

Financial Management of the City

OVERVIEW

Managing the City's finances involves both a strategic and an operational component. Strategically, the financial operations must be managed to accommodate fluctuations in the economy and the resulting changes in costs and revenues. Operationally, the City must put in place clear financial goals, policies, and tools to implement its strategic plan.

The Mayor ultimately directs all of the City's financial operations. The Mayor is the chief executive officer of the City and has general supervision of and control over the City's boards, commissions, officers, and departments.

Mayor Menino has established a cabinet form of government to recognize the major functional responsibilities of city government. This structure helps to facilitate the execution of mayoral priorities and the day-to-day executive and administrative business of the City.

The following departments are included in the Administration and Finance Cabinet (A&F) and have major roles in the financial management of the City:

- The Treasury Department collects all revenues due to the City and pays all amounts due for payrolls and outside vendors. The Treasury Department also manages the investment of City funds and all City borrowings.
- The Auditing Department prepares the City's annual financial statements, implements fiscal controls over departmental spending, provides technical assistance to departments, and reviews and processes all financial transactions for accuracy, completeness, and compliance.
- The Assessing Department is responsible for the valuation and

assessment of all real and personal property in the City for the purpose of taxation.

- The Office of Budget Management coordinates the analysis and presentation of the Mayor's operating budget and capital plan, assembles, analyzes, and presents data with respect to revenue and debt management, and facilitates the establishment and use of data to analyze performance.
- The Purchasing Department procures all supplies, materials, and equipment, selects vendors through public bidding and processes purchase orders and contracts.
- The Human Resources Department and the Office of Labor Relations are also included in the A&F Cabinet. With employee compensation and health benefits comprising approximately three quarters of the City's budget, the coordination involving collective bargaining matters and health benefit information is critical.
- The Retirement Board administers the State-Boston Retirement System, which provides pension benefits to retired City employees under a state contributory retirement statute.

STRATEGIC FINANCIAL MANAGEMENT

Maintaining a healthy financial base that fully supports City services according to mayoral priorities requires constant scrutiny. This work is reflected in restructuring City services in order to streamline operations, gaining improved operational efficiency and effectiveness from financial management systems, securing sound recurring revenues, and making responsible

spending adjustments in light of revenue growth limitations in order to achieve a balanced budget. Strong financial management provides a framework within which the City is able to safeguard as well as position itself for the future.

Balanced Budget

In accordance with state law, the City develops a balanced budget every year. The State Department of Revenue (DOR) approves property tax rates during the tax certification process governed under Massachusetts General Laws Chapter 59, Section 23. This approval ensures that all cities and towns in Massachusetts have balanced budgets and that tax levies are within the limits set by Proposition 2 ½ (see *Revenue Estimates and Analysis* section of Volume I for detail on Prop. 2 ½). Appropriations, fixed costs, and any prior year deficits, along with the approved property tax levy, estimated local revenues, and available prior year surpluses must be in balance in order to obtain DOR authorization to issue property tax bills.

Healthy Credit Profile

In March 2011, Moody's Investors Service, Inc., and Standard & Poor's reaffirmed Boston's credit ratings of Aaa, and AA+, respectively (Moody's raised Boston's bond rating in April 2010, during the recalibration of their long-term U.S. municipal ratings to the global scale). These are the highest ratings in Boston's history, a clear recognition by the credit markets of the City's solid financial policies and practices. Standard & Poor's noted the City's "consistently strong and proactive management, with a demonstrated record through all economic cycles," in its most recent credit report.

This high credit quality allows the City to borrow new money and refinance existing debt at attractive interest rates. The City has saved over \$45 million on a net present value basis by refinancing \$776.3 million of debt since 2001. In March 2011, the City sold \$127.8 million of new-money general obligation bonds, of which \$41.6 million was Qualified School Construction Bonds,

issued under the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA").

Maximizing Return on Investment

The City has articulated a vision to make finance a higher performing organization in supporting and serving the departments and citizens of Boston by making daily operations easier, using leading business practices, spending more time on value-added activities, improving customer support while maintaining appropriate controls and financial management, and engaging the next generation of finance leaders.

Following this blueprint, the City has recently undertaken a large-scale initiative to improve its financial business processes and to upgrade its PeopleSoft software products that support those processes. For example, the planned implementation of an eProcurement module will better support leading business practices, such as online requisitioning, bidding, and contracting.

Protecting and Growing the Revenue Base

Over 80% of recurring general fund revenue comes from just two sources, the property tax and state aid from the Commonwealth. The City continues to support the dual goals of protecting and growing its revenue base through expansion of current revenue streams and the addition of diversified revenue streams that more closely match its economic strengths. Recent trends in property tax and state aid highlight the risk of relying too heavily on any one source of revenue.

The net property tax levy as a percentage of total recurring revenues has increased from 52% in FY02 to 66% in the FY12 budget, a \$636 million increase over the period. Property tax revenues now account for a similar share of recurring revenues than prior to the passage of Proposition 2 ½ in the early 1980's. This growth, especially during challenging economic times, has again spurred discussion about the level of property taxes in municipalities across the state.

During the same period, state aid revenue to the City has fallen \$137.5 million, or from 28% to 16% of recurring revenue. State aid has been reduced

by \$205.6 million, or 48%, between FY02 and the FY12 budget when including the increase in state assessments to the City. This staggering decline in the City's second largest single source of revenue leaves the City more reliant on local sources of revenue, the growth of which are restricted by law.

Recognizing the threat to fiscal stability represented by these trends in property tax and state aid, the Mayor has repeatedly filed legislation to expand and diversify the City's local revenue structure to secure and grow the tax base.

In the current Legislative session, the Mayor has proposed expanding the local tax base by establishing a local option tax on parking and closing a tax loop-hole benefitting internet resellers of hotel room nights. These small but broad-based taxes would match the City's economic activity and related costs while exporting some of the tax burden to non-residents who use City services.

Subsequent to the passage of the City's FY10 budget the State approved, and the City adopted effective October 1, 2009, a new local option tax of .75% on restaurant meals and a 2% tax increase for hotel occupancy (bringing the City's share of the total hotel tax to 6.0%). The tax on restaurant meals had been filed by the Mayor in many forms over several years prior to its final passage.

As a matter of course, the City regularly reviews its fee and fine structures for any necessary increases to cover the cost of providing services or deterring undesired behavior. Several increases have been proposed prior to the submission of this budget.

FINANCIAL POLICIES, PROCEDURES & CONTROLS

Pursuant to state law mandates and policy initiatives, the City has well-established policies and internal controls to govern its financial operations effectively. These policies and controls are designed to maximize revenue collections, safeguard assets, monitor operating and capital spending, evaluate infrastructure needs, and enhance the City's internal control of its business procedures. The major components of the City's system of financial management controls and relevant financial policies are discussed below.

Expenditure Controls

The City operates under several statutory financial control systems which are summarized in the *Statutes and Ordinances* section in Volume I. These controls, along with conservative estimates of annual revenue, allow the City to maintain its strong financial position. The City monitors spending on an ongoing basis, as all transactions go through a "budget-check" process prior to procurement. Maintaining tight central expenditure controls allows critical review of all non-personnel spending. Additionally, the Office of Budget Management prepares monthly variance reports forecasting a department's expected year-end position. Continuous dialogue with departments throughout the year informs management of the need to adjust to any fiscal change or recent trend.

Position Review Committee (PRC)

The PRC, comprised of the Chief of Personnel & Labor Relations, the Human Resource Director, and the City's Budget Director, serves to strictly control and monitor all hiring. In place for close to a decade, this committee has been instrumental in making sure the City gradually adjusts to fiscal change.

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 City's cash flow is anchored by the quarterly billing of the property tax and quarterly receipt of state aid distributions. The Treasury Department ensures that the City adheres to its conservative debt policies including the rapid repayment of debt where at least 40% of overall debt is repaid within 5 years and 70% in 10 years, as well as a 7% ceiling on debt service as a percentage of general fund expenditures. The City

imposes a 20% ceiling on variable debt and has no variable debt outstanding at this time.

The City also utilizes lease-purchase financing of equipment with a three-to-seven year useful life to replace front-line equipment such as vehicles and upgrade technology and telecommunications equipment.

Capital Planning

The Office of Budget Management (OBM) is responsible for managing the City's capital plan and budget. OBM coordinates the evaluation of capital requests, forecasts the timing and financial requirements of new construction and rehabilitation, and recommends the allocation of current and future resources by monitoring capital expenditures.

The capital planning process is synchronized with the annual operating budget cycle, allowing for the regular reassessment of capital needs and refinement of projections, as well as the update of a rolling five-year capital plan.

The City funds its capital plan primarily through the issuance of general obligation bonds. The size of the City's bond issues is consistent with the City's financial management policies regarding its level of debt and debt service.

Investment Policy

Investment policies are defined in Chapter 643 of the Acts of 1983 ("The City of Boston Bond and Minibond Procedure Act"); Chapter 107 of the Acts of 1991, and Chapter 44 of the Massachusetts General Laws. The City's policy for the investment of operating funds prioritizes security, liquidity, and yield. Certain limitations placed on the City's investment activities or operational protocols are self-imposed so as to make sound, timely, and safe investment decisions. As an example, the City tends as a matter of practice to limit its investments to repurchase agreements, money markets and certificates of deposit, all of which are collateralized by U.S. Government obligations and are held with a third party.

Contracting Procedures

The Uniform Procurement Act (the UPA), Massachusetts General Laws Chapter 30B, enacted by the Commonwealth in 1990, creates uniform procedures for the contracting of services and supplies by all municipalities in the Commonwealth. The City has implemented internal processes to conform its contracting procedures to the requirements of the UPA. The aforementioned PeopleSoft eProcurement implementation will further support these compliance efforts.

Tax Collections

The City's aggressive property tax collection effort reduces the number of accounts that are delinquent and discourages new delinquencies.

The City's program includes a strong working relationship with banks and mortgage companies as well as a variety of collection remedies authorized by state statute. The City secures its statutory lien for delinquent real estate taxes with instruments recorded at the Suffolk County Registry of Deeds. The City achieved a property tax collection rate of 98.8% of the FY10 gross levy as of June 30, 2010.

A Taxpayer Referral and Assistance Center provides "one-stop" service on tax-related matters and an on-line payment option is offered for taxpayer convenience. Parcel-specific information as well as payment history is also available on-line.

Pension Management

The City's employees are not participants in the federal social security system. The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System (SBRS), of which the City is the largest member. The SBRS provides pension benefits to retired City employees under a state contributory retirement statute, and is administered by a Retirement Board comprised of five members: the City Auditor, who serves ex-officio; two individuals elected by members of the system; an individual chosen by the Mayor; and an individual chosen by the other four members or

appointed by the Mayor, if a selection is not agreed upon within 30 days of a vacancy.

The SBRS performs a full valuation every two years to determine the total system liability and assets, and the annual funding requirement for future years. Over the years, the City has worked with the SBRS to maintain a conservative and responsible pension-funding schedule. This has included maintaining a reasonable investment rate of return assumption that has stood the test of three major recessions since 1985. The City is on track toward reducing the unfunded liability of the SBRS to zero by 2025, fifteen years earlier than the current statutory requirement.

A legislative change affecting FY10 forward has occurred with regard to the funding of Teachers' Pensions, eliminating what was a special circumstance for Boston. The City no longer pays nor is it reimbursed for the cost of teacher's pensions. The funding of this liability has moved to the Commonwealth where it resides for all other teachers in Massachusetts (See the *Statutes and Ordinances* section of Volume I for detail of this legislation).

The valuation, beginning in January 1, 2008, has been separated into SBRS-Teachers and SBRS-All Other. As of January 1, 2010, the SBRS-All Other pension liability was 69.9% funded. The SBRS hires an investment manager who oversees the various fund managers of the SBRS-All Other pension assets.

Through the last reporting period with final results available, calendar 2009, the long-term investment performance of the full SBRS (the combined SBRS-Teachers and SBRS-All Other) has exceeded the long-term investment assumption of 8% upon which the funding schedule is partly based. The average annualized return from January 1, 1985 through December 31, 2009 was 9.1%. Its intermediate five-year (ending December 31, 2009) average annualized return was 4.6% and short-term (2009 only) return was 19.65%. In 2009, the composite short-term rate of return for all Massachusetts' public pension funds was 18.2%. Results for calendar 2009 reflect the SBRS's best rate of return since 2003, and partly offset the very large loss in calendar 2008.

Other Post Employment Benefits (OPEB)

In addition to the pension benefits described above, the City provides post-employment health care and life insurance benefits on a pay-as-you-go basis in accordance with state statute to participating retirees and their beneficiaries. The City currently pays 75% of Blue Cross /Blue Shield of Massachusetts premiums and 85% of HMO premiums for most retirees and their beneficiaries.

An updated actuarial valuation at June 30, 2009, estimated that the total actuarial accrued OPEB liability was between \$4.7 billion (partially-funded) and \$3.11 billion (fully-funded). The City has prudently taken steps toward acknowledging this significant, yet unfunded cost of commitments made to provide retiree health benefits by establishing an irrevocable Other Post Employment Benefits (OPEB) Liability Trust Fund, pursuant to MGL Chapter 32B, Section 20 and by hiring an investment manager. The City has consistently appropriated an amount from its budgetary fund balance (see Budgetary Support below). The City will continue to balance its OPEB obligation with the City's current operating needs in order to responsibly fund this long-term liability.

(See the *Summary Budget FY12-FY13* section of Volume I for further detail on employee pension and health benefits and their current budgetary impact.)

Risk Management

Risk-related costs include legal liability claims, property losses, costs incurred due to workplace injuries, employee healthcare, and unemployment compensation. These costs are managed by central departments, such as Law and Human Resources, in addition to individual operating departments. The Office of Budget Management works to maximize the effectiveness of these intra-departmental efforts by reviewing cost trends, assisting in improvements, and implementing the City's risk financing strategy.

The City's risk financing strategy is a planned self-insurance program which protects both individual departments' budgets and the citywide budget through central accounts, reserves, and catastrophic commercial insurance.

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

For unexpected large losses, the City continues to build a catastrophic risk reserve, the available balance of which will be \$13.4 million at the end of fiscal 2011. Commercial insurance is purchased strategically for specific exposures. A catastrophic property insurance policy provides \$100 million all-risk protection after a \$10 million deductible; boiler and machinery losses are insured up to \$10 million. 75% of the City's healthcare costs are insured.

Financial Reserve

As required by law since 1986, the City has maintained a reserve fund equal to 2 1/2% of the preceding year's appropriations for all City departments except the School Department. The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of June 30, 2010, the reserve fund had a balance of \$27.5 million.

Annual Audit/Management Letters

The City has consistently received unqualified opinions on the audit of its Basic Financial Statements and has been presented with a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its latest Comprehensive Annual Financial Report.

The City's independent auditors deliver a yearly management letter containing comments and recommendations on internal financial controls. The current management letter did not identify any deficiencies in internal control considered to be material weaknesses.

Financial Accounting Systems

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

FINANCIAL MANAGEMENT PROGRAMS

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 tracks progress on citywide strategic goals. BAR provides information that assists in the decision making process, identifies areas of improvement, and 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 Office of Budget Management plays a central role in the collection and analysis of performance data, by ensuring proper documentation of results, and assisting departments in pursuing opportunities for improvements.

Energy Management

The Mayor’s Energy Management Board is charged with making decisions regarding the City’s procurement, use, and conservation of energy as well as the minimization of the impact of fossil fuel consumption on public health. An Integrated Energy Management Plan assures progress toward the fulfillment of this mission.

AUDITING & BUDGETING PRACTICES

The City prepares its comprehensive financial reports in accordance with generally accepted accounting principles (GAAP). However, accounting practices established by the Commonwealth’s Department of Revenue, the so-called budgetary basis method of accounting, are used in the annual general fund budget and property tax certification process. Budgetary basis departs from GAAP in the following ways:

- (a) Real and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budgetary), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented as components of the general fund (budgetary), rather than as separate funds

(GAAP).

(d) Prior years’ deficits and utilized available funds from prior years’ surpluses are recorded as expenditure and revenue items (budgetary), but have no effect on GAAP expenditures and revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The reconciliation in Figure 1 summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2010.

Financial statements for the fiscal year ended June 30, 2011 are expected to be available in late fall.

General Fund Equity

The City’s management of its finances has resulted in a continuing upward trend in general fund equity.

General Fund equity from FY02 forward appears artificially high as compared to prior years due to the required implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. GASB No. 34 fundamentally changed the treatment of liabilities

Adjustments Between Budgetary Basis and GAAP Basis of Accounting for FY10

(in thousands)

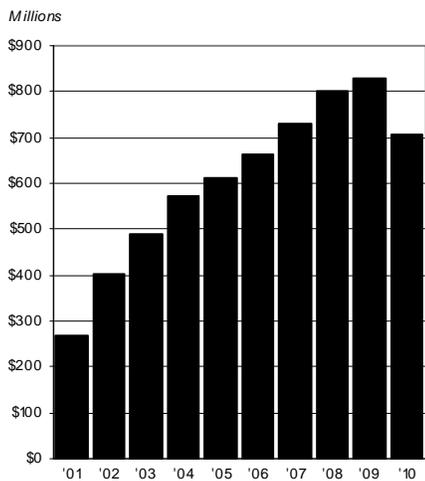
	Revenue	Expenditures	Other Financing Sources (Uses), Net	Excess (Deficiency) of Revenue and Other Financing Sources
As reported on a budgetary basis	2,303,266	2,294,178	-	9,088
<u>Adjustments:</u>				
Revenues to modified accrual basis	(7,958)	-	-	(7,958)
Expenditures, encumbrances and accruals, net	-	3,783	-	(3,783)
<u>Reclassifications:</u>				
State-funded teachers’ retirement costs	-	118,841	-	(118,841)
Convention Center Fund Revenue	(30,000)	-	30,000	-
Transfers	(23,058)	-	23,058	-
As reported on a GAAP basis	<u>2,242,250</u>	<u>2,416,802</u>	<u>53,058</u>	<u>(121,494)</u>

Figure 1

and receivables in the General Fund.

The sharp decline in FY10 is due to a change in the mechanism of funding Boston Teachers' Pensions. As a result of the change in legislation, in fiscal year 2010 the City did not receive reimbursement of \$118.8 million in teachers' pension expense that was accrued for at the end of fiscal year 2009. This change caused a dramatic, one-time impact on the City's financial statements that is evident at the both the government-wide and fund levels. (See *Statutes and Ordinances* section of Volume I for detail of this legislation)

It is expected that the actual results at the close of FY11 will not add to the upward trend in general fund equity that the City has experienced since



General Fund Equity (GAAP Basis)
FY01-FY10

Figure 2

FY96. The City expects to preserve its policy of maintaining a GAAP Undesignated Fund Balance in the General Fund that is 10% or higher than the current fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Undesignated Fund Balance between 5% and 10% of Budgetary Operating Expenses (Figure 2).

Fund Structure and Use

The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity and complies with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

The City has four governmental funds. The General Fund, the Special Revenue Fund, the Capital Projects Fund and all non-major governmental funds in an "Other" category. The General Fund is the only fund for which a budget is legally adopted and is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. This fund accounts for a number of federal and state grants that provide additional support to department programs. It also accounts for money that has been set aside by state statute and can also be used to support the City's general fund operations.

The Capital Projects Fund accounts for financial resources, primarily from the issuance of bonds, used for the acquisition or construction of major capital facilities.

Proprietary Funds are used to show activities that operate more like those of commercial enterprises (Enterprise Funds). The Hospital Bond Fund accounts for the activities related to the Boston City Hospital Revenue Bonds. These Bonds are payable solely from the mortgage note payments received from the Public Health Commission (PHC). These bonds are repaid from a pledged revenue source from the PHC.

Fiduciary Funds are used to account for resources held for the benefit of parties outside City government and are not available to support the City's own programs. The City's fiduciary funds are the Pension Trust Fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund, as well as Private-Purpose Trust Funds.

The City's operating budget is also supported by available governmental funds transferred and appropriated from other available funds. The City appropriates yearly parking meter revenues (Special Revenue Fund) to support the Transportation Department, cemetery trust monies (Other Governmental Funds) to support the City's maintenance of its public cemeteries, and, in previous years, surplus property disposition proceeds (Capital Projects Fund) to fund a risk retention reserve and the City's "Leading the Way" affordable housing initiative. The FY12 budget, as

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
General Fund
Years ended June 30 2010 and 2009
(in Thousands)**

	<u>2010</u>	<u>2009</u>
Revenues:		
Real and personal property taxes	\$ 1,467,605	\$ 1,393,371
Excises	121,120	115,454
Payments in lieu of taxes	67,265	56,686
Fines	70,627	69,711
Investment income	3,246	18,289
Licenses and permits	32,907	40,822
Departmental and other	74,861	82,087
Intergovernmental	404,619	454,252
Total revenues	<u>2,242,250</u>	<u>2,230,672</u>
Expenditures:		
Current:		
General government	70,514	69,524
Human services	29,324	29,722
Public safety	511,365	521,898
Public works	96,641	112,168
Property and development	30,247	28,959
Parks and recreation	16,818	17,571
Library	29,853	31,268
Schools	815,694	818,338
Public health programs	70,000	69,985
Judgements and claims	10,181	9,946
Retirement costs	235,282	82,332
Other employee benefits	224,156	191,597
State and district assessments	146,323	142,055
Capital outlays	734	566
Debt Service	129,670	119,294
Total expenditures	<u>2,416,802</u>	<u>2,245,223</u>
Excess(deficiency) of revenues over expenditures	(174,552)	(14,551)
Other financing sources (uses):		
Operating transfers in (out)	53,058	41,189
Payments to escrow agent to refund debt		
Transfers from component units		
Transfers to component units		
Total other financing sources	<u>53,058</u>	<u>41,189</u>
Net change in fund balance	<u>(121,494)</u>	<u>26,638</u>
Fund balance - beginning	828,687	802,049
Fund balance - ending	<u>\$ 707,193</u>	<u>\$ 828,687</u>

Figure 3

adopted, does not utilize surplus property disposition proceeds. Figure 4 provides a history, as well as projected changes in fund balances for the available funds used to support the City's operating budget.

Additional discussion of these revenue sources used to support the operating budget can be found in the *Summary Budget* section.

Parking Meter Fund				
Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Ending Year Balance
FY05	36.991	(3.500)	9.314	42.805
FY06	42.805	(1.000)	10.390	52.194
FY07	52.194	(1.000)	11.342	62.536
FY08	62.536	(10.000)	8.960	61.496
FY09	61.496	(12.000)	11.204	60.700
FY10	60.700	(15.000)	13.662	59.362
*FY11	59.362	(15.000)	14.300	58.662
*FY12	58.662	(15.000)	16.250	59.912

Notes: (\$millions), *projected

Cemetery Trust Fund				
Fiscal Year	Beginning Year Balance	Funds Out	Funds In**	Ending Year Balance
FY05	11.271	(2.029)	1.139	10.381
FY06	10.381	(2.110)	2.478	10.749
FY07	10.749	(2.221)	2.754	11.283
FY08	11.283	(2.141)	1.035	10.177
FY09	10.177	(2.189)	(0.375)	7.613
FY10	7.613	(2.079)	1.934	7.468
*FY11	7.468	(2.109)	2.000	7.359
*FY12	7.359	(2.067)	2.000	7.292

Notes: (\$millions), *projected, **Includes appreciation

Surplus Property Disposition Fund				
Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Ending Year Balance
FY05	50.374	(6.618)	0.000	43.756
FY06	43.756	0.000	0.000	43.756
FY07	43.756	(8.000)	0.000	35.756
FY08	35.756	(5.669)	0.000	30.087
FY09	30.087	0.000	0.000	30.087
FY10	30.087	(5.979)	0.000	24.108
*FY11	24.108	(6.000)	0.000	18.108
*FY12	18.108	0.000	0.000	18.108

Notes: (\$millions), *projected

Figure 4

Budgetary Support

Budgetary Fund Balance can be appropriated for use during the fiscal year. Budgetary Fund

Balance, is more commonly referred to as "free cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending.

The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law, and is administered by the Massachusetts Department of Revenue. This calculation and the amount derived from it must be certified annually for funds to be appropriated. Prior year certifications and the amount used from each certification are in Figure 5. The City considers the appropriation of certified free cash to offset certain fixed costs such as pension contributions and related post retirement health benefits and to fund extraordinary and non-recurring events as determined and certified by the City Auditor. The appropriation of free cash shall not cause the fiscal year's GAAP Undesignated Fund Balance to go below 10% of the fiscal year's GAAP General Fund Expenditures.

Budgetary Fund Balance		
Date	Annual Amount Certified	Amount Appropriated from Certification
Jan. 2005	56.3	6.7
Mar. 2006	54.4	7.5
Jan. 2007	63.1	20.0
Apr. 2008	110.2	35.0
Mar. 2009	121.2	45.0
Mar. 2010	139.0	45.0
Mar. 2011	117.8	30.0

Notes: (\$millions)

Figure 5

The FY11 Budget appropriates \$45.0 million from a certification of \$139.0 million. In March 2011, the Director of Accounts certified that the amount of funds available for appropriation ("free cash"), as of July 1, 2010, was \$117.8 million. The FY12 Budget assumes the use of \$30 million in Budgetary Fund Balance which will be used to support an appropriation for the Other Postemployment Benefits (OPEB) Liability Trust Fund.

The following table shows the appropriations that make up the City's FY12 budget as approved.

CITY OF BOSTON
BUDGET SUMMARY - APPROPRIATED FUNDS

(Dollars in Millions)

	Direct General Fund	Parking Meter Fund Transfer	Cemetery Trust Fund Transfer	Budgetary Fund Balance	Total FY12 General Fund Budget
REVENUES					
Property Tax Levy	1,608.23				1,608.23
Overlay Reserve	(39.23)				(39.23)
Excises	131.93				131.93
Fines	68.08				68.08
Interest on Investments	1.50				1.50
Payments In Lieu of Taxes	39.48				39.48
Urban Redevelopment Chapter 121A	58.10				58.10
Misc. Department Revenue	52.44				52.44
Licenses and Permits	34.10				34.10
Penalties & Interest	7.76				7.76
Available Funds		15.00	2.07		17.07
State Aid	385.13				385.13
Teachers Pension Reimbursement	0.00				0.00
Total Recurring Revenue	2,347.51	15.00	2.07		2,364.57
Budgetary Fund Balance	0.00			30.00	30.00
Non-Recurring Revenue	0.00				0.00
Total Revenues	2,347.51	15.00	2.07	30.00	2,394.57
EXPENDITURES					
City Departments	997.52	15.00	2.07		1,014.59
Public Health Commission	72.90				72.90
School Department	830.91				830.91
Reserve for Collective Bargaining	10.70				10.70
Other Post Employment Benefits	5.00			30.00	35.00
Total Appropriations	1,917.03	15.00	2.07	30.00	1,964.10
Pensions	126.55				126.55
Debt Service	137.54				137.54
State Assessments	162.46				162.46
Suffolk County	3.92				3.92
Reserve	0.00				0.00
Total Fixed Costs	430.47				430.47
Total Expenditures	2,347.50	15.00	2.07	30.00	2,394.57
Surplus (Deficit)					0.00

Numbers may not add due to rounding

