

# Financial Management of the City

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

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

Mayor Menino established a cabinet form of government to recognize the major functional responsibilities of city government and to facilitate improvements in conducting the executive and administrative business of the City.

The following departments are included in the Administration and Finance Cabinet and have major roles in the financial management of the City.

- The Treasury Department collects revenues due to the City and pays all amounts due for payrolls and outside vendors. The Treasury Department also manages the investment of City funds and supervises City borrowings.
- The Auditing Department prepares the City's annual financial statements, implements fiscal controls over departmental spending, provides technical assistance to departments and agencies, and reviews and processes all financial transactions for accuracy, completeness and compliance.
- The Assessing Department is responsible for the valuation and assessment of all real and personal property in the City for the purpose of taxation.
- The Office of Budget Management coordinates the analysis and presentation of

the Mayor's operating budget and capital plan, assembles, analyzes, and presents data with respect to revenue and debt management and evaluates programs to establish and use performance measures.

- The Purchasing Department procures all supplies, materials, and equipment, selects vendors through public bidding and processes purchase orders and contracts.
- The Retirement Board administers the State-Boston Retirement System, which provides pension benefits to retired City employees under a state contributory retirement statute.

## ***STRATEGIC FINANCIAL MANAGEMENT***

Maintaining a healthy financial base that fully supports City services according to mayoral priorities requires constant vigilance. This work is reflected in restructuring and reshaping City services, implementing new financial management systems, securing sound recurring revenues, and making responsible spending adjustments in light of revenue growth limitations in order to achieve a balanced budget.

A balanced budget is required by Massachusetts General Laws Chapter 59, Section 23. As part of the State Department of Revenue's tax rate certification process, municipalities must balance all appropriations, fixed costs and prior year deficits with the approved property tax levy, estimated local revenues, and available prior year surpluses in order to obtain authorization to issue property tax bills.

The overall success of the City's adhering to its financial policies and building its image in the capital markets has contributed to steady bond rating upgrades. In March 2009, Moody's Investors Service, Inc., and Standard & Poor's Rating Services affirmed Boston's credit ratings of Aa1, and AA+ respectively. These are the highest ratings in Boston's history, a clear recognition by

the credit markets of the City's strong proactive management.

Investors are willing to invest in bonds with higher credit quality, thereby lowering the interest rate the City must pay to service its debt. Solid credit ratings have allowed the City to borrow money more affordably. Fourteen investors bid on the City's bonds in March 2009, up from nine the previous year – a strong statement that markets are confident in Boston. The City has also refinanced close to \$575 million of existing debt since 2001, saving \$32.4 million on a present value basis.

### ***Maximizing Return on Investment***

The City works to improve service delivery by constantly reassessing the management, organization, and distribution of financial and human resources toward those priority goals that maximize return and improve efficiency. The Office of Budget Management (OBM) supports departments in their work by providing analysis and technical assistance.

Ongoing investment in the city's resources - people, property, and systems - is critical to guaranteeing solid service delivery for the future. Capital investments weigh changing service needs with the need for adequate building maintenance and upgrades. Human resource training has included specialized management training and a performance appraisal system.

The City's technology needs are continually assessed and updated. The City recently completed an analysis of strategies to strengthen its Citizen Relationship Management systems that may result in operational efficiencies and improved customer service. An implementation plan has been identified to improve the handling of citizen service calls and implement supporting technology in select front-line agencies.

To meet the demands of a modern workforce, the City is also leveraging technology throughout its human resource strategies, including implementation of an employee web portal to enhance internal communication, and a fully integrated online Career Center enabling web-based job posting, recruiting, candidate selection and seamless transition to existing HR data systems.

### ***Protecting, Diversifying and Growing the Revenue Base***

Nearly 80% of total general fund revenue comes from just two sources, the property tax and state aid from the Commonwealth. The City continues to support the dual goals of diversifying its revenue base while more closely matching revenues with its economic strengths.

Recent trends in the property tax and state aid highlight the dangers of the City relying too heavily on so few sources of revenue. The average single-family property tax bill has increased 58.7% between FY02 and FY09, and the percentage of the total tax levy being born by residents versus businesses has increased from 30% to nearly 36% during the same period.

Net state aid to the City has been reduced \$66.9 million or 15.6% between FY02 and FY09. In FY09, the Governor further decreased the City's aid by another \$22.9 million mid-year, thereby increasing the total FY02 to FY09 reduction to \$89.8 million or 21.0%

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

Specifically, the Mayor has proposed establishing local option taxes on restaurant meals and parking. These small but broad-based taxes would serve multiple purposes; generally increasing with inflation; relieving pressure on the property tax; filling in some of the state aid gap; matching the City's economic activity and related cost increases; and, exporting tax burden to non-residents who use City services. Subsequent to the passage of the City's FY10 budget the State approved, and the City adopted, local option tax increases of .75% for meals and 2% for hotels.

The Mayor has also filed legislation to protect the property tax base by closing property tax loopholes that allow exemptions for certain equipment in the telecommunications industry. These exemptions have the effect of shifting tax burden to other businesses and residents. The Appellate Tax Board and the Supreme Judicial Court have both sided with the City on parts of these exemptions, and it appears as though the

Legislature will take steps necessary to permanently correct the issue.

As a matter of course, the City regularly reviews its fee and fine structure for any necessary increases to cover the cost of providing services or deterring undesired behavior. In addition, efforts continue to maximize current revenue sources and to develop new sources of recurring revenue at the local level.

### ***INTERNAL MANAGEMENT CONTROLS***

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

#### ***Expenditure Controls***

The City operates under several statutory financial control systems. Certain controls established in the 1982 Funding Loan Act and its 1986 amendments set limits on flexibility in financial administration. For example, under the 1982 Funding Loan Act, until April 15 of each year, the Mayor is authorized to reallocate no more than \$3 million.

Several other financial controls were enacted by state law and implemented during the 1980s. An expenditure allotment system prevents departmental overspending of personnel appropriations. Additional state law provisions are directed at the control of School Department spending. These controls, teamed with conservative and cautious estimates of annual revenue, have aided the City in avoiding operating budget deficits every year since FY85, and have aided the School Department in avoiding operating budget deficits every year since FY90.

#### ***Capital Planning***

The Office of Budget Management's Capital Budgeting Program is responsible for managing the capital budget of the City. It evaluates the condition of the City's infrastructure, forecasts the timing and financial requirements of new construction and rehabilitation, and makes recommendations on the allocation of current and

future resources. The Capital Budgeting Program plays an ongoing supervisory role during the project implementation phase by reviewing and approving all capital contracts and monitoring project costs and schedules to ensure the adequacy of available funding sources.

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

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

#### ***Contracting Procedures***

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

#### ***Tax Collections***

The City's aggressive enforcement program works to reduce the number of tax accounts that are delinquent and to discourage new delinquencies. The City achieved a property tax collection rate of 98.7% of the FY08 gross levy as of June 30, 2008. The City's program includes a variety of collection remedies authorized by state statute.

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

#### ***Performance Management and Program Evaluation***

Boston About Results (BAR) is the City's performance management and evaluation program. BAR aims to create a sustainable and reliable performance management system which captures the core functions of City departments and tracks progress on citywide strategic goals. BAR provides information that assists in the

decision making process, identifies areas of improvement, and communicates performance results to a broad range of stakeholders.

Using performance management as its foundation, BAR encourages organizational changes and operational improvements that increase the effectiveness and productivity of City departments.

The Office of Budget Management (OBM) plays a central role in the collection and analysis of performance data, by ensuring proper documentation of results, and assisting departments in pursuing opportunities for improvements. All financial commitments by departments are first reviewed by OBM for conformance with service priorities and funding availability.

### ***Energy Management***

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use, and conservation of energy as well as the minimization of the impact of fossil fuel consumption on public health. The Energy Management Board is comprised of the City's Director of Administration and Finance and Collector-Treasurer, Chief of Environmental and Energy Services, Chief of Public Property, and Chief of Public Health.

The Energy Management Board commissioned an Integrated Energy Management Plan that is intended to assure progress toward the fulfillment of its mission. The Integrated Energy Management Plan was finalized in fiscal 2006.

Two significant projects identified in the Integrated Energy Management Plan are underway. Energy efficient lighting controls are being installed in Boston City Hall and a similar project at the main branch of the Boston Public Library is in the planning stages.

Since March 2005, the City has independently contracted with third party electricity suppliers to meet all of the City's electricity supply requirements. To date, the supply costs the City has paid to its third party electricity supplier have been less than the default supply costs offered by the City's local electricity distribution company, NSTAR - Boston Edison (BECO).

### ***Debt Management***

The Treasury Department manages all City borrowings. The City's cash flow is carefully managed and anchored by quarterly billing of the property tax and quarterly receipt of state aid distributions, eliminating the need for short-term borrowings. Guidelines established by the Treasury set forth the City's management policies toward rapidity of debt repayment, debt affordability, the limitation on the level of variable rate debt the City will issue, and the target savings amount on debt to be refinanced.

Two mainstays of the City's positive debt service position have been the relative stability of the annual debt cost to remain below 7% of total general fund expenditures and the adherence to rapid debt retirement, ensuring that at least 40 percent of outstanding principal be retired in five years, and 70 percent in ten years.

The City also utilizes lease-purchase financing of equipment with a three to seven year useful life. Annual lease-purchase financing totaled \$22.3 million in FY08 and was reduced to \$14 million in FY09. The FY10 and FY11 lease-purchase authorizations will again be lowered to \$8.8 million \$10.6 million respectively. Lease-purchase financing is used to replace front line equipment such as vehicles and upgrade technology and telecommunications equipment.

### ***Pension Management***

The State-Boston Retirement System (SBRS), of which the City is the largest member, performs a full valuation every two years to determine the total system liability and assets, and the annual funding requirement for future years. As of January 1, 2008, the SBRS pension liability was 67.6% funded. The SBRS hires an investment manager who oversees the various fund managers of the SBRS pension assets. Through the last reporting period with final results available, calendar 2008, the long-term investment performance of the SBRS has exceeded the long-term investment assumption of 8% upon which the funding schedule is partly based. The average annualized return from January 1, 1985 through December 31, 2008 was 8.7%. Its intermediate five-year (ending December 31, 2008) average annualized return was 3.2% and short-term (2008 only) return was a negative 24.2%. In 2008 the

composite short-term rate of return for all Massachusetts' public pension funds was a negative 28.6%. These are the latest available returns from final reports. However, preliminary results for the first two quarters of 2009 point toward a return to a positive rate of return. The potential long-term budgetary implications of the 2008 loss are discussed in detail in the Budget Summary section. Over the years, the City has worked with the SBRS to maintain a conservative and responsible pension-funding schedule. This has included maintaining a conservative investment rate of return assumption and a funding schedule that fully funds the system several years earlier than the statute requires.

### ***Other Post Employment Benefits (OPEB)***

The City's actuarial consultants provided an updated actuarial valuation of the City's OPEB obligation as of June 30, 2007. The valuation estimated the total OPEB actuarial accrued liability as of that date to be between \$5.65 billion (pay-as-you-go) and \$3.1 billion (pre-funded). The City will allocate an additional \$20 million in FY10 (\$20 million and \$25 million was appropriated in FY08 and FY09, respectively). This year's appropriation is again an acknowledgement payment, an amount which only partially funds the annual required contribution, estimated in the most recent valuation at between \$222 million and \$344 million, depending on the investment return assumption. The City's OPEB financing plan continues to strive to balance the requirement to provide public services with providing health benefits for our employees both now and when they retire.

Statewide legislation was signed by the Governor in January 2009, giving cities and towns the mechanism to invest under the "prudent investor rule," allowing investment which typically would generate more substantial returns. The City has adopted this local option statute.

### ***Risk Management***

Risk related costs include legal liability claims, property losses, workplace injuries, employee healthcare, and unemployment compensation. These costs are managed by central departments, such as Law and Human Resources, in addition to individual operating departments. The Office of Budget Management works to maximize the effectiveness of these intradepartmental efforts by

reviewing cost trends, assisting in improvements, and implementing the City's risk financing strategy.

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

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

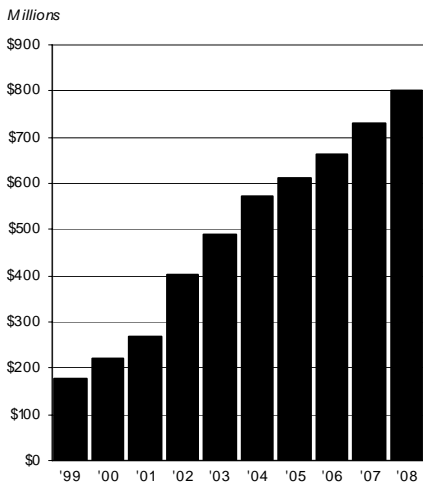
For unexpected large losses, the City continues to build a catastrophic risk reserve, the available balance of which will reach \$12.5 million at the end of fiscal 2009. Commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100 million all risk protection after a \$10 million deductible; boiler and machinery losses are insured up to \$10 million; and, 75% of the City's healthcare costs are insured through HMOs.

### ***Reserve Fund***

As required by law since 1986, the City has maintained a reserve fund equal to 2 1/2% of the preceding year's appropriations for all City departments except the School Department. The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of June 30, 2008, the reserve fund had a balance of \$27.5 million. The City fulfilled the FY09 reserve requirement by adding \$1.1 million to the reserve before the close of FY08. The City expects to fulfill any FY10 requirement prior to the close of FY09.

### ***Accounting System***

Financial management is supported through the City's PeopleSoft System. This integrated financial and human resources management system is designed to track and control daily activities and report the financial position of the City. This system supports the rigorous monitoring and reporting requirements enforced by the City.



**General Fund Equity (GAAP Basis)**

FY99- FY08

Figure 1

### Management Letters

Following the completion of the financial statements, the City's independent auditors deliver a management letter containing comments and recommendations on internal financial controls. The current management letter indicated no material weaknesses in the City's management.

### General Fund Equity

The City's management of its finances has resulted in a continuing upward trend in general fund equity. This trend was interrupted by the merger of the City's two public hospitals with a private hospital to form a new private entity in 1996. This improved the City's future financial outlook by shielding the City from the likely growth in hospital subsidies that would have been required without the merger.

General Fund equities for FY02 appear artificially high as compared to prior years due to the required implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB No. 34 fundamentally changed the treatment of liabilities and receivables in the General Fund.

It is expected that the actual results at the close of FY09 will not add to the upward trend in general fund equity that the City has experienced since

FY96. The City expects to preserve its policy of maintaining a GAAP Undesignated Fund Balance in the General Fund that is 10% or higher than the current fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Undesignated Fund Balance between 5% and 10% of Budgetary Operating Expenses (Figure 1).

### Auditing and Budgeting Practices

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

- (a) Real and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budgetary), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented as components of the general fund (budgetary), rather than as separate funds (GAAP).
- (d) Prior years' deficits and utilized available funds from prior years' surpluses are recorded as expenditure and revenue items (budgetary), but have no effect on GAAP expenditures and revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The reconciliation in Figure 2 summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2008.

Financial statements for the fiscal year ended June 30, 2009 are expected to be available in late fall.

### Fund Structure and Use

The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity and complies with finance-related legal requirements. All of the funds of the

City can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

The City has four governmental funds. The General Fund, the Special Revenue Fund, the Capital Projects Fund and all non-major governmental funds in an "Other" category.

The General Fund is the only fund for which a budget is legally adopted and is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.

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

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

Proprietary Funds are used to show activities that operate more like those of commercial enterprises (Enterprise Funds). Both the Convention Center Fund and the Hospital Bond Fund were established for activities related to bonds for which revenue streams have been pledged as security repayment.

Fiduciary Funds are used to account for resources held for the benefit of parties outside City government and are not available to support the City's own programs. The City's fiduciary funds are the Employee Retirement Funds and Private Purpose Trust Funds.

The City's operating budget is also supported by available governmental funds transferred and appropriated from three available funds. The City appropriates yearly parking meter revenues (Special Revenue Fund) to support the Transportation Department, cemetery trust monies (Other Governmental Funds) to support the City's maintenance of its public cemeteries, and surplus property disposition proceeds (Capital Projects Fund) to fund a risk retention reserve and the City's "Leading the Way" affordable housing initiative. Figure 5 provides a history, as well as projected changes in fund balances for the available funds used to support the City's operating budget.

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

***Budgetary Support***

Budgetary Fund Balance can be appropriated for use during the fiscal year. Budgetary Fund Balance, is more commonly referred to as "Free Cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can

***Adjustments Between Budgetary Basis and GAAP Basis of Accounting for FY08***

(in thousands)

	Revenue	Expenditures	Other Financing Sources (Uses), Net	Excess (Deficiency) of Revenue and Other Financing Sources
As reported on a budgetary basis	2,343,109	2,327,262	-	15,847
<u>Adjustments:</u>				
Revenues to modified accrual basis	13,919	-	-	13,919
Expenditures, encumbrances and accruals, net	-	(37,814)	-	37,814
<u>Reclassifications:</u>				
State-funded teachers' retirement costs	(103,000)	(105,420)	-	2,420
Convention Center Fund Revenue	(23,000)	-	23,000	-
Transfers	(17,810)	-	17,810	-
As reported on a GAAP basis	<u>2,213,218</u>	<u>2,184,028</u>	<u>40,810</u>	<u>70,000</u>

Figure 2

responsibly appropriate for spending.

The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law, and is administered by the Massachusetts Department of Revenue. This calculation and the amount produced from it must be certified annually for funds to be appropriated. Prior year certifications and the amount used from each certification are in Figure 3.

<b>Budgetary Fund Balance</b>		
<b>Date</b>	<b>Annual Amount Certified</b>	<b>Amount Appropriated from Certification</b>
1/12/2005	56.3	6.7
3/1/2006	54.4	7.5
1/22/2007	63.1	20.0
4/3/2008	110.2	35.0
3/20/2009	121.2	45.0

Notes: (\$millions)

**Figure 3**

The FY09 Budget employs the use of a \$35.0 million appropriation from a certification of \$110.2. On March 20, 2009, the Director of Accounts certified that the amount of funds available for appropriation (“free cash”), as of July 1, 2008, was \$121.2. The FY10 Budget assumes the use of \$45 million in Budgetary Fund Balance, \$20 million of which will be used to fund Other Postemployment Benefits (OPEB).



**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
General Fund  
Years ended June 30 2008 and 2007  
(in Thousands)**

	<u>2008</u>	<u>2007</u>
Revenues:		
Real and personal property taxes	\$ 1,316,734	\$ 1,258,878
Excises	115,809	99,816
Payments in lieu of taxes	56,667	56,146
Fines	67,940	67,546
Investment income	37,822	43,068
Licenses and permits	45,989	40,694
Departmental and other	79,030	65,661
Intergovernmental	493,227	484,510
Total revenues	<u>2,213,218</u>	<u>2,116,319</u>
Expenditures:		
Current:		
General government	66,927	65,223
Human services	29,093	26,475
Public safety	509,293	477,403
Public works	108,831	97,897
Property and development	29,876	35,506
Parks and recreation	17,418	17,000
Library	27,089	31,225
Schools	782,500	743,848
Public health programs	67,694	64,559
Judgements and claims	1,967	2,257
Retirement costs	95,193	92,873
Other employee benefits	190,167	175,862
State and district assessments	132,792	124,243
Capital outlays	9,417	1,200
Debt Service	115,771	113,212
Total expenditures	<u>2,184,028</u>	<u>2,068,783</u>
Excess(deficiency) of revenues over expenditures	29,190	47,536
Other financing sources (uses):		
Operating transfers in (out)	40,810	23,221
Payments to escrow agent to refund debt	-	(105)
Transfers from component units	-	-
Transfers to component units	-	-
Total other financing sources	<u>40,810</u>	<u>23,116</u>
Net change in fund balance	70,000	70,652
Fund balance - beginning	732,049	661,397
Fund balance - ending	<u>\$ 802,049</u>	<u>\$ 732,049</u>

Figure 4

**Parking Meter Fund**

<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In</b>	<b>Ending Year Balance</b>
FY03	29.859	(10.000)	5.905	25.764
FY04	25.764	(1.000)	12.227	36.991
FY05	36.991	(3.500)	9.314	42.805
FY06	42.805	(1.000)	10.390	52.194
FY07	52.194	(1.000)	11.342	62.536
FY08	62.536	(10.000)	8.960	61.496
*FY09	61.496	(12.000)	11.917	61.413
*FY10	61.413	(15.000)	13.000	59.413

Notes: (\$millions), \*projected

**Cemetery Trust Fund**

<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In**</b>	<b>Ending Year Balance</b>
FY03	10.784	(1.849)	1.541	10.476
FY04	10.476	(1.932)	2.728	11.271
FY05	11.271	(2.029)	1.139	10.381
FY06	10.381	(2.110)	2.478	10.749
FY07	10.749	(2.221)	2.754	11.283
FY08	11.283	(2.141)	1.035	10.177
*FY09	10.177	(2.189)	-1.018	6.970
*FY10	6.970	(2.079)	0.349	5.240

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

**Surplus Property Disposition Fund**

<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In</b>	<b>Ending Year Balance</b>
FY03	55.874	(13.000)	0.000	42.874
FY04	42.874	0.000	7.500	50.374
FY05	50.374	(6.618)	0.000	43.756
FY06	43.756	0.000	0.000	43.756
FY07	43.756	(8.000)	0.000	35.756
FY08	35.756	(5.669)	0.000	30.087
*FY09	30.087	(6.000)	0.000	24.087
*FY10	24.087	(5.979)	0.000	18.108

Notes: (\$millions), \*projected

Figure 5