



**BOSTON REDEVELOPMENT AUTHORITY**

D/B/A

**BOSTON PLANNING & DEVELOPMENT AGENCY**

(A Component Unit of the City of Boston)

Financial Statements and Required  
Supplementary Information

June 30, 2019

(With Independent Auditors' Report Thereon)

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

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## Independent Auditors' Report

The Board of Directors  
Boston Redevelopment Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the year then ended 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 an opinion on these financial statements based on our audit. 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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the changes in its financial position and its cash flow for the year then ended in accordance with U.S. generally accepted accounting principles.



### *Other Matters*

U.S. generally accepted accounting principles require that the schedules listed under Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**KPMG LLP**

Boston, Massachusetts  
December 19, 2019

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Net Position

June 30, 2019

Assets:

Current assets:

Cash and cash equivalents (note 3)	\$ 42,014,995
Accounts receivable:	
Intergovernmental	4,344,335
Other accounts receivable	722,346
Prepaid assets	176,025
Notes receivable, net, current portion (note 4)	2,884,752
Disposition receivables – development sites, current portion (note 6)	<u>1,065,639</u>
Total current assets	<u>51,208,092</u>

Noncurrent assets:

Notes receivable, net (note 4)	104,962,032
Notes receivable – Rowes Wharf, net (note 5)	501,849
Disposition receivables – development sites (note 6)	12,442,962
Capital assets (note 7):	
Nondepreciable	5,987,919
Depreciable	24,137,808
Less accumulated depreciation	<u>(8,236,118)</u>
Total capital assets, net	<u>21,889,609</u>
Total noncurrent assets	<u>139,796,452</u>
Total assets	<u>191,004,544</u>

Deferred outflows of resources:

Pensions (note 12)	5,155,767
Other postemployment benefits (note 13)	<u>1,887,469</u>
Total deferred outflows of resources	<u>7,043,236</u>

Liabilities:

Current liabilities:

Accounts payable and accrued expenses	3,360,236
Vacation and sick leave, current portion (note 10)	160,959
Unearned revenue, current portion (note 6, note 10)	<u>1,065,639</u>
Total current liabilities	<u>4,586,834</u>

Noncurrent liabilities (note 10):

Notes payable (note 8)	1,475,000
Deposits	25,736,332
Net pension liability (note 12)	19,083,144
Vacation and sick leave	991,598
Other postemployment benefits (note 13)	14,363,074
Due to designated projects (note 4)	44,435,860
Due to City of Boston (note 4)	64,389,011
Unearned revenue (note 6)	19,852,593
Other	<u>928,881</u>
Total noncurrent liabilities	<u>191,255,493</u>
Total liabilities	<u>195,842,327</u>

Deferred inflows of resources:

Pensions (note 12)	3,296,025
Other postemployment benefits (note 13)	<u>15,567,296</u>
Total deferred inflows of resources	<u>18,863,321</u>

Net position:

Net investment in capital assets	18,874,307
Unrestricted	<u>(35,532,175)</u>
Commitments and contingencies (note 11)	
Total net position	<u>\$ (16,657,868)</u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Boston)

Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2019

Operating revenues:	
Intergovernmental	\$ 9,433,360
Gain on sale of property (note 9)	15,354,311
Rent and other property payments (note 9)	11,316,068
Notes receivable – interest income (note 5)	773,996
Gross profit recognized on installment sale (note 5)	939,084
Other	<u>119,705</u>
Total operating revenues	<u>37,936,524</u>
Operating expenses:	
Personnel	8,618,467
Fringe benefits	1,914,259
Supplies and services	4,231,620
Contractual services	10,233,189
Depreciation	1,136,123
Other	<u>303,545</u>
Total operating expenses	<u>26,437,203</u>
Operating income	<u>11,499,321</u>
Nonoperating revenues:	
Interest income	<u>294,129</u>
Total nonoperating revenues	<u>294,129</u>
Increase in net position	11,793,450
Net position, beginning of year	<u>(28,451,318)</u>
Net position, end of year	<u>\$ <u>(16,657,868)</u></u>

See accompanying notes to basic financial statements.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Statement of Cash Flows

Year ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers and other governments	\$ 38,771,746
Cash paid to employees and for fringe benefits	(14,290,135)
Cash paid to suppliers and consultants	<u>(13,442,914)</u>
Net cash provided by operating activities	<u>11,038,697</u>
Cash flows from noncapital financing activities:	
Receipts from development projects	6,627,410
Payments to the City of Boston and designated projects	<u>(6,458,766)</u>
Net cash provided by noncapital financing activities	<u>168,644</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,017,514)
Sale of capital assets	26,745
Principal payments on debt	<u>(1,657,951)</u>
Net cash used in capital and related financing activities	<u>(3,648,720)</u>
Cash flows from investing activities:	
Collections of loan principal	6,893,085
Interest earnings on escrow deposits	<u>294,129</u>
Net cash provided by investing activities	<u>7,187,214</u>
Net increase in cash and cash equivalents	14,745,835
Cash and cash equivalents, beginning of year	<u>27,269,160</u>
Cash and cash equivalents, end of year	<u>\$ 42,014,995</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,499,321
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,136,123
Changes in operating assets and liabilities:	
Other postemployment liability, net of deferrals	(3,453,055)
Pension liability, net of deferrals	(373,453)
Accounts receivable	790,748
Disposition receivables – development sites	1,945,350
Notes receivable – Rowes Wharf, net	44,474
Prepaid assets	(22,016)
Accounts payable and accrued expenses	1,347,456
Vacation and sick leave liability	69,099
Unearned revenue	<u>(1,945,350)</u>
Net cash provided by operating activities	<u>\$ 11,038,697</u>
Supplemental cash flow information:	
Noncash notes receivable	\$ (14,258,467)

See accompanying notes to basic financial statements.

## **BOSTON REDEVELOPMENT AUTHORITY**

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Notes to Financial Statements

June 30, 2019

### **(1) The Authority**

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning Authority of the City of Boston (the City). The Authority is governed by a five-member board of directors, four of whom are appointed by the Mayor of Boston, with City Council approval, and one who is appointed by the Governor of Massachusetts, all for terms of five years. The Authority is a component unit of the City.

On October 20, 2016 the board approved the renaming of the Boston Redevelopment Authority (BRA), d/b/a the Boston Planning & Development Agency (BPDA) and for all legal documents and as a legal entity, the BRA shall legally remain.

### **(2) Summary of Significant Accounting Policies**

#### **(a) Basis of Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special-purpose government engaged solely in business-type activities. Operating revenues and expenses result from administering community development projects within the City in the areas of planning, economic development and workforce development. All other revenues and expenses are reported as nonoperating revenues and expenses.

#### **(b) Use of Estimates**

The preparation of the 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.

#### **(c) Revenue Recognition**

The Authority earns revenue from a variety of sources including, but not limited to, land sales, equity participation agreements, long-term operating leases and other governments.

Revenue from land sales is generally recorded upon transfer of title or, in the case of installment sales, when certain milestones are met. Equity participation revenue is recognized when a sale takes place on a property that the Authority retains a legal right to a percentage of all future sale proceeds.

The Authority has long-term leases with certain tenants in the Historic Monument Area of the Charlestown Navy Yard; these leases are for approximately 80 years. The Authority also has a number of leases on other properties throughout the City that generates rental income.

The Authority also receives a significant amount of intergovernmental revenue for capital projects from the Commonwealth of Massachusetts' MassWorks initiative and from the City of Boston.



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Notes to Financial Statements

June 30, 2019

**(d) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

**(e) Capital Assets**

Capital assets are carried at historical cost or at estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

**(f) Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable assets over the following estimated average useful lives:

	<u>Years</u>
Buildings	25,30
Building Improvements	7
Land improvements	30
Furniture and fixtures	10
Vehicles	5
Computers	3

**(g) Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned.

Upon retirement, termination, or death, employees are compensated for accumulated unused vacation up to a maximum of one and one half times their annual accrual.

Sick leave accumulates at the rate of 1.25 days for each calendar month of service with no maximum limit. Upon termination, employees with 20 or more years of credible service may receive in cash 32% of their accrued sick leave.

**(h) Deposits**

Deposits/mitigation funds given to the Authority by developers for the development of specific projects within the City and are recorded as a liability until certain milestones are met.

**(i) Due to Designated Projects**

Due to designated projects represents funds that will be made available for neighborhood projects within the City of Boston.

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Notes to Financial Statements

June 30, 2019

**(j) Due to City of Boston**

Amounts due to the City consist of loans funded by the City and federal grants passed through the City for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers and remits loan repayments to the City's neighborhood development fund.

**(k) Immaterial Correction of Prior Period Net Position**

Beginning net position on the statement of changes in net position has been increased by \$5,338,243 to reflect certain immaterial corrections of errors in connection with the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the prior year.

**(3) Cash and Cash Equivalents**

**(a) Investment Policy**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments may also be made in securities issued by or unconditionally guaranteed by the U.S. government or its agencies that have a maturity of less than one year from the date of purchase and in repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. On February 7, 2019, the Authority purchased fully collateralized certificate of deposits totaling \$24,500,000 with maturity dates ranging from August 6, 2019 to February 3, 2020.

**(b) Restrictions**

The Authority has \$36,885,875 of cash internally restricted for Boston's Affordable Housing Program, Development Mitigation, customer deposits, capital reserve funds and other City of Boston obligations.

**(4) Notes Receivable**

Notes receivable as of June 30, 2019 consist of the following amounts. All collections on these notes are paid to the City for designated projects and reduce amounts due to the City or due to designated projects on the accompanying financial statements.

	<u>Amount</u>
Notes receivable:	
Real estate	\$ 19,319,153
Development and housing	89,222,336
Allowance for uncollectible notes receivable	<u>(694,705)</u>
Notes receivable, net	<u>\$ 107,846,784</u>

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Notes to Financial Statements

June 30, 2019

Notes receivable – Real Estate consists of loans made by the Authority for affordable housing projects.

Notes receivable – Development and housing consists of loans provided by the Authority for programs such as urban development and amounts consisting of developer obligations to the City for affordable housing and neighborhood improvements. Affordable Housing contributions are remitted to the City for future affordable housing.

A significant portion of notes receivable totaling \$100,550,967 relates to Boston’s Affordable Housing Program and other City of Boston obligations.

**(5) Rowes Wharf**

In July 2007, the Authority entered into an agreement with a developer that previously had a long-term ground lease and contingent interest agreement in a property located at Rowes Wharf in Boston, Massachusetts (the Property). Under the agreement, the developer exercised a land purchase option available under its ground lease and negotiated the settlement of the Authority’s remaining interest in the Property.

The sale was consummated by the issuance of notes by the Authority to the developer in the amounts of \$14,000,000 and \$ 4,500,000. Both notes have terms of 20 years with interest rates of 6.8%. Aggregate amounts remaining to be received under the notes as of June 30, 2019 totals \$10,596,789.

During the year ended June 30, 2019, principal payments of \$939,084 and interest payments of \$755,530 were received from the developer. The Authority has recorded and recognized the profit from the sale on the installment method, as follows:

	<u>Amount</u>
Gross sales proceeds	\$ 18,500,000
Cost of land	<u>(876,134)</u>
Gross profit on installment sale	17,623,866
Gross profit recognized through June 30, 2019	<u>(7,528,927)</u>
Gross profit not yet recognized	<u>\$ 10,094,939</u>

**(6) Disposition Receivables – Development Sites**

Amounts due to the Authority related to certain land disposition transactions are recorded as unearned revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements or upon the achievement of certain milestones. At June 30, 2019, the Authority recorded \$13,508,601 of disposition receivables.

For the year ended June 30, 2019, the Authority recorded revenue of \$1,945,350 which was previously recorded as unearned revenue.

**BOSTON REDEVELOPMENT AUTHORITY**  
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Notes to Financial Statements

June 30, 2019

**(7) Capital Assets**

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2019:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 5,901,368	—	(26,745)	5,874,623
Construction in progress	1,615,314	3,894,080	(5,396,098)	113,296
Total capital assets not being depreciated	<u>7,516,682</u>	<u>3,894,080</u>	<u>(5,422,843)</u>	<u>5,987,919</u>
Capital assets being depreciated:				
Land improvements	471,384	—	—	471,384
Building	17,038,664	4,741,551	(1,480,332)	20,299,883
Furniture and fixtures	2,077,317	120,438	—	2,197,755
Computers	918,268	115,447	—	1,033,715
Vehicles	112,644	22,427	—	135,071
Total capital assets being depreciated at historical cost	<u>20,618,277</u>	<u>4,999,863</u>	<u>(1,480,332)</u>	<u>24,137,808</u>
Less accumulated depreciation for:				
Land improvements	161,932	20,088	—	182,020
Building	4,187,629	874,281	—	5,061,910
Furniture and fixtures	1,867,143	118,610	—	1,985,753
Computers	793,020	112,296	—	905,316
Vehicles	90,271	10,848	—	101,119
Total accumulated depreciation	<u>7,099,995</u>	<u>1,136,123</u>	<u>—</u>	<u>8,236,118</u>
Capital assets being depreciated, net	<u>13,518,282</u>	<u>3,863,740</u>	<u>(1,480,332)</u>	<u>15,901,690</u>
Capital assets, net	<u>\$ 21,034,964</u>	<u>7,757,820</u>	<u>(6,903,175)</u>	<u>21,889,609</u>

**(8) Notes Payable**

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties and has no intention of selling the CTC. The CTC is included in the Authority's capital asset balance at June 30, 2019.

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Notes to Financial Statements

June 30, 2019

On September 2, 2002 the Authority borrowed \$2,490,333 from the City of Boston for the Crosstown Development Site, consisting of a parking garage, office space and a hotel in Roxbury, the loan is amortized over 20 years and has a 6.5% interest rate with a balloon payment due on July 1, 2022 totaling \$1,350,621. The entire balance was paid off in October, 2018.

**(9) Operating Leases and Other Property Payments**

The Authority is a lessor of property under operating leases expiring in various years through 2116. Total rental income under operating leases was \$6,936,049 for the year ended June 30, 2019.

Minimum future rentals to be received on all operating leases as of June 30, 2019 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 6,838,686
2021	6,375,514
2022	6,468,380
2023	6,591,558
2024	6,702,843
Thereafter	<u>147,760,083</u>
	<u>\$ 180,737,064</u>

The Authority also receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$16,477,913 for the year ended June 30, 2019, which included \$2,813,215 from installment sales, \$1,123,602 from resales and \$12,541,096 from the sale of real estate.

In addition, the Authority receives revenue from parking facilities totaling \$4,121,957 and percentage rent totaling \$73,544 as of June 30, 2019.

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Notes to Financial Statements

June 30, 2019

**(10) Long-Term Liabilities**

The following is a summary of long-term liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Notes payable	\$ 3,185,779	90,492	1,801,271	1,475,000	—
Deposits	19,325,204	24,705,891	18,294,763	25,736,332	—
Net pension liability	15,234,613	6,517,093	2,668,562	19,083,144	—
Vacation and sick leave	1,083,458	359,361	290,262	1,152,557	160,959
Other postemployment benefits	34,264,886	1,360,303	21,262,115	14,363,074	—
Due to designated projects	49,893,143	1,782,646	7,239,929	44,435,860	—
Due to the City of Boston	79,596,134	103,703,457	118,910,580	64,389,011	—
Unearned revenue	22,863,582	6,912,555	8,857,905	20,918,232	1,065,639
Other	712,599	495,000	278,718	928,881	—
	<u>\$ 226,159,398</u>	<u>145,926,798</u>	<u>179,604,105</u>	<u>192,482,091</u>	<u>1,226,598</u>

**(11) Risk Management**

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium-based plans. Settled claims resulting from the risks discussed above did not exceed the amount of insurance coverage in force during the year ended June 30, 2019.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by both loss reserve and liability insured policies from contractors, homeowners, landlords, and tenants. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant unreserved liability associated with these claims.

**(12) Retirement Plans**

**(a) Plan Description**

The Authority contributes to the Boston Retirement System (the System or BRS), a cost-sharing, multiple-employer defined benefit governmental pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries.

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, a fifth member chosen by the other members. A complete set of financial statements for BRS for the fiscal year ended December 31, 2018 can be obtained through the BRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website <http://www.cityofboston.gov/retirement/investment.asp>.

## **BOSTON REDEVELOPMENT AUTHORITY**

(A Component Unit of the City of Boston)

### Notes to Financial Statements

June 30, 2019

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 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 (0.10% at December 31, 2018).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 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, 2012). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigned authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to Boston Retirement Board.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits. The amount of benefits to be received in such cases is dependent upon several factors, including whether or not the disability is work related, the participant's age, years of creditable service, level of compensation, veteran status, and group classification.

#### **(b) Contributions**

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%–9% of their regular gross compensation. Members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on 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 June 30, 2019, the Authority's required and actual contribution was \$2,668,562.

#### **(c) Special Funding Situations**

The Authority is party to a special funding situation with the Commonwealth of Massachusetts. The Commonwealth is legally responsible for reimbursing BRS for a portion of the benefit payments for cost of living increases granted before 1997 as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

**BOSTON REDEVELOPMENT AUTHORITY**

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**(d) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2019, the Authority reported a liability of \$19,083,144 for its proportionate share of the BRS net pension liability measured as of December 31, 2018. The net pension liability reflects a reduction for the special funding situation with the Commonwealth. The amount recognized by the Authority as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situation, and the total portion of the net pension liability associated with the Authority at June 30, 2019 were as follows:

Authority's proportionate share of net pension liability	\$ 19,083,144
Commonwealth's proportionate share of net pension liability associated with the Authority	<u>180,878</u>
Total	\$ <u><u>19,264,022</u></u>

To determine employers' proportionate share of the net pension liability, separate calculations of net pension liability were performed for three groups of members, City of Boston teachers, Suffolk County Sheriff Department retirees, and all other nonteacher members. A separate calculation of net pension liability for the COLA benefits subject to the Commonwealth special funding situation described above also was determined. At December 31, 2018, the Authority was allocated 0.96% of the net pension liability associated with the all other nonteacher member group based on its proportion of 2018 required employer contributions related to this group to the total employer contributions related to this group. The Authority's proportion of the collective BRS net pension liability at December 31, 2018 was 0.42% compared to 0.38% at December 31, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of \$2,317,250. The Authority also recognized revenue of \$22,143 related to the special funding situation with the Commonwealth. At June 30, 2019, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in employer proportion	\$ —	1,438,645
Difference between expected and actual experience	—	1,564,752
Net difference between projected and actual investment earnings	3,816,296	—
Changes in assumptions	<u>1,339,471</u>	<u>292,628</u>
	\$ <u><u>5,155,767</u></u>	<u><u>3,296,025</u></u>



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Amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2020	\$ 522,107
2021	51,615
2022	193,693
2023	1,343,212
2024	<u>(250,885)</u>
Total	\$ <u>1,859,742</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS's fiduciary net position have been determined on the same basis as they are reported for the BRS. Employer contributions to the plan are recognized when due and the employer has a legal obligation to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**(e) Actuarial Assumptions**

The total pension liability as of December 31, 2018 was determined by an actuarial valuation as of January 1, 2018, with updated procedures used to roll forward the total pension liability to December 31, 2018, using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.25%
Salary scale	4.00%
Investment rate of return, including inflation	7.50% for BRS excluding teachers, net of expenses, including inflation
Cost of living adjustments	3.00% of first \$14,000
Mortality	RP-2014 mortality tables projected using Scale MP-2017 for BRS excluding teachers.

The long-term expected rate of return on pension plan investments was using a building block method in which best estimates ranges of expected future real rates of return 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.

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Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation of date December 31, 2018 are summarized below:

Asset class	BRS excluding teachers target allocation	Long-term expected real rate of return
Domestic equity	23 %	6.16 %
International developed markets equity	17	6.69
International emerging markets equity	8	9.47
Core fixed income	16	1.89
High yield fixed income	10	4.00
Real estate	10	4.58
Commodities	—	4.77
Hedge fund, GTAA, risk parity	9	3.68
Private equity	7	10.00
	100 %	

**(f) Discount Rate**

The discount rate used to measure the total pension liability was 7.50% for BRS excluding teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employees and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based upon these assumptions, the BRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**(g) Sensitivity of the Authority's Proportionate Share of the BRS Net Pension Liability**

The following presents the Authority's proportionate share of the BRS net pension liability calculated using the discount rate of 7.50% for the BRS excluding teachers, as well as what the Authority's proportionate share of the BRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate for BRS:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
December 31, 2018	\$ 26,393,966	19,083,144	12,898,596

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**(13) Other Post-Employment Benefits (OPEB)**

**(a) Plan Description**

The Authority administers a single-employer defined benefit OPEB plan. The plan provides post-employment health care and life insurance benefits (OPEB) for eligible retired employees and is overseen by the Authority's board. The Commonwealth of Massachusetts' Group Insurance Commission (GIC) administers and manages health coverage options and benefits to participating employees and retirees. The investments of the OPEB plan are managed by the State Retiree Benefits Trust Fund (SRBT), a body corporate and politic of the Commonwealth of Massachusetts. The OPEB plan assets are currently invested in an external investment pool overseen by the Commonwealth of Massachusetts Pension Reserves Investment Management Board (PRIM). The OPEB plan is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The OPEB plan does not issue a publicly available audited financial report.

As of January 1, 2017, the actuarial valuation date, the Authority had 91 inactive and 77 active plan members who met the eligibility requirements.

**(b) Benefits Provided**

The Authority provides medical, dental, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The Authority's board has the ability to establish or amend benefit terms.

**(c) Contributions**

On June 14, 2018, the board created an OPEB trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. To fund the OPEB trust, the Authority contributed \$7.9 million of assets previously held in another trust that did not meet the criteria of paragraph 4 of GASB Statement No. 75.

Plan members who retire on or before July 1, 1994 contribute 10% of the cost of the plan, as determined by the GIC. Plan members who retire after July 1, 1994 but on or before October 1, 2009 contribute 15% of the cost of the health plan, as determined by the GIC. Plan members who retire after October 1, 2009 contribute 20% of the cost of the plan as determined by the GIC. The Authority then contributes the remainder of the health plan costs on a pay-as-you-go basis and contributes additional funds based on available budget appropriations. During fiscal year 2019, the Authority contributed \$1,887,469 to the OPEB plan, which consists of \$568,673 of pay-as-you-go benefit payments and \$1,318,796 of additional contributions. Employees do not contribute to the plan during employment.

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**(d) Actuarial Methods and Assumptions**

The Authority's total OPEB liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to June 30, 2018 using the following assumptions:

Discount Rate	7.35%
Salary Increases	4.00%
Investment Rate of Return	7.35%
Healthcare cost trend rates	7.5% for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2024 and later years

*(i) Mortality*

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females.

For disabled members, the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitants projected generationally with Scale BB from 2015.

*(ii) Discount Rate*

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumes that the Authority contributions be consistent to historical contributions. Based upon these assumptions, the OPEB Plan'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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*(iii) Long-term Investment Rate of Return*

Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class

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included in the PRIT Fund's target asset allocation as of June 30, 2018 measurement date are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	39 %	5.0 %
Portfolio Completion Strategies	13	3.7
Core Fixed Income	12	0.9
Private Equity	12	6.6
Real Estate	10	3.8
Value Added Fixed Income	10	3.8
Timber/Natural Resources	4	3.4
	<u>100 %</u>	

**(e) Net OPEB Liability**

(i) The components of the net OPEB liability as of the June 30, 2018 measurement date are as follows:

Total OPEB Liability	\$ 22,309,254
Plan Fiduciary Net Position	<u>7,946,180</u>
Net OPEB Liability	<u>\$ 14,363,074</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	35.62%

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	<u>Total OPEB liability</u>	<u>Plan fiduciary net position</u>	<u>Net OPEB liability</u>
Balances recognized at June 30, 2018 (Based on June 30, 2017 measurement date)	\$ 34,264,886	—	34,264,886
Changes recognized for the fiscal year			
Service cost	791,046	—	791,046
Interest on the total OPEB liability	1,245,163	—	1,245,163
Differences between expected and actual experience	(1,170,165)	—	(1,170,165)
Changes of assumptions	(12,267,091)	—	(12,267,091)
Benefit payments	(554,585)	(554,585)	—
Contributions from the employer	—	7,911,999	(7,911,999)
Net investment income	—	637,519	(637,519)
Administrative expense	—	(48,753)	48,753
Net changes	<u>(11,955,632)</u>	<u>7,946,180</u>	<u>(19,901,812)</u>
Balance recognized at June 30, 2017 (Based on June 30, 2017 measurement date)	\$ <u>22,309,254</u>	<u>7,946,180</u>	<u>14,363,074</u>

Change of assumptions reflect a change in the discount rate from 3.58% at June 30, 2017 measurement date to 7.35 % at June 30, 2018 measurement date.

(ii) *Sensitivity of the Net OPEB Liability to Change in the Discount Rate*

The following table presents the net OPEB liability of the Authority, calculated using the discount rate disclosed as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>Current rate</u>	<u>1% Decrease in current rate</u>	<u>Current discount rate</u>	<u>1% Increase in current rate</u>
Net OPEB liability	7.35%	\$ 16,852,226	14,363,074	12,383,167

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(iii) *Sensitivity of the Net OPEB Liability to Change in the Healthcare Cost Trend Rates*

The following table presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in current rate</u>	<u>Current discount rate</u>	<u>1% Increase in current rate</u>
Net OPEB liability	\$ 17,217,208	14,363,074	12,088,216

(f) ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2019, the Authority recognized an OPEB expense of (\$1,599,767). At June 30, 2019, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference Between Actual and Expected Experience	\$ —	971,157
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	—	298,950
Assumption Changes	—	14,297,189
Contributions Made Subsequent to the measurement date	<u>1,887,469</u>	<u>—</u>
Total	\$ <u>1,887,469</u>	<u>15,567,296</u>

Contributions subsequent to the measurement date will be recognized as a reduction to the Authority's net OPEB liability in fiscal year 2020. Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (3,420,898)
2021	(3,420,898)
2022	(3,420,898)
2023	(3,293,586)
2024	<u>(2,011,016)</u>
Total	\$ <u>(15,567,296)</u>

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**(g) Statement of Net Position and Changes in Net Position**

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the OPEB Plan as of the June 30, 2018 measurement date:

	<u>OPEB Trust Fund</u>
Assets:	
Net investment in PRIT at fair value	\$ <u>7,946,180</u>
Net position available for other post-employment benefits	\$ <u><u>7,946,180</u></u>
Additions:	
Employer contributions	\$ 7,911,999
Net investment gain/(loss):	
Investment gain(loss)	675,653
Less: investment expense	<u>(38,134)</u>
Net investment gain/(loss)	<u>637,519</u>
Total additions	<u>8,549,518</u>
Deductions:	
Retirement benefits and payments	554,585
Administrative expenses	<u>48,753</u>
Total deductions	<u>603,338</u>
Change in net position	<u>7,946,180</u>
Net position available for other post-employment benefits at beginning of year	<u>—</u>
Net position available for other post-employment benefits at end of year	\$ <u><u>7,946,180</u></u>

The OPEB Trust Fund invests in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and is reported above at fair value. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.



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Required Supplementary Information

Schedule of Employer Contributions – Boston Retirement System

June 30, 2019

(Unaudited)

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,669	2,530	2,316	2,211	2,142
Contributions in relation to the actuarially determined contribution	<u>2,669</u>	<u>2,530</u>	<u>2,316</u>	<u>2,211</u>	<u>2,142</u>
Contribution deficiency	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Authority's covered-employee payroll	\$ 8,423	8,294	8,031	7,674	7,396
Contributions as a percentage of covered-employee payroll	31.7%	30.5%	28.8%	28.8%	29.0%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability – Boston Retirement System

June 30, 2019

(Unaudited)

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.42 %	0.38 %	0.43 %	0.46 %	0.48 %
Authority's proportionate share of the net pension liability	\$ 19,083	15,234	17,851	20,096	18,527
Commonwealth's proportionate share of net pension liability associated with the Authority	<u>181</u>	<u>220</u>	<u>247</u>	<u>294</u>	<u>340</u>
<b>Total</b>	<b>\$ <u>19,264</u></b>	<b><u>15,454</u></b>	<b><u>18,098</u></b>	<b><u>20,390</u></b>	<b><u>18,867</u></b>
Authority's covered-employee payroll	\$ 8,423	8,294	8,031	7,674	7,396
Authority's proportionate share of the net pension liability as a percentage of covered-employee payroll	228.7 %	186.3 %	225.4 %	265.7 %	255.1 %
BRS fiduciary net position as a percentage of the total pension liability	58.3 %	62.7 %	58.0 %	55.8 %	59.5 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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Required Supplementary Information

Schedules of Employer Contributions – OPEB Plan

June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 568,673	554,585
Contribution made in relation to the statutorily required contribution	<u>1,887,469</u>	<u>7,911,999</u>
Contribution (deficiency)/excess	<u>\$ 1,318,796</u>	<u>7,357,414</u>
Covered-employee payroll	\$ 8,596,718	7,666,889
Contributions as a percentage of covered-employee payroll	22.0%	103.2%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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Required Supplementary Information

Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2019

(Unaudited)

	<b>2019</b> <b>(measurement</b> <b>date June 30,</b> <b>2018)</b>	<b>2018</b> <b>(measurement</b> <b>date June 30,</b> <b>2017)</b>
Total OPEB Liability:		
Service cost	\$ 791,046	1,032,960
Interest cost	1,245,163	1,131,412
Difference between expected and actual experience	(1,170,165)	—
Change of assumptions	(12,267,091)	(6,238,162)
Benefit payments	<u>(554,585)</u>	<u>(649,512)</u>
Net change in total OPEB liability	(11,955,632)	(4,723,302)
Total OPEB liability – beginning	<u>34,264,886</u>	<u>38,988,188</u>
Total OPEB liability – ending	<u>22,309,254</u>	<u>34,264,886</u>
Plan Fiduciary Net Position		
Contributions – employer	7,911,999	649,512
Net investment income	637,519	—
Benefit payments	(554,585)	(649,512)
Administrative expense	<u>(48,753)</u>	<u>—</u>
Net change in plan fiduciary net position	7,946,180	—
Plan fiduciary net position – beginning	<u>—</u>	<u>—</u>
Plan fiduciary net position – ending	<u>7,946,180</u>	<u>—</u>
Net OPEB liability	\$ <u>14,363,074</u>	<u>34,264,886</u>
Net position as a percentage of OPEB liability	35.6 %	— %
Covered-employee payroll	\$ 8,596,718	7,666,889
Net OPEB liability as a percentage of covered-employee payroll	167.1 %	446.9 %

Notes to schedule:

Changes in Assumptions:

Discount Rate:

June 30, 2016 measurement date: 2.85%

June 30, 2017 measurement date: 3.58%

June 30, 2018 measurement date: 7.35%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.