

Executive Summary

INTRODUCTION

The FY13 Budget is a budget that has an increased focus on people, offering opportunities for residents to become more engaged in their communities whether it is at a branch library, a neighborhood community center, a school or one of our many beautiful parks. This budget allows the City to continue to enhance our public spaces and the delivery of city services that our residents deserve and expect while still maintaining a strong fiscal position.

The FY13 budget totals \$2.467 billion and represents an increase of \$72 million or 3.0 percent over the FY12 budget.

Property taxes, the City's largest source of revenue, as well as excise tax and building permit revenues are the main contributors to the overall growth in the budget. The increases in these sources of revenue are the result of modest improvement in the overall economic conditions. Additionally, the City's second largest source of revenue, state aid from the Commonwealth of Massachusetts, when combined with state assessments, is expected to increase by about \$3.6 million from FY12 budgeted levels.

On the expenditure side, unlike previous years, the City is not facing a large increase in health care costs due to the groundbreaking agreement that was reached with our union leaders last spring. This unprecedented agreement not only resulted in a substantial decrease in health insurance costs for FY13 but it will help mitigate the dollar amount of health insurance growth in the years to come by lowering the base from which increases in FY14 and beyond will be calculated. The agreement would not have been possible without management and union leaders working closely together.

The City also took advantage of the opportunity to refund certain general and special obligation bonds which, when combined with the favorable interest rates received on our most recent bond

issue and the deferral of borrowing for the Dudley Project, will keep debt service costs down in FY13.

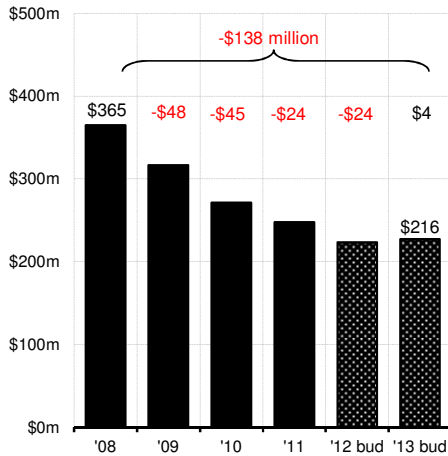
Despite the favorable financial position we find ourselves in for FY13, there is still a need for careful decision making and multi-year planning. After a hiatus in FY13, the City's health care costs are expected to rise at a much higher pace than revenues in FY14. The School Department's current school bus transportation contract expires June 30, 2013; a new contract is expected to result in a substantial increase. In the area of labor, although two of our largest civilian unions and a few of our smaller ones have agreed to new six year agreements, some of our major collective bargaining contracts are still the subject of intense contract negotiations. For these reasons overall budget growth in FY13 must be carefully managed. Many of the initiatives undertaken in the FY13 budget require only one-time funding and employee growth was limited to priority areas. In a further effort to help ensure sustainability, the FY13 budget was formulated without the use of reserves and other nonrecurring revenues. It is expected that the City will resume the use of reserves in FY14.

This FY13 budget also supports and improves our neighborhood assets. The Five-Year Capital Plan FY13-17 totals \$1.8 billion and includes \$214.9 million in new FY13 project authorizations. Highlights include renovations at schools, libraries and community centers, improved recreation opportunities and significant investment in technology initiatives and infrastructure. The capital plan's theme, Cities are Neighborhoods (CAN), recognizes that the City draws its core strength from its neighborhoods. The results of the "Together We CAN" capital investment campaign are visible in every neighborhood.

The City remains committed to providing core city services in a safe environment for all of our residents and businesses as well as those who come to visit our city. This budget provides the resources necessary to fulfill that commitment.

Change in Resources and Expenditures

Available revenues provide the basis for planning the FY13 appropriations and fixed costs. The FY13 budget reflects a revenue increase of \$72 million or 3 percent from the FY12 budget. The two largest sources of FY13 recurring revenue growth are the property tax and excise taxes. Property tax, the City's largest revenue source, reflects a 3.7 percent net increase. Unlike FY12, the FY13 budget is not supported by an appropriation of budgetary fund balance (reserves).



Net State Aid
FY08 - FY13

Figure 1

As stated previously, net state aid, defined as state aid combined with the charter school tuition assessment and other assessments, is currently projected to increase in FY13 by approximately \$3.6 million. It should be noted that even with the expected increase in net state aid the loss incurred over the last five years (Figure 1), now estimated to be about \$138 million, is still significant. Although its share of total general fund revenue continues to decline, state aid is still the second largest source of revenue for the City and therefore plays a critical role in determining available resources.

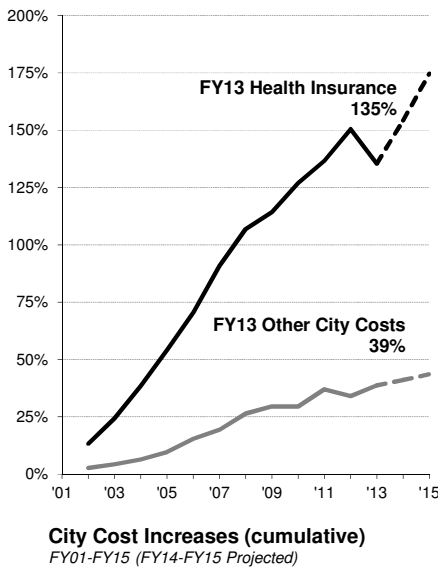
Excise taxes are projected to increase by 10.1 percent in the FY13 budget. The local option meals tax, first implemented in October 2009, is performing well. FY12 receipts are expected to exceed the budgeted amount. Receipts from the hotel tax are projected to have a substantial increase in FY13.

Interest on investments is projected to decrease from the FY12 budgeted level based on the expected level of prevailing short-term interest rates.

On the expenditure side, the FY13 budget reflects a 4.3 percent or \$69.3 million increase in departmental appropriations (excluding Health Insurance and OPEB) and a 5.9 percent or \$25.1 million increase in fixed costs (pensions, debt service, state assessments, Suffolk County and the Tregor Reserve).

In FY13 the City has budgeted \$289 million for health insurance premiums for city employees and retirees – nearly 12 percent of the total City budget. Similar to other Massachusetts communities, Boston's health insurance costs have dramatically increased over the last decade, compared to other City costs over the same period (See Figure 2). The Summary Budget chapter of this volume describes some of the successes the City and the State have had in the area of municipal health insurance that will result in savings in FY12 and beyond. The FY13 budget also includes an appropriation of \$40 million to the Other Post Employment Benefits Liability Trust Fund.

Although not general fund revenue, \$10 million in federal funding from the Education Jobs Program Fund which was used for personnel retention and programming in the Boston Public Schools will not



City Cost Increases (cumulative)
FY01-FY15 (FY14-FY15 Projected)

Figure 2

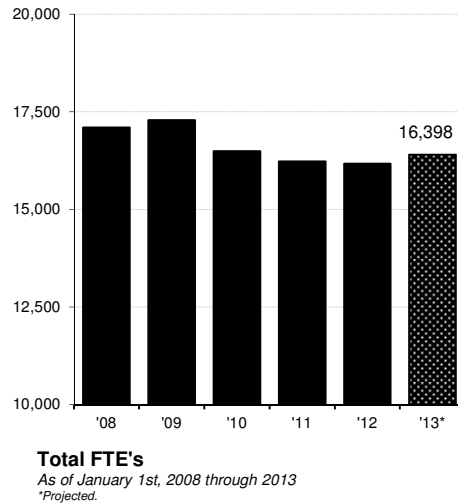


Figure 3

be available in FY13. The Police Department is coming to the end of the third year of ARRA – Cops Hiring Recovery Program funding that supports the salaries of 50 police officers. Although there is some carryover of funds available in FY13, it should be noted that the majority of this expense will have to be absorbed in the general fund as required by the terms of the grant.

With salaries and health benefits representing over 73 percent of the City's operating budget appropriations, it is important to manage the level of the City's workforce. Through controlled hiring and attrition, the City continues to keep employee levels down overall. The City's workforce was down by 1,104 full-time equivalents, or 5.1% between January 2009 and January 2012. In FY13, general fund FTEs are projected to increase by 225 between January 1, 2012 and January 1, 2013. (Figure 3). Nearly 70% of the increase is in the priority areas of Public Safety (91) and Education (64). In the Public Safety area the timing of new recruit classes to cover attrition is the major reason for the increase. In Education, increases will be seen in the areas of bilingual and special education. Despite the uptick projected for FY13, it should be noted that total FTEs will still be down by 879 or 5.1% when compared to FY09.

A more detailed discussion of the City's revenues and expenditures as well as personnel levels can be found in the Summary Budget and Revenue Estimates and Analysis chapters of this volume.

Boston's Economic Climate

The economic climate of the City is one of steady improvement among some persistent structural issues.

Although Boston and Massachusetts did fare better in the recent recession than many other cities and states, there are still obstacles to overcome in moving to a more robust economic recovery – namely, high unemployment rates and a weak housing market.

Unemployment in both the City and the state has been improving since late 2009 and early 2010, respectively, but rates of joblessness still remain elevated and may impede economic growth over the longer term. Foreclosures in the City housing market, although easing considerably since their peak in fiscal 2008, also remain elevated and therefore limit the growth in sales of existing homes, construction of new housing units and home prices overall.

Even if Boston's comparatively restrictive revenue structure may have helped lessen the impact of an immediate shock to its revenues during the recession, the City was exposed to dramatic losses in economically sensitive revenue streams like excise taxes and investment earnings. Recently, robust hotel and building permit activity portray an economy again on the rise. But, due to the lagging nature of the property tax, future growth is likely to be subdued until new growth from development returns. And with its largest revenue source slowly recovering, it will take City revenues some time to fully rebound.

While the state is still working with a budget gap of approximately \$1.4 billion from increasing healthcare and pension-related costs, the loss of stimulus dollars and the use of other one-time funds, the outlook is improving.

State tax revenues finally began to grow in fiscal FY11. Current tax collections in fiscal 2012 overall are running above FY11 collections, and very close to expectations. Growth over FY11 is steady in areas like income tax withholding on wages and bonuses – a positive sign for the labor market. FY13 state revenues are expected to continue this trend with 4.5% growth from FY12 projected revenues.

As Boston generates nearly one-quarter of Massachusetts' economic output, the City will be a

necessary part of the economic recovery of the state.

Long-Term Financial Outlook

A history of balanced budgets, prudent fiscal policies and a conservatively structured debt profile continue to serve the City well. The City's stable and effective approach to management has been recognized by the credit markets over the past several years. In March 2012, Standard and Poor's and Moody's Investors Service reaffirmed Boston's AA+ and Aaa ratings. A bond rating is a statement of credit quality and is analyzed when determining the interest rate that should be paid for a municipality's bonds. A higher bond rating translates into lower interest rates and real dollar savings for the City.

The high priority City management places on adhering to comprehensive financial policies and long-range planning strategies as well as continuing to exercise strong fiscal discipline ensures the City's ability to preserve budgetary balance, maintain essential services and address future budget challenges.

FY 2013 BUDGET PRIORITIES: EMBRACING ENGAGEMENT, ENHANCING COMMUNITY

Careful planning and thoughtful decisions – in many cases very difficult decisions – over the last several years have positioned Boston for greater success as economic recovery takes hold. Under Mayor Menino's leadership, the administration negotiated with unions to forge a groundbreaking agreement that slows the growth of healthcare costs by more than \$70 million. School leaders spent countless hours with parents and families to develop a plan to fill empty classroom seats and increase direct funding to schools. The City created new partnerships to deliver better programming for youth and families at community centers, resulting in increased site attendance for the first time in four years.

Success under such trying circumstances relied on engaging citizens in the most difficult decisions, and as a result of these efforts and others, this year holds tremendous opportunity for the City of Boston.

As we enter a new fiscal year, we reinvest in an old strength. **Our relationships, both established and those we seek to create, are at the heart of the FY13 budget.** This is an intentional approach, one that puts people first.

While the rising costs of doing business, growing pension liabilities, and shrinking local aid, have placed massive constraints on city budget planners, what is more troubling is the fundamental shift in governing that too often has accompanied these discouraging trends. Strained budgets have provided pretext to overhype efficiency and undervalue engagement. However, at a time when widespread cynicism towards government is commonplace, it is more important than ever to invest in the personal connections that build trust and serve as a foundation for a thriving city.

The FY13 budget provides new and improved opportunities for residents to engage with each other and with City Hall for the betterment of their neighborhoods.

Embracing engagement, enhancing community

Investments in the coming fiscal year will help expand access to quality schools, empower neighbors to help fight crime in their communities, reshape services for seniors, promote healthy living, and make it easier to do business in Boston. Whether the investments are in programming or bricks and mortar, their success will be measured not only by the savings or efficiencies they create but by the community they create – one that is ideally more connected, more engaged, and more driven to overcome the challenges that stand in the way of Boston's continued prosperity.

Some of the most significant initiatives are highlighted below.

Engaging Generations

Teen Centers

Site consolidations, new partnerships, and a fresh focus on enriching programming laid the foundation for a transformation of BCYF's network of community centers over the previous two fiscal years. In FY13, Boston Centers for Youth &

Families will pilot redesigned teen centers at 5 sites around the city that will include more inviting “teen friendly” spaces, new furniture, collaborative homework areas, music and new games and technology for skill development. Other exciting additions at select centers include new rock climbing walls, and high ropes courses. The upgrades are part of a comprehensive effort to move BCYF “beyond gym and swim.”

Just as BCYF revamps programs to attract more teens, so will the BPL. Branches at Egleston Square and Hyde Park will unveil new teen-focused areas. A “Teen Writing Lab” at Egleston will engage neighborhood groups to offer such things as poetry, college essay writing, and creative writing workshops, while a “Teen Zone” at Hyde Park will feature refurbished space and collections to make for a true gathering space for teens.

Re-energizing Vocational Education

In order for Madison Park Technical Vocational High School, the only high school of its kind within Boston Public Schools, to fully realize its potential as a first-class institution, BPS will propose that it become an “Innovation School” to enable new flexibilities around staffing and scheduling that allow for real work-based experience. Under the Mayor’s leadership, with support from a team of experts, BPS will pursue an aggressive partnership strategy to raise funds and collaborate with local businesses to improve education at Madison Park. The Madison Park Business Partnership will challenge businesses and institutions to provide advice, jobs, and financial resources to help transform the school. Already, two leading local restaurateurs have offered to open up their restaurants to internships and apprenticeships to help bolster the culinary program. The revamped Madison Park will not only engage BPS students with a top flight vocational education; the new partnerships, facilities, and training will eventually be available to underemployed and unemployed residents to boost their career opportunities.

Expanding Access to Excellence

BPS is pursuing immediate and multi-year steps to provide students and families with access to

quality schools of choice across the city. As part of the 2012 Facilities Plan, the school department will begin to grow enrollment at several of the most in-demand schools, with the ultimate goal of providing 700 more seats at these schools over the next two years. The schools selected for this initiative all have wait lists of more than 100 students, with most far exceeding that number. In fall 2012, BPS plans to open the district’s first dual-language high school, Margarita Muñiz Academy.

While BPS works to add capacity at its highest-performing schools, Mayor Menino and Superintendent Johnson have committed to adopting a radically different student assignment plan in the next year, one that puts a priority on children attending schools closer to their homes. The community, working with a diverse advisory committee, will be a driving force in this process. A series of neighborhood conversations will be held throughout the spring, summer, and fall to gather a range of perspectives before a final proposal is made to the School Committee in December.

Literacy Takes a Leap Forward

Focusing on the importance of early literacy, the BPL will engage children and families with creative reading resources at the Copley Central Library and in the community. The FY13 budget includes plans to transform an area of the BPL main branch into a vibrant children’s literacy center with a bright, welcoming, and fun space for children’s programming. The library will also move ahead with its larger vision for a new Children’s Library at Copley that will lead the way in early literacy, school readiness, homework support, and leisure reading. Meanwhile, the Charlestown BPL branch will be outfitted with an “early literacy nook” where librarians can offer programs to babies and their caregivers that foster pre-reading and writing skills.

To improve accessibility and engage members through the latest technology, BPL will develop an e-reader lending program and a mobile application in response to rising demand for e-materials.

Keeping Boston's Aging Active

Aging baby boomers are a population trend that America's cities must address in the coming years, and Boston (ranked the 2nd best place in the country for older adults) hopes to lead the way. While Boston is by and large a decidedly young city (with the highest proportion of 20-34 year olds of any metro area), our population of older adults increased 10% from 2000-2010, and it is expected to grow an additional 19% by 2020. The City's Elderly Commission will explore new partnerships to engage this population with programs that are as diverse as the people they will serve. Potential initiatives include a "Boston Navigator" tool that provides one-stop shopping to help seniors discover events and resources, programming partnerships with BCYF and the BPL, and personal outreach to residents as they turn 60. The Disability Commission, the Transportation Department, and the city's disabled community will also work together on accessibility improvements.

A Greener, Healthier City, Neighbor by Neighbor

A Place to Grow Flowers (and Minds)

Parks have long been neighborhood gathering spots, and Boston is fortunate to have wealth of green space. In FY13, the Parks Department will pilot several new initiatives to make green space in the city not just more engaging, but also educational for visitors. Science in the Parks will offer free programs to youth through a partnership between Mass Audubon, the New England Aquarium, and other non-profits. Outside partners will host free outdoor recreation demos of activities such as kayaking, fishing, and rock climbing at Millennium Park, Nira Rock Urban Wild, and Jamaica Pond.

For green thumbs in the city, the Parks Department will explore creating a community orchards program as well as landscape training curriculum for students at Madison Park High. After a successful first year that added 100 new flower containers and over 120,000 bulbs in neighborhoods across the city, Parks will expand the Boston Blooms initiative.

Bike Share Expands to Connect More Places

2011 was a big year for cycling in Boston. The Community Bike Program exceeded its two-year goal of donating over 1,000 bikes to low income residents. The City installed its 50th mile of new bike lane, fittingly on Mass Ave, the spine of the city's roadway bike network. Most notably, 2011 marked the launch of New Balance Hubway bike share, which got off to a hot start with more than 140,000 trips and 3,700 members.

In spring 2012, Hubway will expand into Cambridge, Somerville, and likely Brookline at no cost to the City of Boston. Fundraising efforts are ongoing with the hope of increasing the number of Boston stations. The City also intends to pilot helmet vending stations at a limited number of bike share kiosks to encourage better safety among riders.

Green Living Made Easier for Residents

Environment & Energy will grow the Mayor's successful Renew Boston program, which has already helped over 5,000 residents and 1,000 businesses green their properties with no-cost energy efficiency upgrades while creating green jobs for Boston residents. Working with utility providers and the foundation community, Renew Boston staff will continue its successful community-based, door-to-door approach to informing residents about the program. Goals for 2012 include connecting an additional 5,000 families to Renew Boston's free energy assessments and leveraging 1,200 energy efficient retrofits. Engaging more non-English speaking residents as well as families in triple-deckers will be an added focus this year.

The City will also roll out approximately 4,500 new 64-gallon single-stream recycling carts to bolster the popular Recycle More initiative.

Leading By Example in Sustainability

Funding from the American Recovery and Reinvestment Act allowed the City to create an Energy Management Unit that helped city departments reduce electricity consumption by a combined 12.6 million kilowatt hours at an annual savings of \$1.6 million in FY12. Projects in the

pipeline for FY13 will lead to 9.1 million kilowatt hours or \$1.1 million in estimated savings. The Energy Management Unit will continue to work with city departments to identify energy efficiency opportunities in ongoing projects, develop sustainable design standards for future municipal projects, and explore adopting an energy management system.

Boston Moves for Health

To jumpstart the Mayor's new anti-obesity efforts, BPHC is launching Boston Moves for Health, a multi-pronged initiative to promote healthy living for all of Boston's residents. The Mayor's million-pound weight loss challenge to the city will be a signature aspect of Boston Moves. BPHC will make the challenge a fun and interactive competition for residents, complete with a website and mobile phone app to register and track progress, community-based activities for people of all ages, and nutrition and exercise resources. Other components of the anti-obesity strategy include a Citywide Obesity Prevention Blueprint, mini-grants to help childcare providers implement healthy programming, an expanded Bounty Bucks program to increase access to fresh fruits and vegetables, and the rollout of workplace wellness toolkits to employers throughout the city.

An Engaged City is a Safer City

Reinvigorating Community Policing

Part one crime fell 25% between 2006 and 2011, a period in which Boston police officers also arrested 9,000 fewer people. This marked drop in crime and arrests is due in part to successful community policing efforts that deepen relationships between neighbors and officers on the beat.

The Boston Police Department will build on previous engagement strategies such as Safe Street Teams, Text-a-Tip, and Citizen Police Academies to take community policing to the next level in FY13. The new "Tweet from the Beat" initiative takes advantage of social media tools to connect command staff with the public in order to address neighborhood issues. It will be a key communications tool as BPD aims to carry out 200,000 walking and bicycle beats in 2012.

Responding to a call from the Mayor's 2012 State of the City address, BPD will increase investments to its Neighborhood Watch Unit with the goal of activating 100 new community groups this year. A new Director of Neighborhood Outreach will coordinate all BPD community outreach efforts including better branding and communication around neighborhood crime watches, collaboration with Community Service Officers, and coordination with Safe Street Teams and officers on walking/bicycle beats.

A new class of police recruits, in addition to these enhanced engagement strategies, will help BPD achieve its goal of an additional 10% reduction in crime.

Public Safety Made More Predictable

Mayor Menino has long pushed for city government to anticipate problems before they erupt, and the latest techniques in public service allow this now more than ever. BPD, through the Boston Regional Intelligence Center (BRIC), is partnering with MIT on "predictive policing" strategies that will focus on preventing robbery and burglary in Boston. BPD hopes the model will allow for more effective deployment of resources in order to stop problems before they begin.

A Stronger, More Accessible Fire Department

The Boston Fire Department will train two new classes of firefighters in FY13 to add 100 new firefighters to the force. Organizational improvements, including a comprehensive equipment and uniform review, a new bunker gear inspection and cleaning program, and a new computer aided dispatch system, will build on recent efforts to modernize the department.

Boosting Businesses and Building up Communities

More Efficient Permitting

City's Department of Innovation and Technology will work with Inspectional Services to streamline the permitting process by implementing an electronic plans submission system and other improvements. ISD will also create an express permit track for simple projects, and expand the

availability of permitting process information available through the web. Enhancements to the permitting desk at ISD, including video monitors with key information, will make for a more welcoming experience for constituents.

Supporting Business Development

Capital investments enhance public spaces, but they also help Boston's businesses grow. In Newmarket Square, funds will be used to upgrade signage and repave streets in order to improve the area's appearance and traffic flow. In Downtown Crossing, the City will work with leaders from the Downtown Business Improvement District (BID) to address pavement and lighting issues. Investments here will fund traffic island beautification, new planters, and the development of design guidelines for the BID.

Unlocking the Potential of Dudley Square

Construction is underway on the new headquarters for the Boston Public Schools at the former Ferdinand's site. While the municipal building will be a centerpiece of a revitalized square, the City will also look to make improvements to the Dudley Branch Library and work with private developers to jumpstart projects at parcels such as Bartlett Yard, which is expected to create new residential and retail opportunities.

In nearby Fort Hill, the Parks Department will make upgrades to Highland Park, including fresh landscaping and new benches. The Capital Budget also includes funding to refurbish the historic Fort Hill Tower, a landmark in the community.

A Launching Pad for Entrepreneurship

Momentum in the Innovation District, which has attracted over 100 new companies and 3,000 jobs to the waterfront in just over two years, is poised to grow with the addition of the new Boston Public Innovation Center. Anchored by a partnership between the City, the Seaport Square development team, and leaders in the innovation economy, the 12,000 square foot BPIC will be a hub for entrepreneurs to meet and exchange ideas, to convene programs and events, and to support the local innovation economy.

New Approaches for Tending to the Basics

Collaborating to Clear Congestion

Mayor Menino has convened a group of transportation experts from Northeastern University, MIT, and Tufts to work with the City on the new Congested Corridors Program. Officials from the Transportation Department will partner with the outside experts to devise creative solutions that improve safety and mobility for pedestrians, cyclists, and motorists in Boston. The working group will review traffic flow, turning movements, pedestrian access, loading activities, and street volume in order to develop tailored standards that complement a community's unique commercial and residential makeup.

Streetscape Innovations Fund

The Department of Innovation and Technology, in collaboration with the Mayor's Office of New Urban Mechanics, will invest \$1 million in testing designs, features and materials in Boston's streets and parks. Potential projects include small, temporary "parklets" in neighborhoods, LED street signs, shade structures in parks, and "green" alley implementation. These pilots will be evaluated, and lessons learned will help shape future capital investment by the City.

A Full Plate of Food Policy

The Director of Food Policy will continue to advance the Mayor's food agenda by working to increase access to fresh, affordable, and local food, especially for those at risk of going hungry. Food policy staff will look to expand the successful Parent University Cooking Classes that teach parents of BPS children about preparing meals that are healthy for their families and their budgets.