

City of Quincy
2010 Financial Report



Mayor Thomas P. Koch

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1. Introduction

Quincy’s 2010 Financial Report is intended to be a citizen guide to the City’s overall fiscal situation. Information in this report is based on the Fiscal Year 2010 budget, which runs from July 1, 2009, to June 30, 2010. In addition, information for the coming fiscal year is provided for some financial areas, such as debt and local aid, where actual or estimated data was available at the time this report was authored.

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In addition to this report, the City is required by law to compile a Certified Annual Financial Report (CAFR). That report, as well as other financial information, can be found on the City’s website. This report is not intended to be a substitution for the CAFR.

2. City Government

Form of Government

Quincy was incorporated as a city in 1888, and operates under a “Plan A” form of government. Under Plan A, also known as the Mayor/Council form of government, the public elects the mayor and the nine city councilors. Each of the city’s six wards elects its own councilor and three councilors are elected for city-wide positions (at-large). Quincy’s city charter dictates that these elections be held every two years. In addition, residents elect school committee members for four year terms. In total, there are sixteen local, elected positions in Quincy. Each of these elected offices has specified roles that are defined both by the city’s charter and various state laws.

Mayor

Quincy’s mayor is the city’s chief executive. The mayor is charged with administering all aspects of city government, including: preparing annual budgets; approving contracts for city services with outside vendors; negotiating with public employee labor unions; creating public policy, and; managing city departments. Department heads and board members are appointed by the mayor. The mayor also has the ability to veto city council ordinances. In addition, the mayor is chairman of the school committee.

City Council

The city council is comprised of nine members and is the city’s legislative body. It authorizes public improvements and expenditures, adopts regulations and ordinances, reviews and approves the city’s annual budget and performs many related legislative tasks. The council has nine subcommittees that specialize in various areas of city policy. These include: Finance, Ordinance, Oversight, Public Safety, Education, Public Works, Seniors, Rules, Parks and Recreation, Downtown and Economic Development, and Environment.

School Committee

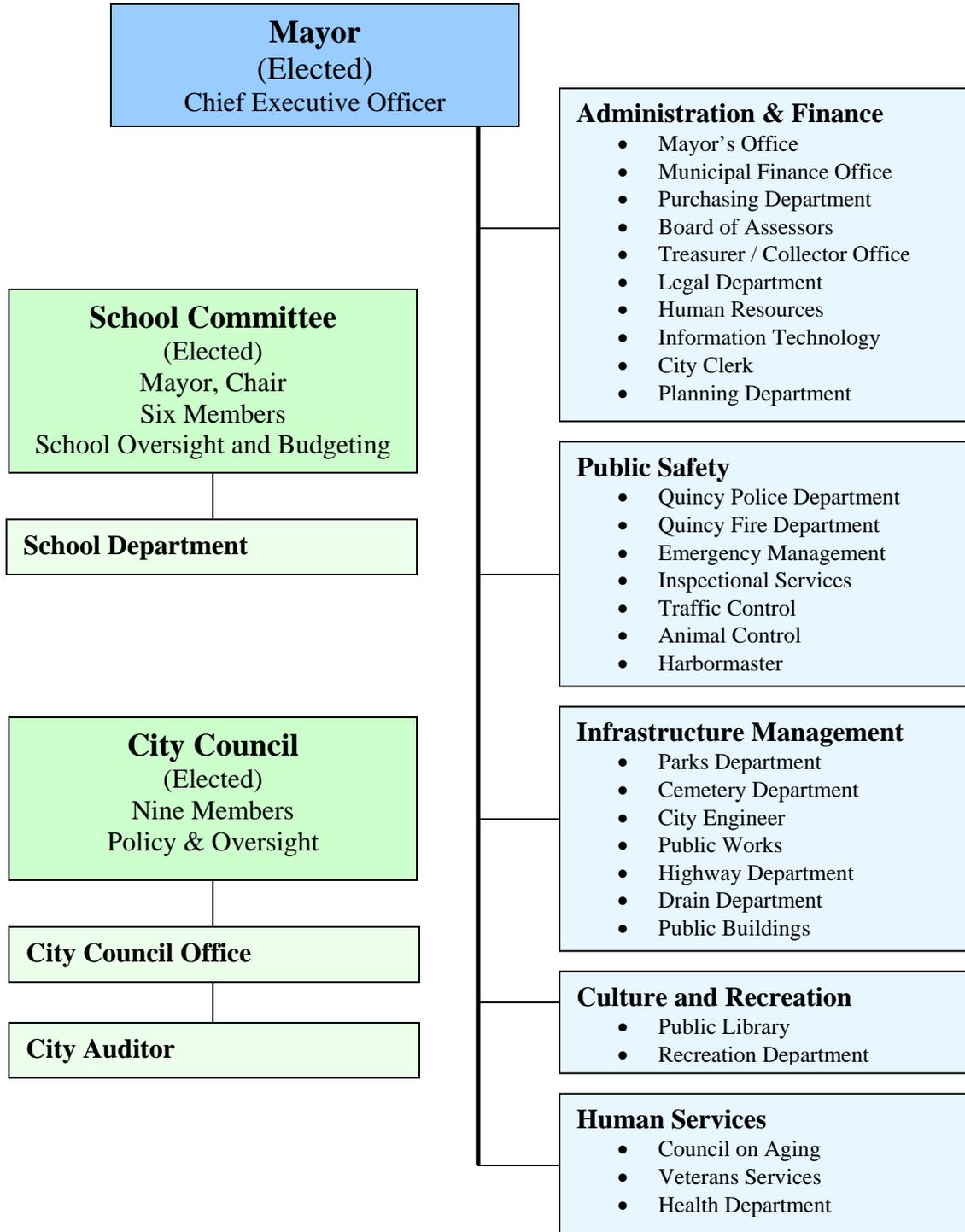
The school committee is an elected body charged with the oversight of the city’s school system. Under Massachusetts law, the school committee’s authority exists in four areas: approve and monitor the annual budget, set school policy, hire the superintendent of schools, and hire school nurses. All day-to-day operations and other hiring are under the jurisdiction of the superintendent.

Department Organization

Aside from the school department, all of the city’s departments are directly overseen and managed by the mayor through the mayor’s appointed department heads.

Figure 2:1 illustrates the organization of the city's various departments. In some cases, the same department head will manage multiple departments.

Figure 2:1 City of Quincy Organizational Chart



Budget Process

The City of Quincy's annual budget process integrates the city's financial position with its primary policy objective: providing quality services to the citizens of Quincy. During the budget process, the Mayor and the Office of Municipal Finance gather city financial data in order to determine city revenues and expenses.

In building the budget, the city must determine its costs for the next fiscal year, which begins on July 1st. In determining future costs, there are six major expense areas that must be considered. These include:

- **Employee Benefit Cost Increases.** These cost increases are primarily due to increases in health insurance premiums. For Fiscal Year 2010, the city of Quincy is projected to save over \$6 million by joining the state's Group Insurance Commission. However, plan costs are still expected to rise.
- **Collective Bargaining Increases.** Each of the city's public employee unions negotiates with city management for future wage increases and terms of employment. These changes must be taken into account during the budget building process.
- **Pensions.** Quincy is obligated to provide adequate funding to support its retiree pension costs. In addition, the city pays certain health insurance costs for these retirees. This is known as other post-employment benefits (OPEB). Retiree benefits are discussed in detail in Section 6.
- **State Charges.** The Commonwealth of Massachusetts charges the city of Quincy for the provision of certain services. These include: the MBTA, mosquito control, and a county tax.
- **Debt Obligations.** Quincy must make principal and interest payments on money borrowed for capital improvements such as school building projects.
- **Infrastructure.** The budget process must also consider expenses relating to city buildings and vehicles. The cost of regular maintenance and fluctuating costs, such a fuel, must be part of these considerations.

In addition to expenses, the city must also consider its estimated revenues. There are three major sources of revenue for the City of Quincy. They are:

- **Property Taxes.** Taxes paid on real estate and personal property.
- **State Aid.** Formula payments made to all cities and towns.
- **Local Receipts.** Money generated by the city outside of property taxes.

When estimated city revenue falls short of estimated city expenses, this is known as a deficit.

Budget Roles

Budget roles in the City of Quincy are divided between the mayor, city council, and school committee. Each office has the following roles:

Mayor. As the city's chief executive, the mayor is charged with the monitoring and initial development of the city budget. Each year, the mayor meets with department heads to determine the amounts needed to continue to provide city services. After considering available revenue and projected costs, the mayor submits his budget to the city council for approval. The mayor sets the bottom line for the Quincy Public School, but may not earmark funds within that budget line.

City Council. The city council must receive the mayor's budget proposal 45 days before the close of the fiscal year, and must vote to approve the city budget. There are two primary restrictions on the city council's role in the budget process. First, they may only cut funding from the mayor's proposed budget; they are not authorized to add additional funding. However, they may cut funding as they deem fit. Second, like the mayor, the city council may only set the bottom line for the schools. Councilors may not direct how funds are expended.

School Committee. The school committee's role in the budget process is to allocate funds to the various spending accounts of the Quincy Public Schools. The bottom line amount for the school department is proposed by the Mayor and approved by the city council. School committee members cannot increase the amount of money provided to the school system, nor can they allocate funds in excess of the amount approved by the city council.

Budget Calendar

Development of the City budget is a continuous process. The city's fiscal year, or budget year, runs from July 1 to June 30 of each year. Departmental spending is monitored throughout the year. In addition, the city is regularly in contact with its debt advisors to determine if better financing arrangements are available to the city. In order to have each year's budget in place by July 1, the city begins the process of determining the amount needed for next year's budget in February. Figure 2:2 illustrates the timeline for the annual budget. Figure 2:3 illustrates each branch's roles in the development and passage of the budget during this time.

Figure 2:2 Budget Development Timeline

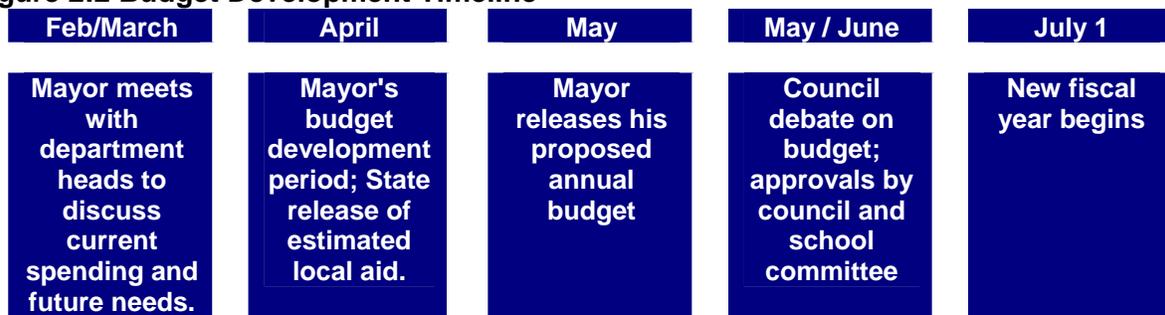
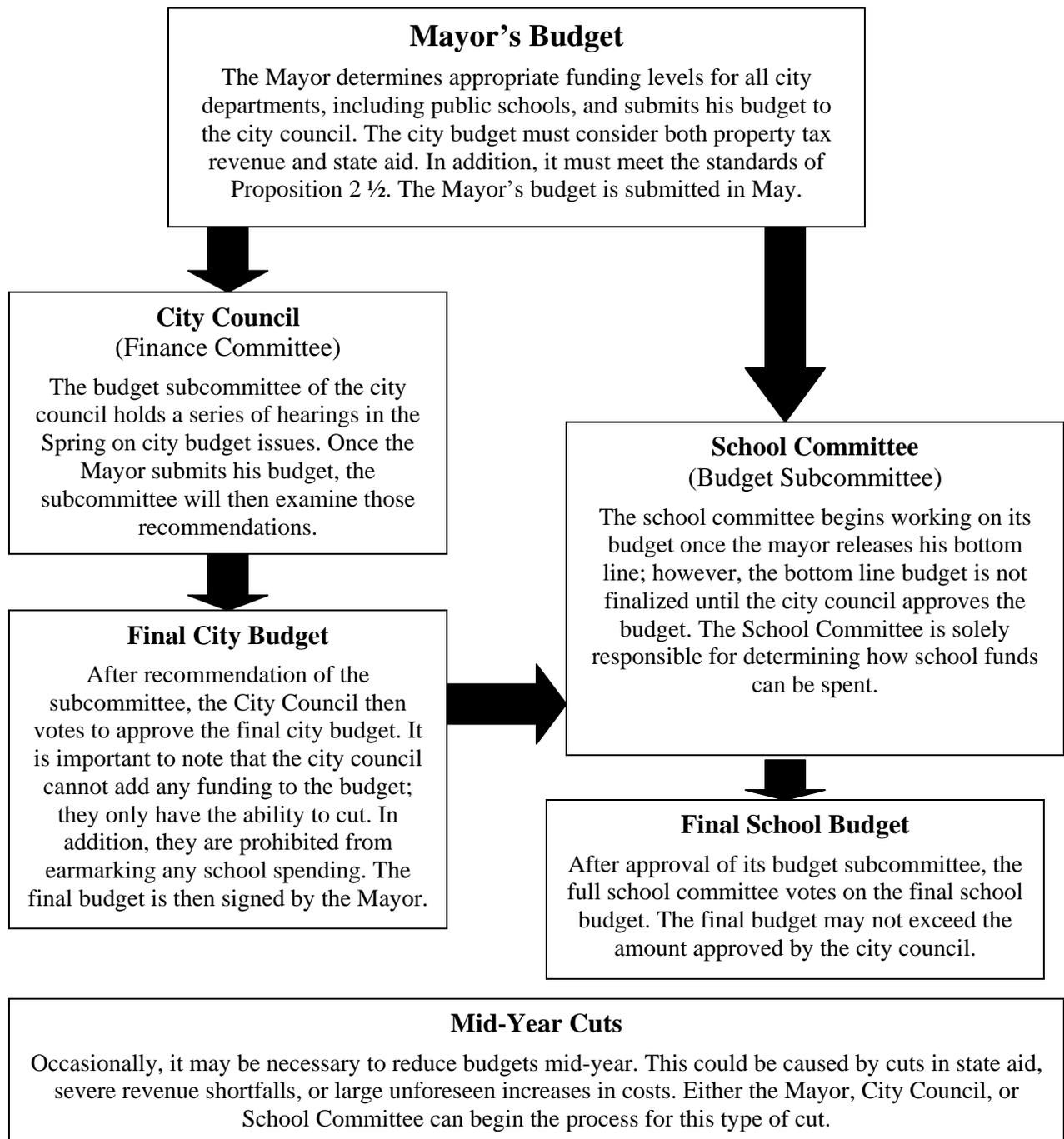


Figure 2:3 Overview of the City Budget Process

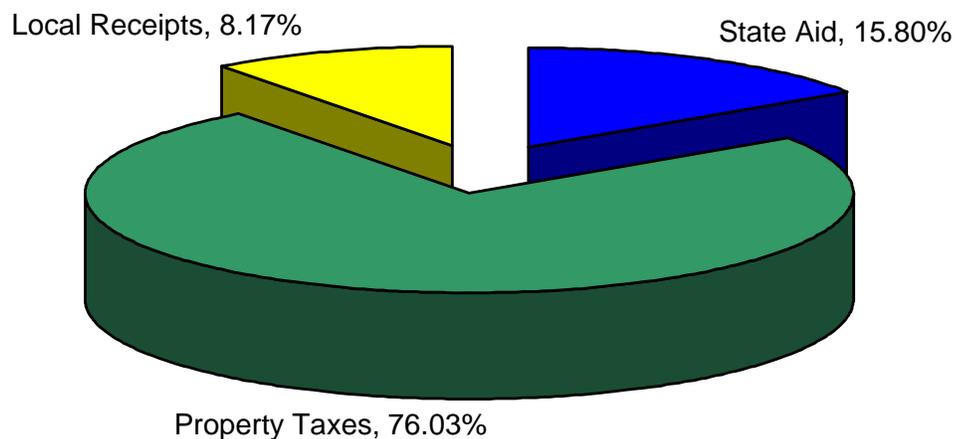




3. Revenue

Quincy's general fund depends on three main types of revenue: property taxes, local receipts, and state aid. Property taxes include both real estate taxes and personal property taxes and are paid directly by property owners in the city. Local receipts include items ranging from parking tickets to vehicle excise taxes to library late fees. State aid includes formula funding from a number of programs provided by the Commonwealth of Massachusetts, including: education funding, the Quinn Bill (state-matched police education incentive pay), and veterans' benefits. Figure 3:1 illustrates the percent each of these sources of revenue contributed to the city's Fiscal Year 2010 budget.

Figure 3:1 Sources of General Fund Revenue



Over the past decade, state aid decreased as a percentage of the city's general fund revenue. In addition, market conditions recently reduced the city's local receipts revenue, particularly in the area of auto-excise. Both factors have led to an increased reliance on property taxes to fund the majority of local programming.

In addition to the revenue sources above, city departments receive grant funding from a variety of sources. Once awarded, grant funds are placed in special accounts and all spending related to those grants is taken directly from those accounts. Grants are not contained in the general fund.

State Aid

Through a variety of programming, the Commonwealth of Massachusetts has made commitments to partner with local communities to pay for essential services. Such programming is commonly referred to as "local aid," but is actually comprised of a variety of formula-funded programs.



In Fiscal Year 2010, the city received approximately \$34 million in local aid from the state. Examples of some of the programs the state partially-funded include:

- **Chapter 70** (Education Funding): These are payments made to support local public education.
- **Police Career Incentives** (Quinn Bill): This program supports increased salaries for police officers who have attained certain levels of education.
- **State Owned Land:** Cities and towns are not permitted to tax land within their borders that is owned by the state (ie. the Blue Hills). Under this program, the state makes small payments to help offset the loss of potential revenue.
- **Veterans' Benefits:** The state reimburses Quincy for 75% of the costs paid in providing benefits to veterans.

In addition, the state provides “general government aid” for city services. This aid is paid for through a combination of state tax revenue and revenue from the Massachusetts Lottery.

Unfortunately, the state has substantially reduced its partnerships with local communities over the past decade. In real dollars, Quincy received approximately \$2.3 million less in FY2010 local aid than it did in Fiscal Year 2002. This is depicted in Table 3:1. Accounting for inflation through the Consumer Price Index (CPI), state aid has actually been reduced by approximately \$12.2 million. Figure 3:2 illustrates the reductions in both real and CPI dollars.

Table 3:1 Historic Trends in Local Aid Payments

| | Education | Libraries | Quinn Bill | General Government | Total |
|----------------|--------------|-----------|-------------|--------------------|---------------------|
| FY2011* | \$19,486,153 | \$330,703 | \$119,499 | \$17,535,077 | \$37,471,432 |
| FY2010 | \$15,954,743 | \$440,826 | \$250,638 | \$18,123,230 | \$34,769,437 |
| FY2009 | \$16,241,526 | \$483,915 | \$1,374,633 | \$24,876,643 | \$42,976,717 |
| FY2008 | \$14,481,818 | \$472,713 | \$1,360,000 | \$24,822,617 | \$41,137,148 |
| FY2007 | \$13,451,961 | \$471,100 | \$1,225,000 | \$24,499,283 | \$39,647,344 |
| FY2006 | \$12,630,142 | \$454,545 | \$1,150,000 | \$22,414,143 | \$36,648,830 |
| FY2005 | \$12,196,949 | \$394,704 | \$1,250,000 | \$21,098,628 | \$34,940,281 |
| FY2004 | \$12,167,432 | \$331,136 | \$1,223,501 | \$21,112,599 | \$34,834,668 |
| FY2003 | \$15,028,959 | \$442,332 | \$1,141,999 | \$25,733,055 | \$42,346,345 |
| FY2002 | \$15,028,959 | \$442,332 | \$1,141,999 | \$25,733,055 | \$42,346,345 |

*FY2011 is an estimated based on the legislative budget proposals.

It is important to note that the Table 3:1 reflects only payments made to the city by the state. During FY09 and FY10, a substantial amount of funding was received through the American Recovery and Reinvestment Act. This substantially skews the funding amounts in Fiscal Years 2009 and 2010 in terms of school funding. According to the State Department of Education, Quincy Public Schools received approximately \$10.3 million during this period in addition to the amount above. The Governor proposed using state dollars totaling \$4.3 million to account for the expiration of the recovery program.



Figure 3:2 Decreases in State Aid with Inflation

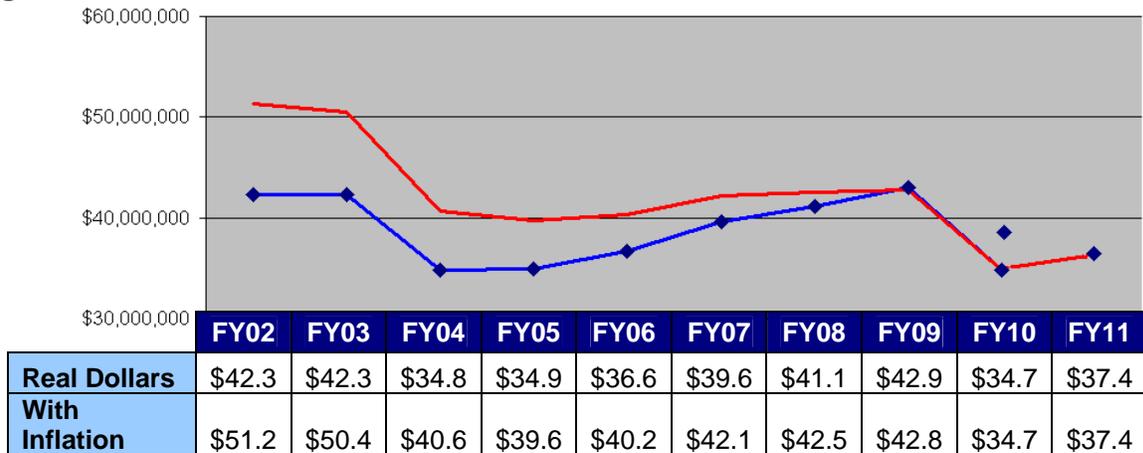


Figure 3:2 depicts local aid payments to the City of Quincy from Fiscal Years 2002 to 2011. The blue line represents the actual dollar amount paid to the city in each year. The red line represents the value of each year's payment in 2010 dollars. This number was achieved by applying the Consumer Price Index (CPI) factor to each fiscal year. As such, the red line represents the actual buying power of state local aid payments. Fiscal Year 2010 is approximately \$4.3 million higher than the amounts depicted above when emergency federal funding is included. Fiscal Year 2011 is an estimate. The additional data point represents local aid with the inclusion of ARRA funds.

Local Receipts

Local receipts are revenues generated by the city that do not include real estate and personal property taxes. Examples of local receipts include:

- Excise taxes on cars, boats, and trailers
- Rentals of city facilities
- Library fees
- Licenses and permits
- Parking violations
- Cemetery fees

Of these local revenues, the motor vehicle excise tax is by far the largest, generating an estimated \$7.8 million for the city in Fiscal Year 2010. In total, Quincy expects to generate approximately \$15.2 million in local receipts for Fiscal Year 2010. This number excludes receipts from Quincy College, which is a city enterprise department.

Like state aid, local receipts are subject to changes in economic conditions. From Fiscal Year 2009 to Fiscal Year 2010, anticipated local receipts, excluding those for Quincy College, were lowered by \$1.5 million. FY2009 anticipated local receipts were set at \$16.7 million, while FY2010 receipts are currently set at \$15.2 million. A large portion of this decrease was in motor vehicle excise taxes. Those fees are based on a



formula rate basis that decreases every year after the year of purchase to reflect the decreasing value of the automobile. As people purchase fewer cars in a difficult economy, estimates for this source of city funding need to be lowered.

Property Taxes

As noted above, property taxes account for the largest share of the city’s general fund revenue. In Fiscal Year 2010, Quincy anticipates approximately \$167.2 million in property tax revenue. Quincy’s property taxation must adhere to state Proposition 2 ½, which is discussed in detail in Section 7.

Property taxes are the primary source of revenue for local government. With this revenue, cities and towns must provide and pay for all services that are not covered by state aid. As noted above, property taxes are governed by Proposition 2 ½. If a community’s combined state aid and property tax revenue are not enough to cover city services, then programs must be cut.

Quincy’s tax rate is set each year by December, and is billed in four payments. Individual tax bills are calculated by multiplying the tax rate by the value of the property per \$1,000. Those property values are assessed each year based on market conditions. Tax rates are adjusted based on fluctuations in real estate prices and the need for revenue based on the city’s budget. The city’s Board of Assessors is charged with conducting this process.

Historic Tax Bills

Tax bills fluctuate from year to year. Over the past 20 years, the average single family home tax increase has been approximately 5.5% per year. Those changes have ranged from reductions of 0.5 percent in 2010 and 2005, to an increase of 21.2 percent in 2002. Table 3:2 and Figure 3:3 illustrate those changes.

Figure 3:3 Percent Change in Historic Tax Bills

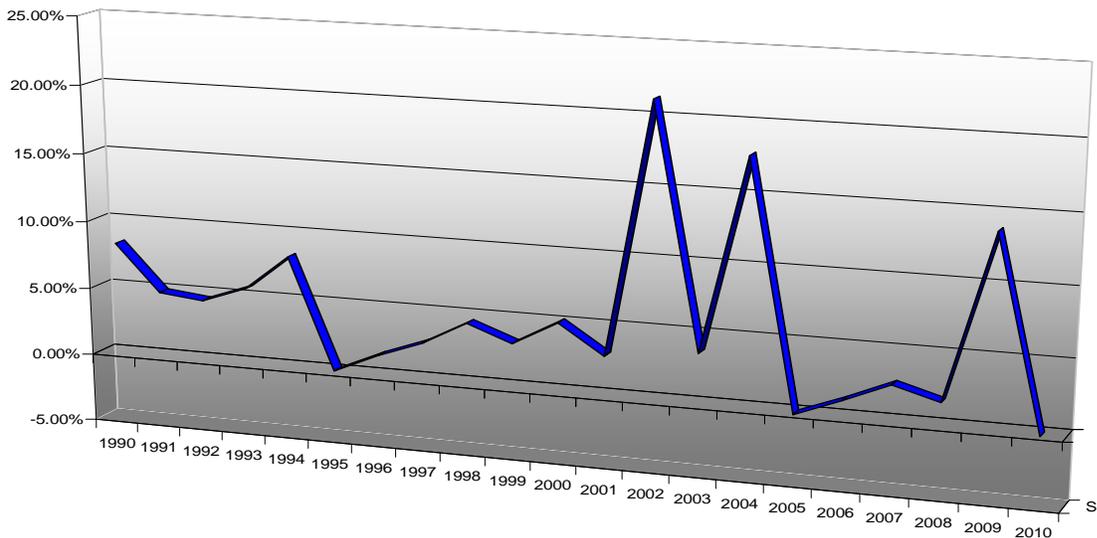


Figure 3:3 depicts the percent change in the average single family tax bill from year to year.



Table 3:2 Quincy Historic Average Single Family Tax Bills

| Year | Average Value | Average Single Family Bill | Change From Previous Year | State Average |
|------|---------------|----------------------------|---------------------------|---------------|
| 2010 | \$330,800 | \$4,373 | -0.05% | \$4,370 |
| 2009 | \$347,200 | \$4,375 | 13.78% | \$4,250 |
| 2008 | \$355,100 | \$3,845 | 1.72% | \$4,110 |
| 2007 | \$362,100 | \$3,780 | 2.66% | \$3,962 |
| 2006 | \$356,500 | \$3,682 | 1.24% | \$3,801 |
| 2005 | \$335,500 | \$3,637 | -0.05% | \$3,588 |
| 2004 | \$289,700 | \$3,639 | 17.81% | \$3,412 |
| 2003 | \$226,800 | \$3,089 | 3.73% | \$3,206 |
| 2002 | \$226,500 | \$2,978 | 21.25% | \$3,015 |
| 2001 | \$154,100 | \$2,456 | 2.93% | \$2,826 |
| 2000 | \$151,885 | \$2,386 | 5.06% | \$2,679 |
| 1999 | \$149,001 | \$2,271 | 3.27% | \$2,557 |
| 1998 | \$143,724 | \$2,199 | 4.47% | \$2,463 |
| 1997 | \$141,103 | \$2,105 | 2.73% | \$2,360 |
| 1996 | \$140,928 | \$2,049 | 1.54% | \$2,272 |
| 1995 | \$138,437 | \$2,018 | 0.10% | \$2,182 |
| 1994 | \$138,351 | \$2,016 | 8.27% | \$2,081 |
| 1993 | \$138,336 | \$1,862 | 5.68% | \$1,993 |
| 1992 | \$144,507 | \$1,762 | 4.51% | \$1,897 |
| 1991 | \$157,257 | \$1,686 | 4.85% | \$1,831 |
| 1990 | \$157,981 | \$1,608 | 8.28% | \$1,711 |

2010 Tax Bills

For FY2010, Quincy was one of 23 communities in the Commonwealth that lowered the average single family tax bill. Statewide increases ranged from \$4 to \$712, with an average increase of \$139. In addition, Quincy was the only one of its neighboring communities that maintained the 2009 tax bills. A listing of area community tax increases in 2010 and be seen in table 3:3.

Table 3:3 Area Community Tax Increases in 2010

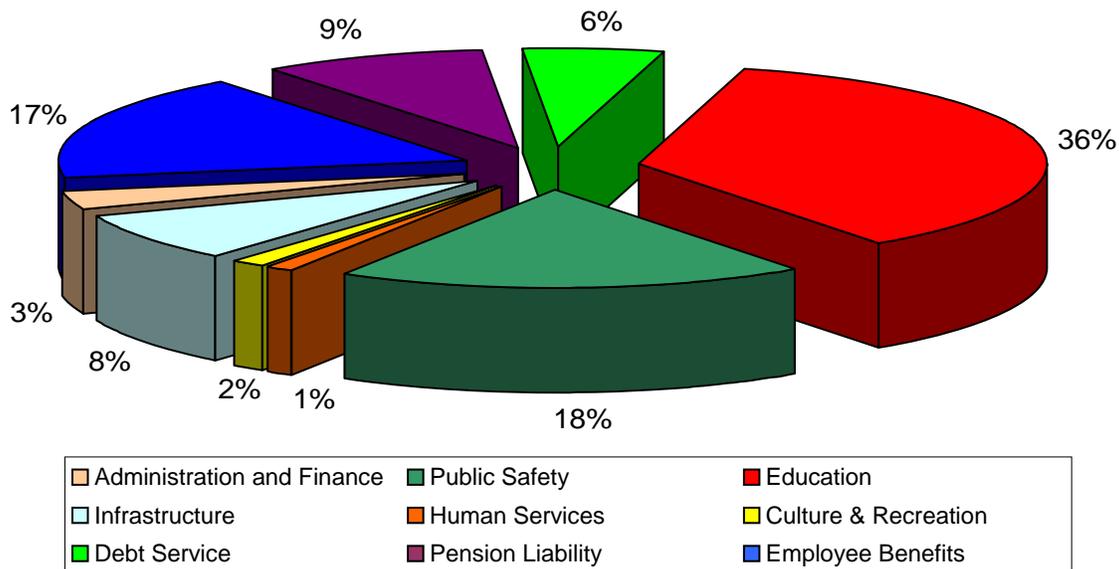
| Municipality | 2009 Av. Single Family Bill | 2010 Av. Single Family Bill | Variation |
|--------------|-----------------------------|-----------------------------|-----------|
| QUINCY | \$4,375 | \$4,373 | -\$2 |
| BRAINTREE | \$3,453 | \$3,532 | \$79 |
| WEYMOUTH | \$3,203 | \$3,322 | \$119 |
| ABINGTON | \$4,185 | \$4,328 | \$143 |
| HULL | \$4,319 | \$4,477 | \$158 |
| SCITUATE | \$5,182 | \$5,341 | \$159 |
| ROCHESTER | \$3,573 | \$3,836 | \$263 |
| HINGHAM | \$6,518 | \$7,108 | \$590 |
| MILTON | \$6,217 | \$6,929 | \$712 |



4. Expenditures

The majority of city spending is paid for through the general fund. For Fiscal Year 2010, which began on July 1, 2009, Quincy has an approved annual budget of \$226,523,476. Funding is distributed to each of the city's 30 departments based on the budget approved by the city council and signed by the Mayor. The largest single department budget in the city is the school department, accounting for over \$81 million in general fund spending. The second largest is the police department, with an approved FY2010 budget of approximately \$21 million. Figure 4:1 illustrates city spending by category in the current year's budget (Fiscal Year 2010).

Figure 4:1 Fiscal Year 2010 General Fund Expenses by Category



Departments found in each category are listed on page 2.

Major Costs

Quincy's budget encompasses many programs and policy areas, but there are five areas that make up the majority of city spending: These are:

- **Education**, not including teacher health insurance and other employee benefits, accounts for over \$81M of Fiscal Year 2010 spending.
- **Public Safety**, including police and fire, cost the City \$41.7M.
- **Employee Benefits**, including healthcare, cost the City of Quincy \$39.6M in the current fiscal year.
- **Debt Service** (discussed in detail later) accounts for 6% of spending.
- **Pensions** are funded in the FY2010 budget at \$19.7M.

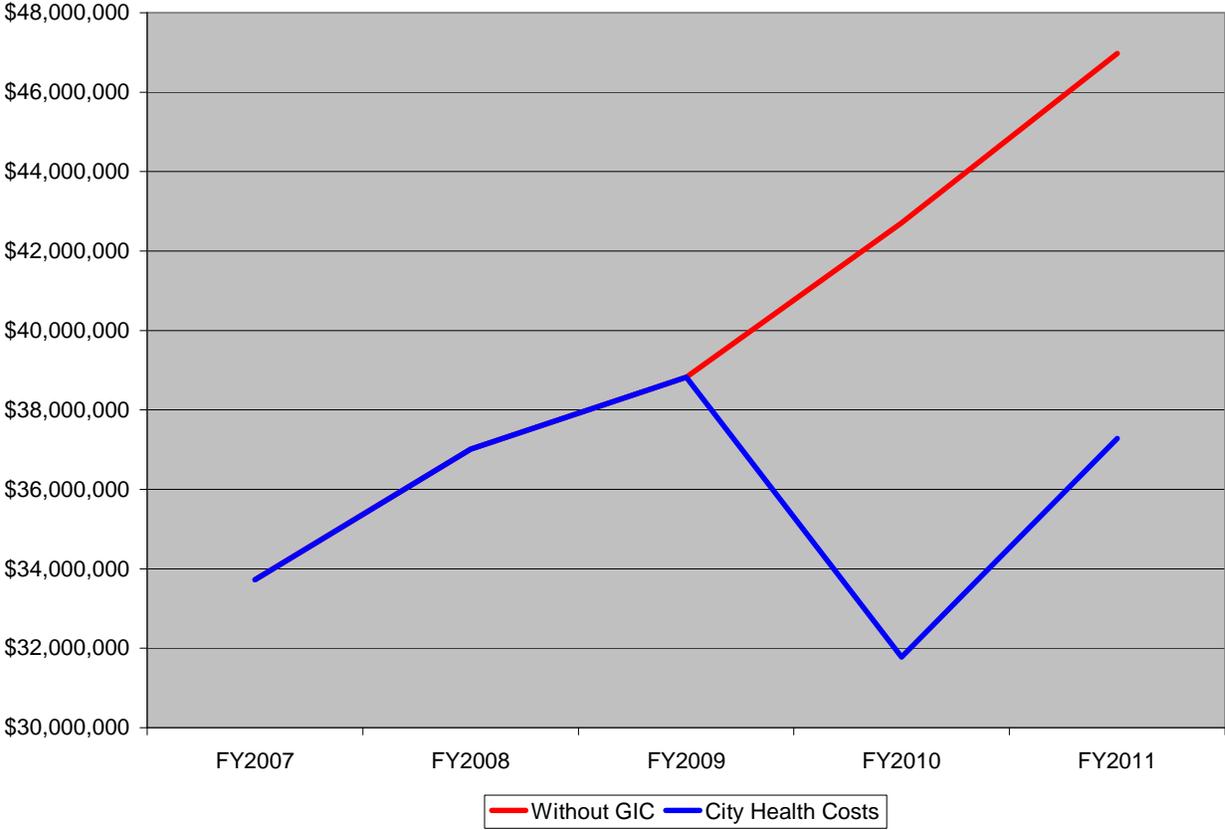


Group Insurance Commission Membership

Employee benefits are perhaps the most expensive business expenses the city incurs. Of those costs, healthcare stands out as the most challenging item to fund. According to the Massachusetts Municipal Association, healthcare is the single largest financial problem facing local communities in the Commonwealth. Fortunately, Quincy has been able to recognize savings in this area in the current fiscal year.

For Fiscal Year 2010, Quincy’s mayor and public employee union members successfully negotiated entry into the state’s Group Insurance Commission. Because of the state’s large buying power, plans are purchased from private insurers at significantly lowered prices. As such, Quincy was able to offer its employees quality healthcare options, and at the same time save an estimated \$10M to \$12M per year. GIC savings are illustrated in Figure 4:2.

Figure 4:2 GIC Health Plan Savings



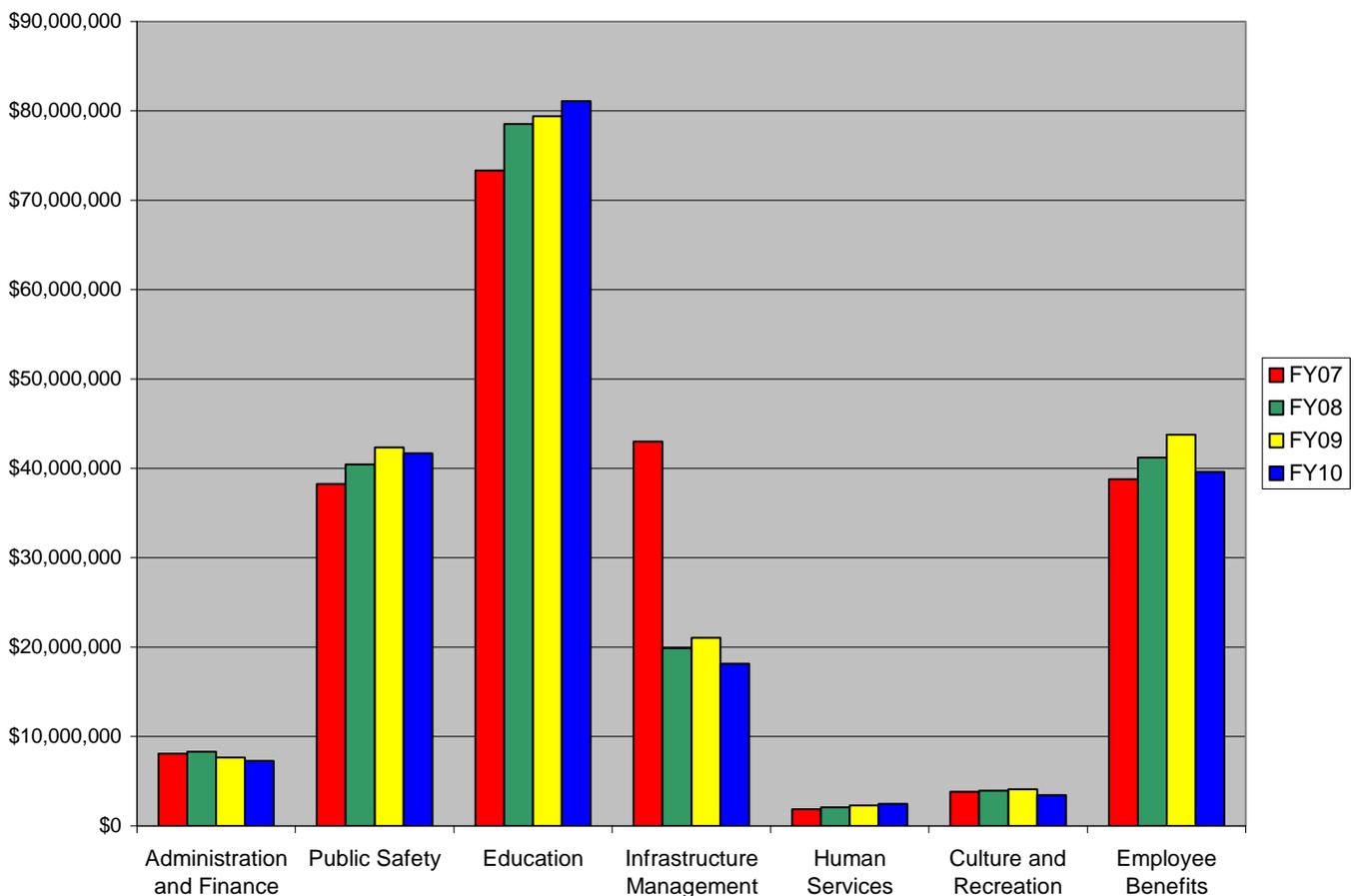


Historic Spending

As noted earlier, the city budget must reflect both the city’s policies priorities and its ability to pay for those services. During the recent economic decline, Quincy has had to make some difficult budget decisions in order to control rising costs and keep the city fiscally sound. Due to this factor, many program areas that had in the past enjoyed large expansions have now been curbed.

It should also be noted that even level funding can mean cuts to services. As noted in section two, there are a large number of fixed, increased costs the city must consider in its budget development process. As those costs rise, and the city is not able to bring in additional revenue, cuts to services become inevitable. Figure 4:3 illustrates historic general fund spending by program area. Table 4:1 illustrates historic spending by department.

Figure 4:2 Departmental Spending by Program Area



Note: The drop in infrastructure spending from FY07 to FY08 reflects a shift to the water & sewer enterprise fund.



Table 4:1 Historic General Fund Spending by Department

| Department | 2008 Actual | 2009 Actual | 2010 Budgeted |
|-----------------------------------|--------------------|--------------------|--------------------|
| CITY COUNCIL | \$424,306 | \$444,827 | \$439,254 |
| MAYOR | \$526,778 | \$659,842* | \$666,255* |
| RESERVE FUND | \$514,155 | \$130,640 | \$0 |
| MUNICIPAL FINANCE | \$471,249 | \$544,972 | \$491,238 |
| PURCHASING OFFICE | \$219,317 | \$222,252 | \$228,042 |
| ASSESSORS | \$796,117 | \$497,911 | \$534,131 |
| TREASURER/COLLECTOR | \$832,192 | \$801,721 | \$878,407 |
| LEGAL DEPT | \$542,149 | \$480,839 | \$489,249 |
| HUMAN RESOURCES | \$249,506 | \$255,223 | \$253,539 |
| INFORMATION TECHNOLOGY | \$2,289,402 | \$2,256,521 | \$2,005,636 |
| TAX TITLE EXPENDITURE | \$41,481 | \$2,850 | \$50,000 |
| CLERK | \$301,333 | \$354,327 | \$331,628 |
| ELECTIONS | \$337,516 | \$343,812 | \$410,423 |
| LICENSING COMMISSION | \$48,521 | \$52,732 | \$54,562 |
| CENSUS | \$24,678 | \$25,000 | \$25,000 |
| PLANNING DEPARTMENT | \$276,437 | \$260,179 | \$233,619 |
| CITY DUES | \$31,606 | \$0 | \$0 |
| CONSTITUENT SERVICES | \$131,235 | \$0 | \$0 |
| COURT JUDGMENTS | \$270,642 | \$298,692 | \$175,000 |
| Administration and Finance | \$8,328,620 | \$7,632,340 | \$7,265,983 |

*constituent services was moved to the mayor's office in FY09

| | | | |
|------------------------|---------------------|---------------------|---------------------|
| POLICE | \$21,032,052 | \$21,292,002 | \$21,596,917 |
| FIRE SAFETY | \$16,833,319 | \$18,570,258 | \$18,476,602 |
| INSPECTIONAL SERVICES | \$1,281,130 | \$1,196,440 | \$1,149,322 |
| EMERGENCY MANAGEMENT | \$77,510 | \$80,092 | \$53,855 |
| ANIMAL CONTROL OFFICER | \$105,902 | \$107,624 | \$106,850 |
| TRAFFIC & PARKING | \$1,083,200 | \$1,067,571 | \$333,514 |
| HARBORMASTER | \$34,763 | \$31,405 | \$0 |
| Public Safety | \$40,447,876 | \$42,345,392 | \$41,717,060 |

| | | | |
|-----------|--------------|--------------|--------------|
| EDUCATION | \$78,525,955 | \$79,380,362 | \$81,083,562 |
|-----------|--------------|--------------|--------------|

| | | | |
|-----------------------|-------------|-------------|-------------|
| ENGINEER | \$590,188 | \$580,385 | \$624,768 |
| DPW ADMINISTRATION | \$3,855,027 | \$3,115,612 | \$2,990,427 |
| SNOW AND ICE REMOVAL | \$1,605,066 | \$3,046,867 | \$600,000 |
| STREET LIGHTING | \$1,270,431 | \$1,222,190 | \$1,405,771 |
| FLEET FUEL | \$566,083 | \$562,464 | \$604,000 |
| STREET CLEANING | \$22,090 | \$70,301 | \$43,000 |
| COLLECTION & DISPOSAL | \$6,311,909 | \$6,532,946 | \$6,378,096 |
| DRAIN DEPARTMENT | \$785,775 | \$956,981 | \$934,507 |
| CEMETERY | \$703,050 | \$719,626 | \$695,571 |
| PUBLIC BUILDINGS | \$2,361,104 | \$2,536,321 | \$2,306,805 |
| PARKS | \$1,820,069 | \$1,719,083 | \$1,561,817 |



| | | | |
|----------------------------------|----------------------|----------------------|----------------------|
| Infrastructure Management | \$19,890,792 | \$21,062,776 | \$18,144,762 |
| HEALTH DEPARTMENT | \$650,611 | \$666,781 | \$641,536 |
| COUNCIL ON AGING | \$502,439 | \$525,278 | \$526,865 |
| VETERANS SERVICES | \$911,621 | \$1,103,252 | \$1,296,583 |
| REIMBURSE FOR VETERANS | \$225 | \$195 | \$2,400 |
| COMM. ON STATUS OF WOMEN | \$544 | \$700 | \$700 |
| Human Services | \$2,065,440 | \$2,296,206 | \$2,468,084 |
| REGIONAL LIBRARY | \$354,225 | \$360,947 | \$0 |
| LIBRARY | \$2,692,225 | \$2,816,523 | \$2,581,151 |
| FURNACE BROOK GOLF | \$102,875 | \$120,005 | \$103,000 |
| RECREATION | \$668,881 | \$726,152 | \$652,268 |
| CELEBRATIONS | \$135,313 | \$101,511 | \$95,000 |
| Culture and Recreation | \$3,953,519 | \$4,125,138 | \$3,431,419 |
| LONG TERM DEBT | \$10,739,208 | \$8,183,867 | \$7,951,913 |
| SHORT TERM DEBT | \$1,586,004 | \$1,317,088 | \$1,734,074 |
| HONEYWELL | \$1,389,275 | \$2,609,706 | \$3,301,298 |
| Debt | \$13,714,487 | \$12,110,661 | \$12,987,285 |
| RETIREMENT & PENSIONS | \$18,131,491 | \$18,390,129 | \$19,673,656 |
| NON-CONTRIBUTORY PENSION | \$147,314 | \$77,197 | \$121,000 |
| Pensions | \$18,278,805 | \$18,467,326 | \$19,794,656 |
| WORKER'S COMPENSATION | \$858,664 | \$767,345 | \$945,000 |
| UNEMPLOYMENT COMPENSATION | \$81,636 | \$60,926 | \$272,000 |
| HEALTH INSURANCE | \$38,771,121 | \$41,347,794 | \$36,895,665 |
| MEDICARE | \$1,517,973 | \$1,600,745 | \$1,518,000 |
| Employee Benefits | \$41,229,394 | \$43,776,810 | \$39,630,665 |
| TOTALS | \$226,434,888 | \$231,197,011 | \$226,523,476 |



Historic Staffing Levels

Table 4:2 depicts historic staffing levels by program area for Fiscal Years 2008 to 2010. These numbers reflect only those position paid for from the City General Fund; the chart does not reflect positions paid for through state and federal grants. Employee counts were obtained using payroll snapshot data (how many employees were paid on a particular payroll date). Seasonal and temporary positions are excluded from this calculation.

Table 4:2 Historic General Fund Staffing by Function

| Department | FY08 | FY09 | FY10 |
|----------------------------|--------------|--------------|--------------|
| Administration and Finance | 87 | 88 | 86 |
| Public Safety | 534 | 528 | 500 |
| Education | 1,250 | 1,234 | 1,198 |
| Infrastructure Management | 108 | 104 | 99 |
| Human Services | 27 | 27 | 24 |
| Culture and Recreation | 45 | 45 | 45 |
| Totals | 2,051 | 2,026 | 1,952 |



5. Debt

Capital improvements, or expenditures, are transactions in which the city acquires additional fixed assets. For example, the New Quincy High School and the purchase of additional city vehicles would be considered capital expenditures. Generally, these assets have a useful life of approximately 5 to 30 years. In addition, such purchases are generally quite expensive and cannot be absorbed in the annual city budget. As such, the city borrows funds by selling municipal bonds. The payments for these projects are then accounted for as debt.

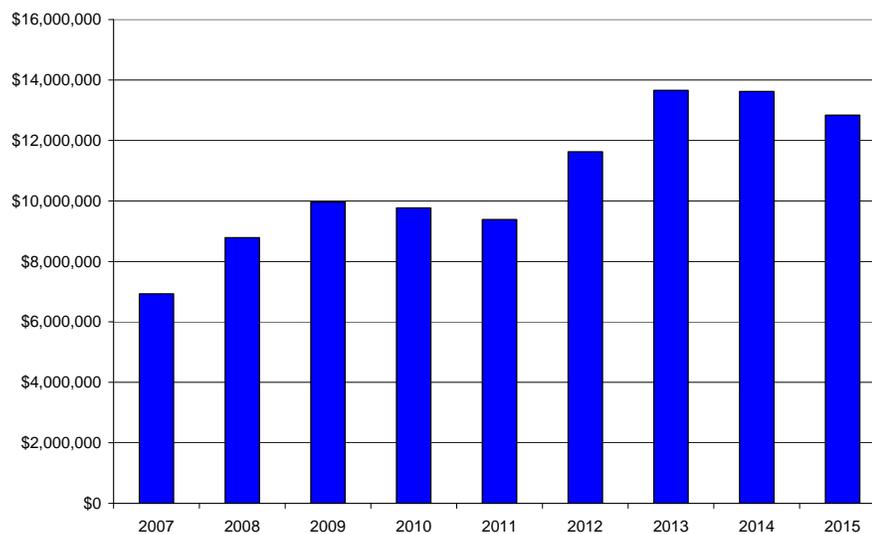
Municipal Bonds

The City Council authorizes the Mayor to sell bonds to raise revenue for capital improvements. Those bonds are sold on the open market in exchange for cash payment, essentially functioning as a loan for the city. In selling and managing bonds, the city seeks the advice of both a bond counsel and an outside financial advisor. Interest rates on bond payments are based on market conditions and the city bond rating, as determined by private rating agencies. The City of Quincy's current bond rating is A1. A listing of comparable communities is provided in Table 5:1.

Capital Debt Payments

Figure 7:1 provides historical and projected annual net city general fund spending on capital debt. The assumptions made for years 2012 to 2015 are part of the city's overall Capital Improvement Program (CIP), and are estimates at this time. In analyzing these projections, one will note that between 2007 and 2013 net debt payments are projected to rise from \$6.9 million to \$13.6 million. This is due to four primary factors: payments for the Honeywell agreement, payments for the new Quincy High school, borrowing for the new Central Middle School, and short-term financing for the Quincy Center redevelopment project. The City of Quincy's five-year Capital Improvement Program can be found in Table 5:1.

Figure 5:1 Historic and Projected Debt Spending





Fiscal Year 2010 & 2011 Debt Payments

For Fiscal Year 2010, the city’s gross capital debt obligation is \$10,982,779; however, that number is reduced by \$1.2 million by state funds for old school remodeling projects. After that adjustment the City of Quincy’s net capital debt obligation is \$9,768,317. That represents approximately 4.3% of the city’s \$226 million budget.

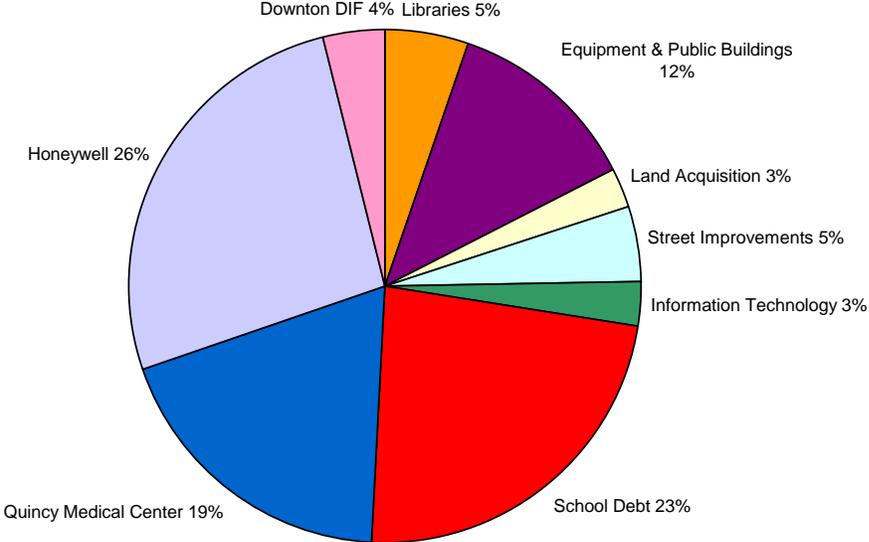
The net debt payment for Fiscal Year 2011 will be \$9,383,096. Largely, the drop in the amount owed from FY10 to FY11 is due to the paying down of bonds for older city projects.

Debt payments in Fiscal Year 2011 represent over two decades of city projects and improvements in public services. The most notable of these projects is the new Quincy High School; however, there are many other projects that Quincy residents utilize on a daily basis. These projects included:

- Remodeling Marshall Elementary School
- New school roofs
- The new wing of the Thomas Crane Public Library
- Land acquisition
- Park improvements
- Information technology upgrades
- Public building improvements
- Street repaving

A detailed breakdown of the Fiscal Year 2011 debt payment is pictured in Figure 5:2

Figure 5:2 Anatomy of the FY11 Debt Payment





Education Investments

As noted above, a significant portion of future debt service payment increases are attributed to the construction of the new Quincy High School and the proposed Central Middle School. Significant savings was realized in debt payments for the Quincy High School project by requesting approval from the state to extend the payment period to 30 year bonds. With that said, debt payments for the new Quincy High School and Central Middle school are projected to represent approximately 40% of all city debt payments by Fiscal Year 2015. Figure 5:3 depicts the growth in payments on these two school projects as a percent of total debt payments.

Figure 5:3 Growth in New School Construction Payments

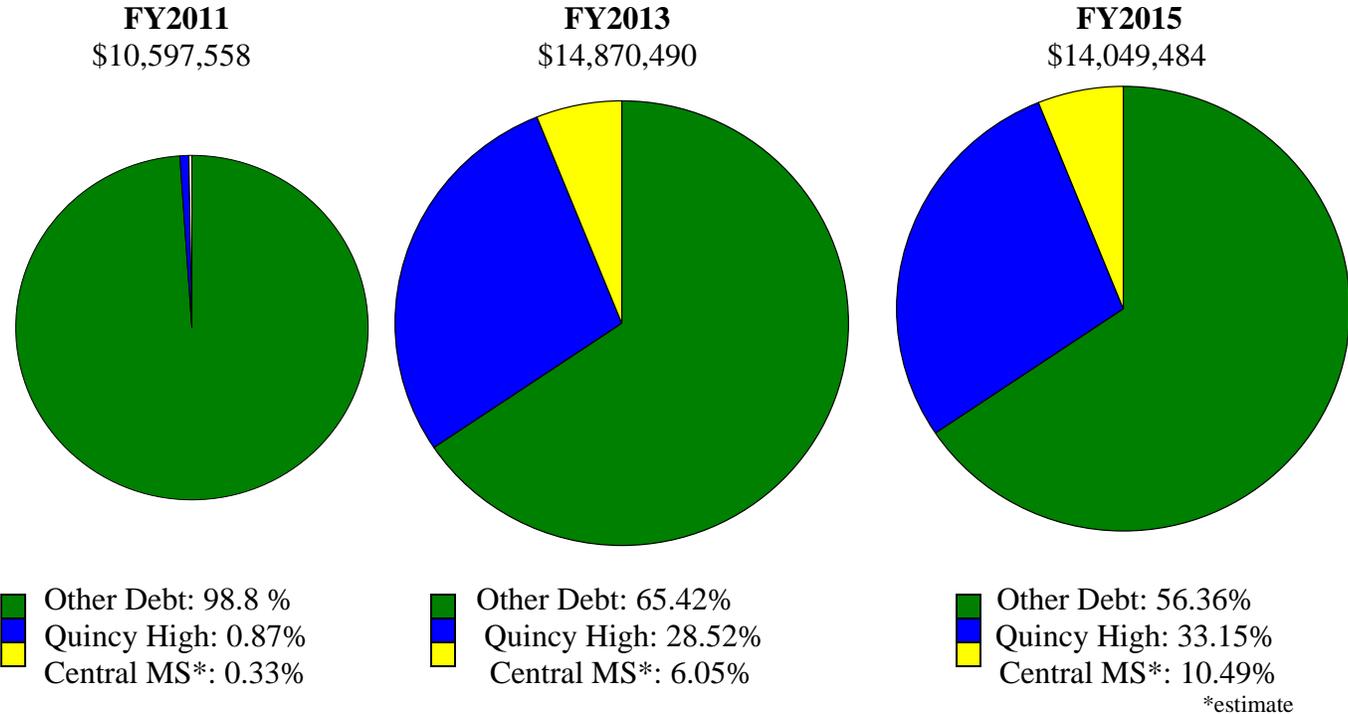


Figure 5:3 separates new school construction costs from all other spending included in the annual city debt payments. This does not represent the total amount of bond payments dedicated to past education projects. For example, city debt in FY11 will be comprised of just over 1% in payments for new school construction projects. However, as noted above, this amount increases to 23% when accounting for past projects that the city is still paying for, including the Marshall elementary school and numerous school building repairs.



Table 5:1 Moody's Bond Ratings of Comparable Communities

| Community | Rating | Debt Per Capita |
|-------------|--------|-----------------|
| Cambridge | Aaa | \$2,757 |
| Newton | Aaa | \$907 |
| Waltham | Aa1 | \$1,136 |
| Quincy | A1 | \$820 |
| Weymouth | A2 | \$1,052 |
| Brockton | A2 | \$2,558 |
| Worcester | A3 | \$3,474 |
| Malden | A3 | \$1,997 |
| Taunton | A3 | \$1,412 |
| Lowell | A3 | \$1,922 |
| New Bedford | A3 | \$2,402 |
| Fall River | Baa1 | \$2,387 |
| Haverhill | Baa1 | \$1,846 |
| Springfield | Baa2 | \$2,297 |
| Lawrence | Baa3 | \$1,987 |

| | |
|---------------------------|------|
| Best Quality | Aaa |
| High Quality | Aa1 |
| | Aa2 |
| | Aa3 |
| Upper Medium Grade | A1 |
| | A2 |
| | A3 |
| Medium Grade | Baa1 |
| | Baa2 |
| | Baa3 |

Table 5:1 displays the current bond ratings of Quincy and comparable communities. The ratings depicted are Moody's investment grade ratings. Bonds rated below Baa3 are considered speculative, and would not be sound investments. Moody's Investment Service is an independent credit rating agency.

In addition, Table 5:1 depicts the debt per capita of Quincy and comparable communities. This represents the total debt per resident in each community.



6. Retiree Costs

Pensions

Quincy's public employees currently pay 9% of their salaries to the public pension system and an additional 2% on salary over \$30,000. If an employee works for 32 years or more, they will receive 80% of their highest three-year salary average when they reach retirement age. Furthermore, employees must rely solely on their pensions, as they are not eligible to participate in Social Security. Under such a system most employees will self-fund 100% of their total retirement costs. Quincy currently pays unfunded pension liability costs: current employees will pay their own way.

Unfunded Liability

Prior to 1988, municipalities operated on a "pay as you go" pension system. Such a system required that municipalities pay retiree costs only after employees had retired. Prior to this date, cities and towns had relatively few retirees, allowing annual costs to be kept relatively low in comparison to the long-term funding obligations of the systems. Further weakening this system, pension systems were prohibited from reinvesting "excess earnings" from pension accounts until 1983. Essentially, this required municipalities to divert interest earnings and excess appropriations from pension funds to other areas of local spending. As the number of retirees began to increase this system proved to be wholly unsustainable, and prompted state-wide pension reform.

A series of reforms substantially transformed the public pension system. First, the pay as you go system was eliminated; however, pension funds were still liable to pay retiree pensions for those who had contributed no or insufficient amounts into the system. This is known as the unfunded pension liability. Second, employee pension contributions were mandated and funds were allowed to hold and invest pension contributions. Finally, reforms required that unfunded pension liabilities be fully funded by 2028.

Quincy's unfunded pension liability as of July 1, 2009, was \$163,937,985. The \$19.6 million appropriation in the City's Fiscal Year 2010 budget is intended to pay down that unfunded liability. Under the current payment schedule, Quincy's pensions system will be fully-funded by 2028, as required by state law.

Healthcare

All of Quincy's retirees are, and future retirees will be, enrolled in the federal Medicare program. The City does not pay the full healthcare costs of its retirees. Rather, the city only provides benefits equal to the difference between those provided by the Medicare system and those provided to current employees through the state Group Insurance Commission. When the city transitioned its retirees into the Medicare system, many incurred penalties for not contributing and not signing up for the system by the required age. Quincy subsidizes those costs. Medicare taxes are deducted from the pay of employees hired after April 1986.



7. Proposition 2 ½

Proposition 2 ½ is perhaps the most often confused municipal finance rule. This law governs total city-wide value and taxation. It does not prevent individual tax bills from being increased by more than 2.5 percent.

Passed in 1980, Proposition 2 ½ limits the amount of money a city or town can raise in real and personal property taxes. The amount that can be raised is referred to as the *levy*. Proposition 2 ½ limits local taxation in two primary ways:

1. Cities cannot raise taxes to an amount above 2.5 percent of the total value of all real and personal property in this city. This is called the *levy ceiling*.
2. Proposition 2 ½ automatically increases the amount of the levy each year by 2.5 percent. This is called the *levy limit*, and is the amount up to which the city may tax.

The difference between the total amount raised in taxes (levy) and the total amount of money the city is allowed to raise in taxes in a given year (levy limit) is referred to as excess capacity.

Some exceptions are allowed under these rules. For instance, new growth – such as new building projects – is added on top of the levy limit. In addition, cities and towns may seek a Proposition 2 ½ override to raise additional funds.

Quincy's Proposition 2 ½ Limits

As noted above, the difference between the total amount raised in taxes (levy) and the total amount of money the city is allowed to raise in taxes in a given year (levy limit) is referred to as excess capacity. Table 7:1 illustrates Quincy's historic tax levy compared to levy limits. The Excess Capacity column illustrates the additional amount that Quincy could have raised under the law.

Additional Information

The Massachusetts Department of Revenue's Division of Local Services has compiled a comprehensive report on the mechanics of Proposition 2 ½. A link to this report can be found in the Municipal Finance section of the City website. To review this document, please visit: www.quincyma.gov.



Table 7:1 City Levy Rates, Limits, and Excess Capacity

| Fiscal Year | Levy (Taxes Raised) | Levy Limit (Amount Allowed) | Excess Capacity (Difference) |
|--------------------|--------------------------------|--|---|
| FY1995 | \$78,499,201 | \$80,942,657 | \$2,443,456 |
| FY1996 | \$78,808,816 | \$83,486,868 | \$4,678,052 |
| FY1997 | \$81,109,774 | \$86,401,181 | \$5,291,407 |
| FY1998 | \$85,348,166 | \$89,723,897 | \$4,375,731 |
| FY1999 | \$89,747,682 | \$93,773,186 | \$4,025,504 |
| FY2000 | \$99,816,515 | \$99,933,934 | \$117,419 |
| FY2001 | \$106,651,925 | \$106,687,005 | \$35,080 |
| FY2002 | \$115,667,307 | \$115,728,074 | \$60,767 |
| FY2003 | \$124,607,482 | \$124,691,394 | \$83,912 |
| FY2004 | \$131,301,097 | \$131,414,150 | \$113,053 |
| FY2005 | \$134,526,765 | \$138,242,713 | \$3,715,948 |
| FY2006 | \$139,310,371 | \$145,702,167 | \$6,391,796 |
| FY2007 | \$146,359,623 | \$155,055,727 | \$8,696,104 |
| FY2008 | \$149,071,604 | \$163,431,103 | \$14,359,499 |
| FY2009 | \$169,156,076 | \$171,228,694 | \$2,072,618 |
| FY2010 | \$170,196,503 | \$178,385,409 | \$8,188,906 |