

Summary Budget

OVERVIEW

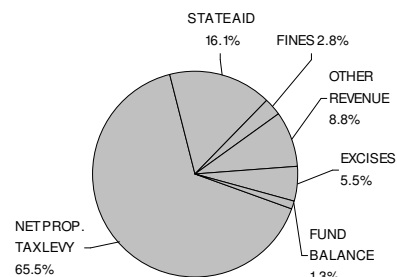
The FY12 budget for the City of Boston totals \$2.4 billion, an increase of \$67.0 million, or 2.9%, over FY11 when a one time payment to the Pension Fund made in FY11 is excluded for comparison purposes. This Summary Budget section lays out the FY12 budget and discusses trends in each category of the 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 FY12 Recommended Budget is supported by \$2.36 billion in recurring revenue. After adjusting the FY11 budget for one time revenues used for the extraordinary pension payment of \$82 million, FY12 recurring revenue growth is \$88 million or 3.9%. The FY12 budget also includes \$30 million in revenue from budgetary fund balance.

The City's FY12 increase in recurring revenue reflects the stability of the property tax and the growth in other local revenues tied to a recovering economy. Excise taxes also increase from additional hotel excise receipts now available to the general fund through the refinancing of debt related to the Boston Convention and Exhibition Center. Local receipts (non-property tax) overall are expected to increase by a healthy 8.4% in FY12. See the *Revenue Estimates and Analysis* chapter of this volume for more detail.

In FY12, the City is facing another year of reductions in state aid, its second largest single source of revenue. Aid figures released with the Legislature's Senate Ways & Means Committee budget reflect a greater amount of aid than originally assumed by the City in its Recommended Budget and are consistent with both the House and Governor's budgets released earlier this year, but a substantial reduction remains nonetheless.

The City's aid will be reduced even though the state is expected to record its second consecutive year of revenue growth. Even with this revenue

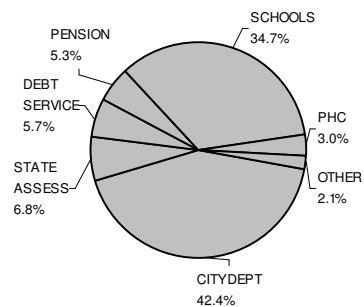


FY12 Estimated Revenue

Figure 1

growth, after several years of using state stabilization funds and federal stimulus funds to plug budget gaps, the state has developed a structural budget deficit currently projected at \$1.5 billion for FY12. This gap will need to be addressed immediately through expenditure reductions and/or revenue increases.

The City's FY12 estimate of state aid is \$385.1 million. This figure amounts to a \$10.6 million or 2.7% decrease in aid for the City. Net state aid (state aid revenues minus state assessments) amounts to \$222.7 million, a decrease of \$24.3 million or 9.9%.



FY12 Estimated Expenditures

Figure 2

**CITY OF BOSTON
BUDGET SUMMARY**

(Dollars in Millions)

	FY09	FY10	FY11	FY12
	Actual	Actual	Budget	Budget
REVENUES				
Property Tax Levy	1,400.71	1,475.93	1,539.68	1,608.23
Overlay Reserve	(35.43)	(35.73)	(37.35)	(39.23)
Excises	106.85	103.42	105.35	131.93
Fines	70.40	70.67	70.41	68.08
Interest on Investments	17.84	3.18	2.00	1.50
Payments In Lieu of Taxes	33.95	34.94	35.70	39.48
Urban Redevelopment Chapter 121A	65.46	66.59	56.60	58.10
Misc. Department Revenue	71.57	64.48	133.14	52.44
Licenses and Permits	41.01	30.56	32.49	34.10
Penalties & Interest	7.78	7.96	7.71	7.76
Available Funds	14.19	17.08	17.11	17.07
State Aid	454.44	413.21	395.70	385.13
Teachers Pension Reimbursement	118.84	0.00	0.00	0.00
Total Recurring Revenue	2,367.60	2,252.29	2,358.53	2,364.57
Budgetary Fund Balance	35.00	45.00	45.00	30.00
Non-Recurring Revenue	0.00	5.98	6.00	0.00
Total Revenues	2,402.60	2,303.27	2,409.53	2,394.57
EXPENDITURES				
City Departments	1,002.43	1,006.00	997.47	1,014.59
Public Health Commission	69.45	70.00	69.81	72.90
School Department	810.01	817.83	821.38	830.91
Reserve for Collective Bargaining	16.86	0.00	8.55	10.70
Other Post Employment Benefits	25.00	20.00	35.00	35.00
Total Appropriations	1,923.74	1,913.83	1,932.21	1,964.10
Pensions	213.23	108.46	192.01	126.55
Debt Service	119.41	125.50	132.28	137.54
State Assessments	137.71	141.87	148.69	162.46
Suffolk County	4.34	4.45	4.34	3.92
Reserve	0.02	0.07	0.00	0.00
Total Fixed Costs	474.72	380.35	477.31	430.47
Total Expenditures	2,398.46	2,294.18	2,409.53	2,394.57
Surplus (Deficit)	4.13	9.09	0.00	0.00

Numbers may not add due to rounding

NOTE: The Teacher's Pension Reimbursement and the related Teacher's Pension expense were eliminated for FY10 and forward. FY11 budgeted Misc. Department Revenue and Pension expenses contain a one-time extraordinary amount of \$82.0 million.

The City's projected revenues provide the basis for planning FY12 appropriations and fixed costs to maintain a balanced budget. Selected FY12 budgeted City revenues compare with FY11 budgeted revenues as follows: the net property tax levy increased \$66.7 million or 4.4%; excises increased \$26.6 million or 25.2%; fines decreased by \$2.3 million or 3.3%; interest on investments decreased \$0.5 million or 25%; payments-in-lieu-of-taxes increased \$3.8 million or 10.6%; Chapter 121A revenues increased \$1.5 million or 2.7%, miscellaneous department revenues decreased by \$80.7 million or 60.6% (this revenue source actually increased \$1.3 million or 2.5% after being adjusted for the one-time FY11 pension payment mentioned above); licenses and permits increased by \$1.6 million or 4.9%; and state aid decreased \$10.6 million or 2.7%.

On the expenditure side of the budget, total appropriations increased by \$31.9 million or 1.7% and fixed costs decreased by \$46.8 million or 9.8%. In should be noted that an extraordinary one-time pension payment of \$82 million in FY11, explained more thoroughly in the Pensions section, is the primary explanation for the reduction in both pensions specifically and fixed costs in total. It is more appropriate to discuss the growth in pension costs net of that one-time payment. Selected FY12 budgeted appropriations compare with FY11 budgeted appropriations as follows: City departments increased \$17.1 million or 1.7%, the Boston Public Health Commission increased by \$3.1 million or 4.4%, and the School Department increased \$9.5 million or 1.2%.

FY12 budgeted fixed costs compare with FY11 budgeted fixed costs as follows: pensions net of the one-time payment in FY11 increased \$16.5 million or 15%, debt service increased \$5.3 million or 4.0%, state assessments increased \$13.8 million or 9.3% and Suffolk County decreased by \$0.4 million or 9.6%.

NOTE: The "Other" category on the FY12 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the collective bargaining reserve, other post-employment benefits (OPEB) and Suffolk County.

REVENUE

The FY12 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts:

Property Tax Levy

The gross property tax levy has been the City's most dependable source of revenue growth during the past twenty-eight years. Property tax levy growth is fundamental to the financial health of the City since it provides two-thirds of all recurring City revenue.

In each year since FY85, the City has increased its levy by the 2.5% allowable under the limits set forth in Proposition 2 ½. 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 \$30.0 million in FY12, \$10 million of which arises from a single taxpayer with property that will move from exempt to taxable status. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 18 of the last 28 years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY01 through FY11 of \$61.2 million or 4.8%, and a projected increase in FY12 of \$68.6 million or 4.5%. The gross property tax levy surpassed \$1.5 billion in FY11, currently stands at \$1,539.7 million, and is estimated to rise to \$1,608.2 million in FY12.

While the total tax levy has continually gone up, property values in Boston have declined during the

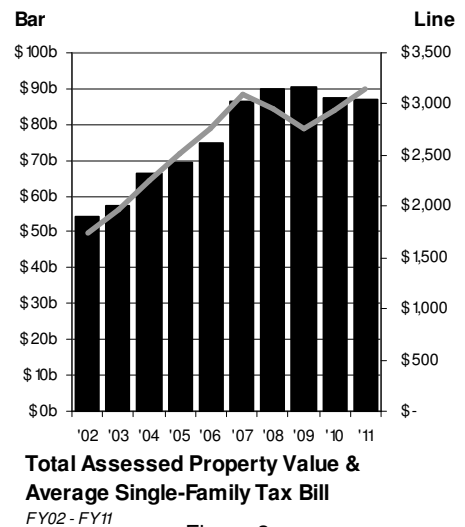


Figure 3

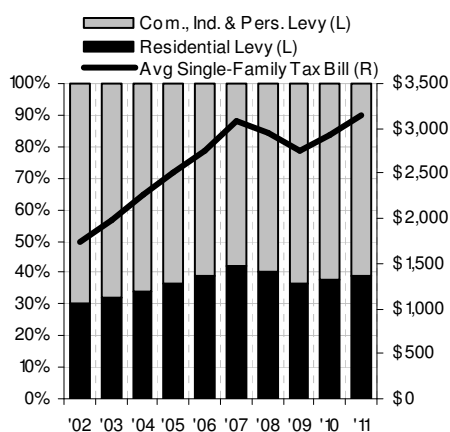
tough years in the residential and commercial real estate markets. The last two property revaluations (FY10 and FY11) were only the first and second declines in property values recorded in the City since FY94. In the FY11 market indexed revaluation as of January 1, 2010, values declined to \$86.8 billion, a \$3.6 billion or 4.0% fall.

Given the decline in total property values, one might expect a decrease in residential taxes. Between FY02 and FY07 the average single-family property tax did increase with property values rising nearly 78% to \$3,091. But after two years of decline in FY08 and FY09, it is beginning to rise as values fall. In FY11, the average single-family tax bill increased to \$3,155, a 14.2% increase over FY09 (Figure 3). This shift is due to the stronger decrease in commercial property values in the levy compared to residential property values. As a result, the percentage of the total tax levy being borne by residents increased from 36.2% to 39.0% between FY09 and FY11. At its lowest point, the residential levy was 30% of the total levy (Figure 4).

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

STATE AID

The primary sources of aid from the state to municipalities are education aid and unrestricted general government aid. The Commonwealth also distributes aid for libraries and provides some other reimbursements to municipalities.



Boston Property Tax Trends
FY02- FY11

Figure 4

State aid has been reduced substantially over the course of the last two recessions. Since FY02, net state aid (defined as state aid revenues decreased by the MBTA, charter school tuition, and other assessments) to the City has been reduced by over \$181 million. The City lost approximately \$79 million between FY02 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$118 million between FY09 and budgeted FY11 – averaging a loss of over \$39 million per year. The FY12 projection of an additional \$24.3 million reduction brings that loss to \$205.7 million.

The City's FY12 state aid estimate is based on the nearly final state budget as released by the Legislature's Senate Ways & Means Committee in early June. A joint House and Senate Conference Committee budget will be released in late June and will then move to the Governor for vetoes followed by a return to the Legislature for any veto overrides before becoming law in early July.

Education Aid

The City received Chapter 70 education aid totaling \$198.1 million in FY09 (not including \$23 million paid through a state grant instead of general fund revenues), \$217.0 million in FY10, and has budgeted \$204.3 million for FY11. The City estimates it will receive a small increase from the FY11 general fund budgeted amount to \$205.4 million in FY12.

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 committees and teachers' union rules and regulations. Their charters are granted by the State Board of Education.

In the current year there are more than twenty Commonwealth charter schools and Horace Mann charter schools open to Boston resident students. There are approximately 5,273 Boston resident students attending Commonwealth charter schools in FY11. The City expects that number to rise to approximately 5,801 in FY12 with the addition of eight more charter schools opening to Boston students. These added schools are the result of legislation enacted last year that increases the cap on charter schools in low performing districts. The law also changes the formula for

reimbursement to sending districts for the annual increase in total Charter School tuition included in the state assessment.

The Commonwealth 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 paid to charter schools in the current 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. Beginning in FY12, this reimbursement schedule is modified each year until 2016.

The net cost to the City for charter schools was \$45.9 million and \$51.0 million in FY09 and FY10, respectively. The City has budgeted a \$55.3 million net cost in FY11 and a \$63.9 million net cost in FY12. (See Figure 5.) These figures include the cost of capital facilities that are 100% reimbursed.

Unrestricted General Government Aid

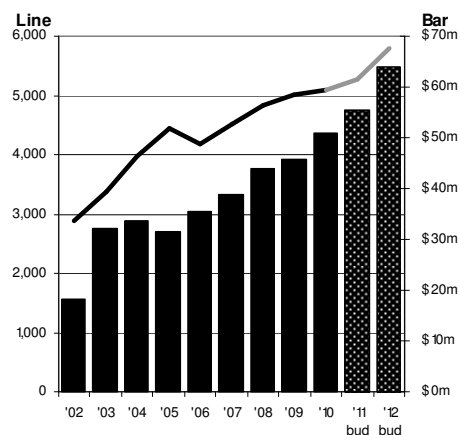
Beginning in the FY10 budget and going forward, the Governor and the Legislature combined general government aid from lottery and "additional assistance" into one account. The combined accounts were reduced by \$75.5 million or 32.0% of the total between FY09 and FY11. The City expects to receive another reduction of \$11.6 million in FY12 to \$148.7 million.

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.

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



Charter Schools Boston Enrollment and Net Cost
FY02 FY12
Figure 5

was fully eliminated instead of a planned annual phase-out that would end in FY09. This change increased the City's FY07 lottery aid to \$70.6 million. The City received \$71.6 million in lottery aid in FY08 and \$64.6 million in FY09 after a mid-year reduction. (\$71.6 million had been budgeted.) As mentioned above, the FY10 state budget combined lottery aid with additional assistance into a new account entitled Unrestricted General Government Aid.

Additional Assistance

The Additional Assistance account was part of a "needs-based" aid package in the 1980's. Each municipality's allocation was determined through a formula that compared costs and revenues to statewide averages. Additional Assistance has been important to Boston in supporting schools, public safety and other basic city services.

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 2003 for a total decrease of \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, those 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 that was level with FY04 amounts. Although \$164.2 million was budgeted in FY09, the City received \$148.2 million after a mid-year reduction by the state.

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

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

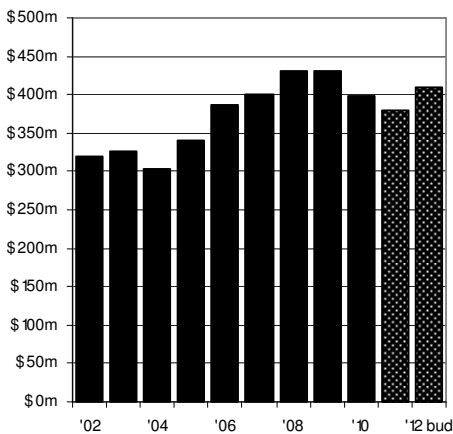
LOCAL RECEIPTS

Approximately 18% of the City’s recurring revenue in FY12 is comprised of excise taxes, fines, payments-in-lieu-of-taxes (including 121A payments), investment income, departmental revenue, licenses and permits, penalties and interest, and available funds.

In FY09 the City collected \$547.9 million from these combined sources and \$398.9 million in FY10 (the decline is mostly due to the loss of Teachers’ Pension reimbursement from FY10 forward). The FY11 Budget assumes an increase to \$460.5 million including the \$82 million one-time Miscellaneous Departmental revenue used for the extraordinary pension payment. Excluding that \$82 million, this revenue source declines to \$378.5 million. The FY12 budget assumes an increase to \$410.4 million (Figure 6). (See *Revenue Estimates & Analysis* section of Volume I for more detail on this revenue source.)

FY12 budgeted revenue benefits from an influx of revenue previously dedicated to support debt service for the Boston Convention and Exhibition Center and routine increases to various fees that are in place for the upcoming year. With these changes in revenue, local receipts increase by about one-third more than they would have otherwise.

Many of the City’s recurring revenue streams are extremely sensitive to current economic conditions. Excises, interest on investments, and license and permit revenues of the City declined in FY10 as a result of the recession. FY11 assumes continued declines or marginal growth in these revenues except for those with tax or fee



Local Receipts
(non-property tax/state aid)
 FY02 - FY12 (adj. for actual base hotel collections)
 *All years reflect change in Teacher’s Pension

Figure 6

increases. The FY12 budget assumes increases in all of the above categories except interest earnings, fines and available funds.

With high unemployment and a weak housing market adding to pressure on auto sales, the City has seen motor vehicle excise growth slow considerably or decline over recent years. In FY12, revenue from motor vehicle is expected to increase as pent up demand drives sales along with low interest rates and job growth.

The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City adopted this tax and collected a partial year of revenue in FY10. The FY11 and FY12 budgets assume full years of collections.

The recent economic climate reduced business, leisure and international travel causing taxable sale supporting Hotel and Jet Fuel excise taxes to fall significantly in FY10 and FY11, losing much of the revenue gains from recent years. Hotel revenue actually increased over the period due to an increase in the local hotel tax from 4% to 6% in FY10. This increase was implemented at the same time as the new meals tax. FY12 revenue estimates reflect increasing jet fuel prices and robust growth in hotel stays as well as the hotel tax rate increase.

With decreasing Federal Funds rates, the City’s investment earnings have plummeted even as cash balances have remained strong in recent years. FY11 and FY12 earnings are expected to remain very low.

Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to increase in FY12 based on the results of a taskforce appointed by the Mayor which recently concluded its work. This taskforce recommended more standardization among agreements as well as a higher ratio of payment to property value than was in place previously.

License and permit revenues, driven by building permits, have slowed considerably as housing construction has halted and credit for large commercial projects has become scarce. Building permit fees are expected to rebound somewhat in FY12 with some residential apartment building and previously stalled commercial projects getting underway.

Chapter 121A agreements are payments in lieu of tax for developments that occur in blighted areas. Those that qualify pay different taxes on income and property as determined under Chapter 121A of Massachusetts General Law. 121A payments in FY11 are expected to decline as the agreement for one large property in downtown Boston expires. The property will move from 121A status to taxable status under the normal property regulations in Chapter 59. Inflationary growth is expected in the remaining agreements for FY12.

The remaining sources of other revenue to the City are set rates of fees, fines, penalties or interest. These usually endure economic changes with small changes in activity or revenue.

The Boston Teachers' Pension Reimbursement, an item that was unique to the City among municipalities in Massachusetts, was captured in the local receipts category prior to its elimination in FY10. The pensions paid to retired teachers in all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System. However, Boston teachers are members of the State-Boston Retirement System (SBRS). Prior to the passage of new legislation, the SBRS managed the investment of the teacher employee and teacher retiree assets. Under the past arrangement, the City funded the teachers' pension liability on an actuarial cost basis and was reimbursed by the state on the basis of the prior year's teacher retiree portion of the SBRS pension payroll. As noted earlier, legislation changed this form of

financing Boston teachers' pension liability. Beginning in FY10, and continuing in succeeding years' budgets, the Commonwealth will directly fund Boston teachers' pension liabilities.

(See the *Financial Management* section of Volume I for more detail on the change to Teachers' Pension funding).

Non-Recurring Revenue

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

In FY12, the City will not appropriate from the fund.

Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, more commonly referred to as "free cash," 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 FY12 Budget assumes the use of \$30 million of budgetary fund balance to fund a portion of the appropriation for 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. FY12 appropriations are subdivided into three subgroups 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; and

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

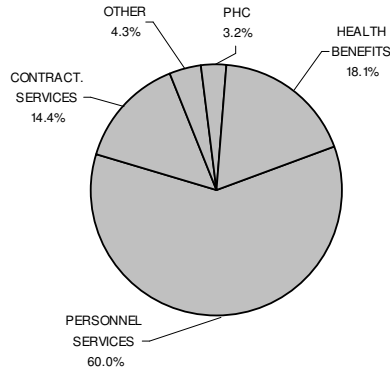
Appropriations are also presented by expenditure category across the three subgroups. (Figure 7)

Personnel Services include salaries, overtime, Medicare, unemployment compensation and workers' compensation and a collective bargaining reserve for employees in City departments, PHC and BPS. Nearly all of the collective bargaining agreements between the City and the unions expired during calendar year 2010. The current contract with the firefighters union will expire on June 30, 2011. The City is currently in active negotiations with all of the police and civilian unions. The current collective bargaining reserve contains limited funding for successor agreements that would cover the retroactive impacts of wage increases to be negotiated for FY11.

The Health Benefits category includes the cost of health care coverage for City and BPS employees and retirees as well as PHC employees plus the appropriation for Other Post Employment Benefits (OPEB).

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

Included in the "Other" category are supplies & materials such as gasoline, uniform allowances, office supplies, workers' compensation medical



FY12 Appropriations by Category

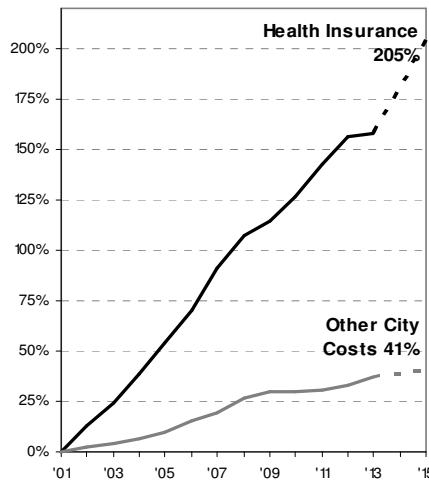
Figure 7

expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in the "Other" category are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and funding for the City's outside audit.

EMPLOYEE BENEFITS

Balancing Responsibility for Health Care Costs

In FY12, the City has budgeted \$315 million in health insurance premiums for city employees and retirees –over 13% of total expenditures. Similar to other Massachusetts municipalities, Boston's health insurance costs have dramatically increased over the last decade, restricting resources available for other purposes.



City Cost Increases since FY2001
(- - - FY13 - 15 Projected)

Figure 8

As Figure 8 demonstrates, the higher growth rate for health care, compared to other city costs, will continue into future years. However, in FY12 and FY13, a major cost adjustment will occur, when City employees and retirees begin to share a larger portion of health care costs, and Medicare also begins paying its full share of the City's health claims (see later section on Mandatory Medicare Enrollment.)

On July 11, 2011, groundbreaking new state municipal health care legislation allowed municipalities to increase employee out of pocket payments for co-pays and deductibles up to the same levels charged by the State's Group Insurance Commission (GIC) or, to transfer all their health care management directly to the GIC. These changes can be made simply after meeting some procedural requirements, sharing up to 25% of first year savings with employees, and demonstrating an additional 5% savings to support a direct move to the GIC. In contrast, prior to the new legislation, municipalities had to have union agreement before making such changes, either through collective bargaining or majority approval of a union coalition.

The City of Boston will delay implementing the full plan design savings allowed under the new legislation in exchange for \$70 million in savings from a four year agreement (FY12 - FY15) with its thirty six bargaining units through a joint coalition bargaining committee allowed under S.19 of state law. This agreement, which was finalized after the FY12 budget was passed, includes:

- Employee and retiree share of premiums for non-Medicare plans will increase by 1.25% in FY12 and 1.25% in FY13. Total premium share will vary by type of plan, from 17.5% for HMO's to 27.5% for indemnity plans.
- Member co-pays will increase in FY13 for prescriptions, office visits, and emergency room visits.

As Figure 9 demonstrates, this agreement will result in a higher share of total health care costs (including premiums and co-pays) born by employees and retirees. In FY11, members paid roughly 18% of total health care costs, compared to an estimated 22% in FY13 after all changes are in place. In FY16, the City will have the ability to accept the new legislation, and further increase employee and retiree out of pocket payments,

closer to the average GIC employee's 33% share of costs.

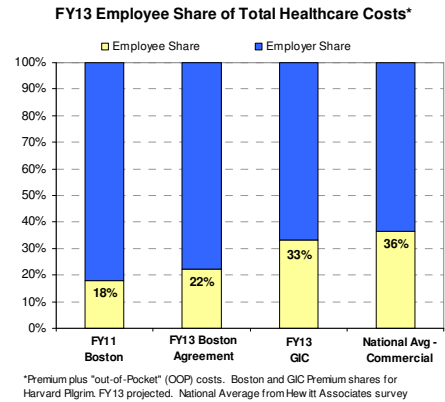


Figure 9

Mandatory Medicare Enrollment

The new state municipal health care legislation further mandates that all Medicare-eligible municipal retirees must enroll in a Medicare Part B health plan. The City projects annual savings, beginning in FY13, of over \$5 million from this new legislation.

The Broader Picture

The impact of increasing employee share of health care expenses, and maximizing the federal Medicare payments is significant. The City should experience an almost negligible increase in FY13 health care costs, in a year that costs would normally increase by roughly \$27 million. As Figure 8 also demonstrates however, after that single year of cost shifting, annual cost increases will resume their prior growth rate.

Balancing the share of costs between participants does not address the underlying national issue of increasing health care costs. Multiple factors behind the trend include increasing medical provider charges, increasing available technologies, an aging population, overuse of certain services, high utilization of more expensive hospitals, and unhealthy lifestyle choices of members. These problems must be addressed by multiple parties, and the City will continue to make changes within its control.

As shown in Figure 10, the City has contained health insurance cost increases since FY08 at an average 6% per year. This was partially accomplished by eliminating a costly indemnity plan for active employees and controlling administrative claims management expenses. The

City will continue both of these efforts in FY12, by completely eliminating the costly indemnity plan for retirees, and further exploring methods for reducing claims management expenses through claims audits and self-insurance.

Health Insurance (\$ Mil)			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY05	\$189.2		
FY06	\$209.2	\$20.0	10.5%
FY07	\$234.3	\$25.1	12.0%
FY08	\$254.0	\$19.7	8.4%
FY09	\$263.0	\$9.0	3.6%
FY10	\$278.4	\$15.4	5.9%
FY11*	\$297.5	\$19.1	6.9%
FY12*	\$315.0	\$17.5	5.9%

* Budget estimate

Figure 10

Further, the City is taking full advantage of savings offered through federal health care reform. The Early Retiree Reinsurance Program is expected to reimburse the City for certain FY11 medical claims. These funds will be used to reduce premium increases in future years, benefiting both the City and its employees.

Last, steps are being taken to encourage city employees and retirees to adopt healthier lifestyle choices, such as the Full Yield healthy eating program. Also, the City, Harvard Pilgrim, and a major health care provider are working together to improve health care service delivery to City employees.

Note: FY12 health, dental and life insurance benefits for City employees and retirees are budgeted separately for City departments (\$218.3M), BPS (\$91.4M), and PHC (\$10.8M).

City Healthplan Subscribers Feb '11			
Healthplan	Active	Retiree	Total
Indemnity	1,108	2,089	3,197
HMO	14,430	4,961	19,391
Medicare	0	5,715	5,715
Total	15,538	12,765	28,303

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 retiree health and life insurance benefits. The City pays for retiree health benefits as the actual

expense is paid out on a pay-as-you-go basis, which greatly understates the full obligation. Similar to pensions, employees earn these other post employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. In fact, this liability is greater than the City's pension liability. An independent actuarial valuation estimates the City's total OPEB obligation at June 30, 2009 at \$4.7 billion.

In FY08, the City was required by the Governmental Accounting Standards Board (GASB) to implement new standards that required the City to identify and disclose this future estimate on non-pension benefits earned but not yet funded which the City is obligated to pay on behalf of current and future retirees. In FY08, in the absence of legal authority to establish a trust fund for the purpose of prefunding OPEB liabilities, the City established an OPEB Stabilization Fund and made an acknowledgement payment of \$20 million to that fund, a first step in addressing this unfunded promise. An additional \$25 million appropriation was made to this Stabilization Fund in FY09. In June 2009, the City accepted Chapter 32B, section 20, as added by Chapter 479 of the Acts of 2008, authorizing the establishment of an irrevocable Other Post Employment Benefits Liability Trust Fund. An appropriation of \$20 million to this Trust Fund was made in FY10 with an additional \$35 million in the FY11 budget.

The City will allocate another \$35 million in FY12 toward reducing this liability. A fully funded annual required contribution (ARC) would set aside enough assets to pay the liability that current employees are incurring, as well as a portion of any liability due to benefits earned and never accounted for. The City's OPEB financing plan balances the duty to deliver valuable public services while acknowledging the cost of 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

Changes to City Pension Funding Obligations (\$millions)					
	SBRS Required Appropriation	Teacher's Pension Reimbursement	Net Required Pension	Extraordinary Payment	Total Pension Cost
FY12	\$ 126.55	\$ -	\$ 126.55	\$ -	\$ 126.55
FY11	110.01	-	110.01	82.00	192.01
FY10	108.46	-	108.46	-	108.46
FY09	213.23	118.84	94.39	-	94.39
FY08	202.90	105.40	97.50	-	97.50
FY07	192.90	93.30	99.60	-	99.60

Table 1

32. The most recent completed valuation of the SBRS, based on January 1, 2010 data, committed to funding based upon a schedule which includes paying the normal cost and an annual contribution toward reducing the unfunded liability to zero by the year 2025. Current state law allows systems to fully fund by no later than 2040.

The City's annual pension funding requirement was \$213.2 million in FY09, \$108.5 million in FY10, and was budgeted for \$192.0 in FY11 and \$126.5 in FY12. The large-scale swings in pension cost during FY09-FY12 are driven by two main factors:

- 1) Legislation passed in May, 2010, transitioned the City's pension cost away from any relationship to teacher's liability (thus the lower "Required SBRS Appropriation" and the zeroing out of the "Teachers' Pension Reimbursement").
- 2) The extraordinary additional down payment of \$82 million on the pension unfunded liability in FY11.

The real trend in pension cost is best represented by the Net Required Pension Cost in Table 1, because it makes an apples to apples comparison between the pre- and post- May 2010 legislation accounting of City of Boston pension cost, and it is prior to inclusion of a nonrecurring cost, the FY11 extraordinary down payment on the unfunded pension liability. The Net Required Pension Cost hovers between \$94m and \$110m between FY07 through FY11, before a significant jump occurs in FY12. FY12 is the first year the SBRS required appropriation was impacted by the significant loss in pension assets in the 2008 calendar year.

See the *Financial Management* chapter of this volume for a detailed explanation of the changes in the treatment of the Boston teachers' pension liability and a description of long-term asset and liability trends.

ENERGY MANAGEMENT

Energy Management Board

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use and conservation of energy and to minimize the associated greenhouse gas impacts to public health. The Energy Management Board is comprised of the Chief of Environmental Services, Chief Financial Officer, Chief of Public Property and the Chief of Public Health. In FY11 the City created two new energy manager positions, made possible through the American Recovery and Reinvestment Act (ARRA) Energy Efficiency Block Grant, to manage the implementation of energy efficiency projects and to oversee energy consumption and supply procurement. In FY12 energy budgets total \$57.7 million with electricity costs making up 53% of the budget, natural gas costs making up 26% of the budget and gasoline/diesel comprising 11% of the budgets. The remaining 10% of the budget funds water and sewer, steam and heating oil.

Energy Management Policies

The City's energy management and reduction policies are guided by an Integrated Energy Management Plan that was developed by the Mayor's Office and released in FY06. The policies seek to:

- Coordinate and enhance existing conservation programs;
- Incorporate best practices for both operations & maintenance and future capital investment;
- Focus on efficiency projects using currently-available and proven technologies; and
- Analyze the financial impacts of project implementation.

Energy Management Strategies

Following the policy of best practices in both operations & maintenance and capital investment, strategies have been developed to implement energy conservation projects. Strategies include:

- Maximize the use of energy efficiency subsidies provided by energy efficiency distribution tariffs and distributed by local utility companies;
- Use existing Energy Management Systems to control energy use at existing buildings;
- Provide for a green energy component in the City's electric supply contract;
- Support electric grid reliability and generate revenue and energy savings with demand response contract; and,
- Implement energy performance contracts to get necessary capital improvements and ensure operational efficiencies.

Energy Management Success Stories

In FY12, the City hopes to continue its trend of energy management successes and to continue to benefit from decisions made in prior fiscal years. During FY09 the City of Boston executed a contract with EnerNoc for electric demand response management seeking to curtail 1,300 kW during peak electric consumption periods this contract continues through FY14. Boston receives payments of approximately \$60 thousand annually for participating in the demand response program.

During FY10 the City of Boston executed a successor electric supply contract that will be in place through March 2013. The contract uses the same pricing model used in prior contracts whereby the City buys its electricity in the variable day-ahead electric supply market to get the lowest cost possible. The City measures its success in this contract by comparing its electric supply costs incurred through the third party supply vendor to what it would have paid NSTAR, the local electric distribution company, for the same electric supply.

In FY12, the most dramatic change in energy use will come in the Public Works Department. Through a collaborative effort of the Environment and Energy Cabinet, the Public Works Department and NSTAR, the local electric distribution company, three financial resources have been combined to implement a significant retrofit project. The project involves the replacement of mercury vapor street lighting fixtures with energy

efficient Light Emitting Diodes (LEDs). The cost of the LED project is funded with City capital bond funding and energy efficiency incentive dollars distributed by NSTAR, along with funds from the Energy Efficiency and Conservation Block Grant, funded by the American Recovery and Reinvestment Act (ARRA). This \$5.8 million project will retrofit over 18,000 street lights with LEDs and save over 11 million kWh of electricity. The LED project is the primary explanation for the \$1.8 million reduction in Public Works' FY12 operating budget.

Continuing a successful partnership with the City's local utility companies and accessing energy efficiency incentive grant funds, future projects for FY12 and beyond include a capital energy performance project for BPL's Johnson Building and an additional phase of energy projects at Boston City Hall. The Johnson Building project is expected to save 6 million kWh of electricity or approximately \$950,000. The next phase of the Boston City Hall project is projected to save 3 million kWh or approximately \$470,000. Finally, the Environment Department will continue to pursue its investment to support renewable energy by installing a new 1,650 kW wind turbine on Moon Island. This new wind turbine will generate over 4 million kWh of electricity annually. This electricity will be sold to the City's local electric distribution company, NSTAR, thus providing renewable energy source to the electric grid and subsidizing the City's electric costs with net metering.

APPROPRIATIONS

City Departments

The combined appropriations for City Departments as shown in the FY12 Summary Budget have increased by 1.6% from the FY11 appropriations. Approximately 74% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits.

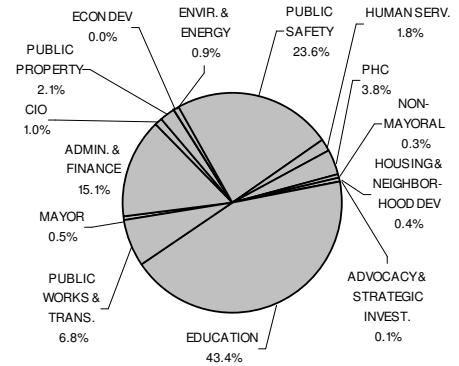
Reductions were made in both personnel and non-personnel accounts for many departments. The departmental appropriations are shown in the General Fund Appropriation by Cabinet table.

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 FY11/FY12 changes by cabinet are as follows:

Mayor's Office

In FY12 the Intergovernmental Relations and Office of New Bostonians departmental budgets have been assigned to a new cabinet named Advocacy and Strategic Investment that will be discussed more fully in the following section. The remaining departments in the Mayor's Office cabinet will see an increase of .6% in FY12. All but one of the departments in the cabinet has been level-funded or reduced. The Public Information budget will see an increase in FY12 to hire additional customer service representatives in the Mayor's 24-Hour Constituent Engagement program. The program will assume new responsibilities formerly handled by City Hall telephone operators previously working in the Property and Construction Management Department and will centrally manage any service requests related to these phone calls. The program will continue to enhance its partnership with the Department of Innovation and Technology (DoIT) and front-line service delivery departments to manage the Constituent Relationship Management (CRM) system. This system dispatches work to the responsible city departments and tracks the final resolution. Costs related to CRM technology are budgeted in the Department of Innovation and Technology (DoIT) which is under the Chief Information Officer.



FY12 Appropriations by Cabinet

Figure 10

Advocacy and Strategic Investment

The Advocacy and Strategic Investment Cabinet has been created to renew the City's focus on enacting legislative reform, strengthening education, fostering job creation and serving Boston's diverse communities supported by local, state and federal partners. The cabinet is comprised of the Boston Residents Job Policy, Intergovernmental Relations, Office of New Bostonians and the Small and Local Business departments. The budgets in this cabinet will see a .6% increase in FY12. The Office of Boston Residents Jobs Policy's mission is to increase construction opportunities for Boston's residents, minorities and women. The Intergovernmental Relations department keeps the Mayor informed on intergovernmental issues at the city, state and federal levels. The Office of New Bostonians seeks to strengthen the ability of new immigrants in the City of Boston to fully participate in economic, civic, social and cultural life of the City. 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 that established the City of Boston's Minority and Women Business Enterprise Initiative in the summer of 2008.

The Advocacy and Strategic Investment Cabinet will play a leadership role in the Circle of Promise initiative working to foster collaboration between City government centered in Boston Public

Schools, not-for-profit organizations, and families in the Circle of Promise to combat family poverty by helping secure jobs and job training, housing, food and healthcare services, and any other public benefits necessary to improve peoples lives.

Administration and Finance

The Administration and Finance Cabinet administers the day-to-day management of city government. Excluding the City's central appropriations for Health Insurance, Medicare, and tax title, the cabinet will see a net decrease of 0.6% in its FY12 appropriation.

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. OBM will see a 2% reduction in its FY12 appropriation. 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 .9% increase in its FY12 appropriation due in large part to standard salary step increases for employees within the department. FY12 is a very exciting year for the Auditing Department with the planned upgrade to the Boston Administrative Information System (BAIS) Financials application. The Auditing Department is the lead business sponsor for the BAIS Financials upgrade project but the project will involve most of the departments within the Administration and Finance Cabinet along with the continued partnership with the Department of Innovation and Technology (DoIT). The goals of the BAIS Financials project are to upgrade the BAIS application to improve operational efficiency and effectiveness, reengineer and standardize business processes and to provide a more environmentally friendly operation that eliminates paper processes with improved electronic workflow. The project is funded with a combination of external and capital budget resources and is scheduled to be completed for FY13.

The Health Benefits appropriation for City employees and City and BPS retirees will increase by 5.2% over the FY11 appropriation, requiring an additional \$10.9 million. The Health Benefits

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 Library Department will see a .8% decrease in its FY12 general fund appropriation. The central branch will use external funding to support opening on Sunday afternoons and the book and materials budget will be reduced. The Library Department has deferred its FY11 plan to close four of twenty-six branch libraries and had to look elsewhere for savings. The department continues to evaluate options that may include future branch closures and continues to pursue the restoration of state funding that was dramatically reduced starting in FY10.

The Purchasing Division will see a 4.3% reduction in its FY12 appropriation. The FY11 budget included one time costs associated with the final closing of the Graphic Arts Department that will not be needed in FY12. In FY11 the Purchasing Division began procuring printing and binding services formally provided by the Graphic Arts Department; the volume of those services is lower than originally projected. In FY12 the division will continue to achieve operational efficiencies such as producing the City Record in-house using desktop publishing and emailing purchase orders rather than mailing them. One of the new modules included in the BAIS Financials upgrade discussed earlier is eProcurement which will streamline the purchasing process.

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 Department of Innovation and Technology (DoIT) will see a 7.7% increase in its FY12 appropriation. This budget reflects the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. Much of the budgetary growth for DoIT in FY12 relates to new enterprise-wide software maintenance costs for telecommunication systems, the fiber optic networks and Geographic

Information Systems (GIS) that benefit all departments but are centrally budgeted in DoIT. In FY12, DoIT 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 including the new Boston Business Hub (BizHub) web portal, the Constituent Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS), the Computer Aided Dispatch (CAD) system and providing technological support for the Community Learning Initiative involving the Boston Public Schools (BPS), Boston Public Library (BPL) and the Boston Centers for Youth and Families (BCYF). DoIT will also provide technical support to an upgrade to the Boston Administrative Information System (BAIS) Financials application discussed earlier in the Administration and Finance Cabinet section.

DoIT is managing the Boston Public Computing Grant. This competitive grant, funded by the American Recovery and Reinvestment Act (ARRA), will create nearly 50 modern public computing sites located at BCYF, BPL and Boston Housing Authority (BHA) facilities. This investment will allow nearly 18,000 people a week to access broadband internet, a 40% increase to existing capacity. Finally, DoIT is managing a second ARRA grant, Boston Sustainable Broadband Adoption, which funds a project being undertaken through collaboration between the City of Boston and private organizations seeking to narrow the digital divide by expanding access to broadband internet to low income students, unemployed adults and seniors living in public housing.

Public Safety

The net increase in this cabinet (.9%) is the result of a 3.1% increase in the Fire Department appropriation and a .6% reduction in the Police Department appropriation.

The FY12 budget for the Fire Department will increase by approximately \$5.5 million. The increase is due primarily to the annualized impact of the collective bargaining wage increases in January and June of FY11 resulting from an arbitrator's award and subsequent memorandum of understanding that was negotiated between the

City of Boston and the firefighter's union. The memorandum of understanding requires that existing firefighters participate in a random drug and alcohol testing and that new firefighters will be required to take an annual physical and pass a physical ability test as well as undergo random drug and alcohol testing. The FY12 budget includes a new firefighter recruit class scheduled in early FY12 to replace retirees and to ensure that staffing levels in the fire suppression category are maintained at the desired operational level.

The Police Department's FY12 budget will decrease by \$1.6 million. The budget includes funding for recruit police officer classes currently planned for the spring and winter of 2011 to ensure that the City will maintain its sworn staffing levels. The department will eliminate the Neighborhood Interaction Unit (NIU), a group of civilian non-emergency telephone call takers, in FY12. The telephone calls handled by the NIU will be routed and handled similar to other non-emergency telephone calls currently answered by Emergency 911 call takers.

The Police Department will continue to deploy Safe Street Teams to engage Boston police officers in community problem-oriented policing of violent crime hot spot areas. Safe Street Team officers are assigned to these areas for a sustained period of time. Longer term assignments allow officers to get to know local residents and business owners and form effective working partnerships to prevent and respond to crime and disorder. In addition, 200,000 walking beats are scheduled as part of the department's community policy strategy in FY12. The Bureau of Intelligence and Analysis will continue, through the Boston Regional Intelligence Center (BRIC), to be the central clearinghouse of information from all available sources providing tactical and/or strategic expertise to support law enforcement activities throughout the department.

Economic Development

As discussed in the new Advocacy and Strategic Investment Cabinet section, the Boston Residents Jobs Policy and the Small and Local Business Enterprise departments have been assigned to the new cabinet, leaving only the Boston Redevelopment Authority (BRA) in the Economic Development Cabinet. The BRA continues to fully fund its operation as the City's central planning

and economic development agency within the existing BRA revenue structure without support from the City's general fund in FY12.

Public Property

The Public Property Cabinet as a whole will see a decrease of .3%. The Property and Construction Management Department will see a 2.4% reduction in FY12 with the elimination of several positions including the City Hall telephone switchboard positions. The responsibility for taking the City Hall telephone calls will be transferred to the Mayor's 24-Hour Constituent Engagement program in the Public Information Department in the Mayor's Cabinet. The transfer will allow the 24-Hour Constituent Engagement staff to directly manage the handling and assignment of any service requests that may result from the calls resulting in a more efficient process.

The Arts, Tourism & Special Events and the Consumer Affairs & Licensing departments will include slight increases in FY12.

The Department of Voter Mobilization will require a \$438 thousand or 13.9% increase in FY12. The department's budget varies each year based on the number and type of elections scheduled to take place. In FY12 two municipal elections and a Presidential primary election are scheduled. The costs associated with the preliminary municipal election were reduced in the budget approved in June 2011 given that a preliminary election is not necessary citywide with a smaller group of certified candidates for citywide office. In the municipal elections, the City will bear 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 process 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 is also a priority.

The Parks and Recreation Department budget will see a decrease of .6% in FY12. The department has reduced costs through delayed hiring and will use recently increased fees for floodlight charges to reduce departmental utility costs. It should be noted that the \$2.1 million cost of the Cemetery program is included as part of the Parks Department budget but supported through a

separate appropriation from fees collected and deposited into the Cemetery Trust Fund.

Public Works & Transportation

Individual budgets in this cabinet include Public Works, Central Fleet Management and Transportation, as well as the City's appropriation for snow removal. Excluding the budget for snow removal, the Cabinet reflects a decrease of 1.3%.

The Public Works Department's FY12 appropriation is seeing a decrease of 1.2%. The bulk of savings has been achieved through a reduction to the utility budget of \$1.8 million due in large part to an ongoing effort to implement an energy efficient retrofit to over 18,000 street lights throughout the City. Through a collaborative effort of the Environment and Energy Cabinet, the Public Works Department and NSTAR, the local electric distribution company, three financial resources have been combined to implement this significant project. The retrofit project involves the replacement of mercury vapor street lighting fixtures with energy efficient Light Emitting Diodes (LEDs). The cost of the LED project is funded with City funding and energy efficiency incentive dollars managed by NSTAR, along with the ARRA- Energy Efficiency and Conservation Block Grant.

In FY12, the Transportation Department will see a decrease of 1.6%. This decrease is the result of a more controlled hiring process as vacancies occur and a reduction in the parking ticket processing contract based on a lower number of parking tickets projected to be processed in FY12. The department plans to continuously evaluate the optimum number of parking enforcement officers needed 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 1.0% net increase in FY12. 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 an increase of 1.1% primarily related to two new sheet metal inspector positions that were added to the FY12 budget to meet new heating, ventilation and air-conditioning (HVAC) regulations that require additional permitting and inspections. New permit fees were approved by City Council in March 2011 to help support this new cost to the City. 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 Department of Innovation and Technology (DoIT). The goal of the enterprise permitting and licensing system is to move all City permitting to a central system to provide consistent levels of service and data across all city departments. In conjunction with APIS, ISD will collaborate with other permitting agencies such as the Fire Department and Neighborhood Development to create the Boston Business Hub (BizHub), a one-stop permitting center to support constituents and small businesses with easier and more accessible permitting.

The Environment Department will be level-funded in FY12. The budget includes an annual allotment for 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. In FY12, the department will continue the Renew Boston initiative using the Energy Efficiency and Conservation Block Grant, funded by the American Recovery and Reinvestment Act (ARRA). Renew Boston is a collaboration with local utility companies and community-based organizations that is currently retrofitting existing homes and implementing energy efficiency programs in small businesses. In FY12, Renew Boston plans to expand to support large commercial and industrial businesses.

Human Services

Overall, the FY12 appropriation for the Human Services Cabinet shows a net increase of 2.5%. The Boston Centers for Youth and Families (BCYF) budget will increase by 0.3% in FY12. The second phase of the department's reorganization plan that will consolidate or repurpose a number

of community center sites. In FY12, five sites will be impacted with a number of positions being eliminated and others being redeployed to other sites after the busy summer season. In most cases the space being freed up by BCYF consolidations will be used by existing non-profit partners using space at the sites already or entirely new partners. In other cases it will allow Boston Public Schools to use the space for expanded programming if needed. The goal is to move beyond just gym and swim programs and to redirect resources to strengthen the remaining centers and expand program offerings specifically for teens, the arts and information technology.

The Madison Park Community Center will be repurposed as a citywide recreation "hub" and a BCYF recreation headquarters will be established at the site. The repurposed facility will be used as an incubator for the development of new recreation, sports and fitness programs, which will then be scaled across the City. The ongoing partnership with the Reggie Lewis Track and Athletic Center that is immediately adjacent to Madison Park facility will continue.

In the area of information technology programming, BCYF sites will benefit from the ARRA-Boston Public Computing grant, managed by the Department of Innovation and Technology (DoIT) that will modernize BCYF's computing centers. BCYF has partnered with community center site councils, (independent non-profit organizations set up specifically to support the local community centers) to transition the Tiny Tots pre-school programs to site council funding over three years. The FY12 budget assumes that the site councils will fund 50% of the compensation and benefits of program staff and assumes that any new employees for the Tiny Tot program will be employed directly by the site council. BCYF will continue to partner with the Family Nurturing Center and the Boston Housing Authority in FY12 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. This program is a component of the City's "Thrive in Five" initiative – a public/private partnership aimed at promoting school readiness.

BCYF will continue to provide support for Boston After School and Beyond, a public-private collaboration that seeks to catalyze partnerships among program providers, philanthropy, business and higher education to expand out-of-school time programming particularly in the Boston Public Schools (BPS). In FY12, Boston After School and Beyond in partnership with BPS will expand summer opportunities to help 1,500 students prevent summer learning loss by providing student-centered, school-aligned, results-focused programming.

The Youth Fund will continue its successful partnering with community-based organizations. The FY12 general fund appropriation for the Youth Fund has been level funded and together with available state funds is projected to provide an estimated 3,300 summer jobs. The City is expecting to receive funding from the Commonwealth of Massachusetts for the YouthWorks program that targets summer jobs for at-risk and low income youth. Together with all of its partners, the City's goal is to provide 7,400 jobs.

In FY12 the Commission for Persons with Disabilities program will be separated from the Civil Rights Department and become its own department. The mission of the new department is to work with volunteer members of the Disability Commission to reduce architectural, procedural, attitudinal, and communication barriers that affect people with disabilities. The reduction in the Civil Rights department reflects the separation of the former department program. In FY12, the Elderly Commission will see a 1.3% decrease partially achieved through the maximization of its external resources. The increase reflected in the Veteran's Services department is related to the Aid to Veteran's appropriation that covers state-mandated veteran expenses paid by the City and reimbursed by the Commonwealth of Massachusetts at 75% of the actual costs.

Housing and Neighborhood Development

The Housing and Neighborhood Development cabinet will be essentially level funded in FY12. The Department of Neighborhood Development (DND) will see a slight increase in FY12. In FY12, DND will be funding portions of its foreclosure prevention and intervention programs with the Neighborhood Stabilization Program (NSP) grant. Leading the Way funding will be used for homeless housing production, down payment assistance, and for activity related to real estate owned (REO) properties. Leading the Way resources will support efforts in the areas of foreclosure prevention, intervention and property reclamation, neighborhood stabilization, and rental housing development and preservation.

Economic development and job creation will be supported with funding, technical assistance, and training for the Main Street Districts whose mission is to build vibrant neighborhood commercial districts throughout the City. Financial and technical assistance programs for small businesses will be expanded to help them cope with the tightened credit market. DND has partnered with the Department of Innovation and Technology (DoIT) and other permitting departments like Inspection Services and the Fire Department to create a central point-of-entry called the Boston Business Hub (BizHub). BizHub will be a convenient place for small businesses to navigate required business permits and get technical assistance.

Public Health Commission

The Boston Public Health Commission (BPHC) serves as the city's health department and provides community health programming, infectious disease surveillance, shelter, food, and advocacy for homeless individuals, substance abuse prevention and treatment programs, school based health services, and emergency medical services. The FY12 appropriation for the Public Health Commission will increase by 4.4%. Unlike most departments, the Public Health Commission appropriation includes a provision for health insurance and pension costs, expenses that continue to grow. The actual operating budget for the Public Health Commission, excluding health insurance and pension costs, decreased by 1% from FY11.

The Public Health Commission plays a leading role in the Mayor's goal to narrow racial and ethnic health inequities, achieved through strategies that include the implementation of data collection regulations at 10 Boston hospitals and programming in the neighborhoods to address the social determinants of health. The Commission has adopted the following overarching 5 year goals:

1. Reduce low birth rates among Boston residents, and reduce the gap in low birth rates between black and white residents by 25%;
2. Reduce chlamydia rates overall among Boston residents 15 through 24 years of age, and reduce the gap in chlamydia rates between black, Latino, and white residents 15 through 24 years of age by 25%; and,
3. Reduce obesity rates among Boston residents and reduce the gap between white and black/Latino obesity/overweight rates in children and youth by 30% and in adults by 20%.

In FY12, the Public Health Commission will continue to develop innovative programs to address chronic disease prevention and wellness promotion in the City of Boston using strategies focused on increasing opportunities for healthy eating and safe physical activity.

Violence prevention efforts remain a priority and the Commission works closely with residents to address community violence through the Violence Intervention and Prevention (VIP) initiative and Partnerships Advancing Communities Together (PACT).

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 in 1995. The direct payment requirement is level funded with FY11.

The FY12 appropriation also provides \$11.8 million in funding for Emergency Medical Services (EMS) and includes funding for a new recruit class of Emergency Medical Technicians planned for Spring 2011.

School Department

The FY12 Boston Public Schools (BPS) budget will increase by \$9.5 million, or 1.2%, from the FY11 appropriation. The FY12 budget was developed using the Weighted Student Funding (WSF) allocation model and represents a fundamental shift from prior funding allocation methodologies. Using the WSF methodology the funding follows the student and a school's allocation is based on the specific needs on the students enrolled. The department's budget will require position reductions but will also advance academic priorities by improving opportunities for English Language Learners, arts and physical education. The School Department has lost approximately \$21 million in federal funding provided by the American Recovery and Reinvestment Act (ARRA) used to sustain school operations and make strategic investments during FY11, but will benefit from \$10.2 million in federal Education Jobs Program funding that was allocated by BPS to support ongoing operations in FY12.

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

Reserve for Collective Bargaining

As mentioned previously, most union contracts expired during 2010. The FY12 recommended collective bargaining reserve includes limited funding for successor agreements for those unions.

Debt Service

The City had expenditures for debt service of \$119.4 million in FY09 and \$125.5 million in FY10. The City has a budget of \$132.3 million for debt service in FY11 and expects to spend \$137.5 million on debt service in FY12. 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. A history of balanced budgets, prudent fiscal policies and a conservatively structured debt profile continue to serve the City well. The City's strong and proactive management strategies have been recognized by the credit markets over the past several years. In March 2011, Moody's Investors Service and Standard & Poor's Rating Services affirmed Boston's credit rating at Aaa and AA+, respectively. (Moody's raised Boston's credit rating from Aa1 to Aaa in April 2010, when they recalibrated their long-term U.S. municipal ratings

to its global scale.) Moody's makes note of a "strong and effective management team, particularly good at managing highly-charged state and political environments," in their most recent credit report. A higher bond rating translates into lower interest rates and real dollar savings for the City.

The high priority City management places on carefully implementing sound fiscal policies and continuing to exercise strong fiscal discipline ensures the City's ability to preserve budgetary balance and maintain essential services.

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. Aside from the assessments 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, except for Charter School Tuition, cannot increase by more than 2.5% annually on a statewide basis. The City's state assessments (inclusive of Charter School Tuition) were \$137.7 million in FY09 and \$141.9 million in FY10. The City expects growth in assessments to \$148.7 million in FY11 and to \$162.5 million in FY12.

Suffolk County

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

During FY10 State legislation was passed that moved the Sheriff and the Sheriff's department employees to the state effective January 1, 2010. 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). The FY12 annual cost is expected to be less than was provided in FY11 for Suffolk County. This funding level will be required to be paid during the course of the multi-year pay down. Once the unfunded liability is fully paid down, all funding by the City for the Suffolk County shall cease.

State Assessments				
	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget
M.B.T.A.	\$ 71,436,756	\$ 74,728,852	\$ 74,532,457	\$ 77,760,210
Charter School Tuition	61,257,924	62,020,257	69,035,172	79,749,544
RMV Non-Renewal Surcharge	3,301,680	3,359,720	3,359,720	3,186,780
Other Assessments	1,715,704	1,762,826	1,762,550	1,768,058
	\$ 137,712,064	\$ 141,871,655	\$ 148,689,899	\$ 162,464,592

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 \$27.5 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.

General Fund Appropriations by Cabinet

Cabinet	Department	FY09	FY10	FY11	FY12	Inc./Dec. 12 vs 11
		Expenditure	Expenditure	Appropriation	Appropriation	
Mayor's Office	Emergency Management	312,846	284,106	311,392	311,392	0
	Law Department	5,580,467	5,330,590	5,476,960	5,448,513	-28,447
	Mayor's Office	2,142,318	2,019,129	2,126,468	2,108,135	-18,334
	Neighborhood Services	1,260,987	1,257,600	1,280,133	1,280,133	0
	Public Information	1,091,691	1,126,647	1,201,580	1,305,584	104,004
	Total	10,388,309	10,018,072	10,396,534	10,453,758	57,224
Advocacy & Strategic Investment	Boston Residents Job Policy	461,835	442,798	460,865	468,974	8,110
	Intergovernmental Relations	950,423	1,005,159	1,137,372	1,141,167	3,796
	Office of New Bostonians	348,982	309,204	334,401	336,849	2,447
	Small/Local Business	594,859	594,363	620,714	620,715	0
	Total	2,356,099	2,351,524	2,553,352	2,567,705	14,353
Administration & Finance	Office of Administration & Finance	915,102	743,536	835,534	833,847	-1,686
	Assessing Department	6,479,171	6,492,064	6,393,003	6,330,230	-62,774
	Auditing Department	2,284,654	2,254,051	2,270,037	2,290,996	20,958
	Budget Management	3,187,799	3,006,838	2,693,657	2,639,462	-54,196
	Execution of Courts	4,805,672	15,969,757	3,500,000	3,500,000	0
	Graphic Arts Department	1,514,906	1,516,636	-	-	0
	Health Insurance	186,480,707	196,076,530	207,414,861	218,282,804	10,867,943
	Human Resources	3,184,823	3,065,926	3,223,204	3,259,115	35,911
	Labor Relations	1,507,047	1,370,637	1,410,881	1,411,049	167
	Library Department	31,211,214	29,862,259	30,862,143	30,138,833	-230,310
	Medicare Payments	6,169,605	6,594,999	7,250,000	7,924,250	674,250
	Pensions & Annuities	4,148,132	4,149,212	4,200,000	4,200,000	0
	Purchasing Division	1,365,568	1,305,957	1,720,203	1,646,295	-73,908
	Registry Division	946,084	933,379	995,597	1,008,757	13,160
	Treasury Department	4,394,550	4,227,495	4,306,702	3,656,703	-650,000
	Unemployment Compensation	13,970	16,318	350,000	350,000	0
	Workers' Compensation Fund	2,409,471	2,022,698	2,200,000	2,200,000	0
	Total	261,018,475	279,608,294	279,132,823	289,672,339	10,539,516
	Chief Information Officer	Department of Innovation and Technolo	19,517,374	19,337,932	18,614,675	20,053,484
Total	19,517,374	19,337,932	18,614,675	20,053,484	1,438,809	
Public Safety	Fire Department	165,300,211	173,632,218	176,432,050	181,935,103	5,503,052
	Police Department	288,631,946	282,413,333	270,874,944	269,229,759	-1,645,186
	Total	453,932,156	456,045,551	447,306,995	451,164,861	3,857,867
Education	Boston Public Schools	810,005,673	817,830,215	821,382,404	830,908,156	9,525,752
Total	810,005,673	817,830,215	821,382,404	830,908,156	9,525,752	
Economic Development	Boston Redevelopment Authority	0	0	0	0	0
Total	0	0	0	0	0	
Public Property	Arts, Tourism & Special Events	1,715,425	1,608,366	1,630,790	1,631,239	449
	Consumer Affairs & Licensing	466,355	424,014	435,772	435,772	0
	Department of Voter Mobilization	3,094,737	3,808,537	3,142,447	3,580,076	437,629
	Parks & Recreation Department	16,137,612	15,611,363	15,196,211	15,108,348	-87,863
	Property & Construction Mgmt.	22,398,954	21,095,297	19,433,067	18,963,370	-469,697
	Total	43,813,084	42,547,578	39,838,288	39,718,805	-119,482
Public Works & Transportation	Central Fleet Management	2,495,554	2,404,408	1,992,053	1,999,150	7,097
	Office of Chief of PWD & Transportation	1,483,844	1,270,559	1,384,987	1,386,114	1,127
	Public Works Department	86,879,509	81,495,461	81,245,611	80,254,418	-991,193
	Snow Removal	21,562,224	11,967,496	15,943,706	17,059,444	1,115,738
	Transportation Department	29,329,490	30,329,180	30,516,503	30,026,498	-490,004
	Total	141,750,622	127,467,104	131,082,859	130,725,624	-357,235
Environment & Energy	Environment Department	1,352,210	1,304,262	1,321,048	1,321,048	0
	Inspectional Services Dept	15,782,686	15,613,457	15,751,443	15,925,576	174,133
	Total	17,134,896	16,917,720	17,072,491	17,246,625	174,133
Human Services	Boston Centers for Youth & Families	22,087,006	21,811,328	21,674,447	21,742,510	68,063
	Civil Rights	323,740	315,114	321,197	125,996	-195,202
	Commission for Persons with Disabilities	0	0	0	287,838	287,838
	Elderly Commission	3,011,636	2,846,292	2,820,264	2,782,711	-37,553
	Emergency Shelter Commission	567,747	565,480	0	0	0
	Veterans Services Department	4,635,333	4,807,932	4,809,306	5,536,396	727,090
	Women's Commission	157,280	158,318	159,800	159,556	-244
	Youth Fund	4,622,038	4,636,922	4,638,374	4,639,184	811
	Total	35,404,780	35,141,386	34,423,388	35,274,191	850,803
Housing & Neighborhood Developm	Leading the Way	5,000,000	4,979,000	5,000,000	5,000,000	0
	Neighborhood Development	3,778,970	3,410,790	3,392,792	3,395,133	2,341
Total	8,778,970	8,389,790	8,392,792	8,395,133	2,341	
Public Health	Public Health Commission	69,445,774	70,000,000	69,808,000	72,902,815	3,094,815
Total	69,445,774	70,000,000	69,808,000	72,902,815	3,094,815	
Non-Mayoral Departments	City Clerk	997,655	975,133	1,005,976	1,007,334	1,359
	City Council	4,549,240	4,458,130	4,676,230	4,676,230	0
	Finance Commission	192,620	219,543	177,822	183,960	6,139
	Licensing Board	737,423	649,023	718,721	718,720	0
	Total	6,476,938	6,301,828	6,578,748	6,586,245	7,497
Grand Total	1,880,023,150	1,891,956,992	1,886,583,349	1,915,669,741	29,086,392	

Personnel Summary

		1/1/09	1/1/10	1/1/11	1/1/12	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
Office of the Mayor	Law Department	50.0	44.0	46.0	46.0	-
	Mayor's Office	26.0	20.0	23.0	23.0	-
	Neighborhood Services	23.0	22.0	21.0	22.0	1.0
	Office of Emergency Preparedness	2.0	2.0	1.0	1.0	-
	Public Information	17.6	17.6	17.6	20.6	3.0
	Total	118.6	105.6	108.6	112.6	4.0
Advocacy & Strategic Investment	Boston Residents Job Policy	7.0	7.0	6.0	7.0	1.0
	Intergovernmental Relations	9.0	8.7	8.7	9.8	1.1
	Office of New Bostonians	5.0	5.0	5.0	5.0	-
	Small/Local Business	8.0	7.0	8.0	8.0	-
	Total	29.0	27.7	27.7	29.8	2.1
Administration & Finance	Office of Administration & Finance	7.0	7.0	7.0	7.0	-
	Assessing Department	89.0	86.0	85.0	85.0	-
	Auditing Department	33.0	32.0	30.0	30.0	-
	Budget Management	24.9	23.9	23.1	23.1	-
	Graphic Arts	27.0	23.0	-	-	-
	Human Resources	47.6	46.6	44.1	46.1	2.0
	Labor Relations	10.4	11.0	10.0	10.0	-
	Library Department	435.2	396.6	382.8	382.8	-
	Purchasing Division	20.0	18.0	22.0	22.0	-
	Registry Division	19.0	18.0	18.0	18.0	-
Treasury Department	53.0	53.0	50.0	50.0	-	
	Total	766.1	715.1	672.0	674.0	2.0
Chief Information Officer	Dept of Innovation & Technology (DoIT)	107.0	108.0	109.0	109.0	-
	Total	107.0	108.0	109.0	109.0	-
Public Safety	Fire Department	1,643.2	1,560.2	1,572.2	1,566.0	(6.2)
	Police Department	3,042.3	2,870.3	2,903.7	2,920.0	16.3
	Total	4,685.5	4,430.5	4,475.9	4,486.0	10.1
Education	School Department	8,572.2	8,210.5	8,047.2	7,874.6	(172.6)
	Total	8,572.2	8,210.5	8,047.2	7,874.6	(172.6)
Public Property	Arts, Tourism & Special Events	19.0	18.0	17.0	17.0	-
	Consumer Affairs & Licensing	7.4	6.6	6.6	6.6	-
	Department of Voter Mobilization	24.2	25.2	23.0	23.0	-
	Parks and Recreation	215.0	209.0	198.0	200.0	2.0
	Property & Construction Mgmt.	219.6	213.6	203.0	200.0	(3.0)
	Total	485.2	472.4	447.6	446.6	(1.0)
Public Works & Transportation	Chief of Public Works & Transportation	16.0	16.0	15.0	16.0	1.0
	Central Fleet Management	41.0	43.0	42.0	42.0	-
	Public Works Department	367.0	335.0	317.0	320.0	3.0
	Transportation	372.9	369.9	349.9	349.9	-
	Total	796.9	763.9	723.9	727.9	4.0
Environment & Energy	Environment	19.0	18.0	17.0	17.0	-
	Inspectional Services	230.0	225.0	221.0	223.0	2.0
	Total	249.0	243.0	238.0	240.0	2.0
Human Services	Boston Center for Youth & Families	389.0	374.7	350.6	338.6	(12.0)
	Civil Rights	9.0	9.0	7.0	5.0	(2.0)
	Commission for Persons with Disabilities	-	-	-	5.0	5.0
	Elderly Commission	66.6	64.0	59.0	59.0	-
	Emergency Shelter	5.0	4.0	-	-	-
	Veterans Services	15.2	15.2	12.2	12.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
Youth Fund	4.0	4.0	8.0	8.0	-	
	Total	490.8	472.9	438.8	429.8	(9.0)
Neighborhood Development	Neighborhood Development	41.8	32.9	39.5	36.1	(3.4)
	Total	41.8	32.9	39.5	36.1	(3.4)
Public Health	Public Health Commission	819.8	797.4	794.2	802.2	8.0
	Total	819.8	797.4	794.2	802.2	8.0
Non-Mayoral	City Clerk	13.4	13.4	13.4	13.4	-
	City Council	90.4	82.7	81.6	81.6	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	8.6	8.6	6.6	7.6	1.0
	Total	115.4	107.7	104.6	105.6	1.0
Grand Total		17,277.3	16,487.6	16,227.0	16,074.2	(152.8)

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 FY12 are estimates based on the personnel funding levels contained in the FY12 budgets.

FY10- FY11 FTE Changes

The total net decrease in FTEs from January 1, 2010 to January 1, 2011 was 260.6. General fund resources were limited in FY11 causing staffing in all but a few of the departments to decrease or remain level with FY10. The City's Position Review Committee continued to review 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 a decrease of 163.3 FTEs. A large part of the reduction was the result of layoffs in clerical support for Evaluation Team Facilitators (ETFs) and central department professional and technical support. There was actually an increase in the number of Bilingual teachers as the School Department made significant investments in programs for English Language Learners.

The decrease in the number of FTEs in the Administration and Finance Cabinet related mainly to the reductions in force in the Library Department and the elimination of the Graphic Arts Department. The restructuring within the main library branch at Copley resulted in the need for fewer employees. The Graphic Arts Department closed in FY11 as the City completed the final phase of the elimination of the provision of in-house graphic arts services. The Purchasing Department took on additional staff to assist in the procurement of printing services and to operate the central copy center.

Staffing levels in the Public Safety cabinet increased by 45.4 FTEs. After having no new public safety classes in FY10, fire and police classes came on in the fall. The classes were intended to cover attrition, not to increase staffing. The overall increase in FTEs in the Police Department was due to externally funded police officer and community service officer positions being transferred to the general fund following the expiration of grants.

The Public Property Cabinet decreased by 24.8 FTEs. The Property & Construction Management Department left positions vacant after retirements or other attrition. The Parks Department also left many positions vacant during the year resulting in a decrease of 11 FTEs when comparing FTEs as of January 1, 2010 to those as of January 1, 2011.

The Public Works and Transportation Cabinet reduced by 40 FTEs. The Public Works Department's FTE decline is due to not filling vacant positions. The Transportation Department's decrease is primarily a result of a planned reduction in Parking Enforcement Officers following attrition.

The Public Health Commission's city-funded staffing had a net decrease of 3.2 FTEs after absorbing the staff from the Emergency Shelter Commission.

The Human Services Cabinet's FTEs declined by 34.1. This change is mainly a result of Boston Centers for Youth and Families (BCYF) closing or consolidating eight sites with some staff being terminated and others redeployed. In addition, the Emergency Shelter Commission (ESC) staff transitioned to the Public Health Commission as noted above.

While the Department of Neighborhood Development had 6.6 more city-funded FTEs, the overall staffing level remained fairly steady across all funds.

FY11-FY12 Projected FTE Changes

The City projects that the net decrease in FTE levels will be 152.8 from January 1, 2011 to January 1, 2012.

The Mayor's Office Cabinet staffing as a whole is projected to increase by 4 FTEs from January 1, 2010 to January 1, 2011. The Public Information department will take on 3 call taker positions previously under Property & Construction Management. These positions will be integrated into the existing 24 hour hotline service.

The new Advocacy & Strategic Investment Cabinet, Administration & Finance Cabinet, and the Chief Information Officer will remain fairly stable. The year to year increases in Boston Residents Job Policy, Intergovernmental Relations and Human Resources represent employees

returning from leaves and the anticipated filling of several short-term vacancies.

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. The Fire Department is projected to decrease by 6.2 FTEs assuming normal attrition and the hiring of a new class this summer. The projected increase of 16.3 FTEs in the Police Department is based on normal attrition as well as new police classes in early summer and late fall of 2011.

From FY11 to FY12 the School Department is projecting a net decrease of 172.6 FTEs. This includes a decline in regular education teachers related to school closings and mergers as well as efforts to manage class size. However, the number of bilingual teachers will actually increase as the School Department continues to make significant investments in programs for English Language Learners. A decrease in some special education teacher and aide positions will occur as classes are redesigned to serve students with disabilities better and with less disruption. Additional areas that will see reductions in FTEs are school level administration and other non-academic support positions.

The Public Property Cabinet is projected to have a net decrease of 1 FTE. The decline in the Property & Construction Management Department is due to 3 call taker positions moving to the 24 hour service in the Public Information department.

Staffing in the Public Works & Transportation Cabinet is projected to increase by 4 FTEs as the Office of the Chief and the Public Works department fill some vacancies. The FTE count in the Environment & Energy cabinet is expected to increase by 2 as the Inspectional Services Department has created two inspector positions to address new state inspection and permitting requirements for sheet metal work.

The Human Services Cabinet is expected to have a reduction of 9 FTEs. Boston Centers for Youth and Families (BCYF) is closing or consolidating sites with some staff being terminated and others redeployed. The Commission for Persons with Disabilities, formerly a program of Civil Rights, will become a department; 3 positions will transfer accordingly, and 2 positions will be added.

Staffing at the Public Health Commission (PHC) is expected to increase by 8 as a result of taking in-house many administrative services, previously provided by Boston Medical Center (BMC), in order to achieve greater efficiencies.

The FTE counts in the Housing & Neighborhood Development cabinets as well as the Non-Mayoral group of departments are projected to remain mostly level.

EXTERNAL FUNDS

The City's \$2.4 billion operating budget is supplemented by approximately \$350 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-four departments and agencies expect to receive federal, state or other forms of external funding in FY12. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 91% of the City's external funds are found in seven of those twenty-four departments. These seven departments are the School Department, Neighborhood Development, Public Health Commission, Office of Emergency Management, Police Department, Environment Department and the Library Department. Other departments that also have significant grant funding are the Parks and Recreation and Elderly Commission. 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. The City of Boston receives 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 are managed by the Massachusetts Department of Transportation. In addition to these infrastructure projects, the Department of Neighborhood Development received ARRA funds for increased levels of Community Development Block Grants, Homeless Prevention and Rapid Re-Housing Grants and Neighborhood Stabilization Grants. The Police Department received an ARRA- Byrne Justice Assistance Sworn Grant to retain fifty 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 three years to retain fifty police officers who were scheduled to be laid off in October 2009.

The School Department has received increased ARRA allocations for Individuals with Disabilities Education Act (IDEA) and Title I grants as well as allocations of ARRA funding from the Commonwealth of Massachusetts State Stabilization grant to substitute for state dollars that would have been allocated through Chapter 70, traditional state aid for education. In FY12 the School Department will have exhausted its ARRA funding for Title I and IDEA but will continue to receive standard allocations from those two sources.

The School Department received three significant new federal grants during FY11 that carry forward into FY12: the Education Jobs Program, ARRA-Race to the Top and the ARRA-Title I School Improvement grant.

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 are used to address diverse needs and/or creative approaches such as homeland security,

community policing and housing support for the homeless. The Environment Department received an Energy Efficiency Block Grant in FY10 and received a Solar Market Transformation Grant in FY11.

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

School Department

The School Department's FY12 general fund budget of \$830.9 million is supplemented with approximately \$152 million in external funds, largely consisting of 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. The Title I and IDEA grant programs were 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 \$45.2 million in

External Funds			
	FY10 Expenditure	FY11 Estimated	FY12 Estimated
Boston Public Schools	146,956,734	181,334,002	152,005,582
Neighborhood Development	87,162,165	81,267,222	72,832,713
Public Health Commission	41,562,191	48,345,229	47,902,217
Emergency Management	16,132,907	18,836,171	18,180,867
Police Department	16,381,919	13,640,668	16,068,175
Library Department	9,277,880	5,989,349	6,519,878
Environment Department	514,849	3,496,810	6,518,071
Other	21,108,628	27,234,400	30,022,321
	339,097,273	380,143,852	350,049,823

FY11 and reduced to \$40.8 million in FY12. BPS expended another \$12.2 million in FY10 and expects to spend \$24.1 million in ARRA funding through Title I in FY11. These funds are being targeted for supporting classroom staff and making strategic investments. Title I schools will also have access to the ARRA Title I School Improvement grant that targets improvements and corrective action for the lowest performing schools called turnaround schools. This program expects to spend \$7.6 million in FY11 and \$7.4 million in FY12.

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 expend \$26.6 million in reimbursements in FY11 and \$27.4 million in FY12.

Title II Teacher Quality – The School Department expects to spend \$7.1 million in FY11 and \$6.1 million in FY12 from this federal formula grant program to improve teaching and learning.

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 in both FY11 and FY12 is \$19.1 million. In FY10, an additional \$7.1 million in IDEA funds from ARRA were expended on positions and strategic investments in special education. In FY11 approximately \$12.8 million of the budgeted IDEA funds is from ARRA.

ARRA–Race to the Top – This competitive grant was created to reward states and school districts that create conditions for education innovation and reform. ARRA – Race to the Top funding seeks to impact teacher effectiveness, school curriculum and culture and to target improvements to the lowest achieving schools while readying students for college and the workplace. The School Department expects to spend \$3.3 million in FY11 and \$9.6 million in FY12.

Education Jobs Funding – This funding provided through federal legislation approved by the President in August 2010 is being distributed to cities and towns by the Commonwealth of Massachusetts using the same formula it uses for

Chapter 70 state aid. These funds are being used to support School Department staff. The department expects to spend \$2.9 million in FY11 and \$10.2 million in FY12.

Community Partnerships for Children - The Community Partnership Program is a state program that creates 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 \$1.3 million for both FY11 and FY12.

Neighborhood Development

The External Funds budget for DND is projected to decrease by 10.4%. The decrease primarily comes from expiring one-time grants provided by the American Recovery and Reinvestment Act (ARRA) including ARRA-CDBG, ARRA-Homeless Prevention and Rapid Re-housing and ARRA Neighborhood Stabilization.

Community Development Block Grant (CDBG) – CDBG is an 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 expect to spend \$25 million in FY11 and \$21.2 in FY12 with CDBG funding. 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 will continue the Boston Invests in Growth II Program in FY12 with spending in this

program is expected to be \$15 million. Section 108 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 \$23.5 million from these four HUD grants in FY11 and another \$22.6 million in FY12. In FY10 DND received 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. 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. FY12 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. FY12 funds will become available in July 2011. The City estimates spending \$9.4 million in FY11 in this program. Projected spending for FY12 is \$8.5 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 Two (NSP2) – NSP2 is the second round of funding made available through a competitive application process from the US Department of Housing and Urban Development as authorized by the American Recovery and Reinvestment Act of 2009. DND received a grant award of \$13.6 million in mid FY10. These funds are used to support the City's efforts to reclaim and re-occupy abandoned bank owned properties and turnkey development. The City estimates \$7.4 million will be expended in FY11 and an estimated \$3.6 million will be expended in FY12. At least fifty percent of the funds must be expended within 24 months of the grant award, which DND is on target to achieve.

Public Health Commission

Ryan White Care Act - This funding is intended to help communities increase the availability of culturally and linguistically competent primary health care and support services, increase access for underserved populations and improve the quality of life of those living with HIV/AIDS and their families. In FY10, contracts supported approximately 48 community agencies and 95 programs in the ten county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$13.6 million for FY12.

ARRA – CPPW – The Commission is in the second year of grant funding from the Centers for Disease Control's Communities Putting Prevention to Work program under the ARRA initiative. The Obesity, Physical Activity, and Nutrition grant will provide \$6.4 million over two years to work on programs and policies to decrease consumption of sugar-sweetened beverages, increase active transit including a new bike share program, improve neighborhood-based food production and distribution, and enhance efforts to integrate physical activity into the school day. The Tobacco Prevention grant of \$6.1 million over two years, funds a variety of activities in the Healthy Homes Division including work to engage youth and community members in policy efforts to reduce

youth tobacco use and exposure and to increase the number of available smoke free housing units.

REACH CEED - The 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 brings to scale the work of REACH and the Office of Health Equity, and funds 7 coalitions 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, and New Hampshire. The budget for FY12 is \$1.3 million.

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 3,815 homeless individuals annually. Funding from the Substance Abuse Mental Health Services Administration (SAMHSA) provides supportive housing to chronically homeless clients with co-occurring mental illness and substance abuse issues. Emergency Shelter clients receive Section 8 vouchers from the Boston Housing Authority and community-based management services over a 9-12 month period. Overall, projected external funding for homeless services in the Public Health Commission budget for FY12 totals \$9 million.

Substance Abuse Treatment – A \$2.5 million, 5 year grant, from SAMHSA funds the Moving on to Recovery & Empowerment (MORE) program, an intensive outpatient substance abuse treatment which includes enhanced group, individual and case management services. Federal grants totaling approximately \$1 million for FY12, support Men in Recovery, a program for Latino and Black men, and Safe and Sound, a re-entry treatment program for women. Through state funding totaling \$720,000 in FY12, the Commission supports an additional eight neighborhood-based No Drugs Coalitions to develop strategic substance abuse prevention plans.

Early Childhood Mental Health -The Commission has leveraged \$1.15 million in funding from the

Massachusetts Executive Office of Health and Human Services and \$596,080 in funding from the Massachusetts Department of Public Health (federal pass through from SAMHSA) to build a continuum of family centered care and support for children with mental health needs and their families. Other funding from the US Department of Justice will allow the Commission to expand its work with partners to prevent and reduce the impact of children's exposure to violence in homes, communities and schools. Through collaboration of diverse organizations and agencies, a multiyear's strategic plan will be developed to address children's exposures to violence. Boston is one of eight demonstration sites for the U.S. Attorney General's Defending Childhood Demonstration Initiative, a U.S. Department of Justice initiative focused on addressing children's exposure to violence.

Public Health Preparedness -The Commission manages a number of critical initiatives to ensure 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 \$1.57 million to support public communication strategies, communicable disease control, and the public health preparedness program. Other state and federally funded programs support 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; recruitment and training of a corps of medical and non-medical volunteers who can be mobilized as needed; and writing, translating, and disseminating educational materials to the City's most vulnerable populations.

Federal funding also supports violence prevention work in our neighborhoods and efforts to improve air quality in homes and small businesses. The Commission continues to receive support for the Boston Healthy Start Initiative, a multi-year project to reduce the rate of infant mortality among Black babies.

Office of Emergency Management

The Mayor's Office of Emergency Management 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 \$16.6 million in FY12.

In FY10 and FY11 two grants provided by the American Recovery and Reinvestment Act (ARRA) were managed by the Mayor's Office of Emergency Management. The ARRA- Port Security Grant allowed the City's public safety agencies to procure equipment to protect against and respond to critical incidents including potential acts of terrorism in the Port of Boston. In addition, the ARRA Local Energy Assurance and Planning (LEAP) Initiative grant supports planning for recovery from potential disruptions to energy supply, enhanced reliability and supports quicker restorations of outages.

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 \$777,000 in FY11 and \$1.6 million in FY12.

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.

ARRA -Justice Assistance Sworn Grant – The department received \$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 supported the retention of approximately fifty police officers. This was a one- year award for FY10 with some carryover spending into FY11.

ARRA- Community Oriented Policing Services (COPS) Hiring Recovery Grant - The department successfully secured a competitive grant totaling more than \$11.8 million over three years to retain fifty police officers that were scheduled to be laid off in October 2009. In FY12 spending is estimated to be \$4.3 million.

Same Cop, Same Neighborhood – This neighborhood policing program was based on the belief that police officers and private citizens working together can help address community problems related to crime. The program was supported with a grant awarded by the Massachusetts Executive Office of Public Safety. This grant had provided \$3.8 million in FY08 was reduced to \$2.9 million in FY09 and was eliminated completely in the FY10 state budget with only \$1.6 million available in carryover funds in FY10 for the City of Boston.

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 approximately \$808,000 in FY10 and expects to spend \$866,000 in FY11 and \$1 million in FY12.

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 FY10 was \$2.4 million. For FY11 estimated expenditures are \$1.4 million. In FY12 the department expects to have \$1.8 million available for this program.

Environment Department

The American Recovery and Reinvestment Act (ARRA) provides \$6.5 million to Boston for an Energy Efficiency Block Grant which is used to support the Renew Boston initiative. Renew Boston will be an innovative public-private partnership aiming to boost energy efficiency and alternative energy services for Boston residents, businesses and municipal facilities. Projected expenditures for the Energy Efficiency Block Grants are estimated at \$2.5 million in FY11 and \$4 million in FY12. The American Recovery and Reinvestment Act (ARRA) funds a Solar Market Transformation grant from the United States Department of Energy. Working with the Transportation and Public Works Departments, the Environment Department will support the design and construction of a solar evacuation route to be used by residents and visitors in emergencies. The solar powered route will store power and provide direction in case of widespread electrical failure. The projected expenditures are estimated at \$320,000 in FY11 and \$1 million in FY12.

Library Department

Projected external fund spending is expected to increase in FY12 to \$6.5 million primarily related to additional Trust Fund Income allocated by the Trustees of the Boston Public Library. With significant reductions to the Library of Last Recourse grant, now known as the Library for the Commonwealth grant, in the FY10 state budget and the elimination of the Boston Regional Library System in FY11, the Library is expected to have only \$2.8 million available in state resources for FY11 and FY12. The three state programs that have historically supported the Library's budget are described below.

Library of Last Recourse/Library for the Commonwealth - The Library for the Commonwealth grant 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 dropped from \$7.1 million in FY09 to \$2.6 million in FY10 to approximately \$2.2 million for FY11 and FY12.

Boston Regional Library System - The Boston Regional Library System Program (BRLS) was one of six systems that were part of a state-funded program to provide supplemental services to libraries in the cities of Boston, Malden and Chelsea. Due to cuts in the FY11 budget, the Massachusetts Board of Library Commissioners has led a process to consolidate regional services into a single organization called the Massachusetts Regional Library System. The BRLS, formerly housed at the Boston Public Library, was absorbed into this merged system in FY11. Funds for BRLS supported 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 Boston Public Library received \$901k in funds for this program in FY10, but funding was eliminated in FY11.

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 \$530,673 in FY11 and \$562,030 in FY12.

Parks and Recreation Department

The external funds budget for the Parks and Recreation Department is \$6 million in FY12. In FY12 there are four sources of external funds to support parks: the Fund for Parks and Recreation, the George W. Parkman Trust Fund, Park Floodlighting Fees and The Ryder Cup Trust Fund.

Fund for Parks and Recreation – This trust fund established in 1983 furthers the maintenance and preservation of parks belonging to the City of Boston, now or in the future, and provides recreational programs for the City's residents.

Spending is expected to be \$5.7 million in FY11 and \$4.6 million in FY12.

George W. Parkman Trust Fund – The Parkman fund annually provides additional funding to maintain and improve the Parkman Parks including Boston Common, Public Garden, Franklin Park and the Fens. This includes tree work, repairs to roads, turf, and funding for maintenance employees working in these parks. In both FY11 and FY12 spending is expected to be \$1 million.

Park Floodlighting Fees – Floodlighting fees are charged to non-resident and resident adult member organizations that conduct permitted night-time activities which require the use of the floodlights at City parks. These fees, which help cover electricity and maintenance costs of the floodlights, were increased in FY11. Spending is expected to be \$185,000 in FY11 and \$350,000 in FY12.

The Ryder Cup Trust Fund – The Ryder Cup/Youth Endowment Fund was formed from the proceeds of tickets to the 1999 Ryder Cup matches. The income from the fund is used to support youth golf programming and other youth recreation activities. In both FY11 and FY12 spending is expected to be \$25,000.

Elderly Commission

The Elderly Commission's external funds budget totals \$6.4 million in FY12 and its largest source of funds is the federal Area Agency on Aging grant.

Area Agency on Aging (AAA) - This grant is distributed by the Commonwealth of Massachusetts Executive Office of Elder Affairs using federal Title III funding to provide both direct services and coordinate public, non-profit and volunteer programs to serve Boston's older citizens. Anticipated expenditures in this grant are \$4.3 million in FY11 and \$4.2 million in FY12.

FY12 ALL FUNDS BUDGET

The following table consolidates the projected FY12 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 FY12 budget document.

Budget Document Structure

The Operating Budget for FY12 and Five Year Capital Plan for FY12-16 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. The project profile 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 - FY12

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Emergency Management	311,392	18,180,867		18,492,259
	Law Department	5,448,513			5,448,513
	Mayor's Office	2,108,135	180,354		2,288,488
	Neighborhood Services	1,280,133			1,280,133
	Public Information	1,305,584			1,305,584
	Total	10,453,758	18,361,221	0	28,814,979
Advocacy & Strategic Investment	Boston Residents Job Policy	468,974			468,974
	Intergovernmental Relations	1,141,167			1,141,167
	Office of New Bostonians	336,849	151,050		487,899
	Small/Local Business	620,715			620,715
	Total	2,567,705	151,050	0	2,718,755
Administration & Finance	Office of Administration & Finance	833,847			833,847
	Assessing Department	6,330,230			6,330,230
	Auditing Department	2,290,996	2,477,884		4,768,880
	Budget Management	2,639,462			2,639,462
	Execution of Courts	3,500,000			3,500,000
	Health Insurance	218,282,804			218,282,804
	Human Resources	3,259,115			3,259,115
	Labor Relations	1,411,049			1,411,049
	Library Department	30,138,833	6,519,878	7,930,000	44,588,711
	Medicare Payments	7,924,250			7,924,250
	Pensions & Annuities	4,200,000			4,200,000
	Purchasing Division	1,646,295			1,646,295
	Registry Division	1,008,757			1,008,757
	Treasury Department	3,656,703			3,656,703
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
		Total	289,672,339	8,997,762	7,930,000
Chief Information Officer	Department of Innovation and Technology	20,053,484	3,252,260	18,500,000	41,805,744
	Total	20,053,484	3,252,260	18,500,000	41,805,744
Public Safety	Fire Department	181,935,103	2,512,416	6,735,671	191,183,190
	Police Department	269,229,759	16,068,175	6,848,765	292,146,699
	Total	451,164,861	18,580,591	13,584,436	483,329,888
Education	Boston Public Schools	830,908,156	152,005,582	37,450,000	1,020,363,738
	Total	830,908,156	152,005,582	37,450,000	1,020,363,738
Economic Development	Boston Redevelopment Authority	0		1,475,000	1,475,000
	Total	0	0	1,475,000	1,475,000
Public Property	Arts, Tourism & Special Events	1,631,239	133,320		1,764,559
	Consumer Affairs & Licensing	435,772	51,300		487,072
	Department of Voter Mobilization	3,580,076			3,580,076
	Parks & Recreation Department	15,108,348	5,992,693	17,438,597	38,539,638
	Property & Construction Mgmt.	18,963,370	178,949	10,372,861	29,515,180
	Total	39,718,805	6,356,262	27,811,458	73,886,525
Public Works & Transportation	Central Fleet Management	1,999,150			1,999,150
	Office of Chief of PWD & Transportation	1,386,114			1,386,114
	Public Works Department	80,254,418	75,000	54,725,000	135,054,418
	Snow Removal	17,059,444			17,059,444
	Transportation Department	30,026,498	5,089,034	6,585,000	41,700,532
	Total	130,725,624	5,164,034	61,310,000	197,199,658
Environment & Energy	Environment Department	1,321,048	6,518,071	3,300,000	11,139,119
	Inspectional Services Dept	15,925,576	140,247		16,065,823
	Total	17,246,625	6,658,317	3,300,000	27,204,942
Human Services	Boston Centers for Youth & Families	21,742,510	1,184,845	7,585,010	30,512,366
	Civil Rights	125,996	782,979		908,975
	Commission for Persons with Disabilities	287,838			287,838
	Elderly Commission	2,782,711	6,368,398		9,151,109
	Veterans Services Department	5,536,396			5,536,396
	Women's Commission	159,556			159,556
	Youth Fund	4,639,184	1,361,212		6,000,396
	Total	35,274,191	9,697,434	7,585,010	52,556,635
Housing & Neighborhood Development	Leading the Way	5,000,000			5,000,000
	Neighborhood Development	3,395,133	72,832,713	2,734,000	78,961,846
	Total	8,395,133	72,832,713	2,734,000	83,961,846
Public Health	Public Health Commission	72,902,815	47,902,217	4,000,000	124,805,032
	Total	72,902,815	47,902,217	4,000,000	124,805,032
Non-Mayoral Departments	City Clerk	1,007,334	90,380		1,097,715
	City Council	4,676,230			4,676,230
	Finance Commission	183,960			183,960
	Licensing Board	718,720			718,720
	Total	6,586,245	90,380	0	6,676,625
	Grand Total	1,915,669,741	350,049,823	185,679,904	2,451,399,468

MULTI-YEAR BUDGET PLAN

Introduction

While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, a multi-year projection provides a useful context for current decision making and planning purposes.

In projecting the City's operating budget for FY13 and FY14, the issues of revenue growth and the use of one-time funds continue to be the critical factors. The current uncertainty around the nascent economic recovery remains troubling and makes revenue estimation very difficult especially for FY14. 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 be weaker than in recent years. In terms of state aid, there will continue to be risk to the City's allocation of aid until the economy fully recovers and even then growth is not assured.

The projection for FY13 and FY14 is based on the most current revenue information available. The plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. Please note that nearly all of the City's collective bargaining agreements expired on June 30, 2010 or shortly thereafter. The negotiations underway for successor collective bargaining agreements covering the fiscal years of FY11 and beyond have not produced any agreements as yet. A reserve for collective bargaining has been established based on the administration's current wage proposal. Any changes to the proposal will add additional pressure to the bottom line in both FY13 and FY14.

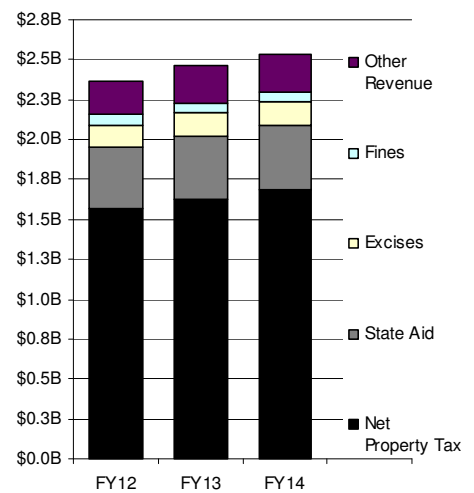
Another area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to other post-employment benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes standards for the measurement,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

method of financing greatly understates the full obligation to provide these benefits after retirement. Although funding OPEB is currently not a legal requirement, the City has established an irrevocable OPEB Liability Trust Fund to which contributions of \$100M have been made through appropriations approved in FY08 – FY11. An independent actuarial valuation estimates the City's total OPEB obligation at June 30, 2009 at \$4.7 billion. 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 FY12 budget authorizes another "acknowledgement payment" of \$35 million to the City's OPEB Liability Trust Fund; the FY13 and FY14 projections include additional \$40 million payments in each of those years.

Revenue Trends

The following chart displays the breakdown of revenue projected for FY12 – FY14. (Figure 12.)

Major revenue trends for FY13 and FY14 include:



Recurring Revenue

FY12 Budget, FY13 & FY14 Projected

Figure 12

Property Tax Levy: The 2.5% increase and a projected \$20.0 million of new growth in each year will result in a total of \$122 million or 7.6% in additional gross tax levy by FY14. The net property tax assumes an overlay reserve set at 2.5% in each year.

State Aid: State aid is projected to increase marginally by nearly \$13 million or 3.3% with increases to Chapter 70 education aid and Charter School Tuition Reimbursement. The latter of

which will be accompanied by an increase to the Charter School Tuition Assessment and thus does not represent an increase in total resources. Unrestricted General Government Aid is projected to remain level over FY13 and FY14. Other minor state aid revenues are projected to decline slightly as has been the trend recently.

Excises: Excises are expected to increase with a recovering economy by almost \$15 million or 11.1% over the two years from FY12. Growth in the meals, hotel, jet fuel and motor vehicle excise are all expected to contribute to the overall growth in FY13.

Fines: Fines are expected to decline FY13 and remain level in FY14 to reflect what has become a trend over recent years of lower total parking fine issuance. No changes in fine rates or enforcement have been assumed.

Other Revenue:

Interest on Investments: Interest income is expected to remain level as short-term interest rates are held low and cash balances remain steady.

Payments in Lieu of Taxes (PILOT): PILOT revenue is projected to increase as tax-exempt institutions follow the 5-year ramp up of payments (beginning in FY12) to meet the Mayor's PILOT taskforce goal of paying 25% of the tax they would pay if taxable (before credits). FY13 and FY14 increases could total more than \$13 million or 60% over FY12 budgeted revenues.

Miscellaneous Department Revenue: Usually projected from historical trends and economic assumptions, these revenues are expected to increase slightly even with the expiration of certain temporary revenues.

Licenses and Permits: Building permits are projected to gain with a recovering economy and historically low interest rates.

Budgetary Fund Balance: In FY12, the City is using an allocation of reserves to support funding for OPEB liabilities. For FY13, the use of Budgetary Fund Balance for OPEB expenses is projected to be reduced by half. But for FY14, projections include funding the full OPEB appropriation from reserves.

These estimates are based on conservative revenue estimates and an assumption that the local economy will stabilize at a reasonable level of growth in the 36 months from the beginning of

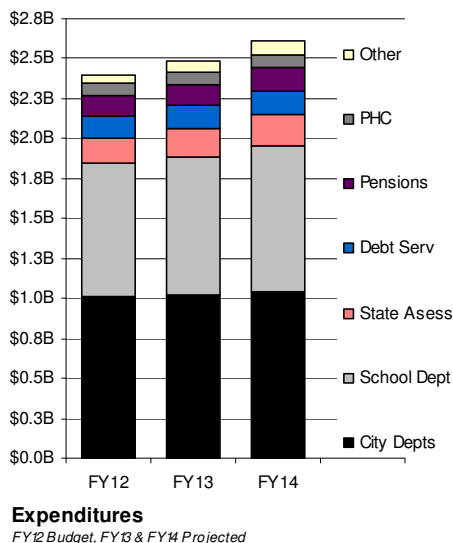


Figure 13

FY12 to the end of FY14.

Expenditure Trends

The following chart displays the allocation of expenditures projected for FY12-FY14. (Figure 13.)

It is important to note that these multi-year expenditure projections were developed with the assumption that financial support for achieving the City's goals of quality education for all, safe streets, shared economic recovery, and healthy, green neighborhoods will continue. Early recognition of the FY14 deficit, caused by carrying forward the costs of current operations, will allow the City's administration time to make the necessary adjustments and policy decisions to get back to a balanced budget that continues to support these goals.

Inflationary increases have been estimated in FY13 and FY14 for certain centrally budgeted expenditures such as health insurance, Medicare and snow removal and within departmental budgets for residential trash collection, energy and equipment replacement. It should be noted that in mid-April 2011 the administration reached a tentative coalition agreement regarding health insurance with all of the city's public employee

unions. The agreement provides for increases to employee premium contributions and health insurance plan design changes that, along with several other factors, hold health insurance budgets relatively level in FY13 and provide some mitigation to the inflationary growth in FY14. Also, starting in FY13 and beyond, the Police Department will have to absorb the loss of \$3.4 million in ARRA grant funding that supports the retention of 50 police officers. At the School Department, the anticipated loss of grant funding provided by the Education Jobs Bill and some planned restoration of deferred facility maintenance along with estimated inflationary increases for contracted educational and student transportation services will require significant increases in FY13 and FY14. Of particular concern at the School Department is the need to address the student assignment process and its associated bus routing costs prior to the expiration of the current contract in FY13 in order to contain some of the increased costs.

Citywide the cumulative growth in the reserve for collective bargaining coupled with scheduled departmental salary step increases will result in increased personnel costs for FY13 and FY14. As union negotiations move forward, it will be important to quantify the impact of any material changes to the collective bargaining assumptions we have included in these forecasts so that policy options and tradeoffs can be presented to accommodate those impacts.

All of the factors referred to above are estimated to increase total appropriations by \$57.5 million or 2.9% in FY13 and cumulatively increase appropriations by \$150.9 million or 7.7% through FY14.

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 FY13, fixed costs will increase by \$30.7 million or 7.1% and cumulatively increase by \$70 million or 16.3% through FY14.

Under these revenue and expenditure trend assumptions particularly acknowledging the savings achieved with the coalition bargaining agreement for health insurance and assuming the administration's current wage proposal for

collective bargaining, the FY13 budget is currently projected to be balanced, however, continued inflationary pressure in FY14 will result in a projected budget shortfall in FY14 of \$42.5 million. For the most part, the projections are based on current operations and any known changes that are anticipated in FY13 and FY14. As the FY13 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. The City will be watching external funding sources very closely prioritizing service areas and reviewing policy decisions and options that may result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments where federal external funds play a crucial role in allowing them to provide essential services. In the event of significant grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide those services.

Current year hiring must continue to be scrutinized and controlled as the bulk of the projected increase in appropriations is employee-related. Although progress has been made recently, the City will continue to look 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 three-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 out years, 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, for which the City attempts to reserve 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.

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 used in FY09 to mitigate the impacts of mid-year State Aid reductions. At that time, the City was able to restrict access to any discretionary expenditure accounts and reduce other spending accounts centrally.)

Conclusion

This multi-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)

	FY12 Adopted	FY13 Forecast	FY14 Forecast
REVENUES			
Property Tax	1,608.23	1,668.43	1,730.54
Overlay Reserve	(39.23)	(40.69)	(42.21)
Excises	131.93	145.23	146.53
Fines	68.08	66.58	66.58
Interest On Investments	1.50	1.50	1.50
Payments in Lieu of Taxes	39.48	47.06	53.86
Urban Redev Chapter 121A	58.10	62.48	63.42
Department Revenue	52.44	53.28	48.95
Licenses & Permits	34.10	39.53	39.03
Penalties & Interest	7.76	8.91	8.91
Available Funds	17.07	18.03	17.98
State Aid	385.13	392.43	397.81
Total Recurring Revenue	2,364.57	2,462.75	2,532.90
Approp. Fund Balance	30.00	20.00	40.00
Approp. Surplus Property Fund	0.00	0.00	0.00
Total Revenues	2,394.57	2,482.75	2,572.90
EXPENDITURES			
City Departments	1,014.59	1,021.75	1,045.58
Public Health	72.90	73.57	74.98
School Department	830.91	863.80	907.50
Reserve for Collective Bargaining	10.70	22.50	46.90
OPEB	35.00	40.00	40.00
Total Appropriations	1,964.10	2,021.62	2,114.96
Pensions	126.55	136.53	146.32
Debt Service	137.54	142.66	155.70
State Assessments	162.46	178.02	194.49
Suffolk County Sheriff Dept	3.92	3.92	3.92
Reserve	0.00	0.00	0.00
Total Fixed Costs	430.47	461.13	500.44
Total Expenditures	2,394.57	2,482.75	2,615.40
Surplus (Deficit)	0.00	0.00	(42.50)

Numbers may not add due to rounding

Technical Note

The City of Boston's combined FY12 Budget and FY12-FY16 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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