECTA Division

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

The statistical data contained in this report represent the latest published data available. While the City believes that it has used the most recent available data in this report, the data contained herein may not reflect current conditions or trends because of publication lags resulting from time required to collect, tabulate, and publish the data. Moreover, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of additional data. The statistical data contained herein describes past activity and are not presented in order to suggest the continuation of any trend, or to predict future economic activity either in particular categories or in general.

Population, Income and Employment

Boston's population from the 2010 Census was 617,594 which represented a 4.8% increase from the 2000 count of 589,141. The Census Bureau's 2010 population count for Metropolitan Boston was 4,552,402, representing an increase of 3.7% since 2000. Massachusetts' 2010 Census enumeration was 6,547,629, a gain of 3.1% over the 2000 count. The most recent estimate from the Census Bureau's American Community Survey (ACS) for 2014, estimates the City of Boston's total population is 656,051. The average annual growth for the City from 2010 through 2014 is 1.5%. Recent trends suggest Boston's population is growing at faster rates than in prior decades.

**Population of Massachusetts, Metropolitan Boston ⁽¹⁾
and the City of Boston 1990, 2000, 2010, 2013, & 2014**

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2013</u>	<u>2014</u>	<u>2010 to 2014 Compound Annual Growth</u>
Massachusetts	6,016,425	6,349,097	6,547,629	6,692,824	6,745,408	0.7%
Metropolitan Boston ⁽¹⁾	4,133,895	4,391,344	4,552,402	4,684,299	4,732,161	1.0%
City of Boston	574,283	589,141	617,594	644,710	656,051	1.5%

(1) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), as defined by the Office of Management and Budget (OMB).
Source: U.S. Census Bureau, 1990, 2000, and 2010 Decennial Census; 2013 and 2014 American Community Survey one-year estimates, January 2016.

The 2014 American Community Survey showed that Boston's racial composition was White, Non-Hispanic 45.6%; Black, Non-Hispanic 22.3%; Hispanic 18.6%; Asian/Pacific Islander 9.7%; Multi-racial 2.2%; other single race 1.3%; and Native American 0.2%. The Hispanic and Asian populations have grown dramatically, each growing about 44% from 2000 to 2014 while other populations have seen small growth or decline. Immigration has been a prime driver of increases in the Hispanic and Asian populations. In 2014, the foreign-born population was 27.6% of Boston's total population and was 28.6% Hispanic and 24.2% Asian.

Boston continues to be a city of young adults due to the large number of students and young professionals living and working in the City. Thirty-five percent of all persons in Boston in 2010 were between 20 and 34 years old compared to 33% in 2000. The fastest growing age group in Boston between 2000 and 2014 was the age group 55 to 64, which saw a 58.9% increase. This is consistent with national trends and the aging of the baby boomer population. Boston's elderly population (ages 65 and over) grew to 67,857 people, but has remained just over 10% of the total population. Boston's population of school age children (ages 5 to 14), remains at close to 60,000, a level it has maintained since the dramatic fall from over 100,000 in the 1970s.

Along with population growth, the number of households in Boston has also grown, to 253,749 according to the 2014 American Community Survey. The share of these households that are families (related or married people living together) continues to fall, reaching 47.5% of all households in 2014. The group quarters population, especially students in dormitories, continued to increase, up to 47,721 in 2014. Household size increased from 2.26 persons in 2010 to 2.40 persons in 2014.

In 2014, Massachusetts had a population of approximately 6.7 million people and 4.4 million jobs, according to BEA annual data. Massachusetts personal income, net inflation, grew at an average annual rate of 1.9% from 2010 through 2014, two-tenths of a percentage point less than the national income growth over the same period. Between 2010 and 2014 the number of jobs in Massachusetts grew by 1.9%.

Metropolitan Boston had 4.7 million people and 3.3 million jobs in 2014. The MSA's total personal income, net inflation, from 2010 through 2014 grew at an average annual rate of 2.1%, following national trends during that period. From 2010 through 2014, Metropolitan Boston experienced an average annual growth in jobs of 1.9%.

**Population, Income and Employment
2010-2014
(Income in 2015 dollars)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
United States					
Total Personal Income (billions \$).....	\$12,460	\$13,233	\$13,904	\$14,064	\$14,683
Population (thousands)	309,347	311,722	314,112	316,498	318,857
Per Capita Income	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Employment (thousands)	173,035	176,279	179,082	182,390	185,799
Massachusetts					
Total Personal Income (billions \$).....	\$339	\$359	\$378	\$379	\$396
Population (thousands)	6,564	6,612	6,656	6,709	6,745
Per Capita Income	\$51,643	\$54,327	\$56,752	\$56,549	\$58,737
Employment (thousands)	4,113	4,175	4,250	4,349	4,428
Boston-Cambridge-Newton, MA-NH (MSA) ⁽¹⁾					
Total Personal Income (billions \$).....	\$258	\$275	\$290	\$291	\$304
Population (thousands)	4,565	4,609	4,651	4,698	4,732
Per Capita Income	\$56,506	\$59,586	\$62,291	\$61,882	\$64,311
Employment (thousands)	3,078	3,129	3,184	3,261	3,323

(1) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

Source: U. S. Department of Commerce, Bureau of Economic Analysis and U.S. Census Bureau, January 2016. BEA Data last updated November 19, 2015.

Employment Structure, Employment Trends and Occupational Changes

Boston has seen recent economic growth in the health care, education, construction, professional technical services, and other high technology industries. The largest industries in the city, which in many cases are also the fastest growing, include health care and social assistance, professional and technical services, finance and insurance, government, accommodation and food services, and education.

The table below shows Boston's employment growth by industry category for 2011 through 2014. The industry categories are in the North American Industrial Classification System ("NAICS") format, which the Bureau of Economic Analysis began using in 2001. Suffolk County data is mathematically reduced to the Boston geography using unemployment insurance coverage data (Employment Security, ES-202, for cities and towns from the Massachusetts Executive Office of Labor and Workforce Development, "EOLWD").

Total employment in Boston rose to the highest level in recent decades and unemployment fell to its pre-recession level in early 2015. Boston's job growth was positive across most industries since the recession, but was mostly concentrated in health care and social assistance, professional and technical services, and education. The health care and social assistance industry employs the largest number of people in Boston, 18.7 percent of total jobs, while the professional and technical services industry is the fastest growing since the recession, adding more than 12,000 jobs. Educational Services is an area of specialization for Boston with an employment share three times the national average. The most recent economic conditions show Boston's steady growth in the labor market, high tech industries, and new development.

City of Boston Employment 2010 – 2014⁽¹⁾
North American Industry Classification System (NAICS)

Industry	2010	2011	2012	2013	2014	Absolute Change '13-'14	Percent Change '13-'14
Natural Resources and Mining	212	290	314	251	336	85	33.7%
Utilities.....	2,404	2,293	1,486	1,550	1,871	321	20.7
Construction.....	13,731	13,990	14,872	16,955	17,052	97	0.6
Manufacturing.....	8,823	9,282	9,081	8,334	7,797	-537	(6.4)
Wholesale Trade.....	9,265	9,263	8,945	9,185	9,240	55	0.6
Retail Trade.....	29,817	31,003	31,334	32,268	33,087	819	2.5
Transportation and Warehousing.....	18,500	19,237	20,003	20,980	21,641	661	3.1
Information	15,959	15,311	15,661	15,680	16,051	372	2.4
Finance and Insurance	79,647	80,754	79,082	79,982	79,990	8	0.0
Real Estate and Rental and Leasing.....	22,314	23,343	23,248	24,275	24,881	606	2.5
Professional and Technical Services.....	71,866	76,496	79,866	84,867	88,636	3,770	4.4
Management of Companies and Enterprises	6,178	6,455	7,290	7,667	7,837	170	2.2
Administrative and Waste Services	33,102	34,231	33,920	34,104	35,338	1,234	3.6
Educational Services	52,027	53,197	54,252	55,276	56,357	1,081	2.0
Health Care and Social Assistance	122,602	124,859	130,015	130,963	133,658	2,695	2.1
Arts, Entertainment, and Recreation	14,254	14,412	14,782	15,370	16,253	883	5.7
Accommodation and Food Services	49,328	53,278	56,354	57,712	58,887	1,175	2.0
Other Services (except public administration) ⁽²⁾	29,335	30,005	30,662	31,506	32,985	1,479	4.7
Government.....	<u>78,334</u>	<u>77,795</u>	<u>77,424</u>	<u>75,646</u>	<u>76,602</u>	<u>956</u>	<u>1.3</u>
Total.....	657,698	675,493	688,593	702,572	718,501	15,929	2.3%

(1) 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.

(2) Other services include repair and maintenance, personal and laundry services, and religious, grant making, civic, professional, and similar organizations.

Source: U.S. Bureau of Economic Analysis (BEA), Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BRA Research Division Analysis

In addition to this strong overall growth, the high tech sectors in Boston increased the number of jobs by nine percent per year since 2002. Boston's high tech industries benefit from supportive public policies and high tech clusters that foster synergistic innovation. Major Boston high tech clusters include the Innovation District, which provides high tech startups a place to grow, and world class centers for medical research in the Longwood Medical Area and surrounding Massachusetts General Hospital. In early 2016, General Electric announced plans to relocate its headquarters to Boston. It is anticipated that General Electric will bring 800 new jobs to South Boston's Innovation District.

The following table indicates that, as of 2014, 69% of employed City residents were white-collar workers and 31% were blue-collar and service workers, as compared to 1970 when the shares for the same categories were 55% and 45% respectively. Between 2000 and 2014, the proportion of white collar to blue collar workers in the City remained the same.

Occupational Change in the City's Resident Labor Force, 1970 -2014

	1970		1980		1990		2000		2014	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar.....	146,657	55%	154,456	60%	191,251	67%	197,049	69%	237,914	69%
Managerial, Professional & Related.....	59,929		77,217		107,206		123,850		169,250	
Sales & Office	86,728		77,239		84,045		73,199		68,664	
Blue-Collar & Service.....	119,848	45	101,561	40	97,453	33	88,810	31	107,371	31
Construction, Extraction, Maintenance	27,157		19,772		18,453		14,118		14,415	
Production, Transportation, & Related.....	36,695		24,825		19,971		23,630		21,153	
Service and Farm & Fishing	<u>55,996</u>		<u>56,964</u>		<u>59,029</u>		<u>51,062</u>		<u>71,803</u>	
Total	266,505	100%	256,017	100%	288,704	100%	285,859	100%	345,285	100%

Source: U.S. Census Bureau, 1970-2000 Decennial Censuses, 2014 American Community Survey.

Unemployment

According to the Bureau of Labor Statistics, Boston's average annual unemployment rate for 2015 was 4.4%, nine-tenths of a percentage-point lower than the national unemployment rate. Boston's unemployment rate has not been that low since October of 2008. Metropolitan Boston and Massachusetts unemployment rates for 2015 were 4.1% and 4.7%, respectively. These current unemployment rates are at historic low levels for the City, Massachusetts, and nation.

**Annual Unemployment Rates, 2010-2015
(Not Seasonally Adjusted)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽²⁾</u>
City of Boston.....	7.6%	6.6%	6.1%	6.2%	5.3%	4.4%
Metropolitan Boston ⁽¹⁾	7.2	6.2	5.7	5.7	4.9	4.1
Massachusetts	8.3	7.3	6.7	6.7	5.8	4.7
United States.....	9.6	9.0	8.1	7.4	6.2	5.3

- (1) The Boston-Cambridge-Newton MA NECTA Division is similar to the MSA, except the NECTA is composed of sub-county units, usually cities and towns. The Boston-Cambridge-Newton MA NECTA is made up of 92 cities and towns in Massachusetts, as defined by the Office of Management and Budget (OMB).
- (2) 2015 values represent preliminary estimates and are subject to revision.

Sources: Bureau of Labor Statistics for United States, Massachusetts and Metro; and Massachusetts Executive Office of Labor and Workforce Development for the City, December 2015.

The following table presents monthly data for Boston, the Boston metropolitan area, Massachusetts and the U.S. from January 2013 through December 2015. December 2015 unemployment estimates have yet to be released for Metropolitan Boston. The latest data from December 2015 shows Boston's unemployment rate was 4.1%, while Massachusetts' rate was 4.6%, 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.

**Monthly Unemployment Rates for City of Boston, Metropolitan Boston ⁽¹⁾, Massachusetts,
and the United States for 2013, 2014 and 2015 ⁽²⁾**

	<u>City of Boston</u>			<u>Metropolitan Boston ⁽¹⁾</u>			<u>Massachusetts</u>			<u>United States</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Jan.	6.7%	5.9%	4.8%	6.3%	5.6%	4.6%	7.6%	6.9%	5.6%	8.5%	7.0%	6.1%
Feb.	6.1	5.5	4.5	5.8	5.3	4.4	7.2	6.6	5.4	8.1	7.0	5.8
Mar.	5.8	5.2	4.2	5.5	5.0	4.1	6.9	6.3	5.0	7.6	6.8	5.6
Apr.	5.9	4.9	3.7	5.5	4.6	3.5	6.5	5.5	4.1	7.1	5.9	5.1
May	6.3	5.3	4.2	5.7	4.8	3.8	6.7	5.6	4.4	7.3	6.1	5.3
Jun.	7.0	5.8	4.8	6.4	5.3	4.3	7.3	6.0	4.9	7.8	6.3	5.5
Jul.	6.8	5.9	4.8	6.2	5.3	4.3	7.0	6.0	4.9	7.7	6.5	5.6
Aug.	6.4	5.5	4.3	5.7	4.9	3.9	6.6	5.7	4.5	7.3	6.3	5.2
Sep.	6.3	5.5	4.3	5.8	5.0	4.0	6.7	5.7	4.5	7.0	5.7	4.9
Oct.	5.9	4.8	4.3	5.5	4.4	3.9	6.2	5.0	4.5	7.0	5.5	4.8
Nov. ⁽³⁾	5.5	4.7	4.2	5.1	4.3	3.9	6.1	5.0	4.5	6.6	5.5	4.8
Dec. ⁽³⁾	5.4	4.4	4.1	5.0	4.1		6.0	4.9	4.6	6.5	5.4	4.8

- (1) The Boston-Cambridge-Newton MA NECTA Division is similar to the MSA, except the NECTA is composed of sub-county units, usually cities and towns. The Boston-Cambridge-Newton MA NECTA is made up of 92 cities and towns in Massachusetts.
- (2) Unemployment rates are not seasonally adjusted.
- (3) Preliminary, subject to change for most recent two months of data.

Sources: Bureau of Labor Statistics for United States, Massachusetts, and Metropolitan Boston; and Massachusetts Department of Workforce Development for the City of Boston, January 2016.

Largest Private Employers in Boston

The following lists the top ten largest employers in Boston as of the fall of 2015, which in the aggregate represented over 89,945 employees, or about 12% of all private sector employment in that year.

Top 10 Largest Employers in Boston 2015

Employer	Jobs	Share of Total
Massachusetts General Hospital	16,999	2.4%
Brigham and Women's Hospital	13,303	1.9
Boston University	9,854	1.4
Children's Hospital	8,866	1.3
State Street Bank & Trust Company	7,800	1.1
Beth Israel Deaconess Medical Center	6,781	1.0
Harvard University Graduate Schools	5,677	0.8
Northeastern University	5,069	0.7
Fidelity Investments	5,000	0.7
Boston Medical Center	4,596	0.7
Sum of Top 10 Employers	83,945	12.0%
Total Boston Employment	718,501	

Source: Bureau of Economic Analysis; American Hospital Association; National Center for Education Statistics; BRA Research Division Analysis. Estimates reflect most recent available data.

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 76,602 federal, state and local government workers in the City in 2014. Boston is home to large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions (such as the Massachusetts Port Authority and the Boston Water and Sewer Commission), and the City's local government agencies and departments.

Labor Force and Education

According to the U.S. Census Bureau, the City's resident labor force has been steadily increasing from 1980 through 2014. 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. From 2000 through 2010 Boston's population rose by 3.1% and the employed resident workforce grew by 5.0%. In 2014, Boston's population grew to 656,051, of which 345,285 people were employed.

General improvement in educational attainment continued throughout the 1980-2014 period. The percentage of adult residents (aged 25 and over) that had completed four or more years of college more than doubled during this period from 20.3% to 46.5%. Improving educational attainment supports the City's transformation to a knowledge-based economy.

Years of School Completed for Boston Residents Age 25 and Over, 1980, 1990 and 2000, and 2014

	1980		1990		2000		2014	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Fewer than nine years.....	54,932	16.6%	37,824	10.3%	34,321	9.1%	36,963	8.3%
9 to 12 years, no diploma	49,407	14.9	51,051	14.0	45,308	12.0	31,114	7.0
High school graduate (or GED)	115,787	35.0	97,233	26.6	90,568	24.0	90,882	20.5
Some college or Associates	43,451	13.2	69,889	19.1	73,125	19.4	78,535	17.7
Bachelors, Masters, or Prof.	<u>67,073</u>	<u>20.3</u>	<u>109,711</u>	<u>30.0</u>	<u>134,252</u>	<u>35.5</u>	<u>206,514</u>	<u>46.5</u>
Total.....	330,650	100.0	365,708	100.0	377,574	100.0	444,008	100.0

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

Source: U.S. Census Bureau, 1980-2000 decennial census reports, 2014 American Community Survey.

The Mayor's Office of Workforce Development (OWD), a division of the BRA, is the City's workforce development funder that promotes economic resilience to ensure the full participation of all Boston residents in the city's economic vitality and future. OWD creates policies and programs to ensure that low-income Boston residents, including adults and youths, are connected to a continuum of education, workforce development, and economic security programs to increase the capacities and skills necessary to obtain career-oriented employment that leads to economic stability. Programs and services offered through OWD grants include adult basic education, English for Speakers of Other Languages (ESOL), High School diploma/HiSET, occupational skills training, transitional job experience, career exploration, and support services which address a wide range of individual and family needs.

OWD funded over 150 community-based organizations to provide a variety of services to greater Boston's adult residents in FY2014-2015. These services range from training in hospitality and construction trades to adult ESOL programs. Over 8,500 greater Boston adult residents have participated in training, counseling or other educational opportunities with OWD partners. OWD also oversees and convenes the region's one stop career centers (American Job Centers), which served 16,799 job seekers and over 321 employers. In addition, OWD served over 1,400 youth in publicly-supported summer jobs), and 90 youth engaged in year-round employment through OWD grants. Overall in Boston there were over 10,000 youth placed in summer employment. Linkage contributions paid into the Neighborhood Jobs Trust provide supplemental sources of funding for job training and adult education programs. For a full discussion of the City's jobs linkage program as well as the housing linkage program see "The Linkage Program," later in this section.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$62,811 in 2014, 36% above the national per capita personal income of \$46,104, according to the Bureau of Economic Analysis. City residents constitute approximately 86% of the county's population. The summary table below shows the per capita income from 1980 through 2013 for Suffolk County, Metropolitan Boston, Massachusetts, and the nation. Annual growth for per capita income was practically double the national average for Massachusetts, Metropolitan Boston, and Suffolk County from 2000 to 2014. The city's median household income (in fixed 2015 dollars), based on Census data from the 2014 ACS, was \$56,970 in 2014. The figures in this paragraph and the chart on the next page 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 2010-2014
(In Fixed 2015 Dollars)**

Year	United States	Massachusetts	Metropolitan Boston ⁽¹⁾	Suffolk County ⁽²⁾
1980.....	\$29,201	\$30,760	\$32,043	\$29,920
1990.....	35,538	41,868	44,781	44,534
2000.....	43,412	52,906	58,227	54,434
2010.....	43,779	56,134	61,420	61,030
2011.....	44,732	57,244	62,785	62,739
2012.....	45,697	58,587	64,305	63,604
2013.....	45,212	57,535	62,960	61,460
2014.....	46,104	58,807	64,387	62,811

(1) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

(2) City residents constitute approximately 86% of Suffolk County's population.

Source: Bureau of Economic Analysis, Personal Income and Employment by Major Component, January 2015.

Total payroll wages for jobs located in Boston in 2014 were \$52.7 billion, resulting in an average annual payroll wage of \$88,560. Data from the Bureau of Economic Analysis indicate that the average annual wage and salary disbursement per job for 1980 through 2014 by place of work have been consistently higher over time in Suffolk County than in Metropolitan Boston and the Commonwealth. In 2014, Suffolk County's average wage per job (\$85,009) was 24.3% greater than that in the Boston metropolitan area (\$68,366) and 35.6% greater than the state (\$62,682).

**Average Wage per Job, 1980, 1990, 2000, and 2010-2014
(In Fixed 2015 Dollars)**

Year	United States	Massachusetts	Metropolitan Boston ⁽¹⁾	Suffolk County ⁽²⁾
1980.....	\$40,266	\$38,905	\$40,536	\$44,468
1990.....	42,490	47,729	50,265	56,677
2000.....	54,007	59,567	64,819	76,346
2010.....	57,877	61,697	66,927	81,322
2011.....	57,639	61,723	67,003	80,750
2012.....	57,908	61,458	66,943	81,374
2013.....	57,615	61,437	66,809	81,188
2014.....	57,602	62,682	68,366	85,009

(1) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

(2) City residents constitute approximately 86% of Suffolk County's population. Jobs in Boston constitute approximately 96% of jobs in Suffolk County.

Source: Bureau of Economic Analysis, Economic Profile, January 2016.

During the years 2005-2015, based on the Bureau of Labor Statistics Consumer Price Index (CPI), prices rose at an annual average rate of 1.7% in Metropolitan Boston, while the national index grew at a 2.0% annual rate. Comparing the CPI-U change between November 2014 and November 2015 reveals that the rate rose by 0.8% in the Metropolitan Boston area.

**Consumer Price Index for All Urban Consumers
For 2005 through November 2015
(CPI-U) ⁽¹⁾**

Year	United States Index	Percent Change	Metropolitan Boston ⁽²⁾ Index	Percent Change
2005.....	195.3	3.4%	216.4	3.3%
2006.....	201.6	3.2	223.1	3.1
2007.....	207.3	2.9	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	1.6
2011.....	224.9	3.2	243.9	2.7
2012.....	229.6	2.1	247.7	1.6
2013.....	233.0	1.5	251.1	1.4
2014.....	236.7	1.6	255.2	1.6
2015.....	237.0	0.1	256.7	0.6

(1) Index based upon 1982-1984=100.0. Not seasonally adjusted.

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

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 these institutions as well as their employees, patients, students and visitors stimulate the City's trade and service sectors. There are twenty-one in-patient hospitals located within the City with a combined total of 6,049 beds in 2014. The largest of these are Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, Boston Children's Hospital, Tufts New England Medical Center, and Boston Medical Center. The City is also the home of the medical, dental, and public health schools of Harvard, Tufts and Boston University, and of 25 public neighborhood health clinics, as well as private health maintenance organizations and membership clinics. For the 20th consecutive year, Boston has received more National Institutes of Health (NIH) funding than any other city in the nation. Boston's total for NIH awards received for fiscal year 2014 was \$1.7 billion. In 2014, eight organizations in Boston received over \$100 million each in NIH funding.

Boston is home to top universities such as Boston University, Northeastern, and UMass Boston. As of academic year 2014-2015, data from the City of Boston's University Accountability Ordinance and Department of Neighborhood Development indicate that the City's universities and colleges had a combined enrollment of more

than 137,000 full- and part-time students (not including MIT and two community colleges). These numbers include some of the professional and graduate schools of Harvard and Tufts, 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 2014, with 32,610 students. Boston, with nearly 10% of the state's population, has about one third of the statewide college student enrollment. According to the Boston Department of Neighborhood Development, a total of 1,395 new dormitory beds came online in 2014, bringing the number of dormitory beds to 39,178 citywide. Construction of additional student housing is underway at the New England Conservatory, Boston College, and Emerson College.

In 2015, the Boston Redevelopment Authority approved 179,120 new square feet of institutional development across the city. These new projects were primarily educational developments or expansions. New education projects approved by the board include the Emerson Little Building, Harvard Business School's Klarman Hall/G2 Pavilion, the Wentworth Institute of Technology's athletics facility, and Boston Children's Hospital pedestrian bridge.

Boston College is currently handling three major construction projects: 2000 Commonwealth Avenue, 2150 Commonwealth Avenue, and the Boston College McMullen Museum and Conference Center. At 2000 Commonwealth Avenue, the college intends to renovate an existing apartment tower into a dormitory. Nearby, at 2150 Commonwealth Ave, Boston College is building a new residence hall that will house 490 students, in a mixture of 4-bed and 6-bed apartments. Finally, Boston College received a gift from the McMullen Family Foundation, which will allow the college to relocate the McMullen Museum of Art to its Brighton Campus in a new building. The museum is currently situated in Chestnut Hill.

Boston University's two large projects were recently completed: 610 Commonwealth Avenue, and the BU School of Law Renovation and Addition. The 610 Commonwealth Avenue building is a Center for Integrated Life Sciences and Engineering Building that calls for up to 136,200 square feet on 9 floors. The building is replacing an existing parking lot. The Law School renovation is modernizing the building while maintaining the integrity of the existing Law School Tower, which is an iconic piece of architecture on Boston University's campus.

Other major projects include:

- Brigham and Women's Hospital is currently building its "Building for the Future," which includes approximately 360,000 square feet of research and development, clinical and, office space. It will also include 406 new parking spaces.
- Emerson College is currently building an 89,900 square foot dormitory on 1-3 Boylston Place. The building will hold around 400 beds.
- Harvard is currently constructing the Ruth Mulan Chu Chao Center as a new Executive Education Center on its Allston Campus. The building will open in June of 2016, and contains 90,000 square feet of meeting rooms, offices, dining rooms, and classrooms.
- Massachusetts General Hospital recently unveiled its new administrative offices at 125 Nashua Street. The building was previously occupied by Spaulding Rehabilitation Center.
- Northeastern University is currently building a new state-of-the-art interdisciplinary science and engineering research facility on Columbus Avenue in Roxbury. The new building is slated to open in fall of 2016, and will provide 220,000 square feet of research and educational space.
- To continue its shift from Beacon Hill towards downtown, Suffolk University has built a new 10 floor building at 20 Somerset Street. The building includes a café, event space, lounges, and classrooms that encourage collaborative learning.

Tourism and Culture

Boston ranks among the top ten destinations in North America for conventions, meetings, and trade shows, based on the number and quality of the shows booked. Boston currently has three main convention sites—the John B. Hynes Veterans Memorial Convention Center ("Hynes"), the Seaport World Trade Center, and the 2.1 million square-foot Boston Convention & Exhibition Center ("BCEC"), the largest building in New England and capable of hosting large national and international events. In 2015 the Hynes and the BCEC hosted a combined total of 262 events with an aggregate of 724,290 attendees. This resulted in approximately 632,430 hotel room nights and

generated an overall economic impact of approximately \$784 million, according to the Massachusetts Convention Center Authority (“MCCA”).

In July 2015 the BRA Board approved a master plan for the Faneuil Hall Market Place. The plan is the first major proposed update since the previous update in 1988. The plan includes improvements to the Quincy Market food court, and a proposed hotel. The hotel and other portions of the plan will need to be approved by the BRA and the Boston Landmarks Commission.

The large redevelopment of the North Station Boston Garden area was approved in 2013, and broke ground in January 2016. The project, a 1.87 million square foot mixed use development, includes a new entrance to the TD Garden and MBTA North Station, multi-story retail, residential units, office space, a hotel, and additional below grade parking. The project site is a 2.8 acre vacant parcel, which was the former site of the original Boston Garden. Lastly, Boston and State agencies have reached agreements with organizers to host an Indycar Grand Prix race Labor Day weekend in 2016. The proposed race will take place in Boston’s Seaport District on a 2.2 mile street course that surrounds the BCEC.

Hotel Market

Between 2000 and 2009, 25 hotels opened in the City, making up one-third of the current hotel stock. Boston’s favorable hotel market and the decision to build the BCEC stimulated considerable new development over this period. Two hotels opened in 2009: the 114-room Ames Hotel, an adaptive reuse of an historic office building near Government Center, and the 235-room “W” Hotel in the Theater District. Two additional hotels completed construction and opened in 2013. A 175 room Marriott Residence Inn was built in the Fenway/Kenmore district and another 120 room Marriott Residence Inn was developed through the adaptive reuse of the Stillings Building in South Boston, near the BCEC convention center. As of December 2015, Boston had 77 hotels, with 70% rated as upper midscale or above, and a total of 19,065 hotel rooms in establishments of fifty or more rooms.

The average occupancy rate of hotels in Boston was 77.2% over the past 10 years, according to the latest data from the Pinnacle Perspective Monthly Report. In the 1990s, this rate climbed steadily and remained around 79.0%, as shown in the table below. The occupancy rate in the 2000s did not exceed 77% throughout the decade due to the 2001 recession and new hotel construction expanding Boston’s hotel capacity. In 2009, the occupancy rate plummeted to 70.5% due to the Great Recession that stemmed from the financial crisis of 2008. However, the occupancy rate soon recovered, growing at an average annual rate of 2.5% from 2009, and reached 81.8% in 2015. Excluding the recession years, these statistics suggest that Boston is a robust hotel market.

In 2015, three hotels broke ground, including the Four Seasons at One Dalton Street near the Christian Science Plaza and the two D Street hotels in South Boston. The two D Street hotels, the Aloft and Element, opened in February 2016, adding approximately 500 rooms across from the BCEC. The Envoy and the Four Seasons hotels opened in 2015, and the Godfrey hotel on Washington Street in Downtown Crossing opened in February 2016. The City’s Average Daily Rate (“ADR”) represents the average rate paid per rooms sold over a given period of time. The ADR is highly correlated with the occupancy rate, which follows the same trend but on a lagged basis. The ADR, in fixed 2015 dollars, grew 18.6% from \$215.36 in 1990 to \$255.43 in 2015. This growth is significant as the hotel room inventory was smaller in 1990 than today. The table below shows the room supply, occupancy rate, ADR, and revenue per available room for Boston for the years 1990, 2000, and 2005 through 2015. The rise in ADR can be attributed to a number of sources including: the new hotels built after the 1990s added to the upper scale inventory with higher daily rates and increased demand for hotel stays. The hotel industry provided 10,787 direct jobs in Boston for 2012, accounting for 1.9% of Boston’s total payroll jobs, and 32.4% of Massachusetts’ hotel industry employment.²

² “Hotels in Boston”, Boston Redevelopment Authority Research Division, August 2014

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%	\$215.36	-	\$160.01	-
2000	14,002	78.4%	272.53	-	213.80	-
2005	15,782	75.4%	214.49	1.1%	161.71	2.3%
2006	16,936	76.4%	231.16	7.8	176.63	9.2
2007	17,244	76.0%	240.48	4.0	182.86	3.5
2008	18,014	74.6%	232.43	-3.3	173.32	-5.2
2009	18,363	70.5%	208.47	-10.3	147.01	-15.2
2010	18,363	75.4%	214.43	2.9	161.68	10.0
2011	18,363	77.4%	209.43	-2.3	162.15	0.3
2012	18,363	78.1%	222.57	6.3	173.73	7.1
2013	18,658	80.3%	227.70	2.3	182.82	5.2
2014	18,658	81.8%	240.36	5.6	196.60	7.5
2015	19,065	81.8%	255.43	6.3	208.92	6.3

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. All dollar concepts in fixed 2015 dollars.

Transportation

Boston is a major national and international air terminus, a seaport, and the center of New England's rail, truck and bus service. The city is served by three limited-access interstate highways: I- 90 (the "Massachusetts Turnpike"), which leads westward from downtown Boston 138 miles to the New York State border; I- 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 I- 93, another north-south interstate highway, that extends from just south of the City north to New Hampshire. The city is also served by the following freight railroad carriers: CSX, 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 4.8 million people in an area of 3,240 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently provides 1.3 million unlinked passenger trips per day.

The MBTA Draft Capital Investment Program ("CIP") FY 2017-FY 2021 was not available at the time of publishing, the data below is from the single year FY2016 CIP. The CIP consists of six major programmatic areas: (i) infrastructure investment; (ii) accessibility improvements; (iii) system enhancement; (iv) system expansion efforts; (v) statewide transportation improvements; and (vi) state of good repair. The major infrastructure projects for FY16 include: vehicles (\$225.9 million); stations and facilities (\$103.8 million); rail signaling systems (\$54.6 million); track/right-of-way (\$55.1 million); bridges and tunnels (\$57.4 million); technology (\$14.3 million); power (\$46.7 million) and communications (\$9.9 million). While overall enhancement and expansion funding for FY16 is \$427.2 million. 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 State Transportation Improvement Program ("STIP") 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 FY2016 - FY2019 STIP including improvements along Blue Hill Avenue and Warren Streets, reconstruction of Melnea Cass Boulevard, improvements to Boylston Street, repairs to

the North Washington Street Bridge, signal and intersection improvements at the intersection of the VFW parkway and Spring Street, repairs to Massachusetts Avenue bridge over Commonwealth Avenue, and traffic signal improvements at ten locations across the city. MBTA capital improvements within Boston for 2015 through 2018 include 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.

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 Boston’s port facilities for ongoing and proposed projects, according to its fiscal year 2015 through 2019 Capital Program, is projected to be \$964.1 million in airport projects and \$252.8 million invested in maritime development and other capital projects.

The Port of Boston serves the six-state New England region as a natural deep-water port supporting import and export of containerized bulk and general cargo. The port also provides ship repair supply services, customs and international freight forwarding services, intermodal cargo warehouse facilities, and other maritime support services. Massport’s Conley Container Terminal provides containerized freight water access to other container terminals across the world. The Port of Boston is also a major cruise port. The cruise terminal served 328,305 passengers in 2015, a decrease of 4.2% compared to 2014. The cruise port mainly operates in the months of May through November.

The Port of Boston ranked as the 14th largest container port on the U.S. Atlantic Coast by container volume. The Port handled 237,166 boxed containers in 2015 including imports, exports, and empties. The port also handled 59,995 automobiles in 2015, a decrease of 0.1% from 2014. Additionally, the port handled 9.6 million bulk metric tons in 2014, which is a 3% decrease from 2013’s bulk tonnage.

In 2015, Logan Airport served a total of 33.4 million domestic and international passengers, a 5.7% increase from the 31.6 million passengers served in 2014. Logan Airport also plays an important role as a center for processing domestic and international air cargo. In 2015, total combined cargo and mail volume was 261,170 metric tons, a 1.7% decrease from the 265,560 metric tons handled in 2014.

Construction Activity

The following table provides annual building permit revenues and an estimate of construction activity in the City for fiscal years 2005 to 2014. It should be noted that building permits issued do not necessarily result in construction activity. The estimated revenue from building permit fees during fiscal year 2015 indicated the potential for \$6.08 billion in construction activity compared to an estimate of \$4.72 billion for fiscal year 2014. Between 2014 and 2015, building permit revenue increased 29%, exceeding revenues for the past ten years.

Boston Building Permit Revenues and Estimated Construction Activity
Fiscal Years, 2005-2015 in Millions of Fixed 2015 Dollars

Year	Building Permit Revenues ⁽¹⁾	Estimated Potential Construction Activity in Constant Dollars ⁽²⁾
2005	\$28.2	\$3,314
2006	30.9	3,632
2007	31.9	3,747
2008	34.1	4,016
2009	29.8	3,504
2010	16.1	1,888
2011	24.8	2,908
2012	33.7	3,955
2013	29.8	3,502
2014	40.1	4,720
2015	51.7	6,085
Total 2004-2015.....	351.1	41,271
Annual Average 2004-2015	31.9	3,752

(1) Building permit revenues in millions of 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.

Source: City of Boston, Auditing Department and City of Boston Annual Reports. BRA Research Division Analysis (January 2016).

Large Public Sector Projects

Boston has witnessed several other major public sector projects in recent years including the original BCEC Project³, the Central Artery Tunnel -a downtown highway tunnel through the city, and the Callahan Tunnel Rehabilitation Project. Currently there are a number of ongoing and proposed projects spread across downtown and into Boston's neighborhoods. The list of large public projects below is not comprehensive, but highlights some unique projects covering transportation and other major infrastructure.

The Casey Arborway Project construction began in February 2015, with full closure of the Casey overpass in May 2015 for demolition. The project, located at Forest Hills Station in Jamaica Plain, will reconnect and simplify roadways, improve bicycle and pedestrian access, and include station improvements to Forest Hills. For this large redevelopment MassDOT partnered with the City of Boston, Department of Conservation and Recreation ("DCR"), and the MBTA.

In April 2015, the Bruce C. Bolling Municipal Building opened in the heart of Roxbury's Dudley Square after a \$125 million redevelopment of the historic building in addition to new construction. The state of the art six-story facility is the new home of the Boston Public Schools (BPS) central offices with nearly 500 employees, centralizing BPS administrative staff and improving organizational synergy and constituent interaction. The building also includes the Roxbury Innovation Center, a startup incubator to connect Roxbury with the innovation economy, 18,000 square feet of ground floor retail, and common community areas. The Bruce C. Bolling Municipal Building project was the largest capital building project the City of Boston has managed since the construction of Boston City Hall, which opened in 1968.

In 2014, the MBTA was awarded a \$20 million Transportation Investment Generating Economic Recovery ("TIGER") discretionary grant from the U.S. Department of Transportation. The project will bring major improvements to Ruggles Station by construction a new platform to allow for more inbound commuter trains and increasing accessibility. The total project cost is \$30 million.

The Massachusetts Water Resources Authority ("MWRA"), an independent state authority has also spent over \$7.9 billion on capital improvements, including the Boston Harbor Project, since its inception. The MWRA's FY2016 Capital Improvements Program enumerates five major initiatives: the Boston Harbor Program, the MetroWest Water Supply Tunnel, the Carroll Water Treatment Plant, the Combined Sewer Overflow Control Plan, and Covered Storage facilities. To date the MWRA has spent \$6.0 billion on these five initiatives, with the Boston Harbor project being the most expensive at \$3.8 billion.

³ For more on the potential expansion of the BCEC, see the Tourism and Culture section.

Connect Historic Boston is an initiative between the City of Boston and the National Park Service (NPS) to facilitate walking, biking, and taking transit to NPS sites and other destinations in downtown Boston. Connect Historic Boston will achieve this through upgrades to the existing built environment. In the fall of 2013, Connect Historic Boston was awarded a \$15.5 million TIGER discretionary grant to fund four alternative transportation projects in downtown Boston.

Office Market and New Development

The City and its neighborhoods have approximately 63.9 million square feet of office space. During the fourth quarter of 2015, Boston's direct vacancy rate was 8.9%, according to realty firm Colliers International. Boston's annual absorption of office space was 2.1 million square feet. However, in 2015 Jones Lang LaSalle, another realty firm, reports a total annual net absorption of 3 million square feet. The discrepancy between the two figures can be attributed to a difference in collection methods. Colliers International calculates absorption based on the physical movements of tenants. Jones Lang LaSalle measures positive and negative absorption as soon as a space is listed as available to the public (negative) or as soon as a lease is signed to fill the space (positive), regardless of whether the tenant has physically left or entered the space. Colliers International uses the method most common in the industry.

Boston Office Market—Fourth Quarter 2015

Market	Inventory Square Foot	Annual Absorption	Vacancy	Average Asking Rent*
Back Bay	12,893,940	22,787	11.0%	\$60.26
Charlestown.....	2,843,898	175,229	5.8	37.01
Financial District	33,817,226	1,324,457	8.8	56.02
North Station	2,065,004	183,045	4.3	42.54
Seaport District.....	8,033,191	382,490	7.3	49.83
South Station	1,184,017	-6,870	7.4	41.02
Crosstown.....	1,025,000	-9,150	5.2	*
Fenway/Kenmore	2,064,826	40,471	14.5	*
Total.....	63,927,102	2,112,459	8.9	53.23

* Average asking rent per square foot was reported by Jones Lang LaSalle and did not include Crosstown or Fenway/Kenmore data.

Source: Colliers International Market Snapshot Fourth Quarter 2015.

The following developments were completed in 2014 and 2015. The Burnham Building opened in 2014 for office tenants. The development contains approximately 285,000 square feet of mixed use office and retail space. The Boston Landing project redeveloped an underutilized property in Allston-Brighton along Guest Street, adjacent to the existing New Balance Headquarters to create a new vibrant health and wellness district. The project includes 1.43 million square foot development: 250,000 square foot new world headquarters building for New Balance, a 350,000 square-foot sports complex, a 140,000 square foot boutique hotel, three office buildings totaling 650,000 square feet, and 65,000 square feet of retail/restaurant uses. In May 2015, Converse opened its new world headquarters on Boston's Lovejoy Wharf. The 214,000-square-foot headquarters is located at 160 North Washington Street. In October 2015, PricewaterhouseCoopers ("PwC") moved from the Financial District in Boston into its new location at 101 Seaport Boulevard in the South Boston Waterfront's Innovation District. Construction on the 17-story 440,000 square foot office building in Seaport Square began in 2013. PwC signed a 15-year lease for 333,000 square feet in the building for its 3,000 Boston employees.

A 17-story mixed use office building is under construction in the Back Bay at 888 Boylston Street. The project includes approximately 422,000 square feet, of which 362,000 square feet is allocated to office and another 60,000 square feet for retail. This new building will be the fourth office building in the Prudential complex. The oval-shaped 121 Seaport Boulevard tower will break up a series of rectangular-shaped buildings in the South Boston Waterfront. The building's rounded shape intends to maximize views of Boston Harbor. Ground-floor retail will complement office spaces in the remainder of the building, and future tenants are not yet known. In 2015, the Boston Redevelopment Authority approved 11 projects that include new office space, for a total of over 1.1 million new square feet of office space. The approved buildings will be mixed-use, with six including residential space. The new office developments will be located across the city: three in South Boston, two in Downtown, two in Jamaica Plain, and one each in Back Bay, Chinatown, Dorchester and the South End.

Retail Market

For 2014, there were 91,974 employees in retail trade, and accommodation, and food services in Boston, with 33,087 in retail, and 58,887 in accommodation and food services. The retail sector is also complemented by an estimated 17,000 employees in personal services businesses, which include such services as repair and maintenance, hair and nail care, and laundry and dry cleaning service. According to the 2012 Economic Census, about 2,161 retail establishments were located in the City with estimated total sales of \$8.14 billion in 2015 dollars. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 2,176 establishments with \$2.96 billion in sales.

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2012⁽¹⁾ **(In thousands of Fixed 2015 Dollars)**

Year	Massachusetts	Metropolitan Boston⁽²⁾	City of Boston
1992.....	\$80,510,750	\$57,090,507	\$7,062,180
1997.....	97,247,803	71,391,094	8,281,313
2002.....	109,657,248	78,953,182	9,439,459
2007.....	114,097,817	81,986,340	10,472,356
2012.....	110,355,487	80,467,116	11,103,611
Annual rate '92-'12	1.6%	1.7%	2.3%
Annual rate '07-'12	-0.7%	-0.4%	1.2%

(1) Total retail sales include the census definition of retail sales (NAICS) from the series of Retail Trade plus the “food services and drinking places” category from the series of Accommodation and Food Services.

(2) The Boston-Cambridge-Newton MA-NH MSA Includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford).

Source: U.S. Census Bureau; 1992, 1997, 2002, 2007 and 2012 Economic Censuses

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 2015, 91 new businesses opened in Main Streets districts, creating 565 new jobs. 68 businesses participated in the on-site technical assistance program in 2015, and technical assistance was provided to 2,106 small businesses. 494 special district events generated over 28,000 volunteer hours and the local Main Streets Programs has kept its storefront occupancy rates at an average of 95%.

The retail real estate market in 2015 remained strong. According to CoStar, Boston’s vacancy rate for 2015 was 2.6%. Retail rents were strong, particularly in the Downtown core and immediate surrounding areas. Quoted retail rental rates were \$24.20 per square foot for 2015.

Important market and supermarket developments have taken place throughout Boston’s neighborhoods. Twenty-four new or expanded supermarkets have opened in Boston’s neighborhoods since 1992. The Boston Public Market, a year-round market featuring fresh, locally sourced food opened in 2015 on Hanover Street. The market features over 38 vendors. A Whole Foods Market opened in the South End on the second week of January 2015. The expanded tropical foods market in Roxbury and the Roche Brothers in Downtown Crossing also both opened in 2015. There are currently 43 supermarkets in Boston, with several more projects underway.

Dorchester Bay Economic Development Corporation redeveloped the former Pearl Meats factory at 196 Quincy Street into the Bornstein & Pearl Food Production Center. The \$15 million gut rehab of this 36,000 SF facility converted the building into commercial kitchen space for Commonwealth Kitchen, which runs an incubator for start-up and growing food businesses, and separate kitchen spaces for lease to up to 7 food businesses. The Pearl facility, which is currently 94% leased up, is home to five established food businesses and another 40 plus start-ups in the Commonwealth incubator, and, as of third quarter 2015, has created 112 jobs.

Industrial Market and Recent Developments

The Boston/Suffolk County sub-market has approximately 25.9 million square feet of industrial space and 6.33 million square feet of flex space according to CoStar. The vacancy rates at the end of 2015 were

approximately 6% for industrial and 4.4% for flex. The average asking rent for industrial was \$11.11 per square foot NNN (“Net-Net-Net”, or net property tax, insurance, and maintenance), and \$17.44 per square foot NNN for flex. Since 2014, rental rates for industrial have increased 15% and flex increased by 22%.

The Boston Marine Industrial Park consists of over three million square feet of developed real estate. The Boston Marine Industrial Park (“BMIP”) hosts small scale high tech manufacturing, a new innovation workshop attached to a recently announced AutoDesk office, and an array of small manufacturing firms located in the Innovation and Design Building. In addition, BMIP is also home to MassChallenge, an annual \$1 million global startup competition and accelerator. Several acres of maritime and industrial parcels are available with multiple suitors in conversation with EDIC. Recently, J.C. Cannistraro, a HVAC and fire suppression manufacturer, was granted development rights to parcel N in the BMIP.

Housing Stock, Housing Values, and Development

There were 274,459 housing units in Boston according to the 2014 ACS. Of the 253,749 occupied units, 34.9% were owner-occupied and 65.1% were renter-occupied. Vacant housing units totaled 20,710 while the homeowner unit vacancy rate was 0.8% and the rental unit vacancy rate was 2.6%. The 2014 ACS showed that the median monthly cost for home owners with a mortgage was \$2,179 and the gross monthly rent (for existing renters rather than advertised rents) was \$1,352. Gross rents are what tenants pay out of their pocket and the availability of public and subsidized housing makes this value much lower than advertised market rents for newly available units.

Preliminary data for 2015 real estate trends were provided by the City’s Department of Neighborhood Development. These data show that the median rent for an apartment in Boston as advertised by the Multiple Listing Service (“MLS”) was \$2,395 per month for all apartment sizes and types between the third quarter of 2014 and the second quarter of 2015, the most recent data available. The citywide median advertised rents in this sample fell by \$10 compared to the previous four quarters, but the lower priced neighborhoods of Roxbury, Hyde Park, and Dorchester saw large percentage increases. Median rents for an apartment in Boston’s neighborhoods ranged from a high of \$2,800 in the central planning district (comprising Downtown, the North End, the West End, and the Waterfront) to a low of \$1,600 in Mattapan.

Median Monthly Rent of Newly Rented Apartments in Boston Neighborhoods And the Volume of All Newly Rented Apartments 2013 Q3 through 2015 Q2 (In Fixed 2015 Dollars)

Neighborhood	2013Q3 - 2014Q2 Median Monthly Rent⁽¹⁾	2014Q3 - 2015Q2 Median Monthly Rent⁽¹⁾	Percent Change	2013Q3 - 2014Q2 Volume	2014Q3 - 2015Q2 Volume	Percent Change
Allston/Brighton.....	\$1,950	\$1,900	-2.6%	547	583	6.6%
Back Bay/Beacon Hill	2,705	2,700	-0.2	972	1,030	6.0
Central	2,905	2,800	-3.6	780	809	3.7
Charlestown	2,505	2,400	-4.2	256	271	5.9
Dorchester	1,650	1,800	9.1	308	321	4.2
East Boston	1,800	1,700	-5.6	152	194	27.6
Fenway/Kenmore	2,000	2,100	5.0	322	362	12.4
Hyde Park	1,500	1,650	10.0	46	53	15.2
Jamaica Plain	2,405	2,300	-4.4	183	212	15.8
Mattapan	1,505	1,600	6.3	44	39	-11.4
Roslindale	1,700	1,800	5.9	99	123	24.2
Roxbury	1,700	1,950	14.7	192	198	3.1
South Boston	2,505	2,550	1.8	661	858	29.8
South End	2,805	2,775	-1.1	493	657	33.3
West Roxbury	1,600	1,700	6.3	114	132	15.8
Citywide	2,405	2,395	-0.4	5,169	5,842	13.0

(1) Rounded to nearest multiple of five.

Source: City of Boston, Department of Neighborhood Development using Multiple Listing Service (MLS), January 2016. 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 Boston peaked in 2005 and declined by 22% to the trough in 2009 (\$367,350) according to The National Association of Realtors (NAR). Prices recovered 12.3% of this peak-to-trough loss by 2014, and continued to climb in 2015, reaching \$420,800 in the third quarter.

Greater Boston Annual Median Sales Prices for Existing Homes, 2006-2015 ⁽¹⁾
(In Fixed 2015 Dollars)

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual Median	Annual Change
2006.....	\$459,000	\$495,100	\$484,750	\$456,200	\$472,900	-2.7%
2007.....	442,850	472,450	474,050	435,200	452,200	-4.4
2008.....	393,100	403,000	411,850	369,900	397,500	-12.1
2009.....	321,150	371,300	384,450	367,650	367,350	-7.6
2010.....	349,800	392,150	398,350	376,400	388,350	5.7
2011.....	339,400	374,800	387,450	342,450	364,800	-6.1
2012.....	321,550	373,800	377,650	355,100	362,550	-0.6
2013.....	338,000	388,850	400,550	377,750	364,150	0.4
2014.....	363,650	398,550	400,350	383,650	390,250	7.2
2015.....	374,600	414,600	420,800	N/A	N/A	5.1*

(1) Greater Boston as used here by the National Association of Realtors (NAR) is defined as the Boston MSA. It includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and two counties in New Hampshire (Rockingham and Strafford), which together comprise the Boston-Cambridge-Newton MA-NH MSA.

* 2015 change is based on Third Quarter rate from 2014 through 2015.

Source: National Association of Realtors (January 2016).

The median sales price, adjusted for inflation, for a single-family home in Boston increased by 0.9% per year between the fourth quarter 2006 (\$429,150) and the fourth quarter of 2015 (\$450,500), posting a 3.4% increase from the fourth quarter in 2014. Condominium prices climbed 4.3% annually from the fourth quarter 2006 price of \$398,550 to \$584,500 in the fourth quarter of 2015.

Median Residential Sales Prices for Boston
First Quarter 2006 through Fourth Quarter 2015
(In Fixed 2015 Dollars)⁽¹⁾

Year	Quarter	Single-Family	Two-Family	Three-Family	Condominium
2006	First	\$429,150	\$564,350	\$623,150	\$413,250
	Second	456,500	576,100	623,150	422,100
	Third	435,000	558,450	617,250	399,750
	Fourth	416,200	546,700	599,600	398,550
2007	First	\$417,800	\$533,850	\$571,550	\$401,800
	Second	433,800	514,400	534,400	422,950
	Third	427,250	491,550	535,100	394,400
	Fourth	396,100	456,100	507,550	400,100
2008	First	\$357,800	\$416,650	\$375,400	\$387,500
	Second	390,250	350,350	374,300	423,850
	Third	384,150	336,600	319,800	415,850
	Fourth	324,750	297,250	275,200	357,800
2009	First	\$298,300	\$301,050	\$267,850	\$329,600
	Second	382,250	310,450	276,200	392,200
	Third	388,050	353,550	285,050	381,150
	Fourth	356,850	320,950	331,450	364,600
2010	First	\$347,850	\$288,050	\$293,500	\$360,850
	Second	405,150	325,550	315,200	385,850
	Third	395,450	355,450	315,200	407,600
	Fourth	366,600	358,700	335,600	418,500
2011	First	\$336,400	\$313,450	\$347,700	\$371,700
	Second	376,150	343,000	332,850	405,650
	Third	373,550	350,350	344,050	395,150
	Fourth	348,500	344,550	368,800	400,400
2012	First	\$333,950	\$326,450	\$384,050	\$394,350
	Second	374,600	374,600	391,750	428,400
	Third	380,950	392,300	402,100	411,900
	Fourth	355,650	383,000	387,100	407,750
2013	First	\$366,250	\$345,950	\$401,900	\$415,600
	Second	434,950	419,700	440,550	436,500
	Third	411,050	429,350	447,650	442,600
	Fourth	386,900	455,300	450,200	488,350
2014	First	\$396,450	\$401,500	\$475,550	\$497,600
	Second	440,500	473,550	505,600	477,300
	Third	439,500	500,600	500,600	450,550
	Fourth	435,500	500,100	500,100	474,550
2015	First	\$399,000	\$435,000	\$535,000	\$490,000
	Second	460,000	510,000	592,500	515,000
	Third	490,000	522,500	587,500	510,000
	Fourth	450,500	519,000	575,000	584,500

(1) Rounded to the nearest multiple of 50.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (January 2016).

The total number of residential sales from 2014 to 2015 increased by 17% (from 7,231 to 8,463). This reflected strong sales volume across all property types. The sales volume of single-family homes increased 17.6%. Sales of condominiums increased 17.1%, and sales of multi-family non-condominiums properties increased 16.3% between 2014 and 2015.

Annual Residential and Condominium Sales in Boston ⁽¹⁾
2001-2015

Year	Single-Family Sales	Percent Change	Multi-Family Residential Sales (2)	Percent Change	Total Condo Sales	Percent Change	Residential and Condo Sales (3)	Percent Change
2001.....	1,193	-3.0%	2,136	-16.0%	4,045	-11.0%	7,374	-11.0%
2002.....	1,272	6.6	2,078	-2.7	4,804	18.8	8,154	10.6
2003.....	1,308	2.8	2,146	3.3	5,030	4.7	8,484	4
2004.....	1,644	25.7	2,688	25.3	7,100	41.2	11,432	34.7
2005.....	1,452	-11.7	2,536	-5.7	6,943	-2.2	10,931	-4.4
2006.....	1,236	-14.9	2,026	-20.1	6,411	-7.7	9,673	-11.5
2007.....	1,128	-8.7	1,535	-24.2	5,996	-6.5	8,659	-10.5
2008.....	957	-15.2	1,393	-9.3	4,823	-19.6	7,173	-17.2
2009.....	974	1.8	1,403	0.7	4,338	-10.1	6,715	-6.4
2010.....	999	2.6	1,455	3.7	4,282	-1.3	6,736	0.3
2011.....	938	-6.1	1,484	2	3,872	-9.6	6,294	-6.6
2012.....	1,205	28.5	1,124	-24.3	4,851	25.3	7,180	14.1
2013.....	1,316	9.2	1,277	13.6	5,204	7.3	7,797	8.6
2014.....	1,196	-9.1	1,147	-10.2	4,888	-6.1	7,231	-7.3
2015.....	1,406	17.6	1,334	16.3	5,723	17.1	8,463	17.0

(1) These do not include sales of apartment buildings larger than three-family structures. Condominium sales include buildings of any size.

(2) Includes two- and three-family homes only.

(3) Equals single-family, multiple-family residential sales plus total condominium sales.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data January 2016

Prices and sales volumes for single-family homes and for condominiums are shown by neighborhood planning district for calendar years 2014 and 2015. Areas of the city with the largest number of single-family home sales included West Roxbury, Dorchester, Hyde Park and Roslindale. The citywide median single-family home price was \$455,000 for 2015. The inflation adjusted median sales price increased by 4.9%, while the sales volume increased 17.6% between 2014 and 2015.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single-Family Homes
In Boston's Neighborhoods, Calendar Years 2014 and 2015
(In Fixed 2015 Dollars)

Neighborhood	2014 Single-Family Price	2015 Single-Family Price	Percent Change	2014 Sales Volume	2015 Sales Volume	Percent Change
Allston/Brighton.....	\$520,600	\$596,500	14.6%	63	50	-20.6%
Back Bay/Beacon Hill	3,241,350	2,808,875	-13.3	36	38	5.6
Central	*	*	*	2	6	200.0
Charlestown	670,800	874,000	30.3	69	82	18.8
Dorchester	360,450	405,000	12.4	180	221	22.8
East Boston	335,400	363,000	8.2	40	51	27.5
Fenway/Kenmore	*	*	*	0	3	*
Hyde Park	325,400	350,000	7.6	145	169	16.6
Jamaica Plain	761,150	909,500	19.5	68	74	8.8
Mattapan	255,800	279,388	9.2	42	52	23.8
Roslindale	435,500	452,500	3.9	140	160	14.3
Roxbury	345,600	391,750	13.4	50	58	16.0
South Boston	535,650	582,000	8.7	98	88	-10.2
South End	2,501,950	2,462,500	-1.6	25	38	52.0
West Roxbury	445,800	459,750	3.1	238	316	32.8
Citywide	433,600	455,000	4.9	1,196	1,406	17.6

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

Note 1: The prices in the above table exempt all sales of properties of less than \$25,000 because the low price sales are not considered to be "arms-length" transactions.

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 January 2016.

Condominium sales volume and prices also showed variability across the neighborhoods of Boston in 2014 and 2015. The three most expensive neighborhoods for condominiums were the Central neighborhood (comprising Downtown, the North End, the West End, and the Waterfront), Back Bay/Beacon Hill, and the South End, which together form the core residential area closest to downtown. Charlestown (\$590,000) and South Boston (\$585,000) also exceeded the citywide median of \$525,000. Overall, the median condominium price increased 11.6% between 2014 and 2015, while the sales volume increased 17.1%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Calendar Years 2014 and 2015
(In Fixed 2015 Dollars)

Neighborhood	2014 Condo Price	2015 Condo Price	Percent Change	2014 Sales Volume	2015 Sales Volume	Percent Change
Allston/Brighton.....	\$323,400	\$374,000	15.6%	439	537	22.3%
Back Bay/Beacon Hill	770,900	800,000	3.8	551	655	18.9
Central	851,000	800,000	-6.0	613	588	-4.1
Charlestown	532,200	590,000	10.9	284	427	50.4
Dorchester	294,350	341,700	16.1	415	493	18.8
East Boston	310,350	350,500	12.9	156	186	19.2
Fenway/Kenmore	494,600	482,000	-2.5	194	141	-27.3
Hyde Park	184,700	211,250	14.4	45	54	20.0
Jamaica Plain	420,500	460,000	9.4	351	433	23.4
Mattapan	405,500	455,750	12.4	50	45	-10.0
Roslindale	324,400	344,500	6.2	212	242	14.2
Roxbury	300,350	398,500	32.7	111	149	34.2
South Boston	500,600	585,000	16.9	768	928	20.8
South End	705,850	779,000	10.4	581	704	21.2
West Roxbury	262,700	320,000	21.8	118	141	19.5
Citywide	470,550	525,000	11.6	4,888	5,723	17.1

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.

Note 4: The median sales prices for condominiums in Mattapan primarily reflects sales of higher end units located in the 1241-1251 Adams Street development.

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, January 2016.

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 2015 foreclosure deeds increased to 124 from 99 in 2014, however, foreclosure deeds remained significantly lower than the peak in 2007 and 2008. Petitions to foreclose rose by 45% from 2014 to 2015, a change from 362 to 526.

In 2015, 262 residential permits were issued accounting for 3,807 new or converted units in the city. This represents an increase of 1.2% in permits issued, and a 26% increase in the number of units permitted. In 2015, the BRA Board approved 3.1 million square feet of new housing, for a total of 3,380 new housing units across the city. Of these units, 804 are affordable units. While new housing projects were scattered across the city, many of the largest projects by number of units were approved for East Boston, including East Pier Buildings 5 and 6 (557 units), 6-26 New Street (259 units), and Clippership Wharf (492 units).

The Boston Housing Authority (“BHA”) is the largest public housing authority in New England and sixth in the nation. The agency provides subsidized housing to low and moderate income individuals and families. The Authority owns and operates 63 family and elderly and disabled developments that are home to more than 25,000 residents. Most of the 12,600 households in BHA housing have extremely low-income, averaging \$14,000 per year. BHA also administers Housing Choice Vouchers (Section 8 or leased housing) to over 11,000 families that lease apartments from private landlords. The BHA helps provide housing to approximately 33,000 people under these programs.⁴

BHA’s Five-Year Agency Plan set forth new goals and strategies to develop property-by-property to ensure the long-term sustainability of its public housing communities. Agency initiatives consider the severe and persistent funding shortfalls in the federal public housing program, and identified several housing developments with high potential for accessing capital and operating resources outside of the conventional public housing program. These developments are Bunker Hill in Charlestown, Amory Street in Jamaica Plain, Lenox/Camden in Roxbury, and West Newton in the South End. BHA’s goal in all cases is to preserve the same number of deeply affordable units that exist at the sites today while, where feasible, adding new moderate-income and market-rate housing units to create vibrant mixed-income communities. In 2015, BHA completed construction on 40 new affordable units as part of the Old Colony public housing development in South Boston. This brings the total units completed over the past five years to 285, representing almost half of the Old Colony units planned for redevelopment. In addition, BHA continues to plan for the redevelopment of the Whittier Street community in Roxbury, and the Orient Heights community in East Boston, where a Letter of Intent was filed in February 2016. Construction for both communities is anticipated to begin in the coming year.

The Linkage Program

The City implemented its development linkage program in 1983 in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods through the Neighborhood Housing Trust (“NHT”). The linkage program also funds job training for City residents through the Neighborhood Jobs Trust (“NJT”). Under the linkage program, which was amended in 1986, 2001, and again in 2013, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to pay exactions in the amount of \$10.01 per square-foot of non-residential construction over 100,000 square feet, of which \$1.67 per square-foot goes to the job training fund and \$8.34 per square-foot goes for affordable housing purposes. The fee was last adjusted as of October 17, 2013.

Since the inception of the linkage program through December 2015, the NHT has awarded approximately \$160 million in grant funds. The NHT funding contributed to the construction, pending construction, or renovation of 13,080 housing units of which 11,214 units are affordable. The NHT funding represents 5% of the combined development cost of all assisted projects. NHT grant awards are allocated to fund low and moderate-income housing through the renovation of old buildings and schools and the construction of new housing. Projects have included rental developments of family-sized units, single room occupancy units, units set aside for homeless or formerly homeless households, elderly housing units, and units exclusively for other special needs populations. In addition, the NHT grants support the development of housing ownership opportunities in condominiums, housing cooperatives, and single-family homes.

NJT supports innovative education and training activities leading to high wage employment, new or non-traditional employment opportunities, and community-based projects that respond to specific neighborhoods’ 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.

⁴ “Boston Housing Authority 2015-2019 Five Year Agency Plan”, Boston Housing Authority January 2015

In fiscal year 2015, the NJT committed \$1.2 million to job training services to serve unemployed or under-employed lower-skilled individuals with multiple barriers to employment. A broad range of community-based job training programs were awarded in a number of industry specific areas including: Hospitality, Administration, Construction, Culinary/Food Service, Retail Banking/Financial Services Sector, Certified Nursing Assistant/Home Health Aide, Early Childhood Education, Human Services, Certified Licensed Drivers, Security, Information Technology, Building Maintenance, Customer Service and an Occupational Skills Training with ESOL for Supermarket Employment. FY15 programming started in November 2014 and will continue through the summer of 2016. NJT funds served a total of 337 adults in the city of Boston, and at least 25% of them has a CORI, are Temporary Assistance for Needy Families- recipients, or been homeless or near homelessness; 89% have completed/graduated their job training program. At the end of the grant cycle in summer 2016, 239 participants will secure full-time or part-time training-related positions.



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March 24, 2016

David Sweeney, Chief Financial Officer
and Collector-Treasurer
City of Boston
Boston, Massachusetts

Re: City of Boston, Massachusetts
General Obligation Bonds, 2016 Series A and
General Obligation Refunding Bonds, Series B

We have acted as Bond Counsel to the City of Boston, Massachusetts (the "City"), in connection with the issuance by the City of \$140,000,000 General Obligation Bonds, 2016 Series A and \$8,100,000 General Obligation Refunding Bonds, 2016 Series B (collectively, 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.

LOCKE LORD LLP

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Boston, Massachusetts (the “Issuer”) in connection with the issuance of its \$140,000,000 General Obligation Bonds, 2016 Series A and \$8,100,000 General Obligation Refunding Bonds, 2016 Series B (collectively, the “Bonds”) dated March 24, 2016. 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 March 8, 2016 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).

* 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.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

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

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

Date: March 24, 2016

CITY OF BOSTON, MASSACHUSETTS

By: _____
Chief Financial Officer and Collector-Treasurer

Mayor of Boston

City Auditor

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

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