

Summary Budget

OVERVIEW

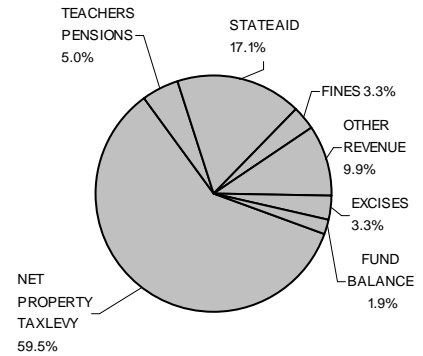
The FY10 Budget, supported by \$2.34 billion in recurring revenue, is lower than the FY09 Budget that is supported by recurring revenues by 1.5%. Included in the total FY10 Budget is approximately \$6.0 million in non-recurring revenue and \$45.0 million in revenue from budgetary fund balance. In total, FY10 budgeted revenues amount to \$2.39 billion, a decrease of \$26.3 million or 1.1% from FY09.

This Summary Budget section lays out the FY10 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends, a review of major externally funded services, and an all-funds budget is also presented.

The declining level of resources is directly attributable to the current global economic recession. The depth and breadth of this recession is as yet unknown as are the effects of trillions of dollars of stimulus funds injected into the U.S. economy.

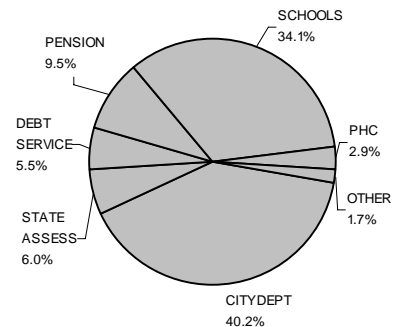
The only substantial increase in the FY10 Budget's recurring revenue is the \$60.4 million projected increase in the net property tax. The FY10 Budget estimate of state aid is \$410.3 million. This figure amounts to an 18.7% decrease in aid for the City. Net state aid, state aid revenues minus state assessments, amounts to \$266.7 million, a decrease of \$94.8 million or 26.2%. Nearly all other local revenue categories are declining as well.

The City is facing large reductions in state aid, its second largest source of revenue, in both FY09 and in FY10. The state grappled with continually shrinking tax revenues in FY09 by reducing expenditures (including local aid), tapping reserves, and using federal economic stimulus or "recovery funds". The Massachusetts Taxpayers Foundation (MTF) estimates that after reducing the FY09 budget by \$2.5 billion since the beginning



FY10 Estimated Revenue

Figure 1



FY10 Estimated Expenditures

Figure 2

of the fiscal year, the state is still facing a \$950 million shortfall.

For the upcoming fiscal year, the state's original revenue estimate for FY10 was likely optimistic as the economy slowed further from the December 2008 estimate date. Estimates are that state revenues will amount to almost \$1 billion less than that original estimate.

**CITY OF BOSTON
BUDGET SUMMARY**

(Dollars in Millions)

	FY07	FY08	FY09	FY10
	Actual	Actual	Budget	Budget
REVENUES				
Property Tax Levy	1,270.78	1,334.59	1,400.01	1,460.65
Overlay Reserve	(46.60)	(39.13)	(35.43)	(35.63)
Excises	80.17	92.27	91.50	79.88
Fines	67.36	67.72	75.40	77.68
Interest on Investments	43.47	39.51	18.50	12.75
Payments In Lieu of Taxes	32.36	31.42	32.50	34.00
Urban Redevelopment Chapter 121A	63.85	64.54	64.10	65.84
Misc. Department Revenue	53.57	59.54	59.24	57.02
Licenses and Permits	41.43	47.58	40.59	36.07
Penalties & Interest	8.71	8.52	8.52	8.31
Available Funds	3.22	12.14	14.19	17.08
State Aid	483.04	493.33	504.60	410.33
Teachers Pension Reimbursement	93.33	105.42	105.42	118.84
Total Recurring Revenue	2,194.70	2,317.44	2,379.12	2,342.81
Budgetary Fund Balance	7.50	20.00	35.00	45.00
Non-Recurring Revenue	0.00	5.67	6.00	5.98
Total Revenues	2,202.20	2,343.11	2,420.12	2,393.79
EXPENDITURES				
City Departments	936.71	979.01	988.97	962.36
Public Health Commission	63.80	68.19	69.45	70.00
School Department	747.46	795.49	833.30	817.12
Reserve for Collective Bargaining	10.00	11.83	16.86	16.86
Other Postemployment Benefits	0.00	20.00	25.00	20.00
Total Appropriations	1,757.97	1,874.52	1,933.57	1,886.35
Pensions	192.93	202.91	213.23	227.92
Debt Service	109.62	115.92	125.86	131.55
State Assessments	119.85	128.28	143.12	143.63
Suffolk County Sheriff Reserve	4.39	4.52	4.34	4.34
Reserve	2.23	1.12	0.00	0.00
Total Fixed Costs	429.02	452.74	486.55	507.44
Total Expenditures	2,186.99	2,327.26	2,420.12	2,393.79
Surplus (Deficit)	15.21	15.85	0.00	0.00

Numbers may not add due to rounding

State reserves and federal stimulus have been employed to close the FY09 state budget gap. Nearly all of the state's \$2.1 billion stabilization fund has already been used in FY09.

The FY10 state budget is estimated to start with a structural budget gap of more than \$5 billion.

Both the Mayor and the Governor separately proposed new local revenue sources to help with state aid reductions and increasing local costs. The legislature responded by approving new local option taxes and increases to existing taxes. Subsequent to the passage of the City's FY10 budget, these taxes were approved by the Governor and locally adopted by the City. See the *Revenue Estimates and Analysis* chapter of this volume for more detail.

This revenue situation provides the basis for planning FY10 appropriations and fixed costs to maintain a balanced budget. Selected FY10 budgeted City revenues compare with FY09 budgeted revenues as follows: the net property tax levy increases \$60.4 million or 4.4%; excises decrease \$11.6 million or 12.7%; fines increase \$2.3 million or 3.0%; interest on investments decreases by \$5.8 million or 31.1%; payments-in-lieu-of-taxes increase \$1.5 million or 4.6%; Chapter 121A revenues increase \$1.7 million or 2.7%, miscellaneous department revenues decrease by \$2.2 million or 3.7%; licenses and permits decrease by \$4.5 million or 11.1%; and state aid decreases \$94.3 million or 18.7%.

On the expenditure side of the budget, total departmental appropriations decreased by \$47.2 million or 2.4% and fixed costs increase by \$20.9 million or 4.3%. Selected FY10 budgeted appropriations compare with FY09 budgeted appropriations as follows: City departments decreased \$26.6 million or 2.7%, the Boston Public Health Commission increases by \$5.5 million or .8%, and the School Department decreases \$16.2 million or 1.9%. FY10 budgeted fixed costs compare with FY09 budgeted fixed costs as follows: pensions increase \$14.7 million or 6.9%, debt service increases \$5.7 million or 4.5%, state assessments increase \$.5 million or .4% and Suffolk County Sheriff is level funded.

Please note that the "Other" category on the FY10 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the Suffolk County Sheriff, collective bargaining

reserve and other post-employment benefits (OPEB).

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. The appropriation for the City's County Pensions and Annuities expenses is included in the City Departments appropriation.

REVENUE

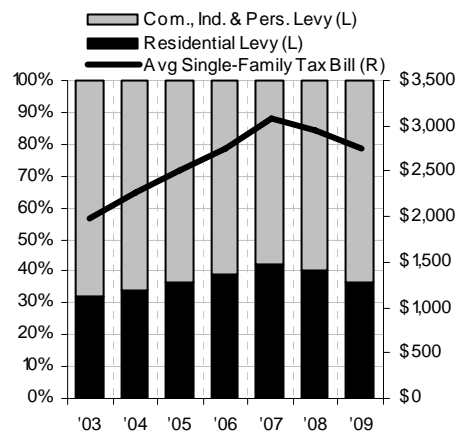
The FY10 Budget is balanced on the following revenue projections:

Property Tax Levy

The gross property tax levy has been the City's most dependable source of revenue growth during the past twenty-four years. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City revenue and will continue to do so for the immediate future.

In each year since FY85, the City has increased its levy by the allowable 2.5% under Proposition 2 1/2. During these same years, the levy has also been positively impacted by taxable new value that is excluded from the levy limit. Taxable new value is expected to be approximately \$25.0 million in FY10. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 16 of the last 25 years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY99 through FY09



Boston Property Tax Trends
FY03 - FY09

Figure 3

of \$56.1 million or 5.0%, and a projected increase in FY10 of \$60.6 million or 4.3%. The gross property tax levy surpassed \$1 billion in FY03, currently stands at \$1,400.0 million in FY09, and is estimated at \$1,460.7 million in FY10.

Although the average single-family tax bill decreased by 6.3% in FY09 it has still increased 58.7% between FY02 and FY09, and the percentage of the total tax levy being borne by residents versus businesses increased from 30% to 36% during the same period (Figure 3).

Property values in Boston have continued to rise even during the recent tough years. During FY07, the City conducted its ninth parcel-specific revaluation that established values as of January 1, 2006 at \$86.5 billion, an increase of 15.8% over the prior year's market-indexed valuation of \$74.7 billion. (Figure 4). In the FY08 market-indexed valuation as of January 1, 2007, values grew by \$3.6 billion, or 4.2%, to \$90.1 billion. In the FY09 market-indexed valuation as of January 1, 2008, values grew by only \$0.3 billion, or 0.4%, to \$90.4 billion.

A detailed discussion of the property tax levy is provided in the *Revenue Estimates and Analysis* chapter of this volume.

STATE AID

A detailed discussion of state aid is provided in the *Revenue Estimates and Analysis* chapter of this volume. Below is a brief summary.

The City has chosen to estimate state aid as it is in the Senate budget which is the most recent version of the state budget. On this basis, the City expects to receive an 18.7% reduction in aid revenues. Net state aid, defined as state aid revenues decreased by the MBTA, charter school tuition, and other assessments, is expected to decrease substantially for FY10 at a rate of 26.2%.

In January 2009, the Governor, acting on powers requested from and granted by the Legislature, reduced local aid to cities and towns. Boston received reductions in both Lottery and Additional Assistance revenues totaling \$22.9 million. In addition, the Governor combined general government local aid from lottery and additional assistance into one account called "Unrestricted

General Government Aid". The Senate budget also took up this change.

The primary sources of local aid from the state to municipalities are education aid, lottery aid and additional assistance (the latter two are now combined). Aid for other relatively smaller programs such as libraries and reimbursements are also distributed.

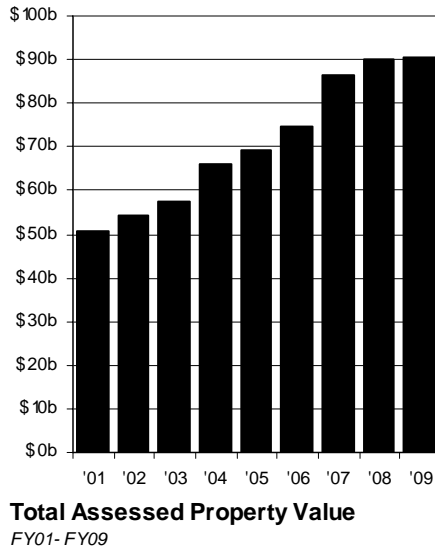


Figure 4

Education Aid

The City received Chapter 70 education aid totaling \$210.5 million in FY07, \$215.8 million in FY08, and has budgeted \$221.4 million for FY09. FY09 funds were actually reduced by \$23.3 million for the fourth quarter but, the state used Federal American Recovery and Reinvestment Act (ARRA) funds to award grants to municipalities to offset the general fund revenue reduction. Boston received a \$23.3 million grant which was accounted for as special revenue as required by the Commonwealth. The City estimates it will receive a reduction from the FY09 general fund budgeted amount to \$217.0 million in FY10.

FY00 was the last year of the statutorily established funding schedule for education reform designed in FY93. Increases in education aid in fiscal years since have been less reliable. In FY07, the legislature enacted changes to the Chapter 70 education aid formula. These changes weighted a municipality's median income more heavily versus

property values than in the past. By most accounts this was an improvement to the existing formula. FY08 and FY09 education aid continued these changes with slight modifications.

Current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly-funded schools administered independently from local school committee and teacher union rules and regulations. Their charters are granted by the State Board of Education.

There are currently more than twenty Commonwealth charter schools and Horace Mann charter schools open to Boston resident students. There are approximately 5,025 Boston resident students attending Commonwealth charter schools in FY09 and the City expects that number to rise to approximately 5,264 in FY10.

The Commonwealth, subject to appropriation, is required to pay to the City a reimbursement for the cost of charter school tuition. The reimbursement is 100% of the increase in total tuition for charter schools each year, followed by 60% of the total increase in tuition of the prior year and 40% of the total increase in tuition from the year prior to that. After three years of reimbursement at 100%, 60%, and 40%, a year's specific increase in total tuition is no longer reimbursed.

The net cost to the City for charter schools (which now includes a reimbursement for capital facilities as well as tuition) was \$38.8 million and \$41.6 million in FY07 and FY08, respectively. The City has budgeted a \$47.1 million net cost in FY09. In FY10 the City has budgeted a \$51.7 million net cost.

Unrestricted General Government Aid

For the FY10 budget, and presumably going forward, the Governor and the Legislature have combined general government aid from Lottery and Additional Assistance into one account. The combined accounts were reduced by \$51.1 million for FY10 on top of a reduction in the current fiscal year of \$22.9 million for a total reduction in both accounts of \$74.0 million or 31.4% of the total. The City expects to receive \$161.8 million in FY10 from this account based on the Senate budget.

Below are explanations of the component revenues.

Lottery Aid

The expected amount of lottery revenue available to be distributed to cities and towns as local aid has been in excess of the actual amount available for the past several years. This is due in part to slowing lottery sales and optimistic estimates by budget writers. The difference has been made up with general state revenues. In his FY09 budget, the Governor filled this gap with projected revenue from the sale of casino licenses not yet approved by the legislature. The House later voted the casino measure down and the revenue disappeared. Subsequently, the House and Senate budgets covered the gap with general state revenues.

For several years during and after the 2001-2002 recession the state diverted lottery proceeds meant for cities and towns to the state's general fund. The City received \$53.9 million in FY04 and FY05 and \$60.5 million in FY06 as the state continued to divert growth in lottery receipts away from cities and towns. In FY07, the cap on lottery was fully eliminated instead of a planned annual phase-out that would end in FY09. This increased the City's FY07 lottery aid to \$70.6 million. The City received \$71.6 million in lottery aid in FY08 and expects \$64.6 million in FY09 after the mid-year reduction although \$71.6 million was budgeted. As mentioned above, the FY10 Senate budget combined Lottery Aid with Additional Assistance into a new account entitled Unrestricted General Government Aid.

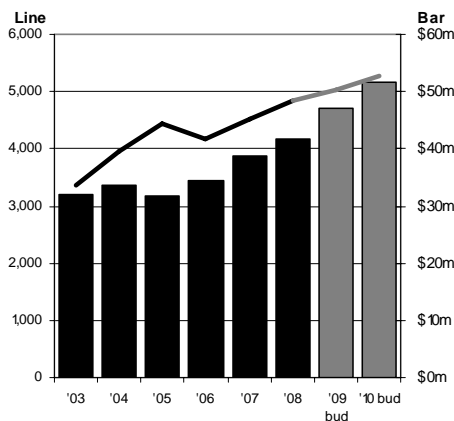
Additional Assistance

Additional Assistance had been level funded since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the governor vetoed \$31 million from the statewide appropriation and the legislature failed to override that veto. Subsequently, the governor reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, those reductions, as a proportion of all local aid reductions, fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year and \$164.2 million in FY04 after a further reduction. The City received additional assistance

in FY05, FY06, FY07 and FY08 level with FY04 amounts. Although \$164.2 million was budgeted in FY09, the City expects to receive \$148.2 million after a mid-year reduction by the state.

The Additional Assistance account was part of a “needs-based” aid package in the 1980’s. Dollars of aid by community were determined through a formula that compared costs and revenues to



**Charter Schools
Boston Enrollment and Net Cost
FY03- FY10**

Figure 5

statewide averages. Additional Assistance has been important to Boston in supporting schools, public safety, and other basic city services.

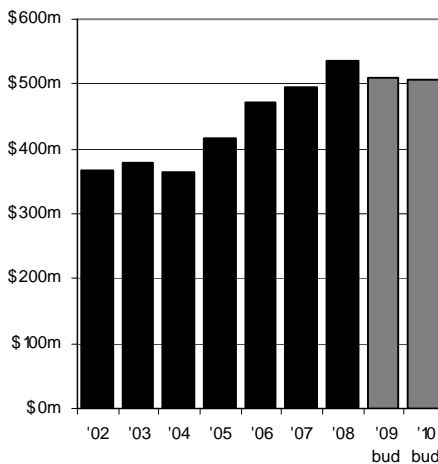
As mentioned above, the FY10 Senate budget combined Additional Assistance with Lottery Aid into a new account entitled Unrestricted General Government Aid.

LOCAL RECEIPTS

Approximately 20% of the City’s recurring revenue is comprised of excise taxes, fines, payments-in-lieu-of-taxes, investment income, departmental revenue, licenses and permits, penalties and interest, available funds and Teacher’s Pension reimbursement.

Many of these revenue streams are extremely sensitive to current economic conditions. Excise, interest on investments, and license and permit revenues of the City that had fully recovered from their recessionary lows in FY03 and FY04 are again declining sharply.

In FY06 the City collected \$465.6 million from these combined sources and \$487.5 million in FY07. In FY08 the City collected \$528.7 million and the FY09 Budget assumed a decline to \$509.9 million. The FY10 Budget assumes further decline



**Local Receipts
(non-property tax/state aid)
FY02 - FY10 (adj. for Actual base hotel collections)**

Figure 6

to \$507.5 million (Figure 6). (See *Revenue Estimates & Analysis* section of Volume I for more detail on this revenue source.)

Motor vehicles sales have stalled nationally with major U.S. automakers on the brink of bankruptcy, reporting monthly sales declines of 50% or more. With rising unemployment and a weak housing market adding to pressure on auto sales, the City expects motor vehicle excise growth to slow considerably over the coming years.

Hotel and Jet Fuel excises started their recovery from the 2001 recession around the Democratic National Convention in the summer of 2004 (FY05). Hotel occupancy also increased due to strong bookings at the City’s convention center. The weak dollar also had the unexpected benefit of increasing bookings by foreign travelers and Jet Fuel excise has increased substantially in recent fiscal years due to high fuel prices. But the current economic climate is expected to reduce business, leisure and international travel causing revenues from these two sources to fall significantly in FY10 and lose much of the gains from recent years.

The FY10 increase in parking fine and meter revenue is due to a full year of increases in fine rates and added enforcement, as well as increases in parking meter revenue from proposed re-metering of previously metered spaces and other fee increases.

Parking fine revenues have been steady since fine increases in FY04 but lagged moderately in FY07 due to redeployment of Parking Enforcement

Officers during the temporary closing of the Ted Williams tunnel. As mentioned above, there is expected to be an increase in fine revenue from proposed rate and enforcement increases.

With decreasing Federal Funds rates, the City's investment earnings are trending down even as cash balances have strengthened in recent years. FY09 and FY10 earnings are expected to drop precipitously.

License and permit revenues, as a result of building permits, have continued to grow in recent years due to strong residential and commercial development in the City. Residential and commercial activity have slowed considerably in the current market as housing prices decline and credit for large commercial projects has become scarce.

The remaining sources of other revenue to the City are based on payment-in-lieu-of-tax agreements with non-profit institutions (for example, the Massachusetts Port Authority renegotiated their agreement for FY06 through FY15), contracts with urban redevelopment corporations, or set rates of fees, fines, penalties or interest. These usually endure economic changes with small changes in activity or revenue.

Non-Recurring Revenue

The City appropriates funds from the Surplus Property Disposition Fund on an as-needed basis for non-recurring expenditures.

In FY10, the City will appropriate approximately \$6.0 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and \$5.0 million for the Mayor's "Leading the Way" affordable housing program.

Budgetary Fund Balance

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 and is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts

Department of Revenue. The FY10 Budget assumes the use of \$45 million of budgetary fund balance. Of that amount, \$25 million will be used to support ongoing operations and \$20 million will be allocated to funding other post employment benefits (OPEB).

(See *Financial Management* section of Volume I for more detail on this revenue source.)

EXPENDITURES

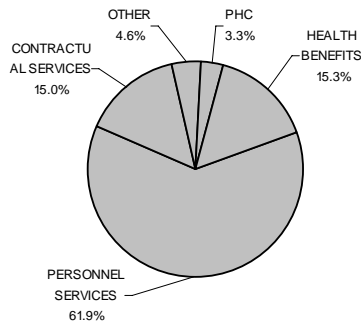
Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY10 appropriations are subdivided further as follows:

City Departments, which includes all operating department appropriations, a risk retention reserve and a set-aside for tax title and annual audit expenses;

Boston Public Health Commission (PHC), the City appropriation for the quasi-independent authority and successor to the Department of Health and Hospitals;

School Department, the City appropriation for the Boston Public Schools (BPS);

Appropriations are also presented by expenditure category across the three subgroups. (Figure 7)



FY10 Appropriations by Category

Figure 7

Personnel Services include salaries, overtime, Medicare, unemployment compensation and workers' compensation for employees in City departments and BPS. It is important to note that the International Association of Firefighters, Local 718, collective bargaining agreement that expired at the end of FY06 is currently the subject of arbitration and also that two BPS union contracts settled subsequent to adoption of the FY10 budget. A collective bargaining reserve has been included to fund the impact of expected FY07-FY09 wage increases related to those contracts. Consistent with the City's desire to negotiate a wage delay for FY10, the collective bargaining reserve does not

include any wage increase provisions for FY10. The Health Benefits appropriation provides coverage for City and BPS employees and retirees as well as PHC employees.

The Contractual Services category includes expenditures for communications, repairs and service of buildings, equipment and vehicles, transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses.

PHC is the City's appropriation to the Public Health Commission as noted above.

Included in the Other category are supplies & materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in Other are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and the City's outside audit.

EMPLOYEE BENEFITS

Health Related Employee Benefits

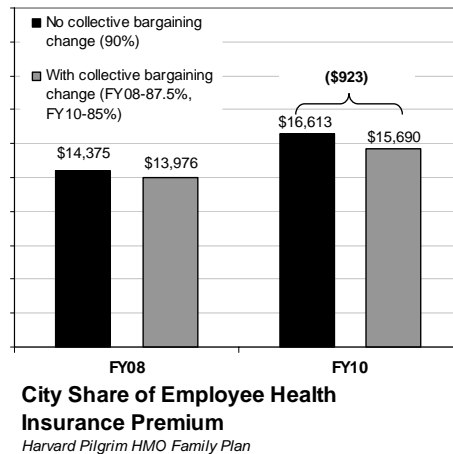
The City provides health, dental and life insurance for its employees. The table below shows the three operating budget appropriations funding these benefits, for general fund employees and retirees of City departments, BPS, and the Public Health Commission (PHC). Of the FY10 total, approximately \$99 Million is for pay-as-you-go costs for retiree health benefits.

Health, Dental & Life		
Department	FY09*	FY10*
City	\$ 186.48	\$ 196.08
School	\$ 77.85	\$ 79.84
PHC	\$ 7.24	\$ 8.90
Total	\$ 271.57	\$ 284.82
(\$millions) *Appropriations		

Historical expenditures for the largest portion of these benefits, health insurance, is shown in the next table. These include costs for all employees (operating and grant funded) and retirees of City departments, BPS, and the PHC. Total FY10

health insurance costs are projected to increase by approximately \$11.49 million, or 4.1% in FY10.

Several factors contributed to containing the overall growth in FY10 to 4.1%. First, premium increases were controlled, at an average 8% for HMO's and 2.4% for Indemnity plans. Second, enrollment in Master Medical, a costly indemnity product, continues to decrease, largely through the introduction of a lower cost comparable plan, Blue Care Elect. Many subscribers have chosen to switch to the lower cost plan; some were required to switch due to collective bargaining agreements.



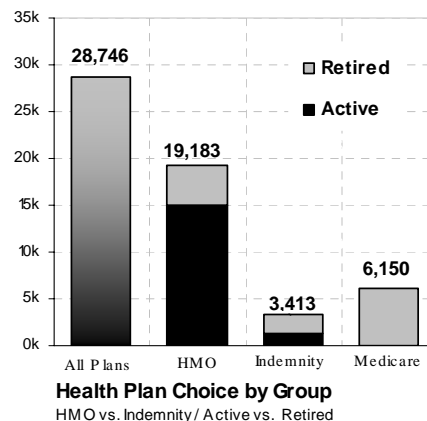
Health Insurance				
Fiscal Year	Total Cost	Dollar Change	Percent Change	
FY05	\$ 198.19			
FY06	\$ 220.04	\$ 21.85	11.0%	
FY07	\$ 246.44	\$ 26.40	12.0%	
FY08	\$ 266.61	\$ 20.17	8.2%	
FY09*	\$ 278.37	\$ 11.76	4.4%	
FY10*	\$ 289.86	\$ 11.49	4.1%	

(\$Millions) Includes grant-funded positions.
* Budget estimate

bargaining agreements include this contribution change, the City will instead pay \$15,690 per year (beginning September, 2009) – a savings of \$923. The City estimates that total savings from both employee contribution changes and the reduction of enrollment in Master Medical, will exceed \$9.6 million in FY10.

The chart below shows a breakdown of employee participation in the City's health plans as of January, 2009. The first column shows the total 28,746 City subscribers; the second and third columns show HMO and Indemnity plan participation as well as the breakdown between active employees and retiree subscribers. The fourth column shows retiree subscribers enrolled in Medicare plans. One important trend over time has been the dramatic decrease in enrollment in the City's indemnity products, as both active employees and retirees have opted for less expensive managed-care plans. Over the past five years, participation has decreased by more than 21% in all indemnity plans.

Lastly, the overall cost increase will be controlled as negotiated changes in contribution rates continue to take effect in FY10. For most employees, contributions to HMO plans will rise to 15% in FY10, after gradually increasing from the pre-FY08 level of 10%. The chart below demonstrates the impact of this contribution change on City HMO costs. At the previous employer contribution rate of 90%, the City would have paid \$16,613 annually in FY10 for every employee enrolled in the Harvard Family HMO plan. For most employees, whose



Other Post Employment Benefits (OPEB)

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for the cost of retiree healthcare and life insurance. Similar to pensions, employees earn these “non-pension,” other post employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. The City currently pays for these benefits as the actual expense is paid out (pay-as-you-go basis), which greatly understates the full obligation taxpayers have incurred because it does not include any benefits to be paid in the future. In FY08, the City was required to implement new standards for financial statements established by the Governmental Accounting Standards Board (GASB), disclosing the full cost associated with these OPEB benefits for the first time.

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 \$20 million in FY10 toward reducing this liability. Appropriations of \$20 million and \$25 million were made in FY08 and FY09, respectively. These appropriations are simply “acknowledgement payments” as they only partially fund 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.

Pensions

The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System (SBRS). SBRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The City of Boston, including its teachers, constitutes approximately 85% of the payroll of the SBRS employee membership. The City is committed to funding based upon a schedule

approved by the SBRS and the state actuary, which includes paying the normal cost and an annual contribution toward reducing the unfunded liability to zero by the year 2023.

Post-Employment Benefits
as of January 1, 2008
(\$ in billions)

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
Pension	\$4.5	\$6.6	\$2.1	67.6%
OPEB	---	\$3.1	\$3.1	0.0%

The City’s annual pension funding requirement was \$192.9 million in FY07, \$202.9 million in FY08, \$213.2 million in FY09 and will be \$227.9 million in FY10. These figures do not include pension costs allocated to the budgets of the Suffolk County Sheriff’s Department or the Public Health Commission. After a significant jump in the City’s annual pension funding cost in FY06, the growth in pension cost has subsequently moderated. As of 1/1/08, during the prior two calendar years, the SBRS actuarial value of assets increased by 16.2% as the SBRS pension liability increased by 10.7%. As of 1/1/08 the SBRS pension liability was 67.6% funded, as compared to the 64.4% two years ago. The SBRS rates of return, as calculated for the statewide annual report, for the prior two years (calendar 2006 and calendar 2007) were 15.1% and 10.4%.

In calendar year 2008 pension investment return was a negative 24.2% in asset value, similar to decreases experienced by other Massachusetts public pension systems. Normally, the next valuation, as of January 1, 2010, would reflect the 2008 and 2009 investment results, and this in turn would typically not impact the City budget until FY12. The large 2008 loss, absent a 2009 offsetting market rally, will impact budgets for years after FY12, since investment gains and losses are typically spread over five years. The budgetary impact could be especially acute, given there is only at that point (FY12) a dozen years left in the thirty-five year schedule for amortizing the unfunded liability, which constitutes about three-quarters of the pension appropriation. Since this is a potential major challenge for many

municipalities and the state, policy options and legislative changes for the Massachusetts public pension system are being actively discussed.

APPROPRIATIONS

City Departments

The combined appropriations for City Departments as shown in the FY10 Summary Budget have decreased by 2.7% from the FY09 appropriations. Approximately 73% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits.

With additional State Aid revenue reductions identified in the Senate version of the Commonwealth of Massachusetts’ legislative state budget, the City was forced to reduce its budget by \$31.3 Million from the budget originally submitted to the Boston City Council in April 2009. Reductions were made in both personnel and non-personnel accounts for nearly all departments. The reduced departmental appropriations are shown in the Appropriation by Cabinet table.

The City’s administration actively negotiated with all of its collective bargaining units or unions to delay scheduled FY10 wage increases and ultimately save jobs and preserve core services. It is important to note that based on the union membership in each department, the status of wage delay agreements as well as the number of positions originally scheduled for layoff that were ultimately restored, each department’s appropriation has been impacted differently and percentage decreases among the departments will vary.

These departmental appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 10)

Some of the highlights of FY09/FY10 changes by cabinet are as follows:

Mayor’s Office

This cabinet will see a decrease of 7.4% in FY10. The most significant decrease of 10.5% is in the Public Information Department. While there are no planned layoffs in Public Information, a vacant position in the Press Office has been eliminated and phone call volumes and work orders at the

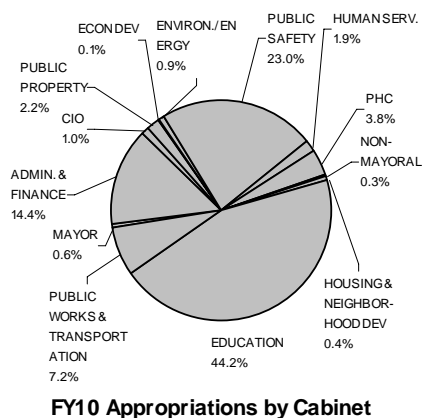


Figure 10

Mayor’s 24-Hour Service will be managed within budgeted staff resources. Public Information will continue to partner with the Management and Information Services (MIS) department and front line service delivery departments to manage the Constituent Relationship Management (CRM) system dispatching work to the responsible city departments, and tracking the final resolution. The costs related to CRM technology are budgeted in the MIS department.

The Mayor’s Office will decrease by 7.7%. This reduction was achieved by eliminating two vacant positions and by accounting for voluntary salary reductions taken by the Mayor, his Cabinet and other members of his staff.

The Mayor’s Office of Neighborhood Services (ONS) will continue to coordinate cross-departmental public/private strategies that will focus on keeping the City clean. As part of that strategy, “Boston Shines” kicks off its seventh year with a massive two-day spring cleanup and will continue working to educate Bostonians about keeping their city clean all year long. ONS is also an active government participant in the B-SMART, (Boston Strategic Multi-Agency Response Teams), program which is led by the Human Service Cabinet.

Administration and Finance

The Administration and Finance Cabinet administers to the day-to-day management of the government of the City. Excluding the City’s appropriations for Health Insurance and tax title, the consolidated cabinet will see a net decrease of 3.7% in its FY10 appropriation.

The Graphic Arts department will see the most significant reduction in the cabinet at 20.3% with printing and binding staff being laid off. The Purchasing department will transfer two positions consolidating the copy center with the administration program of the Graphic Arts department. With evolving printing technology and the increased use of desktop publishing more graphic arts work is moving from traditional printing to copy center work.

The Office of Budget Management (OBM) manages the City's operating and capital budget development and resource planning processes as well as the Boston about Results (BAR) performance management program with the Office of Administration and Finance. Given OBM's management of a revenue generating contract related to municipal Medicaid reimbursement, OBM will see a 2.3% increase in its FY10 appropriation. This increase relates to expanded efforts at the school department to increase parental consent to maximize reimbursement. Additionally, the City of Boston was very fortunate that the new Obama Presidential Administration decided to eliminate proposed new regulations, developed under a prior administration, which would have changed administrative claiming rules for Municipal Medicaid reimbursement reducing the City's revenue.

The Auditing Department is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports and maintaining the financial records of the City. Auditing will see a 6.2% reduction in its FY10 appropriation by delaying the filling of vacant positions.

The Health Insurance appropriation will increase by 5.1% over the FY09 appropriation, requiring an additional \$9.6 million. The Health Insurance appropriation also includes the cost of dental and vision coverage for employees (non- BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Office of Human Resources (OHR), while seeing a strategic reduction in new hiring, will continue to operate the Career Center to streamline the hiring processes to recruit a superior workforce for the positions that will need

to be filled. OHR will see a 3.7% reduction in its FY10 appropriation. This was achieved in part by reducing the number of undergraduate and graduate students for the Boston Urban Mechanics Program (BUMP) in FY10.

The Library department will see a 4.9% decrease even with the FY09 opening of two new branch libraries in Mattapan and the Grove Hall section of Dorchester. These two new facilities are an integral part of the City's focus on Community Learning. The Library department achieved a budget reduction by consolidating the Kirstein business library at the Copley branch library, reorganizing staffing complements and the realization of efficiencies achieved through technology and changes in demand for library services.

The Cabinet also includes central appropriations for Medicare Payments, Pensions & Annuities, Executions of Courts, Unemployment Compensation and the Workers Compensation Fund.

Chief Information Officer

The CIO is responsible for the Management and Information Services (MIS) department. Despite a reduction of 4%, the FY10 MIS budget will maintain the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. In FY10 MIS will continue to shape the City's Information Technology (IT) strategy and to manage the City's entire technology project portfolio including ongoing projects such as enterprise-wide permitting and licensing, the Constituent Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS), imaging and workflow and the identity and access management project. In FY10 technology investments will be maintained in public safety and to support the Community Learning Initiative involving the Boston Public Schools, Boston Public Library and the Boston Centers for Youth and Family.

Public Safety

The 4.9% decrease in this cabinet is related to scheduled layoffs of both uniformed and civilian

employees, the cancellation of two fire recruit classes and one police recruit class in FY09 and no new recruit classes budgeted in Police and Fire to replace sworn staff that are anticipated to retire during FY10. New external resources provided as part of the American Recovery and Reinvestment Act (ARRA) to retain sworn police officers scheduled for layoff have lessened the impact of the decrease in the general fund appropriation.

The Police Department's appropriation will decrease by approximately \$14 million or 4.9%. The Commonwealth of Massachusetts made a decision to reduce its 50% reimbursement to cities and towns for the education incentive program for sworn police officers (known as "the Quinn Bill"). This decision results in a reduction in education incentive payments made to police officers from the Police Department's budget; the total expense reduction is estimated at \$6.9 million. The City will continue to pay its 50% share of the Quinn Bill educational bonuses.

In addition to the impacts of the Quinn Bill decision, the budget reduction was achieved by the elimination of the department's mounted unit and the layoff of civilian staff whose primary duties were to take care of the unit's horses. The sworn staff of the mounted unit will be redeployed into other areas of the department's operations. With no new police recruit classes scheduled in FY10, the department has decided to layoff the civilian police cadets who have completed their two years of service requirement to be eligible to be placed in a future recruit class.

In light of these general fund reductions, the Police Department is fortunate to be receiving \$3.9 million from the American Recovery and Reinvestment Act (ARRA) for a Byrne-Justice Assistance grant to retain approximately 50 sworn police officers who were scheduled to be laid off during FY10. Additionally, the City was successful in securing a competitive ARRA Community Oriented Policing Services (COPS) hiring grant totaling more than \$11.8 Million over 3 years to retain 50 police officers who were scheduled to be laid off in October 2009.

The Police Department will continue to deploy Safe Street Teams to engage Boston Police officers in community problem-oriented policing violent 14 crime hot spot areas. Safe Street Team officers are assigned to these areas for a sustained period

of time; this allows them to get to know local residents and business owners and form effective working partnerships to prevent and respond to crime and disorder. The Police Department is also an active participant in the B-SMART, (Boston Strategic Multi-Agency Response Teams), program which is led by the Human Service Cabinet.

The FY10 budget for the Fire Department will decrease by approximately \$7.8 million or 4.9%. The union representing the uniformed members of the Fire Department, International Association of Firefighters, Local 718, is currently participating in an arbitration process with the City of Boston to settle a successor contract to the agreement that expired at the end of FY06. As a result, the department budget does not include the cumulative impact of possible wage increases for the FY07-FY09 time frame nor does it include any wage increases for FY10.

The FY10 Fire Department budget does include safety equipment such as bunker gear, thermal imaging cameras and other rescue equipment and increased resources for apparatus repairs. Improvements for fleet maintenance operations include the hiring of a professional fleet manager and new staff with expertise in vehicle repair. The department will also consolidate fire districts in an effort to streamline the management of fire suppression.

Economic Development

The Small and Local Business Enterprise Office (S/LBE) is responsible for ensuring the equitable participation of small and local businesses, as well as minority and women businesses, in the City's contracting arena. S/LBE is responsible for educating City departments regarding the requirements set forth in an ordinance to establish the City of Boston's Minority and Women Business Enterprise Initiative signed by the Mayor in the summer of 2008. The Office of Boston Residents Jobs Policy's mission is to increase construction opportunities for Boston's residents, minorities and women. Together, the Small and Local Business Enterprise and Boston Residents Jobs Policy offices have achieved a 7% reduction with the elimination of a vacant position.

The City's commitment to centralizing planning for the City of Boston within the Boston Redevelopment Authority will continue to be fully

funded within the existing BRA revenue structure in FY10.

Public Property

The Public Property Cabinet will see a 7.5% decrease in FY10. The Property and Construction Management Department will see a 9.1% decrease in FY10 with the elimination of several vacant positions, utility savings related to a lighting control project at Boston City Hall and equipment replacement deferrals. Property and Construction Management is responsible for all major renovations to City buildings and is leading the effort to consolidate the storage needs of the City Archives and the Boston Public Library at the Rivermoor building.

The Department of Voter Mobilization will see a 3.1% reduction in FY10. The department's budget varies year-to-year based on the number and type of elections scheduled to take place. In FY10 a municipal election is scheduled and the department bears all of the costs associated with printing the ballots for every registered voter. The department will continue to canvass all of Boston's neighborhoods during the annual listing to have a full and complete list of Boston residents over the age of 17 to provide to the State's Jury Commission. Expanded outreach to non-English speakers has been prioritized.

The Parks and Recreation Department budget will decrease by 6.3% in FY10. The Parks Department will reduce its subsidy to the Spectacle Island non-profit manager and limit tree pruning to emergency situations.

Public Works & Transportation

The administrative, financial, technological, and public information resources in both the Public Works and Transportation are consolidated in the Office of the Chief of Public Works and Transportation. Work continues on the effort to eliminate functional overlaps in the two departments. There will be a strengthened effort to identify efficiencies and improve service delivery with an expansion of technology. Individual budgets in this cabinet include Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for snow removal. The Snow Removal budget is established using a multi-year annual cost

averaging methodology. Excluding the budget for Snow Removal, the Cabinet reflects a decrease of 6%.

The Public Works Department's FY10 appropriation is seeing a decrease of 6.4%. Public Works took a proactive approach to its contracted services for waste removal, street sweeping and street light maintenance. The department received favorable bids for waste disposal in four public works districts that is less than FY09 contracted rates and achieved a zero percent inflationary increase for the other districts. In addition, the department considered providing night street sweeping services in-house and moved up its contract bid dates in order to evaluate the cost/benefit of the proposal. With favorable bids that were three percent less than FY09 rates, it was decided to continue to provide the service using outside contractors. Public Works also negotiated a reduction in the number of contractor crews providing street light maintenance and a zero percent inflationary increase in the rates.

In FY10 Public Works will expand its Single Stream Recycling pilot citywide. This expansion will increase the diversion of approximately 10,000 tons of trash resulting in a projected savings of at least \$235,000.

In FY10, the Transportation Department will see a decrease of 3.4%. This reduction was achieved with savings related to the wage delay, savings associated with the processing of a lower number of parking tickets projected for FY10 than were budgeted in FY09 and savings related to lower unit prices for auto energy supplies. Transportation's lease purchase budget will increase in FY10 as the department purchased 9,500 single space parking meters and 63 multi-space parking meters in FY09. In FY09 the Transportation department replaced the 6,400 single space parking meters originally purchased in 1996 with new meters and installed an additional 600 single space meters to improve parking meter operability specifically and parking management generally. Now the department will move to expand parking management services and meter areas that have had meters removed due to construction projects such as the Big Dig and expand into areas that have not been metered. Building on the success of the Newbury Street multi-space meter program, the Transportation

Department installed 63 new multi-space meters in the Back Bay during FY09. These combined efforts will increase short-term parking availability in the city.

The department plans to maintain the number of enforcement officers to enforce current regulations, improve traffic flow and allow for enforcement on streets posted for non-parking during scheduled street sweeping operations.

Environment and Energy

The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 2.1% decrease in FY10. The Environment and Energy Cabinet focuses on energy policy including renewable energy, green buildings, and electricity deregulation in addition to enforcing the City's building, housing and environmental regulations. The collective efforts are generally referred to as the City's municipal sustainability program.

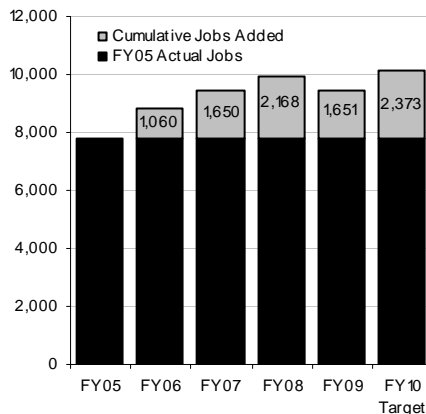
The Inspectional Services Department (ISD) will see a decrease of 1.8%. ISD was the first City department to begin to move their business processes to a new Automated Permitting and Inspection System (APIS) being implemented by the Management Information Services (MIS) Department. The goal of the enterprise permitting and licensing system is to move all City permitting to a central system to provide a consistent level of service and data across all city departments. The ISD buildings unit will be the next functional area to migrate to the APIS system.

The Environment Department will achieve a 6% reduction in its FY10 appropriation primarily through the shift of a position onto available external funding. The Environment Department will continue to fund the Mayor's commitment to the Boston Groundwater Trust for the monitoring of groundwater in areas of the City where low groundwater levels put Boston's historic buildings at risk of being structurally compromised.

Human Services

Overall, the FY10 appropriation for the Human Services Cabinet shows a decrease of 2.3% from the total FY09 appropriation. The Human Services Cabinet will continue its leadership role in the B-SMART, (Boston Strategic Multi-Agency Response Teams) initiative that aims to reduce

crime and build community capacity by targeting hot spot crime areas through a collaborative



Summer Jobs for City Youth
FY05 - FY10

Figure 11

government and community partnership. Government partners in the B-SMART program include Boston Centers for Youth & Families (BCYF), the Boston Police Department and the Mayor's Office of Neighborhood Services.

The BCYF budget will decrease by 2.4% in FY10 with a reorganization plan that will phase in the elimination of a layer of middle management positions. The provision of child care and after school programming will also be reworked to make the financing of the programs more standard and sustainable across the City. BCYF will continue to partner with the Family Nurturing Center and the Boston Housing Authority in FY10 to support the Smart from the Start initiative; a public-private collaboration to create, expand and strengthen neighborhood-based systems and programming that prepare Boston's lowest income children and their families for a successful academic experience at school. Smart from the Start programs exist in the three neighborhoods of Charlestown, Mattapan and Roslindale where BCYF centers are located adjacent to Boston Housing Authority developments. In the first year of the program 160 families, including 200 children, enrolled in Smart from the Start with hundreds more in the recruitment pipeline. This program is a component of the City's "Thrive in Five" initiative – a public/private partnership aimed at promoting school readiness.

The FY10 Youth Fund appropriation has been level funded and is projected to provide an estimated 3,600 summer jobs. The Youth Fund will continue

its successful partnering with community-based organizations. The City expects to receive funding from the Commonwealth of Massachusetts for the YouthWorks program to target summer jobs for at-risk and low income youth. New funding allocated to Boston through ARRA will help achieve the jobs goal of 10,100 provided by the City and all of its partners. It should be noted that the City is waiting for further clarification on the income eligibility requirements tied to this funding. (See Figure 11.)

In FY10, the Elderly Commission will see a 6.8% decrease partially achieved through the maximization of its external resources. The Commission will also see savings related to lower unit prices for gasoline for the Senior Shuttle.

Housing and Neighborhood Development

The Housing and Neighborhood Development cabinet is showing a net decrease of 6 %. The operating budget for the Department of Neighborhood Development (DND) was reduced by 13.3% due to the shift of some personnel expenses to the Neighborhood Stabilization Program grant (NSP). In FY10 DND will be funding portions of its foreclosure prevention and intervention programs with the NSP grant and expects to use Leading the Way funding for homeless housing production, down payment assistance, and for the acquisition and rehabilitation of real estate owned (REO) properties. In FY10, Leading the Way resources will be used to fulfill the following goals: to help new homebuyers enter the market including purchasing bank-foreclosed properties, to stabilize neighborhoods by assisting homeowners with repairs of their homes and by securing and acquiring distressed bank-owned properties for redevelopment to ownership or rental housing, to create supportive housing for homeless families and individuals and to preserve rental housing.

In FY10, DND will continue to expand its successful foreclosure prevention and intervention programs. The department currently has a comprehensive package of activities including education, one-on-one counseling through neighborhood non-profit agencies, and a refinancing loan pool to help prevent foreclosures. Through enhanced down payment and rehabilitation financial assistance

homebuyer/homeowner programs, DND will promote investment in high-foreclosure neighborhoods to stabilize foreclosure trends. The department will continue to partner with the Fireman Foundation and with the Boston Homelessness Prevention Center to reduce family homelessness.

The Main Street Districts will be supported in their mission to build vibrant neighborhood commercial districts. Financial and technical assistance programs for small businesses will be expanded to help them cope with the tightened credit market

Public Health Commission

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH). It is a principal component of the Boston public health network, which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY10 appropriation for the Public Health Commission shows an increase of .8% from the FY09 appropriation as a result of an increase in pension costs. (PHC is the only department that covers its pension costs within its general fund appropriation.) In FY10 the Public Health Commission will continue to develop innovative programs to address chronic disease prevention and wellness promotion in the city of Boston. Efforts focus on creating opportunities for healthy eating and safe physical activity. Violence prevention efforts remain a priority. The Violence Intervention and Prevention (VIP) initiative works with community residents to address violence in four of Boston's high need neighborhoods. This approach offers a continuum of violence prevention and intervention services that give residents the tools and resources to reduce violence; change the expectation of violence in their neighborhoods; and expand recreational and educational opportunities for youth and families.

The Public Health Commission plays a leading role in the Mayor's goal to narrow racial health disparities. The Disparities Project includes the

implementation of data collection regulations at 10 Boston hospitals. In FY10 the Commission will also award continuation grants to community-based organizations to integrate activities that address the social determinants of health.

The Public Health Commission Budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital. The direct payment requirement is level funded with FY09.

The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$11.6 million. After expanding ambulance units in FY09, EMS will continue to strive to maintain lower response times citywide.

School Department

The FY10 School Department budget will decrease by \$16.2 million, or 1.9%, from the FY09 appropriation. The department's budget will require some school closures and position reductions and layoffs but will also advance academic priorities offering more K-8 options, additional pilot schools and improved opportunities for English Language Learners. The final budget allocation allowed the restoration of many arts, music and foreign language programs that were planned to be reduced in the preliminary budget. The School Department will use approximately \$27.7 million in new federal funding provided by the American Recovery and Reinvestment Act (ARRA) to sustain school operations in FY10.

(See the *Education* chapter of this volume for more details.)

Appropriations by Cabinet

Cabinet	Department	FY07 Expenditure	FY08 Expenditure	FY09 Appropriation	FY10 Appropriation	Inc/(Dec) 10 vs 09
Mayor's Office	Office of Emergency Preparedness	228,455	257,105	346,959	328,331	-18,627
	Intergovernmental Relations	988,330	956,011	1,061,873	1,017,480	-44,392
	Law Department	4,847,932	6,142,422	5,941,484	5,471,460	-470,024
	Mayor's Office	2,111,965	2,256,457	2,303,722	2,126,468	-177,254
	Neighborhood Services	1,169,525	1,265,489	1,342,498	1,280,133	-62,365
	Office of New Bostonians	316,617	337,010	357,161	334,401	-22,760
	Public Information	890,276	1,013,749	1,285,942	1,151,311	-134,631
	Total	10,553,101	12,228,243	12,639,639	11,709,585	-930,054
Administration & Finance	Assessing Department	5,969,131	6,412,743	6,634,718	6,223,003	-411,714
	Auditing Department	2,136,266	2,258,875	2,406,049	2,257,442	-148,608
	Budget Management	3,166,815	2,832,703	2,669,608	2,730,478	60,869
	Execution of Courts	7,107,017	3,499,841	3,500,000	3,500,000	0
	Graphic Arts Department	1,459,991	1,514,891	1,601,751	1,276,625	-325,126
	Health Insurance	168,525,433	182,583,082	186,480,708	196,076,530	9,595,822
	Human Resources	2,846,725	3,075,990	3,341,622	3,217,704	-123,918
	Labor Relations	1,326,587	1,349,570	1,538,240	1,360,114	-178,126
	Library Department	28,550,479	29,600,665	31,230,179	29,714,692	-1,515,487
	Medicare Payments	5,113,156	5,718,699	6,141,000	6,595,000	454,000
	Office of Administration & Finance	753,745	624,885	910,468	846,796	-63,672
	Pensions & Annuities	4,648,389	4,144,023	4,200,000	4,200,000	0
	Purchasing Division	1,364,157	1,340,535	1,399,710	1,230,390	-169,320
	Registry Division	870,865	912,205	970,440	974,292	3,852
	Treasury Department	4,201,792	4,565,296	4,527,467	3,586,703	-940,764
	Unemployment Compensation	31,800	12,275	50,000	50,000	0
	Workers' Compensation Fund	2,913,872	2,199,700	1,900,000	1,900,000	0
	Total	240,986,220	252,645,976	259,501,960	265,739,767	6,237,807
Chief Information Officer	Management & Information Svcs	18,000,538	18,407,554	19,233,832	18,470,003	-763,829
	Total	18,000,538	18,407,554	19,233,832	18,470,003	-763,829
Public Safety	Fire Department	162,216,215	165,734,767	161,568,922	153,719,523	-7,849,399
	Police Department	268,700,981	281,610,495	284,880,076	270,874,944	-14,005,132
	Total	430,917,195	447,345,262	446,448,998	424,594,467	-21,854,531
Education	Boston Public Schools	747,462,547	795,487,879	833,298,768	817,121,930	-16,176,838
Total	747,462,547	795,487,879	833,298,768	817,121,930	-16,176,838	
Economic Development	Boston Residents Job Policy	458,215	489,952	531,938	446,777	-85,161
	Small/Local Business	575,130	575,645	598,271	604,408	6,137
	Total	1,033,345	1,065,597	1,130,209	1,051,185	-79,024
Public Property	Arts, Tourism & Special Events	1,633,997	1,641,890	1,735,791	1,598,811	-136,980
	Consumer Affairs & Licensing	437,895	414,624	476,622	450,013	-26,609
	Department of Voter Mobilization	2,614,397	3,241,420	3,307,508	3,205,742	-101,766
	Parks & Recreation Department	15,412,377	16,047,729	16,110,156	15,093,334	-1,016,822
	Property & Construction Mgmt.	24,546,743	22,687,540	21,341,977	19,394,067	-1,947,909
	Total	44,645,409	44,033,202	42,972,053	39,741,966	-3,230,087
Public Works & Transportation	Central Fleet Maintenance	2,182,036	2,026,114	2,412,041	2,001,254	-410,787
	Office of Chief of PWD & Transportation	1,552,351	1,751,561	1,790,438	1,492,289	-298,149
	Public Works Department	87,019,271	86,687,043	87,672,228	82,083,207	-5,589,021
	Snow Removal	7,994,231	17,164,571	13,067,952	15,943,706	2,875,754
	Transportation Department	27,572,941	27,667,511	31,919,139	30,824,751	-1,094,388
Total	126,320,830	135,296,800	136,861,798	132,345,207	-4,516,591	
Environment & Energy	Environment Department	1,294,956	1,326,501	1,406,036	1,321,049	-84,987
	Inspectional Services Dept	14,566,202	15,276,659	15,954,900	15,668,124	-286,776
	Total	15,861,158	16,603,160	17,360,936	16,989,173	-371,762
Human Services	Boston Centers for Youth & Families	19,284,307	21,759,426	22,196,238	21,659,229	-537,010
	Civil Rights	314,047	316,432	330,752	318,135	-12,617
	Elderly Commission	2,732,289	2,905,450	3,055,507	2,848,676	-206,831
	Emergency Shelter Commission	507,730	545,087	603,828	553,062	-50,766
	Veterans Services Department	4,377,626	4,451,460	4,290,980	4,276,038	-14,942
	Women's Commission	151,324	157,388	159,579	159,100	-479
	Youth Fund	3,808,526	4,261,425	4,638,207	4,638,373	166
Total	31,175,850	34,396,668	35,275,092	34,452,614	-822,478	
Neighborhood Development	Leading the Way	4,331,000	5,669,000	5,000,000	4,979,000	-21,000
	Neighborhood Development	2,962,952	3,095,969	3,779,381	3,277,945	-501,436
	Total	7,293,951	8,764,969	8,779,381	8,256,945	-522,436
Public Health	Public Health Commission	63,797,647	68,194,763	69,445,774	70,000,000	554,226
	Total	63,797,647	68,194,763	69,445,774	70,000,000	554,226
Non-Mayoral Departments	Boston Housing Authority	2,150,000	0	0		
	City Clerk	878,893	912,527	1,007,098	978,547	-28,551
	City Council	4,417,227	4,568,280	4,877,370	4,538,123	-339,247
	Finance Commission	182,473	188,605	196,986	196,986	0
	Licensing Board	501,820	616,558	749,771	718,720	-31,050
	Total	8,130,412	6,285,970	6,831,225	6,432,376	-398,849
Grand Total	1,746,178,203	1,840,756,043	1,889,779,664	1,846,905,217	-42,874,447	

Debt Service

The City had expenditures for debt service of \$109.6 million in FY07 and \$115.9 million in FY08. The City has a budget of \$125.9 million for debt service in FY09 and expects to spend \$131.5 million on debt service in FY10. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in March 2009, Standard and Poor's and Moody's Investors Service reaffirmed Boston's AA+ and Aa1 ratings, respectively. For further detail see the *Capital Planning and Financial Management* chapters of this volume.

State Assessments

Accompanying the local aid distributions on the cherry sheet are charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid was added. Aside from the assessment for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition, state assessments are relatively small. In accordance with Proposition 2 1/2, these charges on a statewide basis, except for Charter School Tuition and the MBTA assessment, cannot increase by more than 2.5% annually. The City's state assessments (inclusive of Charter School Tuition) were \$119.9 million in FY07 and \$128.3 million in FY08. The City expects growth in assessments to \$143.1 million in FY09 and to \$143.6 million in FY10.

Suffolk County Sheriff

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary.

In FY09, the City was responsible for funding 4% of the Sheriff's Department budget with the Commonwealth funding the rest. The

Tregor Reserve Fund				
Fiscal Year	Beginning		Ending	
	Year Balance	Funds In	Funds Out	Year Balance
FY03	20.989	0.151	0.000	21.140
FY04	21.140	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.644
FY06	22.644	1.457	0.000	24.101
FY07	24.101	2.230	0.000	26.330
FY08	26.330	1.125	0.000	27.455
*FY09	27.455	0.000	0.000	27.455
*FY10	27.455	0.000	0.000	27.455

Notes: (\$millions), *projected

appropriation included in the FY10 budget has been level funded.

State legislation passed subsequent to the passage of the City's FY10 budget will move the Sheriff and the Sheriff's department employees to the state during FY09. The one residual liability that will continue to be a cost for the City is the unfunded pension liability of current retirees of the Sheriff's department, who shall remain as members of the State-Boston Retirement System (SBRS). That annual cost is not expected to exceed funding levels established in the FY10 budget and will be required to be paid during the course of the multi-year pay down, and once the unfunded liability is fully paid down, all funding by the City for the Suffolk County Sheriff's department shall cease.

Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$26.3 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. (See *Financial Management* section of Volume I for detail.)

State Assessments				
	FY07 Actual	FY08 Actual	FY09 Budget	FY10 Budget
M.B.T.A.	\$ 66,210,888	\$ 67,531,540	\$ 71,436,756	\$ 74,728,852
Charter School Tuition	48,375,443	55,466,364	66,290,663	63,823,239
RMV Non-Renewal Surcharge	3,564,540	3,606,700	3,606,700	3,301,680
Other Assessments	1,702,854	1,671,024	1,781,679	1,774,327
	\$ 119,853,725	\$ 128,275,628	\$ 143,115,798	\$ 143,628,098

Personnel Summary

		1/1/07	1/1/08	1/1/09	1/1/10	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
Office of the Mayor	Intergovernmental Relations	9.8	9.8	9.0	9.7	0.7
	Law Department	51.0	53.0	50.0	50.0	-
	Mayor's Office	24.0	27.0	27.0	26.0	(1.0)
	Neighborhood Services	23.0	24.0	23.0	23.0	-
	Office of Emergency Preparedness	1.0	1.0	2.0	2.0	-
	Office of New Bostonians	4.0	5.0	5.0	5.0	-
	Public Information	17.5	17.5	21.5	21.5	-
	Total	130.3	137.3	137.5	137.2	(0.3)
Administration & Finance	Office of Administration & Finance	7.0	6.0	7.0	7.0	-
	Assessing Department	88.0	88.0	89.0	89.0	-
	Auditing Department	33.0	34.0	33.0	34.0	1.0
	Budget Management	23.9	22.9	24.9	24.9	-
	Graphic Arts	29.0	29.0	27.0	23.0	(4.0)
	Human Resources	46.6	45.6	47.6	47.6	-
	Labor Relations	10.4	11.4	10.4	10.4	-
	Library Department	432.2	428.2	436.3	420.3	(16.0)
	Purchasing Division	20.0	20.0	20.0	18.0	(2.0)
	Registry Division	18.0	19.0	19.0	19.0	-
Treasury Department	53.0	52.0	54.0	53.0	(1.0)	
	Total	761.1	756.1	768.2	746.2	(22.0)
Chief Information Officer	Management Info Svcs	104.0	100.0	107.0	110.0	3.0
	Total	104.0	100.0	107.0	110.0	3.0
Public Safety	Fire Department	1,631.5	1,688.5	1,645.2	1,595.0	(50.2)
	Police Department	2,922.2	3,048.2	3,039.3	2,869.0	(170.3)
	Total	4,553.7	4,736.7	4,684.5	4,464.0	(220.5)
Education	School Department	8,299.5	8,475.9	8,572.2	8,095.6	(476.6)
	Total	8,299.5	8,475.9	8,572.2	8,095.6	(476.6)
Economic Development	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	8.0	8.0	7.0	7.0	-
	Total	16.0	16.0	15.0	15.0	-
Public Property	Arts, Tourism & Special Events	16.0	17.0	17.0	15.0	(2.0)
	Consumer Affairs & Licensing	7.4	5.6	7.4	6.6	(0.8)
	Department of Voter Mobilization	19.2	26.3	24.2	24.2	-
	Parks and Recreation	205.0	200.0	216.0	217.0	1.0
	Property & Construction Mgmt.	214.1	221.0	219.6	213.6	(6.0)
	Total	461.7	469.9	484.2	476.4	(7.8)
Public Works & Transportation	Chief of Public Works & Transportation	1.0	21.0	16.0	16.0	-
	Central Fleet Maintenance	43.0	42.0	41.0	41.0	-
	Public Works Department	375.0	362.0	347.0	349.0	2.0
	Transportation	363.9	352.9	375.9	367.9	(8.0)
	Total	782.9	777.9	779.9	773.9	(6.0)
Environment & Energy	Environment	17.0	18.0	19.0	18.0	(1.0)
	Inspectional Services	225.0	229.0	230.0	227.0	(3.0)
	Total	242.0	247.0	249.0	245.0	(4.0)
Human Services	Boston Center for Youth & Families	370.7	385.0	387.0	387.0	-
	Civil Rights	9.0	9.0	9.0	9.0	-
	Elderly Commission	67.6	65.6	66.6	66.6	-
	Emergency Shelter	4.0	5.0	5.0	5.0	-
	Veterans Services	15.2	14.2	15.2	15.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
	Youth Fund	3.0	4.0	4.0	4.0	-
	Total	471.5	484.8	488.8	488.8	-
Neighborhood Development	Neighborhood Development	49.8	44.8	43.8	42.8	(1.0)
	Total	49.8	44.8	43.8	42.8	(1.0)
Public Health	Public Health Commission	749.8	751.7	819.8	813.8	(6.0)
	Total	749.8	751.7	819.8	813.8	(6.0)
Non-Mayoral	City Clerk	13.0	13.8	13.4	13.4	-
	City Council	79.8	75.8	89.4	87.9	(1.5)
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	8.6	8.6	8.6	8.6	-
	Total	104.4	101.2	114.4	112.9	(1.5)
Grand Total		16,726.7	17,099.3	17,264.3	16,521.6	(742.7)

PERSONNEL CHANGES

The Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The projected FTE numbers used for FY10 are estimates based on the personnel funding levels contained in the FY10 budgets.

FY08- FY09 FTE Changes - The total net increase in FTEs from January 1, 2008 to January 1, 2009 was 165.0. Staffing in the majority of the departments remained at or near the levels in previous years. In October 2008 the City instituted stricter hiring controls in response to the declining fiscal environment. The Position Review Committee reviewed all proposed job postings for vacant positions. All hiring was scrutinized and only critical positions were approved.

The largest change occurred within the School Department with an increase of 96.3 FTEs. There are many areas that contributed to this increase including both changes in the demographics of the student population and approved policies and interventions to improve student achievement. Increasing enrollment of English Language Learners and high incidence special education students required more intensive staffing models. An expansion of seven K1 classrooms and the Grades K-8 school model contributed to this increase. The department also established a freeze on non-classroom positions.

The increased number of FTEs in the Administration and Finance Cabinet relates mainly to the Library Department filling vacancies and addressing the staffing needs of the new branch library in Mattapan.

MIS hired a Public Safety Chief Information Officer (CIO) who will serve the information technology (IT) leadership needs of the Police and Fire departments under the direction of the City's CIO to improve coordination of all technology initiatives. Prior to the hiring slowdown, the department was engaged in an aggressive recruiting effort to fill vacancies. Overall MIS had an increase of 7 FTEs.

The Public Property Cabinet has an increase of 14.3 FTEs. The majority of that increase is in the Parks Department and is the result of converting former contract employees in the Park Ranger program to City employees.

An additional 68.1 FTEs at the Public Health Commission is primarily the result of 2 Emergency Medical Services (EMS) classes. The augmented EMS staff will help provide an increased number of ambulance transports and improve the response times on emergency calls. PHC also added 4 security guards to the Long Island Bridge. The Commission instituted a hiring freeze for non-essential services in October. A spring 2009 EMS class was cancelled.

The Transportation Department increased the number of enforcement officers to enforce current parking regulations as part of its meter replacement plan. The additional officers will also help improve traffic flow and provide the enforcement needed for the expansion of the posted street sweeping program. Overall, the Public Works and Transportation cabinet increased by 2 FTEs as a result of other vacancies not being filled.

Staffing levels in the Public Safety cabinet decreased by 52.2 FTEs. The Fire Department cancelled a fall 2008 firefighter class and ended the 2008 calendar year with 43.3 fewer FTEs. The Police Department had a decrease of 8.9 FTEs relating to higher than expected attrition.

FY09-FY10 Projected FTE Changes – The City expects the net decrease in FTE levels to be approximately 743 from January 1, 2009 to January 1, 2010.

The Mayor's Office Cabinet staffing as a whole is projected to remain stable from January 1, 2009 to January 1, 2010.

The decrease in the number of FTEs in the Administration and Finance Cabinet relates mainly to the reductions in force in the Library and Graphic Arts Departments. Restructuring within the main branch at Copley as well as the relocation of the Kirstein Business Branch to Copley will result in the need for fewer employees. The Graphic Arts Department will reduce its staff as the City begins the first phase of eliminating the provision of in house graphic arts services.

Management Information Services (MIS) Department will continue its aggressive recruiting effort and is expected to fill several vacant positions in FY10.

In the past, the number of Public Safety employees on the payroll as of January 1 of any year has fluctuated with the timing of classes and the timing of retirements. In an effort to minimize the number of layoffs needed, the City made a decision to cancel Police and Fire classes originally budgeted for the spring of 2009. There are also no new public safety classes budgeted for FY10. After considering the current number of filled positions, expected retirements, and a reduction of force in the Police Department of both civilians and uniformed officers, the decrease projected for Public Safety FTEs is 220.5. (It should be noted that the reduction in the number of city-funded uniformed officers has been mitigated by the receipt of a three year competitive COPS hiring grant that will support 50 uniformed officers originally scheduled for layoffs.)

Fire is projected to decrease by 50.2 as a result of expected attrition and no new replacement classes. Police is expected to decrease by 170.3. Several factors contribute to the projected Police decrease. On the civilian side, the mounted unit will be disbanded eliminating the need for 10 positions responsible for the care of the horses. Second, the current Police Cadets (civilian employees who work in the department for two years to earn credit toward their standing on the Police hiring list), will be laid off. All will have completed their two year commitment before being terminated. Two employees who provide graphic arts services will also be laid off. On the uniformed side, there were approximately 67 layoffs of city funded uniformed officers scheduled for October 1, 2009. As noted above, the City received a competitive ARRA Community Oriented Policing Services (COPS) Grant and was able to shift 50 uniformed officers to the grant funding. This shift of uniformed officers to grant funding coupled with higher levels of attrition through retirements will eliminate the need to layoff any uniformed officers in FY10. This reduction is included in the city funded FTE projection for January 1, 2010. (Prior to the award of the COPS grant the City had already received a \$3.9M ARRA Byrne-JAG formula grant which will help retain an additional 50 officers.)

From FY09 to FY10 the School Department is projecting a decrease of 476.6 FTEs. This is the result of expected attrition and approximately 364

layoffs, including 134 teachers and 78 paraprofessionals. The remaining 152 layoffs are in all areas including central support and custodial services. As in the Police Department, personnel reductions in BPS would have been higher had the City not received ARRA Title I and IDEA federal funds that will be used to help retain positions.

The Public Property Cabinet is projected to have a net decrease of approximately 8 FTEs. The majority of that decrease is in the Property & Construction Management Department as a result of leaving positions vacant after retirements and other attrition.

Staffing in the Public Works & Transportation Cabinet is projected to decrease as a result of not filling vacant positions.

The FTE count in the Environment & Energy cabinet is expected to decrease by 4 based on attrition.

The Human Services Cabinet is expected to remain stable until January 1, 2010. However, in January, the department will complete the elimination of a layer of middle management resulting in a reduction in the workforce.

Staffing at the Public Health Commission (PHC) is expected to have a decrease of approximately 6 FTEs as of January 1, 2010 as result of attrition in the ranks of Emergency Medical Services.

The FTE counts in the Economic Development, Housing & Neighborhood Development cabinets as well as the Non-Mayoral group of departments are projected to remain fairly level or decrease slightly.

EXTERNAL FUNDS

The City's \$2.4 billion operating budget is supplemented by approximately \$406 million in external funds. These funds consist mainly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, public safety and public health are some of the largest areas for which these funds are targeted.

Twenty-two departments and agencies expect to receive federal, state or other forms of external funding in FY10. Since there are hundreds of

External Funds

	FY08 Expenditure	FY09 Estimated	FY10 Estimated
Boston Public Schools	135,087,200	138,101,286	151,465,702
Neighborhood Development	66,333,968	76,285,405	149,264,817
Public Health Commission	46,275,757	43,846,185	41,562,191
Emergency Preparedness	10,146,994	13,431,881	18,136,144
Police Department	10,530,191	11,786,247	14,053,668
Library Department	12,373,485	11,951,652	8,245,127
Other	20,968,507	20,270,295	23,277,308
	301,716,102	315,672,952	406,004,957

grants and many of them are small, the focus here is on the largest grants. Over 94% of the City's external funds are found in six of those twenty-two departments. These six departments are the School Department, Neighborhood Development, Office of Emergency Preparedness, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission, Boston Centers for Youth & Families and the Parks Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

Federal and State Grants

Federal grants provide funding for key City priorities. In February of 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA). ARRA is a nearly \$800 billion multi-year investment in the nation's economy that hopes to create or save 3.5 million jobs over the next two years. The City of Boston will receive ARRA funds in three ways: direct appropriation from the federal government, competitive grants from the federal government and competitive grants from the Commonwealth of Massachusetts. ARRA funds have been allocated for transportation projects such as Dorchester Avenue, traffic signal and traffic management upgrades and a \$21 million citywide paving program all of which will be managed by the Massachusetts Highway Department (MHD). In addition to these infrastructure projects, the Department of Neighborhood Development will receive ARRA funds for increased levels of Community Development Block Grants and Emergency Shelter Grants. The Police Department will receive a Byrne – Justice Assistance Grant to retain 50 police officers scheduled for layoff and was also successful in

securing a competitive ARRA Community Oriented Policing Services (COPS) hiring grant totaling more than \$11.8 Million over 3 years to retain 50 police officers who were scheduled to be laid off in October 2009. The School Department will receive increased allocations for Individuals with Disabilities Education Act (IDEA) and Title I grants. The Environment Department will receive a new Energy Efficiency Block Grant and the City of Boston is will benefit from ARRA funds for summer jobs. In FY10, the School Department, in addition to using \$20.8 million in ARRA Title I funding, is expected to receive \$42.9 million from its normal Title I allotment. This funding has supplemented education programs in schools with significant populations of low-income students. The City continues to receive Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone.

The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is Chapter 70 educational reform aid in which the major requirement for receipt of the funds relates to a minimum general fund school budget. This funding is not included in the External Funds table as it is direct general fund revenue. As stated previously, toward the end of FY09, the state reduced the City's general fund Chapter 70 Education Aid by \$23.3 million and replaced it with a Special Revenue grant using discretionary ARRA funds. Since the Boston Public Schools general fund appropriation was not reduced by the \$23.3 million state aid reduction, this budget publication does not display the \$23.3 million grant in the External Funds Budget section

of the Boston Public School Budget in Volume II to avoid double counting the amount by showing it in two funds. Spending in that amount was shifted to from the general fund to the grant; the final accounting will be reflected when FY09 actual numbers are reported. (Further discussion on education aid can be found in the *Revenue Estimates and Analysis* Chapter). The Commonwealth of Massachusetts also provides state grant funding for library services.

Descriptions of the largest federal and state supported programs in the six departments managing the bulk of the City's external fund resources are given below.

Neighborhood Development

The External Funds budget for DND is projected to increase by 96%. The increase comes from several sources. Section 108: DND has applied for \$40 million in Section 108 authority and will be applying for an additional \$31 million in FY10. These funds will be used for the Boston Invests in Growth Initiatives which will help to jumpstart well-financed construction projects, create jobs, and strengthen Boston's economy. Neighborhood Stabilization Program: DND will receive \$4.2 million from the U.S. Department of Housing and Urban Development (HUD) and \$4 million from the State to support the City's efforts to reclaim and reoccupy abandoned bank-owned properties and to support REO turnkey development. ARRA-CDBG Stimulus: DND will receive \$5.4 million in Community Development Block Grant stimulus funds from HUD. These funds will be used to support small businesses initiatives, REO turnkey development, and homeless housing development. DND will receive over \$8 million in ARRA-Homeless Prevention and Rapid Re-Housing funding to support homelessness prevention to support the City's goal of a 50% reduction in Boston's homeless population by 2012. This funding is projected to be expended over a 3-year period.

Community Development Block Grant (CDBG) – CDBG is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston. The CDBG program funds a variety of neighborhood development activities. The City's Department of Neighborhood Development (DND) , the Fair

Housing Commission and the Mayor's Office of Jobs and Community Services have expended approximately \$23.9 million in CDBG funding in FY08, and estimates spending \$25.4 million in FY09 and \$25.5 million in FY10. DND will also receive \$5.4 million in ARRA-CDBG funding from HUD. At least 70% of CDBG funds must be used to benefit low and moderate-income households. The City uses CDBG funds to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cut from existing public service activities. CDBG funding is also used as security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - DND has applied for \$40 million in FY09 and will be applying for \$31 million in additional Section 108 authority with most of these funds expected to be fully expended in FY10. These funds are available to eligible cities from HUD on an application basis and can only be used for economic development projects. The City receives and administers Section 108 funds through a pledge of its current and future CDBG grant awards.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - The City expects to spend \$20.7 million from these four HUD grants in FY09 and another \$21.8 million in FY10. DND will receive over \$8 million in ARRA- Homeless Prevention and Rapid Re-Housing funding to support homelessness prevention and to support the City's goal of a 50% reduction in Boston's homeless population by 2012. This funding is projected to be expended over a 3-year period. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available each July. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless

people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants. FY10 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY10 funds will become available in July 2009. The City expended \$9.7 million in this program in FY08 and estimates spending \$8.8 million in FY09. Projected spending for FY10 is \$10.6 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations. Up to five percent may be set aside for operating costs for Community Housing Development Organizations.

Neighborhood Stabilization Program (NSP) - NSP is a non-competitive 18-month grant available to eligible cities from the US Department of Housing and Urban Development. DND will receive \$4.2 million from the HUD and \$4 million from the Commonwealth of Massachusetts (The State has agreed to match HUD NSP funds \$1-\$1) to support the City's efforts to reclaim and reoccupy abandoned bank-owned properties.

DND has also received a competitive grant from the Massachusetts Interagency Council on Housing and Homelessness through the Department of Housing and Community Development to serve as the convening agency for the Boston Regional Network to End Homelessness funding initiative This 18-month grant of \$1.2million for FY10 will be used for implementing innovative strategies that will

create new and emerging statewide housing approaches to ending homelessness.

School Department

The School Department's FY10 general fund budget of \$817.1 million is supplemented with approximately \$151.5 million in external funds, largely grants made directly to the Boston Public Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants. Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. Both of these grant programs have been expanded with the American Recovery and Reinvestment Act (ARRA). Other significant sources of external funding include Title II (teacher quality grant), the special education "circuit breaker" reimbursement, and the Community Partnership grant.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for Title I to be \$42.9 million for FY09 and FY10 plus an additional \$20.9 million in Title I for FY10 from ARRA funding that will be used for classroom staff and strategic investments.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$21.2 million in reimbursements for both FY09 and FY10.

Title II Teacher Quality – The School Department expects to receive \$7.2 million in FY09 and \$6.9 million in FY10 from this federal formula grant program to improve classroom staffing.

Individuals with Disabilities Education Act (IDEA or SPED 94-142 Entitlement) - This federal formula grant supports special education programs. The amount budgeted by the School Department for FY09 and FY10 is \$18.6 million. In

FY10, an additional \$10.6 million in IDEA funds appropriated through ARRA will be available to fund positions and strategic investments in special education.

Community Partnerships for Children - The Community Partnerships Program is the largest competitive grant received by the School Department. The Community Partnership Program is a state program to create comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers and family-based day care centers. The amount budgeted by the School Department, which serves as the fiscal agent for this program, is \$2.0 million for FY10, a marked decrease from the \$9.0 million expected in FY09.

ARRA – State Stabilization Fund - As stated previously, toward the end of FY09, the state reduced the City's general fund Chapter 70 Education Aid by \$23.3 million and replaced it with a Special Revenue grant using discretionary ARRA funds. Since the Boston Public Schools general fund appropriation was not reduced by the \$23.3 million state aid reduction, this budget publication does not display the \$23.3 million grant in the External Funds Budget section of the Boston Public School Budget in Volume II to avoid double counting the amount by showing it in two funds. Spending in that amount was shifted from the general fund appropriation to the grant; the final accounting will be reflected when FY09 actual numbers are reported.

Public Health Commission

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. In FY09, contracts supported approximately 55 community agencies and 102 programs in the ten county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$14.3 million for FY10.

REACH CEED - The US Centers for Disease Control and Prevention designated the Boston Public Health Commission as one of 18 national Centers of Excellence in the Elimination of

Disparities (CEED). The CEED grant will bring to scale the work of REACH and the Disparities Project, and has funded 13 grants to date to facilitate regional efforts to eliminate disparities in breast and cervical cancer and cardiovascular disease in Black communities across New England. The Commission will receive \$4.5 million between 2007 and 2012 to work across six New England states: MA, Rhode Island, Vermont, Maine, Connecticut, New Hampshire. The budget for FY10 is \$850,000.

Homeless Services – Federal funding for the Long Island Shelter provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 800 homeless adult men and women. The Shelter also provides training and support services to 1,140 homeless individuals annually. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. Overall, projected external funding for homeless services in the Public Health Commission budget for FY10 totals \$9.05 million.

Substance Abuse Treatment – Federal funding received in FY09 will allow the Commission to continue its commitment to providing culturally competent treatment and recovery options to women from Boston's poorest neighborhoods. A \$2.5 million, 5 year grant, from the Substance Abuse and Mental Health Services Administration will fund the Moving on to Recovery & Empowerment (MORE) program, an intensive outpatient substance abuse treatment along with enhanced group, individual and case management services. Additionally, through state funding, totaling \$660,000 in FY10, the Commission supports eight neighborhood-based No Drugs Coalitions to develop strategic prevention plans to address substance abuse.

Public Health Preparedness -The Commission manages a number of proactive initiatives to insure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those funded by federal/state grants totaling \$1.96 million for the Cities Readiness Initiative (CRI). These funds support the communications program, the CDC division, and the public health preparedness program. This national preparedness effort requires Boston to plan for the provision of medicine to every city resident within

48-hours of the decision to do so. Other state and federally funded programs include training EMTs, hospital clinicians and health center workers in various medical emergency protocols and procedures; leading collaborative citywide disaster planning with other healthcare, public safety, and emergency management officials; the further recruitment and training of a corps of volunteers who can be mobilized as needed; and writing, translating, delivering and printing educational materials and tool kits to the City's most vulnerable populations.

The Commission also has many smaller grant funded programs. For example, Boston's Healthy Homes program addresses asthma in low income neighborhoods with an integrated home visiting, disease management, environmental monitoring and inspection program that each year reaches up to 150 families with asthmatic children and adults. Robert Wood Johnson Foundation funding will allow the Commission to develop and implement an in school and out of school peer education program, Building Healthy Teen Relationships, to prevent intimate partner violence among youth.

Office of Emergency Preparedness

The Mayor's Office of Emergency Preparedness pursues funding opportunities and manages federal homeland security grants awarded to the Metro-Boston Homeland Security Region (MBHSR). The Urban Area Security Initiative (UASI) grant provides the bulk of the funding for this office. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the MBHSR. The region encompasses the Cities of Boston, Cambridge, Chelsea, Everett, Quincy, Revere, Somerville and the Towns of Brookline and Winthrop. UASI spending is projected to be \$15.7 million in FY10.

Additionally, the office receives funding under the Regional Catastrophic Preparedness Grant Program (RCPGP). This federal grant is designed to enhance regional catastrophic planning efforts, with the goal of strengthening the Nation against risks associated with catastrophic events. The Region includes communities from Massachusetts, New Hampshire, and Rhode Island. Spending from RCPGP is expected to be \$2.4 million in FY10.

Lastly, the office has secured grant funding from the Citizens Corps Program (CCP). This federal

grant helps to coordinate volunteer activities which make our communities safer, stronger, and better prepared to respond to any emergency situation. CCP funding is projected to be \$65 thousand in FY10.

Police Department

The Police Department's grant funding on both the federal and state level has historically focused mostly upon community policing, however, given the national economic crisis new federal grants from the American Recovery and Reinvestment Act (ARRA) are also focusing on hiring as well as retaining and re-hiring police officers scheduled for layoff due to budget reductions.

Byrne Justice Assistance Grant – ARRA – The department is expecting \$3.9 million from the Department of Justice Bureau of Justice Assistance for prevention, intervention and enforcement efforts aimed at reducing violence through the job retention and job growth. These funds will be utilized to support the retention of approximately 50 police officers. This is a one year award for FY10.

Community Oriented Policing Services (COPS) Hiring Recovery – ARRA- The department successfully secured a competitive grant totaling more than \$11.8 Million over 3 years to retain 50 Police Officers that were scheduled to be laid off in October 2009.

Same Cop, Same Neighborhood – This neighborhood policing program is based on the belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total costs of the program supported by this grant were \$3.8 million in FY08 and, with a mid-year budget cut by the Commonwealth of Massachusetts, the estimated expenditures for FY09 are \$3.2 million. With the complete elimination of this funding source from the state's FY10 budget, the Department expects to have \$1.3 million available from the FY09 grant award for this program in FY10.

Justice Assistance Grant (JAG) – This federal grant is awarded by the Department of Justice for prevention, intervention and enforcement efforts aimed at reducing crime and violence. These

funds are used to support civilian analyst and advocacy personnel, as well as district social workers. This is a multi-year project that the department expects to run through September 2012. The department expended \$592 thousand in FY08; estimated expenditures for FY09 are \$515 thousand. In FY10 the Department expects to spend \$923 thousand for this program.

Shannon Community Safety Initiative – This state grant was awarded from the Commonwealth of Massachusetts, Executive Office of Public Safety to address gang and youth violence through the Senator Charles E. Shannon, Jr. Community Safety Initiative. The award has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The total cost of the program supported by this grant for FY08 was \$2.6 million. For FY09 estimated expenditures are \$3.2 million. For FY10 the department expects to have \$3.1 million available for this program.

Environment Department

The American Recovery and Reinvestment Act (ARRA) is providing \$6.5 million to Boston for a new Energy Efficiency Block Grant which will be used to support the Renew Boston initiative. Renew Boston will be an innovative public-private partnership that will boost energy efficiency and alternative energy services for Boston residents, businesses and municipal facilities. Projected expenditures for the new Energy Efficiency Block Grants are estimated at \$3.3 million in FY10.

Library Department

Total spending from state funding for the Library increased to \$9.2 million in FY08, but dipped again in FY09 to an estimated \$8.8 million. With significant reductions to the Library of Last Recourse grant in the FY10 state budget, the Library expects to receive \$4.2 million in total from the Commonwealth in FY10. The three state programs that relate to libraries are described below.

Library of Last Recourse - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining and preserving comprehensive

collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personnel resources, expertise and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is projected to drop 62% from \$7.1 million in FY09 to \$2.7 million in FY10.

Boston Regional Library System - The Boston Regional Library System Program (BRLS) is a cooperative organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts Board of Library Commissioners. Funding for this program is expected to increase from \$932,368 in FY09 to \$939,057 in FY10.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. The Boston Public Library expects to receive \$787,979 in FY09 and \$561,238 in FY10.

FY10 ALL FUNDS BUDGET

The following table consolidates the projected FY10 expenditures from the General Fund, Special Revenue Funds (external grants for the most part) and the Capital Fund by department. More detail on the expenditures made from each of these funds is shown in Volumes II and III of the City of Boston's FY10 budget document.

Budget Document Structure

The Operating Budget for FY10 and Five Year Capital Plan for FY10-14 are presented in three volumes. Volume I is an overview of the City's financial position and policy direction.

Volumes II and III, which are organized by cabinet, present the budget detail for each department's operating budget and capital projects. Please refer to the chapter on Budget Organization and Glossary in Volume I for an illustration of the City's organizational chart.

The City's Budget is built at the program level for each department, which is the basis for budget planning. However, line item budget detail is only provided in this budget document at the department level. Program line item detail is available upon request.

In addition to program budgets, Volumes II and III provide a mission statement, key objectives, as well as past and promised performance levels for each departmental program. For those departments with capital projects, a project profile is provided for every capital project, which includes authorization information as well as planned spending levels.

Definitions of the terms used throughout the budget document are presented in the glossary, which can be found in Volume I in the chapter titled Budget Organization and Glossary.

All Funds Budgets - FY10

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Office of Emergency Preparedness	328,331	18,136,144		18,464,475
	Intergovernmental Relations	1,017,480			1,017,480
	Law Department	5,471,460			5,471,460
	Mayor's Office	2,126,468	165,195		2,291,663
	Neighborhood Services	1,280,133			1,280,133
	Office of New Bostonians	334,401			334,401
	Public Information	1,151,311			1,151,311
	Total	11,709,585	18,301,339	0	30,010,924
Administration & Finance	Assessing Department	6,223,003			6,223,003
	Auditing Department	2,257,442			2,257,442
	Budget Management	2,730,478			2,730,478
	Execution of Courts	3,500,000			3,500,000
	Graphic Arts Department	1,276,625			1,276,625
	Health Insurance	196,076,530			196,076,530
	Human Resources	3,217,704	20,424		3,238,128
	Labor Relations	1,360,114			1,360,114
	Library Department	29,714,692	8,245,127	5,453,764	43,413,583
	Medicare Payments	6,595,000			6,595,000
	Office of Administration & Finance	846,796			846,796
	Pensions & Annuities	4,200,000			4,200,000
	Purchasing Division	1,230,390			1,230,390
	Registry Division	974,292			974,292
	Treasury Department	3,586,703			3,586,703
	Unemployment Compensation	50,000			50,000
	Workers' Compensation Fund	1,900,000			1,900,000
	Total	265,739,767	8,265,551	5,453,764	279,459,082
Chief Information Officer	Management & Information Svcs	18,470,003		12,583,055	31,053,058
	Total	18,470,003	0	12,583,055	31,053,058
Public Safety	Fire Department	153,719,523	794,004	6,413,585	160,927,112
	Police Department	270,874,944	14,053,668	14,933,270	299,861,882
	Total	424,594,467	14,847,672	21,346,855	460,788,994
Education	Boston Public Schools	817,121,930	151,465,702	33,642,843	1,002,230,475
	Total	817,121,930	151,465,702	33,642,843	1,002,230,475
Economic Development	Boston Redevelopment Authority		0	170,000	170,000
	Boston Residents Job Policy	446,777			446,777
	Small/Local Business	604,408			604,408
	Total	1,051,185	0	170,000	1,221,185
Public Property	Arts, Tourism & Special Events	1,598,811	176,100		1,774,911
	Consumer Affairs & Licensing	450,013	51,300		501,313
	Department of Voter Mobilization	3,205,742			3,205,742
	Parks & Recreation Department	15,093,334	7,384,140	9,073,726	31,551,200
	Property & Construction Mgmt.	19,394,067	164,999	6,386,000	25,945,066
	Total	39,741,966	7,776,539	15,459,726	62,978,231
Public Works & Transportation	Central Fleet Maintenance	2,001,254			2,001,254
	Office of Chief of PWD & Transportation	1,492,289			1,492,289
	Public Works Department	82,083,207		32,282,090	114,365,297
	Snow Removal	15,943,706			15,943,706
	Transportation Department	30,824,751	636,654	5,480,000	36,941,405
	Total	132,345,207	636,654	37,762,090	170,743,951
Environment & Energy	Environment Department	1,321,049	3,504,296	75,000	4,900,345
	Inspectional Services Dept	15,668,124	26,959		15,695,083
	Total	16,989,173	3,531,255	75,000	20,595,428
Human Services	Boston Centers for Youth & Families	21,659,229	843,890	6,393,774	28,896,892
	Civil Rights	318,135	995,067		1,313,202
	Elderly Commission	2,848,676	6,359,167		9,207,843
	Emergency Shelter Commission	553,062	21,231		574,293
	Veterans Services Department	4,276,038			4,276,038
	Women's Commission	159,100			159,100
	Youth Fund	4,638,373	2,111,135		6,749,508
	Total	34,452,614	10,330,489	6,393,774	51,176,877
Neighborhood Development	Leading the Way	4,979,000			4,979,000
	Neighborhood Development	3,277,945	149,264,817	675,000	153,217,762
	Total	8,256,945	149,264,817	675,000	158,196,762
Public Health	Public Health Commission	70,000,000	41,562,191	770,000	112,332,191
	Total	70,000,000	41,562,191	770,000	112,332,191
Non-Mayoral Departments	City Clerk	978,547	22,748		1,001,295
	City Council	4,538,123			4,538,123
	Finance Commission	196,986			196,986
	Licensing Board	718,720			718,720
	Total	6,432,376	22,748	0	6,455,124
Grand Total		1,846,905,217	406,004,957	134,332,107	2,387,242,282

FY10-FY11 BUDGET PLAN

Introduction

While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, a second year projection provides a useful context for decision making.

In projecting the City’s operating budget for FY11, the issue of revenue growth continues to be the critical factor. While the property tax levy is expected to grow from its base by the allowable 2.5%, new growth in the levy is expected to fall short of recent years, limiting total growth in the levy for FY11. In terms of state aid, there will continue to be substantial risk to the City’s allocation of aid until the economy fully recovers and even then growth is not assured. A new local option meals tax of .75% and a 2% increase to the local option hotel tax are included in the FY11 revenue estimate, however, revenue estimates for these taxes pale in comparison to the losses in other revenues sustained in FY10.

The budget for FY11 is based on the most current revenue information available. The FY11 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. The wage deferral agreements negotiated through collective bargaining push the impacts of scheduled FY10 wage increases out to FY11. The costs projected for the small number of collective agreements that were not settled as of June 30, 2009 have been included in the collective bargaining reserve. All costs included in the FY11 collective bargaining reserve at this time only cover wage growth from FY07 – FY10. Please note that all of the City’s ratified collective bargaining agreements will expire on June 30, 2009 or shortly thereafter. The negotiations for successor collective bargaining agreements for FY11 and beyond have not begun, however any wage increases would add to the bottom line deficit. Staffing levels on the City’s general fund are assumed to remain consistent with FY10 for most departments.

Another area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to other post-employment benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes

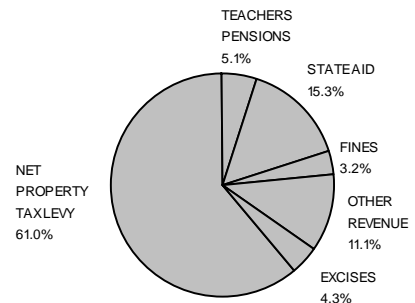
standards for the measurement, recognition and display of Other Post-employment Benefits (OPEB). The City currently provides post-employment healthcare and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis. The City’s OPEB total obligation has been estimated by an outside actuarial consultant to be between \$5.65 billion (pay-as-you-go) and \$3.1 billion (pre-funded) as of June 30, 2007. The City faces the challenge of addressing the funding needs of this liability while continuing to balance all of the other costs of running a major city. The FY10 budget includes an “acknowledgement payment” of \$20 million to the City’s OPEB Liability Trust Fund; the FY11 plan includes an additional \$35 million payment.

Revenue Trends

The following pie chart displays the breakdown of revenue projected for FY11. (Figure 12.)

Major revenue trends for FY11 include:

Property Tax Levy: The 2.5% increase and a projected \$22.0 million of new growth will result in \$57.1 million or 4.0% in additional gross tax levy. The net property tax assumes an overlay reserve set at 2.5%.



FY11 Estimated Recurring Revenue

Figure 12

State Aid: Projected to decline by over \$37 million or nearly 10% with reductions to unrestricted general government aid and Chapter 70 education aid. Unrestricted general government aid is projected to be reduced by 10% and Chapter 70 aid by \$23.3 million. The Chapter 70 projected

reduction is in the same amount the City's FY09 fourth quarter distribution was reduced. This amount of state funding was replaced with American Recovery and Reinvestment Act (ARRA) funds in FY09 that may not be available in FY10 or FY11.

Excises: A new .75% local option meals tax is assumed for a full year in FY11. The tax is expected to produce an estimated \$16.9 million in new revenue in FY11. Hotel excise is expected to increase slightly reflecting an increase in business and leisure travel as the economy begins to recover. An additional 2% added to the local option hotel excise tax of 4% is assumed, generating an added \$11.5 million to tax collections. Jet Fuel excise is expected to decline somewhat with fuel prices lower than those at the recent peak. Motor vehicle excise is expected to continue its decline based on the lagged effect of very poor auto sales in FY09 and FY10.

Fines: Fines overall are expected to remain level with FY10 with no changes in fine rates or enforcement assumed.

Other Revenue:

Interest on Investments: Interest income is expected to continue its decrease as short-term interest rates remain low and cash balances stagnate as the City uses reserves in FY10 and fails to produce more than minor budget surpluses in FY09 or FY10.

Payments in Lieu of Taxes: With no major new agreements expected, PILOT revenue should still increase through expansion of existing agreements and the inflation factor built into the current agreements.

Miscellaneous Department Revenue: Usually projected from historical trends and economic assumptions, these revenues are expected to decline slightly due to assumptions around municipal Medicaid reimbursements.

Licenses and Permits: Building permits will likely gain slightly with a recovering economy and historically low interest rates

Teachers' Pension Reimbursement: An increase is expected in FY11 from this reasonably predictable reimbursement arrangement with the state.

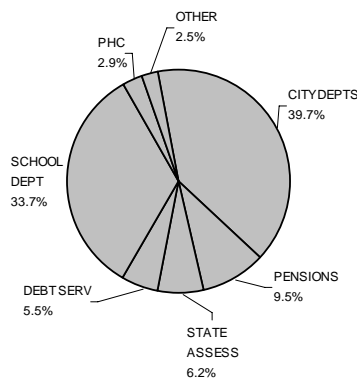
Budgetary Fund Balance: In FY10, the City is using an allocation of reserves to support ongoing expenses and to continue funding for OPEB liabilities. For FY11, the use of Budgetary Fund Balance for non-OPEB expenses has not been factored into the financial projection. The City's planning process for FY11 will assess the need for further allocation of remaining City reserves.

Total recurring revenues in FY11 are projected to increase by \$49.6 million, or 2.1% over FY10 Budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will stabilize at a reasonable level of growth in the 24 months from the beginning of FY10 to the end of FY11.

Expenditure Trends

The following pie chart displays the allocation of expenditures projected for FY11. (Figure 13.)

Based on inflationary increases estimated for certain expenditures within departments such as energy, health insurance and trash collection and



FY11 Estimated Expenditures

Figure 13

disposal, as well as wage deferral agreements negotiated in current collective bargaining provisions that impact FY11, the total increase in appropriations is expected to be \$77.3 million or 4.1% in FY11.

Fixed Costs: Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY11 fixed costs will increase by \$26 million or 5.1%, led

by a \$10.1 million or 4.4% increase in Pensions and \$9.6 million or 6.7% increase in State Assessments and a \$6.3 million or 4.8% increase in Debt Service costs.

Under these revenue and expenditure trend assumptions, the City's Operating Budget would have a projected deficit of \$63.7 million. For the most part, the projections are based on current operations and any known changes that are anticipated in FY11 such as the changes in the way that the City provides and procures printing services. As the FY11 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. Current year hiring must continue to be scrutinized and controlled as the bulk of the projected increase in appropriations is employee related. The City will also be looking at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees. As noted previously, a decision will need to be made on the level of budgetary fund balance that may be utilized prudently. The City's policy regarding the use of its fund balance has been to limit the use of this source of revenue to offset certain fixed costs such as pension contributions and related post retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

Planning a Balanced Budget

Preparing a two-year planning horizon is useful because it provides time to make adjustments to relieve the cost pressures on certain services. It also promotes cost-saving or new programming alternatives to improve the financial position projected in the second year, and helps us to monitor changes in assumptions as new needs or innovations present themselves.

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$25 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events,

for example), and outside funding sources for essential needs that may suddenly be eliminated. The latter is exemplified by the reductions in state aid in FY09 and FY10 totaling \$94.3 million and the further projected reductions in FY11 of another \$37.7 million.

It is important to note that the City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through a committee consisting of staff from the Office of Human Resources, the Office of Budget Management and the Office of Administration and Finance ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements. Similar BAIS systematic controls are in place to control non-personnel expenditures. These non-personnel spending controls were utilized in FY09 to mitigate the impacts of mid-year State Aid reductions. The City was able to restrict access to any discretionary expenditure accounts and reduce other spending accounts centrally.

Conclusion

This two-year overview is provided as a guide to understand the impacts of the decisions presented in the budget, and to provide a framework for addressing future challenges and initiatives. Although it is not statutorily required, it is a useful tool in long-range planning and policy analysis.

From a budget planning and management standpoint, the parameters summarized here are being built through an interactive forecast model. This approach allows for the development of multi-year scenarios based on various assumptions for City operations set within the financial constraints of the City's revenue and fixed cost budgets.

**CITY OF BOSTON
BUDGET SUMMARY**

(Dollars in Millions)

	FY10 Budget	FY11 Projected
REVENUES		
Property Tax Levy	1,460.65	1,519.16
Overlay Reserve	(35.63)	(37.05)
Excises	79.88	105.92
Fines	77.68	77.80
Interest on Investments	12.75	10.63
Payments In Lieu of Taxes	34.00	35.00
Urban Redevelopment Chapter 121	65.84	68.00
Misc. Department Revenue	57.02	55.28
Licenses and Permits	36.07	38.06
Penalties & Interest	8.31	7.71
Available Funds	17.08	15.08
State Aid	410.33	372.60
Teachers Pension Reimbursement	118.84	124.20
Total Recurring Revenue	2,342.81	2,392.37
Non-Recurring Revenue	45.00	35.00
Budgetary Fund Balance	5.98	6.00
Total Revenues	2,393.79	2,433.37
EXPENDITURES		
City Departments	962.36	992.42
Public Health Commission	70.00	72.71
School Department	817.12	841.36
Reserve for Collective Bargaining	16.86	22.18
OPEB	20.00	35.00
Total Appropriations	1,886.35	1,963.67
Pensions	227.92	238.00
Debt Service	131.55	137.86
State Assessments	143.63	153.25
Suffolk County Sheriff	4.34	4.34
Reserve	0.00	0.00
Total Fixed Costs	507.439	533.46
Total Expenditures	2,393.79	2,497.13
Surplus (Deficit)	0.00	(63.76)

Numbers may not add due to rounding

Technical Note

The City of Boston's combined FY10 Budget and FY10-FY14 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Hyperion System 9 Planning and Scorecard and Microsoft Access were used for data management and analysis.

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