

# Summary Budget

## OVERVIEW

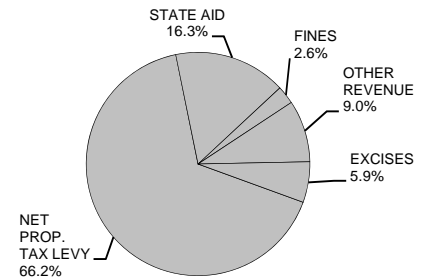
The FY13 Adopted Budget for the City of Boston totals \$2.47 billion, an increase of \$71.8 million, or 3.0%, over the FY12 budget. FY13 recurring revenue growth is \$101.8 million or 4.3%. The FY13 budget does not include non-recurring revenue.

In FY13, property tax revenue continues to grow steadily while local receipts and state aid are gradually recovering with the improving economy. State aid figures released with the House and Senate budgets reflect increasing state aid revenues to the City. The City's net state aid (revenues minus state assessments) will increase modestly after several years of decrease as the state is expected to record its third consecutive year of revenue growth.

After several years of using stabilization funds and federal stimulus funds to plug budget gaps, the state continues to wrestle with a structural budget deficit currently projected at \$1.4 billion for FY13. This gap will need to be addressed through expenditure reductions and/or revenue increases.

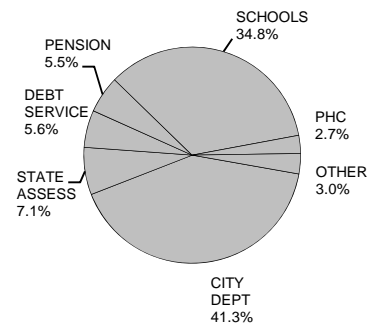
On the expenditure side, savings in health insurance costs and the City's appropriation to the Public Health Commission (PHC) are offset by increases to schools, the reserve for collective bargaining and fixed costs.

This Summary Budget section lays out the FY13 budget and discusses trends in each category of the budget summary table on the following page. An overview of the City's revenues is followed by a detailed look at personnel trends and a review of major externally funded services. An all-funds budget is also presented.



**FY13 Estimated Revenue**

Figure 1



**FY13 Estimated Expenditures**

Figure 2

**CITY OF BOSTON**  
**BUDGET SUMMARY**

(Dollars in Millions)

|                                   | <b>FY10</b>     | <b>FY11</b>     | <b>FY12</b>     | <b>FY13</b>     |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                   | <b>Actual</b>   | <b>Actual</b>   | <b>Budget</b>   | <b>Budget</b>   |
| <b>REVENUES</b>                   |                 |                 |                 |                 |
| Property Tax Levy                 | 1,475.93        | 1,541.92        | 1,614.03        | 1,675.10        |
| Overlay Reserve                   | (35.73)         | (37.35)         | (38.66)         | (40.86)         |
| Excises                           | 103.42          | 125.23          | 131.93          | 145.23          |
| Fines                             | 70.67           | 65.34           | 64.44           | 65.14           |
| Interest on Investments           | 3.18            | 1.39            | 1.15            | 1.00            |
| Payments In Lieu of Taxes         | 34.94           | 35.50           | 40.26           | 42.84           |
| Urban Redevelopment Chapter 121A  | 66.59           | 70.30           | 58.36           | 61.20           |
| Misc. Department Revenue          | 64.48           | 138.99          | 49.29           | 52.59           |
| Licenses and Permits              | 30.56           | 39.89           | 33.75           | 39.48           |
| Penalties & Interest              | 7.96            | 9.19            | 7.76            | 8.81            |
| Available Funds                   | 17.08           | 17.11           | 17.07           | 15.00           |
| State Aid                         | 413.21          | 395.20          | 385.88          | 401.49          |
| Teachers Pension Reimbursement    | 0.00            | 0.00            | 0.00            | 0.00            |
| <b>Total Recurring Revenue</b>    | <b>2,252.29</b> | <b>2,402.71</b> | <b>2,365.24</b> | <b>2,467.01</b> |
| Budgetary Fund Balance            | 45.00           | 27.00           | 30.00           | 0.00            |
| Non-Recurring Revenue             | 5.98            | 0.00            | 0.00            | 0.00            |
| <b>Total Revenues</b>             | <b>2,303.27</b> | <b>2,429.71</b> | <b>2,395.24</b> | <b>2,467.01</b> |
| <b>EXPENDITURES</b>               |                 |                 |                 |                 |
| City Departments                  | 1,006.00        | 1,018.32        | 1,017.16        | 1,019.09        |
| Public Health Commission          | 70.00           | 69.81           | 72.90           | 66.21           |
| School Department                 | 817.83          | 821.38          | 831.47          | 857.83          |
| Reserve for Collective Bargaining | 0.00            | 8.55            | 10.03           | 30.12           |
| Other Post Employment Benefits    | 20.00           | 35.00           | 35.00           | 40.00           |
| <b>Total Appropriations</b>       | <b>1,913.83</b> | <b>1,953.06</b> | <b>1,966.56</b> | <b>2,013.25</b> |
| Pensions                          | 108.46          | 191.86          | 126.55          | 136.98          |
| Debt Service                      | 125.50          | 126.66          | 135.64          | 137.55          |
| State Assessments                 | 141.87          | 147.70          | 162.56          | 174.58          |
| Suffolk County                    | 4.45            | 4.34            | 3.92            | 3.92            |
| Reserve                           | 0.07            | 0.19            | 0.01            | 0.73            |
| <b>Total Fixed Costs</b>          | <b>380.35</b>   | <b>470.75</b>   | <b>428.68</b>   | <b>453.76</b>   |
| <b>Total Expenditures</b>         | <b>2,294.18</b> | <b>2,423.80</b> | <b>2,395.24</b> | <b>2,467.01</b> |
| <b>Surplus (Deficit)</b>          | <b>9.09</b>     | <b>5.91</b>     | <b>0.00</b>     | <b>0.00</b>     |

Numbers may not add due to rounding

NOTE: FY11 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 FY13 appropriations and fixed costs to maintain a balanced budget. Selected FY13 budgeted City revenues compare with FY12 budgeted revenues as follows: the net property tax levy increases \$58.9 million or 3.7%; excises increase \$13.3 million or 10.1%; fines increase by \$0.7 million or 1.1%; interest on investments decreases \$0.2 million or 13.0%; payments-in-lieu-of-taxes increase \$2.6 million or 6.4%; Chapter 121A revenues increase \$2.8 million or 4.9%, miscellaneous department revenues increase by \$3.3 million or 6.7%; and licenses and permits increase by \$5.7 million or 17.0%.

On the expenditure side of the budget, total appropriations increase by \$46.7 million or 2.4% and fixed costs increase by \$25.1 million or 5.9%. Selected FY13 budgeted appropriations compare with FY12 budgeted appropriations as follows: City departments increase \$1.9 million or 0.2%, the Boston Public Health Commission decreases by \$6.7 million or 9.2%, and the School Department increases \$26.4 million or 3.2%.

FY13 budgeted fixed costs compare with FY12 budgeted fixed costs as follows: pensions increase \$10.4 million or 8.2%; debt service increases \$1.9 million or 1.4%; and state assessments increase \$12 million or 7.4%.

NOTE: The "Other" category on the FY13 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the collective bargaining reserve, other post-employment benefits (OPEB), Suffolk County, and a required reserve.

**REVENUE**

The FY13 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts.

(Note: To ease comparison with other years, all figures, text, and calculations referring to or including FY11 departmental revenues will be stated without the \$82 million pension payment made in that year. In addition, all years prior to FY10 will be stated net of Teacher's Pension Reimbursement. See the *Financial Management and Statutes and Ordinances* sections for details of these issues).

**Property Tax Levy**

The gross property tax levy has been the City's most dependable source of revenue growth during the past twenty-nine 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 or "new growth" that is excluded from the levy limit. New growth is expected to be approximately \$20.0 million in FY13. While not the case in FY13, property tax growth from new growth has exceeded growth from the allowable 2.5% increase in 18 of the last 29 years.

The combined effect of the allowable 2.5% increase and new growth is an average annual gross levy increase from FY02 through FY12 of \$64.1 million or 5.1%, and a projected increase in FY13 of \$61.1 million or 3.8%. The gross property tax levy currently stands at \$1,614.0 million, and is estimated to rise to \$1,675.1 million in FY13.

While the total tax levy has continually gone up, property values in Boston have declined during the recent tough years in the residential and commercial real estate markets. FY10 and FY11 were only the first and second declines in property values recorded in the City since FY94. In the FY12 market indexed revaluation as of January 1, 2011, values increased to \$88.5 billion, a \$1.7 billion or 2.0% increase.

Given the recent declines in total property values, one might expect a decrease in residential taxes. Between FY02 and FY07 the average single-family property tax increased with property values, rising nearly 78% to \$3,091. During the next two years, the tax fell as values continued to rise and since it has regained its

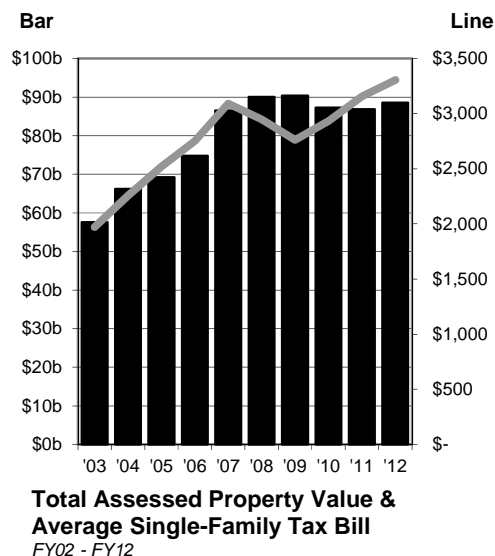


Figure 3

upward momentum. In FY12, the average single-family tax bill increased to \$3,305, a 19.7% increase over FY09 (Figure 3).

The percentage of the total tax levy being borne by residents increased from 36.2% to 38.7% between FY09 and FY12. This shift is due to the larger decrease in commercial property values in the levy compared to residential property values. 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.

State aid has been reduced substantially over the course of the last two recessions. Since FY02, net state aid (defined as state aid revenues less MBTA, charter school tuition, and other assessments) to the City has been reduced by over \$200 million. The City lost approximately \$79 million between FY02 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$142 million between FY09 and budgeted FY12 – averaging a loss of over \$35 million per year. The FY13 projection of a minor increase of \$3.6 million brings the total loss since FY02 to \$201.4 million or 47%.

The City's FY13 state aid estimate is based on the lower of each line-item in the House and Senate budgets. A joint House and Senate Conference Committee budget released in mid-June contains a similar increase in state aid to the City's budget estimate. This Conference Committee budget has moved to the Governor for any vetoes, which will be followed by a return of the budget to the Legislature for any veto overrides before becoming law in early July.

#### Education Aid

The City received "Chapter 70" education aid totaling \$217.0 million in FY10, \$204.3 million in FY11, and has budgeted \$205.4 million for FY12. The City estimates a small increase to \$207.9 million in FY13.

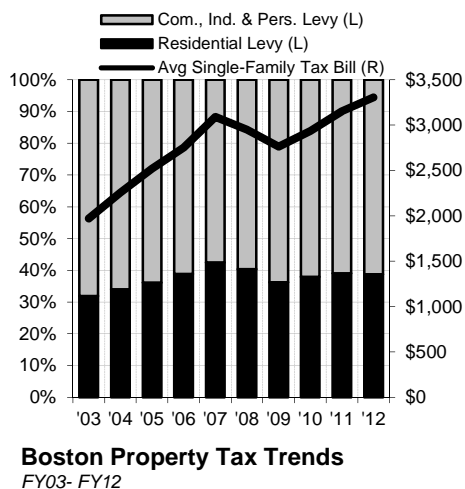


Figure 4

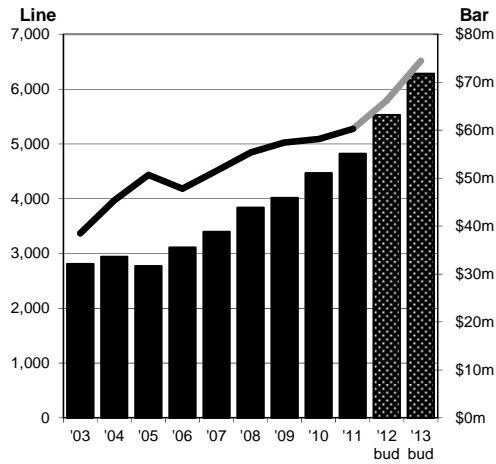
Current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly-funded schools administered independently from local school committees and teachers' union rules and regulations. Their charters are granted by the State Board of Education.

In the current year there are 5,749 Boston resident students attending "Commonwealth" charter schools. The City expects that number to rise to approximately 6,647 in FY13 with the addition of eight more charter schools opening to Boston students. These added schools are the result of legislation enacted in FY11 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 net cost to the City for charter schools (reimbursement from the Commonwealth less tuition assessment) was \$51.0 million and \$55.1 million in FY10 and FY11, respectively. The City has budgeted a \$63.2 million net cost in FY12 and a \$71.8 million net cost in FY13 (see Figure 5). These figures include the cost of a capital facilities charge that is 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 \$87.0 million or 37.0% of the total between FY08 and FY12, excluding a one-time supplemental appropriation from the Commonwealth



**Charter Schools Boston Enrollment and Net Cost**  
FY03- FY13

Figure 5

totaling \$11.5 million received in FY12. The City expects to receive \$148.7 million in FY12 before a one-time supplemental aid increase of \$11.6 million. This one-time supplemental is expected to become permanent in FY13, thus raising the amount of this type of aid to \$160.2 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 state 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 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 received 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 between FY05 and FY08 that was level with FY04 amounts. The City received \$148.2 million in FY09 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 17% of the City's recurring revenue in FY13 is comprised of excise taxes, fines, payments-in-lieu-of-taxes (including Chapter 121A), investment income, departmental revenue, licenses and permits, penalties and interest, and available funds.

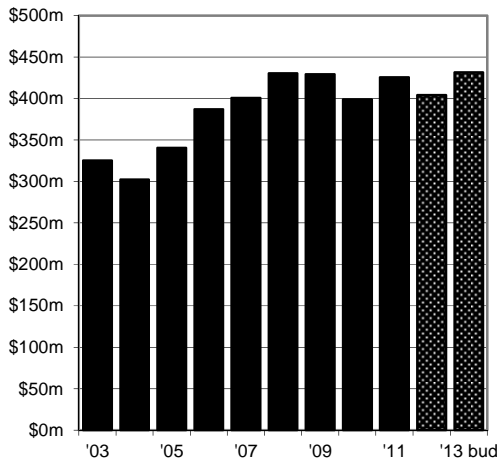
In FY10 the City collected \$398.9 million from these combined sources and \$420.9 million in FY11 (excluding an \$82 million one-time pension payment). The FY12 Budget assumes a decrease to \$404.0 million and the FY13 budget assumes an increase to \$431.3 million (Figure 6). (See *Revenue Estimates & Analysis* section of Volume I for more detail on this revenue source.)

FY13 budgeted local receipts continue to benefit from revenue that was, previous to FY12, dedicated to support special obligation debt service for the Boston Convention and Exhibition Center (BCEC).

Additional room occupancy excise revenue and a vehicle rental surcharge are now available to the general fund to offset the debt which is now general obligation.

Many of the City's local receipts 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 and FY12 assumed continued declines or marginal growth in these revenues except for those with tax rate or fee increases. The FY13 budget assumes increases in all of the above categories except interest earnings and available funds. What follows is a brief description of selected local receipts, their recent performance and expectations for the FY13 Adopted Budget.

- After a strong year in FY11, revenue from motor vehicle is expected to decrease in FY12 and gain modestly in FY13 as slowly increasing 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. In FY11, the City collected \$20.2 million in meals tax. The FY12 and FY13 budgets assume a small decline and an increase to the FY11 level, respectively.
- After several weak years due to economic conditions, jet fuel and hotel revenues are increasing based on increasing travel and rising fuel prices. The hotel excise also benefits from its FY10 rate increase from 4% to 6% and the debt-related change mentioned above. In addition, a vehicle rental surcharge of \$1 per vehicle rental contract also moves to the general fund for FY13 and forward.
- With near-zero federal funds rates, the City's investment earnings have plummeted, even as cash balances have remained strong in recent years. FY12 and FY13 earnings are expected to remain very low.



**Recurring Local Receipts  
(non-property tax/state aid)**  
FY02 - FY13 (adj. for actual base hotel collections)  
FY12 forward includes base & new hotel tax

Figure 6

- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to increase in FY12 and FY13 based on the results of a taskforce appointed by the Mayor which concluded its work last year. 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 jumped considerably as large commercial construction projects have recently begun in earnest. Building permit fees are expected to rebound in FY13.
- Chapter 121A agreements are payments in lieu of tax for property developed 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 FY12 are expected to decline due to a one-time payment received in FY11 from one large property in downtown Boston as it moved to taxable status. Inflationary growth is expected in the remaining agreements for FY13.

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.

***Non-Recurring Revenue***

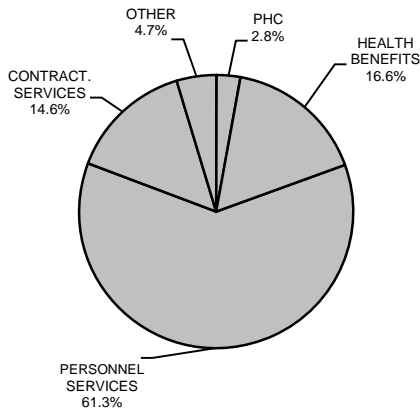
The City appropriates funds from the Surplus Property Disposition Fund on an as-needed basis for non-recurring expenditures.

In FY12 and FY13, 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 FY13 Budget assumes no use of budgetary fund balance and unlike prior years uses recurring revenue to fund the appropriation for other post-employment benefits (OPEB).

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



**FY13 Appropriations by Category**

Figure 7

**EXPENDITURES**

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY13 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 contract with the firefighters union expired on June 30, 2011. The City has settled collective bargaining agreements with several non-public safety unions and is currently in active negotiations with the remaining unsettled unions. The collective bargaining reserves contain funding based on estimates for successor agreements that would cover proposed wage increases and the retroactive impacts of wage increases that are being negotiated for FY11 – FY13.

Current reserve amounts are based on the wage pattern agreed to with the settled collective bargaining agreements.

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 and materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in 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 FY13, the City has budgeted \$289 million in health insurance premiums for city employees and retirees – almost 12% of total expenditures. Similar to other

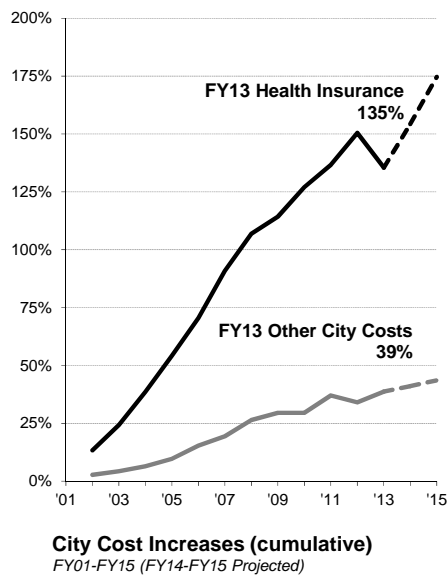


Figure 8



Massachusetts municipalities, Boston's health insurance costs have dramatically increased over the last decade, restricting resources available for other purposes.

As Figure 8 demonstrates, the higher growth rate for health care, compared to other city costs, will continue into future years. However, in FY13, the City is experiencing a one year unusual cost decrease, shown more specifically in Figure 9. This decrease is due to the confluence of several factors: City employees and retirees continuing to share a larger portion of health care costs, Medicare beginning to pay

| <b>Health Insurance (\$ Mil)</b> |                   |                      |                       |
|----------------------------------|-------------------|----------------------|-----------------------|
| <b>Fiscal Year</b>               | <b>Total Cost</b> | <b>Dollar Change</b> | <b>Percent Change</b> |
| 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                             | \$278.6           | \$15.6               | 5.9%                  |
| FY11                             | \$290.5           | \$11.9               | 4.3%                  |
| FY12*                            | \$307.4           | \$16.9               | 5.8%                  |
| FY13*                            | \$289.0           | -\$18.4              | -6.0%                 |

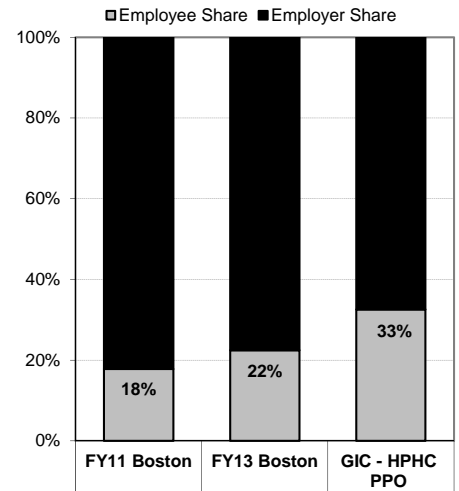
\*FY12 Projection and FY13 Budget estimate

Figure 9

its full share of the City's health claims (see later section on mandatory Medicare Enrollment), and lower health insurance premiums due to a lower claims year.

### Partnership with Unions

In FY11, the City adopted MGL Chapter 32B, S.19 and began working with the unions through coalition bargaining. As part of a four year agreement between the City and its thirty-six bargaining units, represented through the Public Employee Committee (PEC), City employees and retirees will pay an increased share of total health care costs. The agreement was established outside of, but was assisted by, new statewide legislation allowing municipalities more freedom in health plan design. The agreement is projected to save up to \$70 million in City costs from FY12 – FY15. Under this agreement, employee and retiree share of premiums for non-Medicare plans increased by 1.25% in FY12 and will increase by another 1.25% in FY13. Total premium share will vary by type of plan, ranging from 17.5% for HMOs to 27.5% for indemnity plans. In addition to the premium share



**FY13 Employee Share of Total Healthcare Costs**

Premium plus "out-of-Pocket" (OOP) costs. Boston and GIC Premium shares for Harvard Pilgrim.

Figure 10

increase, member co-pays will increase in FY13 for prescriptions, office visits, and emergency room visits.

Figure 10 demonstrates the higher share of total health care costs (including premiums and co-pays) borne by employees and retirees as a result of this agreement. In FY11, members paid roughly 18% of total health care costs, compared to 22% in FY13 after all changes are in place. In FY16, the City will have the ability to accept the new state legislation, and further increase employee and retiree out-of-pocket payments.

### Mandatory Medicare Enrollment

The new state municipal health care legislation further mandates that all Medicare-eligible municipal retirees must enroll in Medicare Part B and a City health plan. The City projects annual savings, beginning in FY13, of almost \$6 million from this new legislation.

### The Broader Picture

| <b>City Healthplan Subscribers Feb '12</b> |               |                  |               |
|--|---------------|------------------|---------------|
| <b>Healthplan</b>                          | <b>Active</b> | <b>Retiree *</b> | <b>Total</b>  |
| Indemnity                                  | 2,135         | 1,917            | 4,052         |
| HMO  | 13,193        | 3,248            | 16,441        |
| Medicare                                   | -             | 8,545            | 8,545         |
| <b>Total</b>                               | <b>15,328</b> | <b>13,710</b>    | <b>29,038</b> |

\* Headco units are projected for post mandatory Medicare enrollment.

As Figure 8 demonstrates, the City's steadily increasing health care costs experienced a slower average 6% annual trend from 2008 – 2013, compared to over 10% in prior years. This slightly lower trend reflects three components – lower premiums due to more aggressive rate negotiations along with lower overall claims inflation in that period, the increasing of cost share paid by City employees and retirees, and the phasing out of a high cost health plan (Blue Cross Master Medical). As mentioned earlier, after the one year FY13 negative cost adjustment due to these same factors and mandatory Medicare, costs will continue to increase based solely on medical cost increases, nationally projected to exceed 8% per year.

This continuing high rate of cost increase is due to multiple factors, including 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.

The City, in cooperation with the Public Employee Committee (PEC), will continue to tackle the portion of these factors within its control. For example:

- From FY08 through FY12, the City and its unions agreed to phase out a costly indemnity plan, saving millions of dollars per year with no negative impact on members.
- In March 2012, the City and the PEC agreed to self-insure most of the City's health claims to reduce administrative costs, and establish a mechanism to smooth premium increases in the long run.
- Multiple efforts are being taken to encourage city employees and retirees to adopt healthier lifestyle choices. For example, targeted benefit improvements are being made to support smoking cessation. Also, the City is contracting with Atrius Health, a major health care provider, to provide additional chronic disease management services for City of Boston patients.

Note: FY13 health, dental and life insurance benefits for City employees and retirees are budgeted separately for City departments (\$196.8M), BPS (\$87.0M), and PHC (\$10.5M).

### ***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, 2011 at \$3.1 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 \$35 million appropriated in both FY11 and FY12. In April 2011, the City transferred the balance of the OPEB Stabilization Fund to the irrevocable OPEB Trust Fund.

The City will allocate another \$40 million in FY13 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 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 contribution was \$108.5 million in FY10, \$192.0 million in FY11, and was budgeted for \$126.5 million in FY12 and \$137.0 million in FY13. 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. The Net Required Pension Cost hovers between \$94 million and \$110 million between FY09 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.

**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 Environment and Energy, Chief Financial Officer, Chief of Public Property and the Chief of Public Health.

In FY13 energy budgets total \$55.5 million with electricity costs making up 49% of the budget, natural gas costs making up 29% of the budget and gasoline/diesel comprising 12% 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 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;

| <b>Changes to City Pension Funding Obligations (\$millions)</b> |                                   |                                       |                                    |                          |                          |
|---|-----------------------------------|---------------------------------------|------------------------------------|--------------------------|--------------------------|
|   | SBRS<br>Required<br>Appropriation | Teacher's<br>Pension<br>Reimbursement | Net<br>Required<br>Pension<br>Cost | Extraordinary<br>Payment | Total<br>Pension<br>Cost |
| FY13  | \$ 136.98                         | \$ -                                  | \$ 136.98                          | \$ -                     | \$ 136.98                |
| 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                    |

Table 1

- 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 Successes***

In FY13, the City hopes to continue its trend of energy management successes and to continue to benefit from decisions made in prior fiscal years.

The City competitively procures its electric supply and is currently covered by a contract that will be in place through March 2013. The contract uses a pricing model where 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.

During FY12 and into FY13, 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). In FY12 the LED project will save 11.3 million kilowatt hours of electricity savings and an estimated \$1.5 million. The cost of the LED project is currently funded with City capital bond funding and energy efficiency incentive dollars distributed by NSTAR, and has been funded from the Energy Efficiency and Conservation Block Grant, funded by the American Recovery and Reinvestment Act (ARRA).

Additional energy projects implemented in FY12 include the upgrade to the energy management system (EMS) at the main branch of the Boston Public Library at Copley Square and a second phase of energy improvements at Boston City Hall that involved improvements to the heating, ventilation, and air conditioning (HVAC) system that includes a chiller automation system and variable speed drives for water pumps. These two projects are projected to produce

estimated FY12 savings of 1.3 million kilowatt hours and \$163 thousand.

Continuing a successful partnership with the City's local utility companies and accessing energy efficiency incentive grant funds, future projects for FY13 and beyond include the continued upgrade of street lights fixtures to LEDs that should save an additional 7.5 million kilowatt hours of electricity and an estimated \$936 thousand in FY13. Additionally a third phase of energy improvements is scheduled for Boston City Hall that involves an upgrade to the energy management system and additional HVAC improvements to improve exhaust and return air upgrades along with improvements to dampers and distribution systems. This phase is projected to save an estimated 1.6 million kilowatt hours of electricity and \$213 thousand in FY13.

**APPROPRIATIONS**

**Departmental Appropriations**

The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS) as shown in the FY13 Budget Summary have increased by 1.0% from the FY12 appropriations. Approximately 73% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits. (Health Benefits are also included in the appropriations for PHC and BPS.)

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)

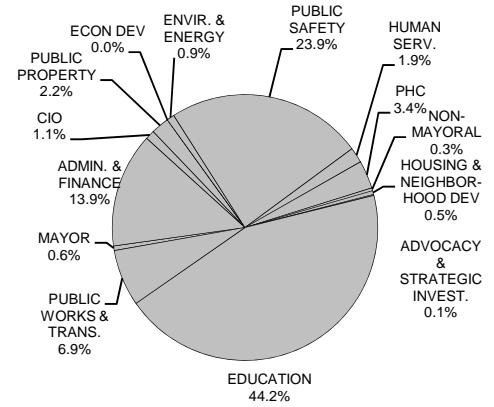
Some of the highlights of FY12/FY13 changes by cabinet are as follows:

**Mayor's Office**

Overall, in FY13 the departments in the Mayor's Office cabinet will see an increase of 0.3%. Departments included in the Mayor's Office Cabinet are the Mayor's Office, Emergency Management, Law, Office of Neighborhood Services and Public Information. The Mayor's Office Cabinet will continue to house the Office of New Urban Mechanics dedicated to civic innovation, focusing on delivering both transformative and basic City services to Boston's residents. The Mayor's 24-Hour Office of Constituent Engagement in the Public Information Department works in 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.

**Advocacy and Strategic Investment**

The Advocacy and Strategic Investment Cabinet focuses 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



**FY13 Appropriations by Cabinet**

Figure 10

Local Business departments. The budgets in this cabinet will see a 1.4% increase in FY13. 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.

The Advocacy and Strategic Investment Cabinet plays 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 health care services, and any other public benefits necessary to improve people's lives.

**Administration and Finance**

The Administration and Finance Cabinet administers the day-to-day management of city government. In addition to various administrative departments and the Boston Public Library, the Administration and Finance Cabinet houses the central City appropriations for Execution of Courts, Health Insurance, Medicare Payments, Pensions and Annuities, Unemployment and Workers' Compensation Fund. As a result of a one-year decrease in the central

Health Insurance appropriation (more fully discussed in the Employee Benefits section earlier in this chapter), the Administration and Finance Cabinet will see a 6.9% decrease in FY13.

The Assessing Department will see a 2.7% increase in its appropriation primarily due to increased costs related to the revaluation process in FY13 and collectively bargained wage increases. Assessing is required to conduct a comprehensive parcel-specific revaluation of the City's taxable property every three years.

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 5.4% increase in its FY13 appropriation as the department reorganizes to provide centralized accounts payable services – a business process change that will come as a result of the Boston Administrative Information System (BAIS) Financials upgrade. 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 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 essentially level funding in its FY13 appropriation.

The Health Insurance appropriation for City employees and City and BPS retirees will see a one-year unusual decrease of 9.9% compared to the FY12 appropriation, a cost reduction of \$21.5 million. The Health Insurance appropriation also includes the cost of dental and vision coverage for employees (non- BPS and PHC) and retirees who are eligible for coverage

through collective bargaining agreements or executive order.

The Human Resources Department will see a 4.2% increase in its FY13 appropriation with the addition of a position plus a contract to provide classification and compensation reviews for city employees and positions. As it continues to prioritize cost management, the Human Resources Department has added additional staff in its Health Benefits unit.

The Boston Public Library (BPL) Department will see a 3.4% increase in its FY13 general fund appropriation. In FY13 the BPL will restore its materials budget back to FY11 funding level. The additional funds will be spent on downloadable e-books as well as books and DVDs for branches throughout the system. In FY13 a new e-reader lending program will be developed to bring this new technology to those unable to buy e-readers. Resources have also been designated to make creative facility improvements to the branch libraries. These improvements include an early literacy nook at Charlestown, a teen writing lab at Egleston, a teen zone at Hyde Park, and the rejuvenation of outdoor space in South Boston. Additionally, staff resources have been added to support the management of larger capital facility improvements.

The Purchasing Department will be a leader in the use of one of the new modules included in the BAIS Financials upgrade discussed earlier. The eProcurement module will provide new functionality in the BAIS Financials application and will streamline the purchasing process.

### ***Chief Information Officer***

The Department of Innovation and Technology (DoIT) will see a 5.7% increase in its FY13 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 FY13 relates to new enterprise-wide software maintenance costs for the City's disaster recovery technology infrastructure, new modules for the BAIS Financials application and Boston About Results (BAR) software. These technology improvements benefit all departments but are centrally budgeted in DoIT.

In FY13 DoIT will hire a civic software developer to be a liaison to Boston's native developer communities and support the City's open data strategy and host developer engagement events. This new position will

work closely with the Mayor's Office of New Urban Mechanics. During FY13, 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, 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 also provides technical support to the 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 and Sustainable Broadband Adoption grants. These competitive grants, funded by the American Recovery and Reinvestment Act (ARRA), have created 48 modern public computing sites located at BCYF, BPL and Boston Housing Authority (BHA) facilities with 627 computers available for public use. This investment has resulted in over 9,000 citizens attending computer training and will allow for an additional 45,000 citizens to have access to computers and broadband internet.

### ***Public Safety***

In FY13 the Public Safety Cabinet that includes the Fire and Police Departments will see a 2.8% increase.

The FY13 budget for the Fire Department will increase by approximately \$3.5 million or 1.9%. The budget includes the impact of a new firefighter recruit class to start in July, 2012 and a second recruit class scheduled to start in mid FY13. The recruit classes are intended to replace retirees and to ensure that staffing levels in the fire suppression category are maintained at the desired operational level. The FY13 Fire Department budget will make a considerable investment in a new inspection and cleaning program for its bunker gear as recommended by national standards. The FY13 budget includes funding to repair and clean existing sets of bunker gear and continues the ongoing plan to replace bunker gear that has reached the end of its useful life.

The Police Department's FY13 budget will increase by \$9.3 million or 3.5%. In FY13 the Police Department's budget will need to absorb the majority of the cost of

50 police officers that were funded on the ARRA-Community Oriented Policing Services (COPS) Hiring Recovery Grant for the last three years. Pursuant to the terms of the grant the City agreed to cover the fourth year of salaries with City funding. Additionally, the FY13 budget includes funding for a recruit police officer class currently planned for the fall of 2012 to ensure that the City will maintain its sworn staffing levels. The Police Department will make investments in necessary equipment for police officers including bullet-proof vests and guns. The FY13 budget also includes a large allocation to cover the cost of developing and implementing a new exam for superior officers.

In FY13 the department will implement a new Community Oriented Policing Services (COPS) grant to support increased officers on Safe Street Teams. The successful award of this new COPS grant requires a local match that has been included in the FY13 budget. Safe Street Teams 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 which allows officers to get to know local residents and business owners and form effective working partnerships. Since deployed, the neighborhoods with Safe Street Teams have seen a material reduction in crime. In an effort to better coordinate the department's community outreach and increase the number of neighborhood crime watches, a Director of Neighborhood Outreach will be hired. 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. The BRIC is partnering with the Massachusetts Institute of Technology (MIT) to create a predictive policing model to stop problems before they arise.

### ***Economic Development***

The Boston Redevelopment Authority (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 FY13. The BRA does access the City's capital budget to make investments in economic development areas under its control.

### ***Public Property***

The Public Property Cabinet as a whole will see an increase of 6.5%. Coming out of a period of severe fiscal constraint, the City is experiencing a pent-up demand for capital investment and requires a stepped-up program to address deferred maintenance of its capital assets. To address these concerns about the City's capital assets, the Property and Construction Management (PCM) Department will see a \$1.2 million or 6.5% increase in its appropriation in FY13. Most of the increase comes from additional staff being hired in the capital construction unit of PCM to manage the execution of the facility component of the City's capital plan. The FY13 budget also includes wage increases for settled collective bargaining agreements. In addition, an increase to PCM's operating budget for repairs to buildings will help with ongoing building preventative maintenance and repairs to avoid more costly capital repairs.

The Office of Arts, Tourism & Special Events will see a 7.9% increase in its FY13 appropriation primarily related to a decision to create in-house City positions to manage the Parkman House and the Strand Theatre. These City facilities were previously staffed with employees of a non-profit organization. Additionally, with increased activity at the Strand Theatre the department's utility budget is seeing an increase. The Consumer Affairs & Licensing department shows a slight decrease in FY13 that will have no impact on services.

The Department of Voter Mobilization will see a 5.1% decrease in its FY13 appropriation. The department's budget varies each year based on the number and type of elections scheduled to take place. In FY13, two elections are scheduled, a state primary election and the state and Presidential final election. In the state elections, unlike municipal elections, the state 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 an increase of 9.4% in FY13. The bulk of the increase is attributed to an expanded seasonal workforce that is assigned to Parks Maintenance crews from April to October and a special allocation of funding targeted at deferred maintenance and beautification projects in

city parks. The FY13 budget also includes wage increases for settled collective bargaining agreements. The Parks Department will add an additional tree climber position to establish two full in-house tree crews that work in conjunction with outside contractors to address the single most frequent customer service request – tree maintenance. The Mayor's "Boston Blooms" program will be expanded with additional flowers and bulb plantings in partnership with community groups.

### ***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 an increase of 2%.

The Public Works Department's FY13 appropriation has been increased by 2.5%. Public Works will see an increase to its waste removal appropriation with the continuation of multi-year waste removal contracts that contain increases tied to the consumer price index or pre-approved price schedules. Also, Public Works recently accepted contract bids for street sweeping that will increase the cost of day and night street sweeping in FY13. Public Works, like many frontline departments, has added vehicle replacement to their FY13 budget. Through a collaborative effort with the Environment and Energy Cabinet and NSTAR, the local electric distribution company, Public Works will continue to retrofit existing street light fixtures with energy efficient Light Emitting Diodes (LEDs). The cost of the ongoing LED project is funded with City funding and energy efficiency incentive dollars managed by NSTAR.

In FY13, the Transportation Department will see a decrease of .7%. The FY13 decrease is tied to two areas. The reduction in personnel is the result of a more controlled hiring process particularly for parking enforcement officer positions while the department continuously evaluates 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. The reduction in the lease purchase budget relates to the retirement of lease purchase equipment financing debt during FY12 for parking meter and other equipment purchased during FY09.



Transportation will increase its use of Global Positioning Systems (GPS) in FY13 to better track traffic enforcement efforts. The Transportation budget includes funding for community bicycle programs originally funded with external resources and for the cost of pavement markings including bicycle lanes. The cost of pavement markings was budgeted in Public Works in FY12.

As was mentioned earlier, many frontline city departments, including the Transportation Department, have provided for vehicle replacement in their FY13 budget. The Central Fleet Management (CFM) Department played a critical role in the analysis of departmental vehicle inventories that included information about vehicle age, mileage and repair history so that departments could make informed decisions with regard to vehicle replacement plans and budgets. CFM helped make the business case that, more often than not, it is more cost effective to replace a vehicle rather than keeping it beyond its useful life and incurring costly maintenance and repairs. CFM is reviewing vehicle utilization and has procured vehicle sharing software to create a larger pool of shared city vehicles dubbed FleetHub. The goal of FleetHub is to increase utilization per vehicle, which will allow a reduction in total vehicles needed. The software provides a more efficient and user-friendly means of scheduling vehicle use among city staff. Also, in an effort to eliminate the costly practice of maintaining departmental back-up vehicles, CFM will provide a central pool of loaner vehicles for front line departments so that a scheduled vehicle repair will not interfere with the delivery of basic city services. All of these efforts are being made to create a smaller fleet of city vehicles that optimizes their use, maintains an appropriate replacement schedule and prioritizes regular ongoing preventative maintenance.

### ***Environment and Energy***

The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 4.1% increase in FY13. 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%. 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 support the Boston Business Hub (BizHub), a one-stop permitting center to support constituents and small businesses with easier and more accessible permitting. ISD has included items in their FY13 budget aimed at improving customer service. In FY13 ISD will buy technology that will allow for the electronic transmission and review of construction plans by multiple departments. Also, in an effort to help the customers who come to do business at ISD's offices located at 1010 Massachusetts Avenue, ISD will install active video displays to help customers navigate the required permit processes and procedures.

The Environment Department will see a significant increase of 36.6%. The increase reflects a commitment to programmatic activities that were originally funded with external resources. Two municipal energy managers currently being funded by the Energy Efficiency and Conservation Block Grant, an American Recovery and Reinvestment Act (ARRA) grant, will move to the Environment Department's operating budget in FY13. The Environment Department wants to continue to support the Renew Boston initiative even though the Energy Efficiency and Conservation Block Grant will expire during FY13. (Renew Boston is a network of energy efficiency providers helping to assist qualified Boston homeowners and landlords in making energy improvements to their properties). The department will hire an in-house Renew Boston Outreach Manager to continue the collaboration with local utility companies and community-based organizations that are currently retrofitting existing homes and implementing energy efficiency programs in small businesses.

With the Mayor's ongoing commitment to support healthy food policies, the Environment Department will move its Food Policy Director position from external funding on to the operating budget in FY13 and add a new Food Policy Coordinator. The Food Policy Council will continue to advance the Mayor's food agenda by working to increase access to fresh,

affordable, and local food, especially for those at risk of going hungry.

Finally in an effort to preserve historic records additional funding has been provided for the Environment Department's Landmarks Commission to scan existing records in an electronic format. This will allow the public to access these records online.

### ***Human Services***

Overall, the FY13 appropriation for the Human Services Cabinet has increased by 2.9%. The Boston Centers for Youth and Families (BCYF) budget will increase by 4.1%. BCYF has successfully consolidated down to 35 sites over the past two fiscal years and continues its commitment to move beyond providing just gym and swim to provide full service community centers in every neighborhood. Full service community centers provide diverse quality programming, appropriate staff to participant ratios, and consistent hours of operation, quality facilities and a commitment to working with partner organizations and community stakeholders to provide the highest levels of service to the community.

In FY13 BCYF will implement an outcome measurement tool, "YOU Count", to gain a deeper understanding of the true impact BCYF is having on the community it serves. Data gathered from the tool will inform program changes at the centers to meet community needs as they arise.

BCYF will begin to address requests for diverse recreational activities and will install rock climbing walls and high ropes courses at five community centers. Redesigned teen centers, piloted at 5 sites, will provide "teen friendly" spaces that will include music studio elements, new furniture, homework space, games, and technology to provide education and enrichment. In an effort to encourage more citizens to fully utilize their centers, community friendly spaces will be created to convene meetings. Spaces will be painted, furniture will be upgraded and audio visual equipment and technology infrastructure will be installed.

The Youth Fund will continue its successful partnering with community-based organizations. The FY13 general fund appropriation for the Youth Fund has been level funded and together with anticipated state funds is projected to provide an estimated 3,400 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 8,800 jobs.

The Commission for Persons with Disabilities' budget will increase by 8.9% in FY13. The Commission will restructure its staff to meet its commitment to reduce architectural, procedural, attitudinal, and communication barriers that affect people with disabilities.

In FY13, the Elderly Commission will see a 3.1% increase with a plan to provide more events and programs for seniors. The Commission will also focus on engaging the aging baby boomer population. The FY13 budget includes wage increases for settled collective bargaining agreements. The slight decrease reflected in the Veteran's Services department will not impact services. The Aid to Veteran's appropriation account that covers state-mandated veteran expenses paid by the City and reimbursed by the Commonwealth of Massachusetts at 75% of the actual costs will be funded at the same level as FY12.

### ***Housing and Neighborhood Development***

The Housing and Neighborhood Development cabinet will increase by 1.6% in FY13. The Department of Neighborhood Development (DND) will see an increase of 3.8%. DND is in the process of adjusting to significant cuts to federal grants such as HOME and CDBG. The reductions have resulted in a decrease in available funding for central administration. DND's FY13 operating budget has absorbed some but not all of the cost of administrative positions that would have had to be eliminated.

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. DND will continue its partnership with the Department of Innovation and Technology (DoIT) and other permitting departments like Inspection Services and the Fire Department to support the Boston Business Hub (BizHub). BizHub's goal is to 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 FY13 appropriation for the Public Health Commission will decrease by 9.2%. The reduction is non-programmatic and is due to the removal of the Boston Medical Center (BMC) assistance grant from this department's appropriation. (See note below.) In addition it should be noted that unlike most departments, the Public Health Commission appropriation includes provisions for health insurance, pension costs, and other post-employment benefits. The actual operating budget for the Public Health Commission, excluding health insurance, pension and other costs, increased by 3.3% from FY12.

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%.

The FY13 appropriation includes a one-time investment to build a data exchange warehouse that will allow the Commission to provide real time information on health risks and the burden of disease, as well as tracking best practices and health outcomes.

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. To support the Mayor's new anti-obesity efforts, the FY13 budget includes funding for "Boston Moves for Health", a multi-pronged initiative to promote healthy living for residents.

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 FY13 appropriation also provides \$12.5 million in funding for Emergency Medical Services (EMS) and includes funding for a new recruit class of Emergency Medical Technicians planned for fall/winter 2012.

NOTE: The Public Health Commission (PHC) budget previously included a \$10.75 million direct payment to the Boston Medical Center (BMC) - the Assistance Grant - required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital in 1995. This payment was then used to reimburse the City for the Boston City Hospital special obligation bond's annual debt service. In FY12 the City refinanced the special obligation debt as general obligation bonds. The debt for these general obligation bonds is now included in the City's centralized debt service account eliminating the need for the \$10.75 annual appropriation for PHC.

### ***School Department***

The FY13 Boston Public Schools (BPS) budget will increase by \$26.4 million, or 3.2%, from the FY12 appropriation. The FY13 budget was developed using the Weighted Student Funding (WSF) allocation model. 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 FY13 BPS budget provides for the expansion of seven high performing schools, adds pre-kindergarten classrooms for the youngest learners (3 and 4 year olds), increases training and professional development for teachers and, strengthens vocational opportunities by transforming Madison Park High School. The budget focuses on student health by increasing the number of school nurses, expanding student access to school breakfast and will increasing support for students with social/emotional impairments.

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

**Reserve for Collective Bargaining**

The FY13 recommended collective bargaining reserve includes funding for collective bargaining agreements that are still outstanding.

**Debt Service**

The City had expenditures for debt service of \$125.5 million in FY10 and \$126.7 million in FY11. The City has a budget of \$135.6 million for debt service in FY12 and expects to spend \$137.6 million on debt service in FY13. 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. In March 2012, 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.) A higher bond rating translates into lower interest rates and real dollar savings for the City.

For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

**State Assessments**

Accompanying the local aid distributions on the State's 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 \$141.9 million in FY10 and \$147.7 million in FY11. The City expects growth in assessments to \$162.6 million in FY12 and to \$174.6 million in FY13.

**Suffolk County**

The appropriation for 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's department and its 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 FY13 annual cost will be level with what was provided in FY12 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 extinguished, all funding by the City for Suffolk County shall cease.

**Reserve**

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$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.

| <b>State Assessments</b>  |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | <b>FY10</b>    | <b>FY11</b>    | <b>FY12</b>    | <b>FY13</b>    |
|                           | <b>Actual</b>  | <b>Actual</b>  | <b>Budget</b>  | <b>Budget</b>  |
| M.B.T.A.                  | \$ 74,728,852  | \$ 74,532,457  | \$ 77,760,210  | \$ 78,301,126  |
| Charter School Tuition    | 62,020,257     | 68,292,834     | 79,761,953     | 91,441,282     |
| RMV Non-Renewal Surcharge | 3,359,720      | 3,186,780      | 3,186,780      | 2,906,560      |
| Other Assessments         | 1,762,826      | 1,687,395      | 1,852,345      | 1,932,767      |
|                           | \$ 141,871,655 | \$ 147,699,466 | \$ 162,561,288 | \$ 174,581,735 |

## General Fund Appropriations by Cabinet

| Cabinet                            | Department                               | FY 10<br>Expenditure | FY 11<br>Expenditure | FY 12<br>Appropriation | FY 13<br>Appropriation | Inc./Dec.<br>13 vs 12 |
|------------------------------------|--|----------------------|----------------------|------------------------|------------------------|-----------------------|
| Mayor's Office                     | Emergency Management                     | 284,106              | 308,122              | 311,392                | 311,392                | 0                     |
|                                    | Law Department                           | 5,330,590            | 5,448,039            | 5,864,016              | 5,884,722              | 20,706                |
|                                    | Mayor's Office                           | 2,019,129            | 2,054,880            | 2,173,135              | 2,199,041              | 25,906                |
|                                    | Neighborhood Services                    | 1,257,600            | 1,181,860            | 1,280,133              | 1,255,887              | -24,247               |
|                                    | Public Information                       | 1,126,647            | 1,092,647            | 1,305,584              | 1,311,130              | 5,546                 |
|                                    | <b>Total</b>                             | <b>10,018,072</b>    | <b>10,085,547</b>    | <b>10,934,261</b>      | <b>10,962,172</b>      | <b>27,911</b>         |
| Advocacy & Strategic Investment    | Boston Residents Job Policy              | 442,798              | 440,459              | 479,621                | 478,894                | -727                  |
|                                    | Intergovernmental Relations              | 1,005,159            | 1,071,492            | 1,164,167              | 1,197,632              | 33,464                |
|                                    | Office of New Bostonians                 | 309,204              | 318,568              | 336,849                | 346,841                | 9,992                 |
|                                    | Small/Local Business                     | 594,363              | 617,713              | 621,637                | 616,134                | -5,503                |
|                                    | <b>Total</b>                             | <b>2,351,524</b>     | <b>2,448,232</b>     | <b>2,602,274</b>       | <b>2,639,500</b>       | <b>37,227</b>         |
| Administration & Finance           | Office of Administration & Finance       | 743,536              | 665,522              | 833,847                | 886,337                | 52,490                |
|                                    | Assessing Department                     | 6,492,064            | 6,323,647            | 6,347,993              | 6,518,856              | 170,863               |
|                                    | Auditing Department                      | 2,254,051            | 2,152,641            | 2,292,644              | 2,417,373              | 124,730               |
|                                    | Budget Management                        | 3,006,838            | 2,812,751            | 2,639,982              | 2,641,827              | 1,846                 |
|                                    | Execution of Courts                      | 15,969,757           | 21,021,654           | 3,500,000              | 3,500,000              | 0                     |
|                                    | Graphic Arts Department                  | 1,516,636            |                      |                        |                        | 0                     |
|                                    | Health Insurance                         | 196,076,530          | 200,780,123          | 218,282,804            | 196,755,586            | -21,527,218           |
|                                    | Human Resources                          | 3,065,926            | 3,094,777            | 3,347,733              | 3,487,109              | 139,376               |
|                                    | Labor Relations                          | 1,370,637            | 1,324,500            | 1,411,049              | 1,443,982              | 32,933                |
|                                    | Library Department                       | 29,862,259           | 30,378,419           | 30,138,833             | 31,177,053             | 1,038,220             |
|                                    | Medicare Payments                        | 6,594,999            | 5,697,616            | 7,924,250              | 8,280,841              | 356,591               |
|                                    | Pensions & Annuities                     | 4,149,212            | 4,141,672            | 4,200,000              | 4,200,000              | 0                     |
|                                    | Purchasing Division                      | 1,305,957            | 1,621,172            | 1,649,633              | 1,668,329              | 18,697                |
|                                    | Registry Division                        | 933,379              | 965,187              | 1,046,514              | 1,012,774              | -33,739               |
|                                    | Treasury Department                      | 4,227,495            | 4,208,159            | 4,313,185              | 3,911,663              | -401,522              |
|                                    | Unemployment Compensation                | 16,318               | 159,806              | 350,000                | 350,000                | 0                     |
|                                    | Workers' Compensation Fund               | 2,022,698            | 1,444,746            | 2,200,000              | 2,200,000              | 0                     |
| <b>Total</b>                       | <b>279,608,294</b>                       | <b>286,792,392</b>   | <b>290,478,465</b>   | <b>270,451,731</b>     | <b>-20,026,734</b>     |                       |
| Chief Information Officer          | Department of Innovation and Technology  | 19,337,932           | 18,576,271           | 20,576,559             | 21,749,449             | 1,172,890             |
|                                    | <b>Total</b>                             | <b>19,337,932</b>    | <b>18,576,271</b>    | <b>20,576,559</b>      | <b>21,749,449</b>      | <b>1,172,890</b>      |
| Public Safety                      | Fire Department                          | 173,632,218          | 178,020,674          | 181,950,838            | 185,483,773            | 3,532,936             |
|                                    | Police Department                        | 282,413,333          | 275,779,005          | 269,341,881            | 278,670,777            | 9,328,896             |
|                                    | <b>Total</b>                             | <b>456,045,551</b>   | <b>453,799,679</b>   | <b>451,292,718</b>     | <b>464,154,550</b>     | <b>12,861,832</b>     |
| Education                          | Boston Public Schools                    | 817,830,215          | 821,375,358          | 831,466,550            | 857,828,589            | 26,362,039            |
|                                    | <b>Total</b>                             | <b>817,830,215</b>   | <b>821,375,358</b>   | <b>831,466,550</b>     | <b>857,828,589</b>     | <b>26,362,039</b>     |
| Economic Development               | Boston Redevelopment Authority           | 0                    | 0                    | 0                      | 0                      | 0                     |
|                                    | <b>Total</b>                             | <b>0</b>             | <b>0</b>             | <b>0</b>               | <b>0</b>               | <b>0</b>              |
| Public Property                    | Arts, Tourism & Special Events           | 1,608,366            | 1,570,325            | 1,631,239              | 1,759,761              | 128,521               |
|                                    | Consumer Affairs & Licensing             | 424,014              | 423,065              | 441,872                | 432,631                | -9,241                |
|                                    | Department of Voter Mobilization         | 3,808,537            | 3,235,810            | 3,582,458              | 3,398,862              | -183,596              |
|                                    | Parks & Recreation Department            | 15,611,363           | 15,495,353           | 15,375,474             | 16,827,314             | 1,451,840             |
|                                    | Property & Construction Mgmt.            | 21,095,297           | 21,811,969           | 18,999,620             | 20,225,288             | 1,225,668             |
|                                    | <b>Total</b>                             | <b>42,547,578</b>    | <b>42,536,522</b>    | <b>40,030,663</b>      | <b>42,643,856</b>      | <b>2,613,193</b>      |
| Public Works & Transportation      | Central Fleet Management                 | 2,404,408            | 2,457,080            | 2,013,665              | 2,055,381              | 41,716                |
|                                    | Office of Chief of PWD & Transportation  | 1,270,559            | 1,271,077            | 1,387,668              | 1,384,570              | -3,097                |
|                                    | Public Works Department                  | 81,495,461           | 81,050,263           | 80,363,998             | 82,408,248             | 2,044,250             |
|                                    | Snow Removal                             | 11,967,496           | 21,461,489           | 17,059,444             | 17,843,045             | 783,601               |
|                                    | Transportation Department                | 30,329,180           | 29,869,749           | 30,142,971             | 29,939,146             | -203,825              |
|                                    | <b>Total</b>                             | <b>127,467,104</b>   | <b>136,109,658</b>   | <b>130,967,746</b>     | <b>133,630,391</b>     | <b>2,662,645</b>      |
| Environment & Energy               | Environment Department                   | 1,304,262            | 1,251,527            | 1,521,048              | 2,077,449              | 556,400               |
|                                    | Inspectional Services Dept               | 15,613,457           | 15,544,850           | 15,972,042             | 16,139,849             | 167,807               |
|                                    | <b>Total</b>                             | <b>16,917,720</b>    | <b>16,796,377</b>    | <b>17,493,091</b>      | <b>18,217,298</b>      | <b>724,207</b>        |
| Human Services                     | Boston Centers for Youth & Families      | 21,811,328           | 21,382,933           | 21,800,073             | 22,702,295             | 902,221               |
|                                    | Civil Rights                             | 315,114              | 318,360              | 125,996                | 125,996                | 0                     |
|                                    | Commission for Persons with Disabilities | 0                    |                      | 315,438                | 343,579                | 28,141                |
|                                    | Elderly Commission                       | 2,846,292            | 2,818,100            | 2,798,645              | 2,886,514              | 87,869                |
|                                    | Emergency Shelter Commission             | 565,480              |                      |                        |                        | 0                     |
|                                    | Veterans Services Department             | 4,807,932            | 5,176,247            | 5,537,779              | 5,534,052              | -3,727                |
|                                    | Women's Commission                       | 158,318              | 157,999              | 159,556                | 161,092                | 1,535                 |
|                                    | Youth Fund                               | 4,636,922            | 4,637,150            | 4,639,184              | 4,639,184              | 0                     |
| <b>Total</b>                       | <b>35,141,386</b>                        | <b>34,490,789</b>    | <b>35,376,671</b>    | <b>36,392,710</b>      | <b>1,016,039</b>       |                       |
| Housing & Neighborhood Development | Leading the Way                          | 4,979,000            | 5,000,000            | 5,000,000              | 5,000,000              | 0                     |
|                                    | Neighborhood Development                 | 3,410,790            | 3,332,856            | 3,741,073              | 3,883,666              | 142,593               |
|                                    | <b>Total</b>                             | <b>8,389,790</b>     | <b>8,332,856</b>     | <b>8,741,073</b>       | <b>8,883,666</b>       | <b>142,593</b>        |
| Public Health                      | Public Health Commission                 | 70,000,000           | 69,808,000           | 72,902,815             | 66,209,076             | -6,693,739            |
|                                    | <b>Total</b>                             | <b>70,000,000</b>    | <b>69,808,000</b>    | <b>72,902,815</b>      | <b>66,209,076</b>      | <b>-6,693,739</b>     |
| Non-Mayoral Departments            | City Clerk                               | 975,133              | 969,124              | 1,008,313              | 1,009,886              | 1,573                 |
|                                    | City Council                             | 4,458,130            | 4,508,925            | 4,676,230              | 4,800,230              | 124,000               |
|                                    | Finance Commission                       | 219,543              | 174,346              | 185,460                | 188,735                | 3,274                 |
|                                    | Licensing Board                          | 649,023              | 599,031              | 720,079                | 687,357                | -32,723               |
|                                    | <b>Total</b>                             | <b>6,301,828</b>     | <b>6,251,426</b>     | <b>6,590,083</b>       | <b>6,686,207</b>       | <b>96,124</b>         |
| <b>Grand Total</b>                 | <b>1,891,956,992</b>                     | <b>1,907,403,106</b> | <b>1,919,452,969</b> | <b>1,940,449,195</b>   | <b>20,996,226</b>      |                       |

## Personnel Summary

|  |  | 1/1/10          | 1/1/11          | 1/1/12          | 1/1/13          | Projected    |
|--|--|-----------------|-----------------|-----------------|-----------------|--------------|
|  |  | FTE             | FTE             | FTE             | Projected       | Inc/(Dec)    |
| <b>Office of the Mayor</b>                 | Law Department                           | 44.0            | 46.0            | 48.0            | 48.0            | -            |
|  | Mayor's Office                           | 20.0            | 23.0            | 24.0            | 24.0            | -            |
|  | Neighborhood Services                    | 22.0            | 21.0            | 21.0            | 21.0            | -            |
|  | Office of Emergency Preparedness         | 2.0             | 1.0             | 1.0             | 1.0             | -            |
|  | Public Information                       | 17.6            | 17.6            | 17.1            | 19.1            | 2.0          |
|  | <b>Total</b>                             | <b>105.6</b>    | <b>108.6</b>    | <b>111.1</b>    | <b>113.1</b>    | <b>2.0</b>   |
| <b>Advocacy &amp; Strategic Investment</b> | Boston Residents Job Policy              | 7.0             | 6.0             | 7.0             | 7.0             | -            |
|  | Intergovernmental Relations              | 8.7             | 8.7             | 9.8             | 9.8             | -            |
|  | Office of New Bostonians                 | 5.0             | 5.0             | 5.0             | 5.0             | -            |
|  | Small/Local Business                     | 7.0             | 8.0             | 8.0             | 8.0             | -            |
|  | <b>Total</b>                             | <b>27.7</b>     | <b>27.7</b>     | <b>29.8</b>     | <b>29.8</b>     | <b>-</b>     |
| <b>Administration &amp; Finance</b>        | Office of Administration & Finance       | 7.0             | 7.0             | 6.0             | 7.0             | 1.0          |
|  | Assessing Department                     | 86.0            | 85.0            | 84.0            | 85.0            | 1.0          |
|  | Auditing Department                      | 32.0            | 30.0            | 29.0            | 32.0            | 3.0          |
|  | Budget Management                        | 23.9            | 23.1            | 23.1            | 23.1            | -            |
|  | Graphic Arts                             | 23.0            | -               | -               | -               | -            |
|  | Human Resources                          | 46.6            | 44.1            | 47.1            | 47.1            | -            |
|  | Labor Relations                          | 11.0            | 10.0            | 10.0            | 10.0            | -            |
|  | Library Department                       | 396.6           | 382.8           | 376.1           | 378.1           | 2.0          |
|  | Purchasing Division                      | 18.0            | 22.0            | 22.0            | 22.0            | -            |
|  | Registry Division                        | 18.0            | 18.0            | 19.0            | 19.0            | -            |
|  | Treasury Department                      | 53.0            | 50.0            | 50.0            | 50.0            | -            |
|  | <b>Total</b>                             | <b>715.1</b>    | <b>672.0</b>    | <b>666.3</b>    | <b>673.3</b>    | <b>7.0</b>   |
| <b>Chief Information Officer</b>           | Dept of Innovation & Technology (DoIT)   | 108.0           | 109.0           | 112.0           | 121.0           | 9.0          |
|  | <b>Total</b>                             | <b>108.0</b>    | <b>109.0</b>    | <b>112.0</b>    | <b>121.0</b>    | <b>9.0</b>   |
| <b>Public Safety</b>                       | Fire Department                          | 1,560.2         | 1,572.2         | 1,571.2         | 1,627.0         | 55.8         |
|  | Police Department                        | 2,870.3         | 2,903.7         | 2,875.1         | 2,910.0         | 34.9         |
|  | <b>Total</b>                             | <b>4,430.5</b>  | <b>4,475.9</b>  | <b>4,446.3</b>  | <b>4,537.0</b>  | <b>90.7</b>  |
| <b>Education</b>                           | School Department                        | 8,210.5         | 8,047.2         | 8,052.3         | 8,116.3         | 64.0         |
|  | <b>Total</b>                             | <b>8,210.5</b>  | <b>8,047.2</b>  | <b>8,052.3</b>  | <b>8,116.3</b>  | <b>64.0</b>  |
| <b>Public Property</b>                     | Arts, Tourism & Special Events           | 18.0            | 17.0            | 17.0            | 20.0            | 3.0          |
|  | Consumer Affairs & Licensing             | 6.6             | 6.6             | 6.8             | 6.8             | -            |
|  | Department of Voter Mobilization         | 25.2            | 23.0            | 23.0            | 23.0            | -            |
|  | Parks and Recreation                     | 209.0           | 198.0           | 200.0           | 201.0           | 1.0          |
|  | Property & Construction Mgmt.            | 213.6           | 203.0           | 199.0           | 208.0           | 9.0          |
|  | <b>Total</b>                             | <b>472.4</b>    | <b>447.6</b>    | <b>445.8</b>    | <b>458.8</b>    | <b>13.0</b>  |
| <b>Public Works &amp; Transportation</b>   | Chief of Public Works & Transportation   | 16.0            | 15.0            | 16.0            | 16.0            | -            |
|  | Central Fleet Management                 | 43.0            | 42.0            | 38.0            | 38.0            | -            |
|  | Public Works Department                  | 335.0           | 317.0           | 312.0           | 312.0           | -            |
|  | Transportation                           | 369.9           | 349.9           | 352.9           | 349.9           | (3.0)        |
|  | <b>Total</b>                             | <b>763.9</b>    | <b>723.9</b>    | <b>718.9</b>    | <b>715.9</b>    | <b>(3.0)</b> |
| <b>Environment &amp; Energy</b>            | Environment                              | 18.0            | 17.0            | 17.0            | 22.0            | 5.0          |
|  | Inspectional Services                    | 225.0           | 221.0           | 212.0           | 215.0           | 3.0          |
|  | <b>Total</b>                             | <b>243.0</b>    | <b>238.0</b>    | <b>229.0</b>    | <b>237.0</b>    | <b>8.0</b>   |
| <b>Human Services</b>                      | Boston Center for Youth & Families       | 374.7           | 350.6           | 338.0           | 345.8           | 7.8          |
|  | Civil Rights                             | 9.0             | 7.0             | 4.0             | 4.0             | -            |
|  | Commission for Persons with Disabilities | -               | -               | 7.0             | 7.0             | -            |
|  | Elderly Commission                       | 64.0            | 59.0            | 63.0            | 63.0            | -            |
|  | Emergency Shelter                        | 4.0             | -               | -               | -               | -            |
|  | Veterans Services                        | 15.2            | 12.2            | 10.2            | 12.2            | 2.0          |
|  | Women's Commission                       | 2.0             | 2.0             | 2.0             | 2.0             | -            |
|  | Youth Fund                               | 4.0             | 8.0             | 7.0             | 7.0             | -            |
|  | <b>Total</b>                             | <b>472.9</b>    | <b>438.8</b>    | <b>431.2</b>    | <b>441.0</b>    | <b>9.8</b>   |
| <b>Neighborhood Development</b>            | Neighborhood Development                 | 32.9            | 39.5            | 29.3            | 28.5            | (0.8)        |
|  | <b>Total</b>                             | <b>32.9</b>     | <b>39.5</b>     | <b>29.3</b>     | <b>28.5</b>     | <b>(0.8)</b> |
| <b>Public Health</b>                       | Public Health Commission                 | 797.4           | 794.2           | 803.3           | 820.3           | 17.0         |
|  | <b>Total</b>                             | <b>797.4</b>    | <b>794.2</b>    | <b>803.3</b>    | <b>820.3</b>    | <b>17.0</b>  |
| <b>Non-Mayoral</b>                         | City Clerk                               | 13.4            | 13.4            | 13.0            | 14.0            | 1.0          |
|  | City Council                             | 82.7            | 81.6            | 73.9            | 81.4            | 7.5          |
|  | Finance Commission                       | 3.0             | 3.0             | 3.0             | 3.0             | -            |
|  | Licensing Board                          | 8.6             | 6.6             | 7.6             | 7.6             | -            |
|  | <b>Total</b>                             | <b>107.7</b>    | <b>104.6</b>    | <b>97.5</b>     | <b>106.0</b>    | <b>8.5</b>   |
| <b>Grand Total</b>                         |  | <b>16,487.6</b> | <b>16,227.0</b> | <b>16,172.8</b> | <b>16,398.0</b> | <b>225.2</b> |

## ***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 FY13 are estimates based on the personnel funding levels contained in the FY13 budgets.

### ***FY11- FY12 FTE Changes***

The total net decrease in FTEs from January 1, 2011 to January 1, 2012 was 54.2. 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.

After several years of decreases the School Department remained fairly level with an overall increase of 5.1 FTEs. There was a decline in regular education teachers related to school closings and mergers as well as efforts to manage class size. Additional areas that saw reductions in FTEs were school level administration and other non-academic support positions. However, the number of bilingual teachers increased as the School Department continued to make significant investments in programs for English Language Learners. The department also added new specialists to support students with autism.

Staffing levels in the Public Safety cabinet decreased by 29.6 FTEs. The Fire Department had little year to year change with the addition of a new class in November. The Police Department was down 28.6 FTEs on January 1<sup>st</sup> because its new class came on later that month.

The Environment & Energy Cabinet decreased by 9 FTEs. This reduction was due to vacancies in the Inspectional Services Department.

The Human Services Cabinet's FTEs declined by 7.6. This change is mainly a result of Boston Centers for Youth and Families (BCYF) closing or consolidating sites with some staff redeployed and vacant positions eliminated. The Commission for Persons with Disabilities, formerly a program of Civil Rights, became a department; 4 positions were transferred and 3 were added.

The Department of Neighborhood Development decreased by 10.2 FTEs. The department has left vacancies unfilled because some positions are partially funded by federal funding, which is declining.

The Public Health Commission's city-funded staffing increased by 9.1 FTEs primarily as a result of taking in-house many administrative services, previously provided by Boston Medical Center (BMC), in order to achieve greater efficiencies.

### ***FY12-FY13 Projected FTE Changes***

The City projects that the net increase in FTE levels will be 225.2 from January 1, 2012 to January 1, 2013.

Staffing in the Mayor's Office Cabinet is projected to remain constant between January 1, 2012 and January 1, 2013 except for the Office of Public Information. The department is expected to fill currently vacant call taker positions in the 24 hour hotline service. The Advocacy & Strategic Investment Cabinet will also remain stable.

The Administration & Finance (A & F) Cabinet is projected to see a staffing increase of 7. One vacancy will be filled in the A & F Office to support the citywide effort to revamp the school assignment process. The Auditing Department will fill vacant positions as it gears up to provide centralized Accounts Payable services – a business process change that will come as a result of a major upgrade to the city's financial system.

The projected increase in staffing in the Chief Information Officer Cabinet/Department of Innovation Technology (DoIT) is the result of filling vacancies and adding positions to reduce the City's reliance on outside consultants.

Historically, 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 increase by 55.8 FTEs assuming normal attrition and the hiring of new classes this June and in December. The timing of the December class will make the projected January 1, 2013 FTE number higher than normal. Later that month retirements, which are typically higher in January than other months, will cause the number to go down again. The goal of the department is to have enough firefighters in the suppression force to cover the minimum manning level of 262 and to reduce overtime. The projected increase of 34.9 FTEs in the Police Department is also based on normal attrition as well as a new police class in late fall of 2012. As in the case of the Fire Department, the timing of the fall class will also cause the January 1, 2013 number to be higher than usual before retirements begin to bring the number back

down again. It should be noted that the Police Department is committed to keeping a sworn strength number that is consistent with the number in place when the City was receiving funding from the COPS three year hiring grant. This commitment must be met in the fourth year when the funding is no longer available. The department will also add a Director of Neighborhood Outreach who will be responsible for daily oversight and coordination of all community outreach efforts including the formation of new crime watch groups.

From FY12 to FY13 the School Department is projecting a net increase of 64 FTEs. This includes increases in the areas of bilingual education, as the School Department continues its commitment to investing in quality programs for English Language Learners and in special education support. There will also be an increase in the number of school nurses.

The Public Property Cabinet is projected to have an increase of 13 FTEs. The majority of the increase is in the Capital Construction unit of the Property & Construction Management Department. The City's current capital plan, including the large project at Dudley, will require more project management in order to keep projects on schedule. A tree climber will be added to the Parks Department to enable the department to field two full tree crews daily to keep up with customer service requests for tree work. The Office of Arts, Tourism and Special Events will add 3 positions formerly funded through external resources in the Fund for Boston Neighborhoods.

Staffing in the Public Works & Transportation Cabinet is projected to decrease by 3 FTEs based on current levels of staffing. The FTE count in the Environment & Energy cabinet is expected to increase by 8 based on current staffing in the Inspectional Services Department and the addition of 5 new operating budget positions in the Environment Department. Two of the new positions in the Environment Department staff the Energy Management Office and are currently being funded through an ARRA –EECBG grant. As this funding expires the two positions will move to the operating budget to continue the work of the Office. A third contract position currently being funded through the grant will move to the operating budget to continue working as the City's Outreach Manager for the Renew Boston energy program.

The Mayor's Food Policy Council, which is a unit within the Environment Department, currently has a

Director who is funded through external resources. In FY13, the Director will move to the operating budget and a second position will be added.

The Human Services Cabinet is expected to have an increase of 9.8 FTEs. Boston Centers for Youth and Families (BCYF), after a two-year reorganization, is filling vacancies; the projected increase is based on current staffing levels. The Veterans Department, now under new leadership, also went through a re-organization and has filled 2 vacancies subsequent to January 1, 2012. All other departments in the cabinet are expected to have level staffing.

Staffing at the Public Health Commission (PHC) is expected to increase by 17. Emergency Medical Services (EMS) will have a new EMT class in the fall or early winter to cover attrition. The Commission will also add 3 new positions to implement the "Boston Moves for Health" program.

The FTE counts in the Housing & Neighborhood Development cabinet are expected to remain level although there will be a loss in grant funded positions.

The Non-Mayoral group of departments will increase from January 1, 2012 to January 1, 2013 based on current and historical staffing levels. (It should be noted that January 1, 2012 was a low point for the City Council; vacancies have since been filled.)

### ***EXTERNAL FUNDS***

The City's \$2.47 billion operating budget is supplemented by approximately \$316.8 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 FY13. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Nearly 94% 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, Library Department and the Parks and Recreation Department. Other departments that also have significant grant funding are the Elderly Commission and the Transportation Department.



Descriptions and amounts for grants by department can be found in Volumes II and III.

***Federal and State Grants***

Federal grants provide funding for key City priorities. In February of 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA) – a significant investment nationwide in areas including education, public safety, housing, clean energy and infrastructure. 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 provided 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.

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 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 had 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 in lieu of state

dollars that would have been allocated through Chapter 70, traditional state aid for education. In FY12 the School Department will exhaust its ARRA funding for Title I and IDEA but will continue to receive standard allocations from those two sources in FY13.

The School Department will exhaust its ARRA – Education Jobs Program funding in FY12, however, ARRA-Race to the Top, ARRA School Improvements at Burke High School and UP Academy and the ARRA- Title I School Improvement grant will continue into FY13.

The City continues to receive Community Development Block Grant (CDBG) and HOME funding for a variety of neighborhood development activities but at reduced funding levels. 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 ARRA-Energy Efficiency Block Grant that will end in FY13. The ARRA- Solar Market Transformation Grant will expire in FY12.

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 FY13 general fund budget of \$857.8 million is supplemented with approximately \$143 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

| <b>External Funds</b>         |                    |                    |                    |
|-------------------------------|--------------------|--------------------|--------------------|
|                               | <b>FY11</b>        | <b>FY12</b>        | <b>FY13</b>        |
|                               | <b>Expenditure</b> | <b>Estimated</b>   | <b>Estimated</b>   |
| Boston Public Schools         | 170,324,654        | 162,215,921        | 142,973,021        |
| Neighborhood Development      | 64,843,669         | 75,429,829         | 70,000,359         |
| Public Health Commission      | 51,911,629         | 47,902,217         | 43,507,006         |
| Emergency Management          | 8,291,611          | 12,966,878         | 14,770,643         |
| Police Department             | 10,795,904         | 16,068,175         | 11,134,355         |
| Library Department            | 7,805,960          | 6,516,456          | 8,202,933          |
| Parks & Recreation Department | 6,688,658          | 6,247,858          | 8,027,890          |
| Other                         | 21,469,211         | 32,247,185         | 18,140,580         |
|                               | <b>342,131,296</b> | <b>359,594,520</b> | <b>316,756,786</b> |

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 \$40.8 million in FY12 and reduced to \$36.3 million in FY13. 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 \$7.5 million in FY12 and FY13.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$27.4 million in reimbursements in FY12 and \$27.9 million in FY13.

Title II Teacher Quality – The School Department expects to spend \$7.1 million in FY12 and \$5.5 million in FY13 from this federal formula grant program to improve teaching and learning.

Individuals with Disabilities Education Act (SPED-IDEA) - This federal formula grant supports special education programs. The amount budgeted by the School Department in both FY12 and FY13 is \$19.1 million.

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 \$9.6 million in FY12 and \$16.5 million in FY13.

Education Jobs Funding – This funding provided through federal legislation approved by the President in August 2010 was 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 \$10.2 million in FY12. Funding has not been reauthorized for FY13.

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 FY12 and FY13.

Title III Bilingual Language Acquisition Program – This Federal grant provides for investments in English language learners (ELLs), including summer learning academies for ELLs, professional development for teachers and coaches and family liaisons. The department expects to spend \$2.9 million in FY12 and FY13.

Quality Full-Day Kindergarten – This grant from the Commonwealth of Massachusetts is used for extended time at the Early Learning Centers (ELCs) and Early Education Centers (EECs). The department expects to spend \$2.1 million in FY12 and FY13.

Summer Food Program – This Federal grant provides support to feed children in summer school and summer activities held in schools, community centers and community – based organizations. The department expects to spend \$1.7 million in FY12 and FY13.

21st Century Community Learning –This Federal grant provides extended learning opportunities for at risk students. The department expects to spend \$1.5 million in FY12 and FY13.

Expanded Learning Time – This grant from the Commonwealth of Massachusetts provides funding for extended teaching time at the Edwards Middle School and Boston Arts Academy. The department expects to spend \$2.7 million in FY12 and \$1.2 million FY13.

TILT - Turnaround with Inc Learn Time – This Federal grant will extend the day at the McCormack and Irving schools for the next three years. The department expects to spend \$1.1 million FY13.

### Neighborhood Development

The External Funds budget for the Department of Neighborhood Development (DND) is projected to decrease by 7.2% in FY13. 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, as well as a decrease in funding for CDBG and HOME grants.

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 \$21.2 million in FY12 and \$19.9 million in FY13. 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 - 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. DND will continue its Boston Invests in Growth II Program in FY13 with projected spending of \$10 million.

Emergency Solutions Grant/HOPWA/Shelter Plus Care/Supportive Housing - The City expects to spend \$21.8 million from these four HUD grants in FY12 and another \$23.1 million in FY13. The Emergency Solutions Grant, formerly known as the Emergency Shelter Grant, and the Housing Opportunities for Persons With AIDS Grant (HOPWA) are entitlement grants that become available each July. The Emergency Solutions Grant supports the development and operation of emergency shelters for the homeless

and the HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care 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 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 with FY13 awards becoming available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. The City estimates spending \$9.3 million in FY12 and \$6.2 million in FY13. 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 HUD 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. An estimated \$6.9 million will be expended in FY12 and an estimated \$1.8 million will be expended in FY13.

Choice Neighborhoods Implementation Grant and Community Planning Challenge Grant – In FY12 DND was awarded two new competitive grants from the US Department of Housing and Urban Development (HUD). The Choice Neighborhoods Implementation Grant aims to link affordable housing with quality schools, public transportation, good jobs, and safe streets. Specifically, funds will be used to redevelop the Woodledge/Morant Bay Apartments and revitalize

Dorchester's Quincy Street Corridor. The City anticipates spending \$1 million on this program in FY12 and an estimated \$4 million in FY13. The Community Planning Challenge Grant is being used for planning, strategic land acquisition, and outreach and engagement in order to facilitate smart growth and transit-oriented development along the Fairmount Commuter Rail Line. The City anticipates an estimated \$613,000 of spending on this project in FY13.

#### 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 FY12, contracts supported approximately 42 community agencies and 95 programs in the ten county regions of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$13.8 million for FY13.

ARRA – CPPW – The Commission is in the final 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 provided \$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, funded 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. PHC has received a non-cost extension from the CDC for these grants ending in January 2013.

Homeless Services – External funding for the Long Island Shelter provides services to homeless clients in the form of shelter, food, clothing, health care, and social services for up to 800 homeless adult men and women on a daily basis. 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 FY13 totals \$9.3 million.

Addictions Prevention, Treatment and Recovery Service – A \$1.5 million, 3 year grant, from SAMHSA funds the Entre Familia: Comprehensive Family Service Model (CFSM). Programs will provide an intensive outpatient substance abuse treatment which includes enhanced group, individual and case management services for pregnant women. Through state funding totaling \$460,000 in FY13, the Commission will support eight neighborhood-based No Drugs Coalitions to develop strategic substance abuse prevention plans. The Massachusetts Department of Public Health is expected to provide \$431,000 for FY13 in the support of BPHC's HIV/AIDS Prevention Screening.

Early Childhood Mental Health -The Commission has leveraged \$2 million in funding from the Massachusetts Executive Office of Health and Human Services and \$784,588 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 funding totaling \$1.1 million 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 multi-year 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. The Centers for Disease Control and Prevention designated the Boston Public Health Commission as one of the agencies to lead a Violence Intervention Prevention (VIP) Initiative through its Boston STRYVE funding for a five year grant totaling \$1.1 million. The Boston Public Health Commission will work closely with government and community-based partners, as the lead agency for several

innovative programs designed to address youth violence in our target neighborhoods.

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 with a budget for \$2.1 million for FY13 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. Despite a 40% reduction in UASI funding for FFY13, there is an estimated \$11.6 million that will be available for spending in FY13. UASI grants are awarded based on the Federal Fiscal Year; therefore, funding cuts will likely not impact the City until FY14.

Emergency Management received two grants provided by the American Recovery and Reinvestment Act (ARRA). The ARRA Port Security Grant allows 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. The ARRA Local Energy Assurance and Planning (LEAP) Initiative grant of \$150 thousand supports planning for recovery from potential disruptions to energy supply, enhanced reliability and supports quicker restorations of outages.

In FY12 Emergency Management received a Public Safety Interoperable Communications (PSIC) Grant from the Department of Commerce and the Commonwealth of Massachusetts's Executive Office of Public Safety and Security. The PSIC Grant Program is a one-time grant opportunity to enhance interoperable capabilities with respect to voice, data, and/or video and encourage the use of innovative cost and spectrum efficient technology solutions. There will be an estimated \$517,000 of spending in FY12 and \$1.9 million in FY13.

Additionally, the office receives funding under the Regional Catastrophic Preparedness Grant Program (RCPGP). This federal grant is designed to enhance regional catastrophic planning efforts, with the goal of strengthening the Nation against risks associated with catastrophic events. The Region includes communities from Massachusetts, New Hampshire, and Rhode Island. Spending from RCPGP is expected to be \$2.3 million in FY12 and \$874,000 in FY13.

#### Police Department

The Police Department's grant funding on both the federal and state level has historically focused for the most part on community policing. The majority of the federal grants awarded under the American Recovery and Reinvestment Act (ARRA) focused on hiring and retaining police officers and civilians who would have otherwise been laid off in 2009 and 2010.

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 who were scheduled to be laid off in October 2009. The department expects to spend an estimated \$4.3 million in FY12 and the remaining \$1.1 million in FY13. The City is responsible for the cost of retaining the 50 officers in the fourth year.

Community Oriented Policing Services (COPS) Hiring Program - The Police department will use this new grant to increase staffing on Safe Street Teams by 15 officers and expects to spend \$418 thousand in FY13. The successful award of this new COPS grant requires a local match that has been included in the FY13 operating budget. Safe Street Teams engage Boston

police officers in community problem-oriented policing of violent crime hot spot areas.

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. The department expects to spend \$1 million in FY12 and \$548,000 in FY13.

Smart Policing Grant – This federal grant is awarded by the Department of Justice, Bureau of Justice Assistance for the purpose of improving Boston's homicide clearance rates. The funds will be used to develop and implement a business model for homicide investigators, increase accountability via structure and communication feedback loops, and increase resources available to BPD units involved in homicide investigations. The department expects to spend an estimated \$180,000 in FY12 and \$300,000 in FY13.

Community Based Violence Prevention Demonstration Grant – This three-year federal grant is awarded by the Department of Justice, Office of Juvenile Justice Delinquency Prevention for the purpose of implementing a coordinated strategy for the prevention of gun violence in the Mattapan neighborhood of Boston. The Boston Police Department, in partnership with the Boston Public Health Commission, Boston Center for Youth and Families, and the Mayor's Office of Jobs and Community Services will work to establish a program that focuses on the goal of reducing the number of shootings and homicides in the Mattapan neighborhood of Boston. New in FY13, the department expects to spend \$733,000.

Second Chance Act Adult Prisoner Reentry Initiative – This federal grant is awarded by the Department of Justice, Bureau of Justice Assistance for the purpose of providing a continuation of support and enhancement of services delivered through the Boston Reentry Initiative (BRI). Through the BRI, the Boston Police Department in partnership with the Suffolk County Sheriff's Department, the Suffolk County District Attorney's Office, the United States Attorney's Office, the Massachusetts Departments of Probation, Parole, and Revenue; Community Resources for Justice, Youth Options Unlimited, Boston Ten Point Coalition, Whittier Street Health Center, and Dorchester Bay Economic Development Corporation

supports individualized, sustained reentry plans for Boston's highest-risk offenders. The department expects to spend \$866,000 in FY12 and \$601,000 in FY13.

Boston Multicultural Advocacy Support Project (BMASP) – This federal grant is awarded by the Department of Justice, Office of Violence Against Women. Funds are used to support three full time civilian advocates at police stations in Boston and five part-time civilian advocates at the Family Justice Center and Dorchester Court who provide culturally and linguistically sensitive services, crisis intervention services, referrals, and safety plans to the City's African-American, Hispanic/Latino, Cape Verdean, Haitian and Vietnamese populations. The department expects to spend \$693,000 in FY12 and \$321,000 in FY13.

Shannon Community Safety Initiative – This state grant is 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 department expects to spend an estimated \$1.8 million in FY12 and \$1 million in FY13.

#### Library Department

Projected external fund spending is expected to increase in FY13 to \$8.2 million primarily related to additional Trust Fund Income allocated by the Trustees of the Boston Public Library. With significant reductions to 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 FY12 and FY13. The three state programs that have historically supported the Library's budget are described below.

Library for the Commonwealth (formerly Library of Last Recourse) - 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 is approximately \$2.2 million for FY12 and FY13.

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. Funding for the BRLS 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 \$562,030 in both FY12 and FY13.

#### **Parks and Recreation Department**

The external funds budget for the Parks and Recreation Department is \$8 million in FY13. In FY13 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 \$4.7 million in FY12 and \$5.2 million in FY13.

George W. Parkman Trust Fund – The Parkman fund annually provides additional funding to maintain and improve the Parkman Parks including the 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 FY12 and FY13 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. Spending is expected to be \$350,000 in FY12 and \$300,000 in FY13.

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. Spending is an estimated \$25,000 in FY12 and \$30,000 in FY13.

Fairview Cemetery Trust Fund – This trust fund was appropriated by the Boston City Council in December 2011 from the general Cemetery Trust Fund established under Chapter 13 of the Acts of 1961. \$1.5 million is expected to be spent in FY13 to expand the number of burial plots.

#### ***FY13 ALL FUNDS BUDGET***

The following table consolidates the projected FY13 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 FY13 budget document.

#### ***Budget Document Structure***

The Operating Budget for FY13 and Five Year Capital Plan for FY13-17 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 - FY13

| Cabinet                            | Department                               | General Fund<br>Budget | External Funds<br>Budget | Capital<br>Budget  | Total All Funds<br>Budget |
|------------------------------------|--|------------------------|--------------------------|--------------------|---------------------------|
| Mayor's Office                     | Emergency Management                     | 311,392                | 14,770,643               |                    | 15,082,034                |
|                                    | Law Department                           | 5,884,722              |                          |                    | 5,884,722                 |
|                                    | Mayor's Office                           | 2,199,041              | 89,989                   |                    | 2,289,030                 |
|                                    | Neighborhood Services                    | 1,255,887              |                          |                    | 1,255,887                 |
|                                    | Public Information                       | 1,311,130              |                          |                    | 1,311,130                 |
|                                    | <b>Total</b>                             | <b>10,962,172</b>      | <b>14,860,632</b>        | <b>0</b>           | <b>25,822,803</b>         |
| Advocacy & Strategic Investment    | Boston Residents Job Policy              | 478,894                |                          |                    | 478,894                   |
|                                    | Intergovernmental Relations              | 1,197,632              |                          |                    | 1,197,632                 |
|                                    | Office of New Bostonians                 | 346,841                | 167,500                  |                    | 514,341                   |
|                                    | Small/Local Business                     | 616,134                |                          |                    | 616,134                   |
|                                    | <b>Total</b>                             | <b>2,639,500</b>       | <b>167,500</b>           | <b>0</b>           | <b>2,807,000</b>          |
| Administration & Finance           | Office of Administration & Finance       | 886,337                |                          |                    | 886,337                   |
|                                    | Assessing Department                     | 6,518,856              |                          |                    | 6,518,856                 |
|                                    | Auditing Department                      | 2,417,373              | 1,095,005                |                    | 3,512,378                 |
|                                    | Budget Management                        | 2,641,827              |                          |                    | 2,641,827                 |
|                                    | Execution of Courts                      | 3,500,000              |                          |                    | 3,500,000                 |
|                                    | Health Insurance                         | 196,755,586            |                          |                    | 196,755,586               |
|                                    | Human Resources                          | 3,487,109              |                          |                    | 3,487,109                 |
|                                    | Labor Relations                          | 1,443,982              |                          |                    | 1,443,982                 |
|                                    | Library Department                       | 31,177,053             | 8,202,933                | 18,768,832         | 58,148,818                |
|                                    | Medicare Payments                        | 8,280,841              |                          |                    | 8,280,841                 |
|                                    | Pensions & Annuities                     | 4,200,000              |                          |                    | 4,200,000                 |
|                                    | Purchasing Division                      | 1,668,329              |                          |                    | 1,668,329                 |
|                                    | Registry Division                        | 1,012,774              |                          |                    | 1,012,774                 |
|                                    | Treasury Department                      | 3,911,663              |                          |                    | 3,911,663                 |
|                                    | Unemployment Compensation                | 350,000                |                          |                    | 350,000                   |
|                                    | Workers' Compensation Fund               | 2,200,000              |                          |                    | 2,200,000                 |
|                                    | <b>Total</b>                             | <b>270,451,731</b>     | <b>9,297,938</b>         | <b>18,768,832</b>  | <b>298,518,501</b>        |
| Chief Information Officer          | Department of Innovation and Technology  | 21,749,449             | 2,218,631                | 19,500,000         | 43,468,079                |
|                                    | <b>Total</b>                             | <b>21,749,449</b>      | <b>2,218,631</b>         | <b>19,500,000</b>  | <b>43,468,079</b>         |
| Public Safety                      | Fire Department                          | 185,483,773            | 407,887                  | 7,535,000          | 193,426,661               |
|                                    | Police Department                        | 278,670,777            | 11,134,355               | 3,974,918          | 293,780,050               |
|                                    | <b>Total</b>                             | <b>464,154,550</b>     | <b>11,542,243</b>        | <b>11,509,918</b>  | <b>487,206,711</b>        |
| Education                          | Boston Public Schools                    | 857,828,589            | 142,973,021              | 43,892,096         | 1,044,693,706             |
|                                    | <b>Total</b>                             | <b>857,828,589</b>     | <b>142,973,021</b>       | <b>43,892,096</b>  | <b>1,044,693,706</b>      |
| Economic Development               | Boston Redevelopment Authority           | 0                      |                          | 2,138,000          | 2,138,000                 |
|                                    | <b>Total</b>                             | <b>0</b>               | <b>0</b>                 | <b>2,138,000</b>   | <b>2,138,000</b>          |
| Public Property                    | Arts, Tourism & Special Events           | 1,759,761              | 133,320                  |                    | 1,893,081                 |
|                                    | Consumer Affairs & Licensing             | 432,631                | 51,300                   |                    | 483,931                   |
|                                    | Department of Voter Mobilization         | 3,398,862              |                          |                    | 3,398,862                 |
|                                    | Parks & Recreation Department            | 16,827,314             | 8,027,890                | 18,947,111         | 43,802,315                |
|                                    | Property & Construction Mgmt.            | 20,225,288             | 178,299                  | 36,485,575         | 56,889,162                |
|                                    |  | <b>Total</b>           | <b>42,643,856</b>        | <b>8,390,809</b>   | <b>55,432,686</b>         |
| Public Works & Transportation      | Central Fleet Management                 | 2,055,381              |                          |                    | 2,055,381                 |
|                                    | Office of Chief of PWD & Transportation  | 1,384,570              |                          |                    | 1,384,570                 |
|                                    | Public Works Department                  | 82,408,248             | 37,900                   | 61,640,465         | 144,086,613               |
|                                    | Snow Removal                             | 17,843,045             |                          |                    | 17,843,045                |
|                                    | Transportation Department                | 29,939,146             | 2,470,185                | 11,054,839         | 43,464,170                |
|                                    | <b>Total</b>                             | <b>133,630,391</b>     | <b>2,508,085</b>         | <b>72,695,304</b>  | <b>208,833,780</b>        |
| Environment & Energy               | Environment Department                   | 2,077,449              | 1,152,970                | 450,000            | 3,680,419                 |
|                                    | Inspectional Services Dept               | 16,139,849             | 214,922                  |                    | 16,354,771                |
|                                    | <b>Total</b>                             | <b>18,217,298</b>      | <b>1,367,892</b>         | <b>450,000</b>     | <b>20,035,190</b>         |
| Human Services                     | Boston Centers for Youth & Families      | 22,702,295             | 1,152,944                | 8,630,606          | 32,485,844                |
|                                    | Civil Rights                             | 125,996                | 724,875                  |                    | 850,870                   |
|                                    | Commission for Persons with Disabilities | 343,579                |                          |                    | 343,579                   |
|                                    | Elderly Commission                       | 2,886,514              | 6,736,285                |                    | 9,622,799                 |
|                                    | Veterans Services Department             | 5,534,052              |                          |                    | 5,534,052                 |
|                                    | Women's Commission                       | 161,092                |                          |                    | 161,092                   |
|                                    | Youth Fund                               | 4,639,184              | 1,262,657                |                    | 5,901,841                 |
|                                    | <b>Total</b>                             | <b>36,392,710</b>      | <b>9,876,761</b>         | <b>8,630,606</b>   | <b>54,900,077</b>         |
| Housing & Neighborhood Development | Leading the Way                          | 5,000,000              |                          |                    | 5,000,000                 |
|                                    | Neighborhood Development                 | 3,883,666              | 70,000,359               | 2,300,000          | 76,184,025                |
|                                    | <b>Total</b>                             | <b>8,883,666</b>       | <b>70,000,359</b>        | <b>2,300,000</b>   | <b>81,184,025</b>         |
| Public Health                      | Public Health Commission                 | 66,209,076             | 43,507,006               | 1,768,137          | 111,484,219               |
|                                    | <b>Total</b>                             | <b>66,209,076</b>      | <b>43,507,006</b>        | <b>1,768,137</b>   | <b>111,484,219</b>        |
| Non-Mayoral Departments            | City Clerk                               | 1,009,886              | 45,910                   |                    | 1,055,796                 |
|                                    | City Council                             | 4,800,230              |                          |                    | 4,800,230                 |
|                                    | Finance Commission                       | 188,735                |                          |                    | 188,735                   |
|                                    | Licensing Board                          | 687,357                |                          |                    | 687,357                   |
|                                    | <b>Total</b>                             | <b>6,686,207</b>       | <b>45,910</b>            | <b>0</b>           | <b>6,732,117</b>          |
| <b>Grand Total</b>                 |  | <b>1,940,449,195</b>   | <b>316,756,786</b>       | <b>237,085,579</b> | <b>2,494,291,560</b>      |

## 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 two year projection provides a useful context for current decision making and planning purposes.

In projecting the City's operating budget for FY14 and FY15, the issues of health insurance cost growth and collective bargaining continue to be critical factors. The recent uncertainty around the nascent economic recovery has eased somewhat making revenue estimation less difficult. The property tax levy is expected to grow from its base by the allowable 2.5% and new growth in the levy is expected to inch up over the FY13 budgeted amount. 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.

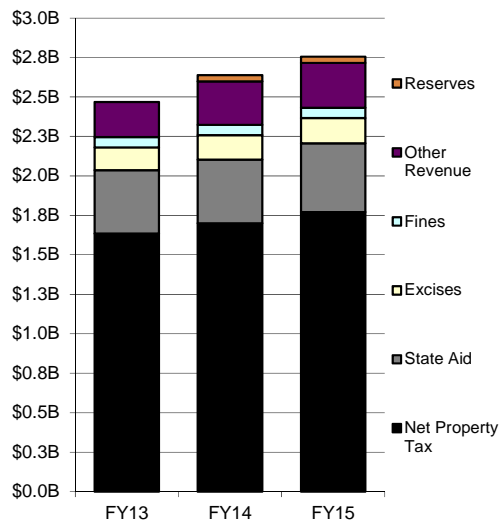
The projections for FY14 and FY15 are based on the most current revenue information available. The plan reflects the best estimates of revenues as well as the major components of projected expenditures given current policy and cost trends. Please note that all of the City's collective bargaining agreements had expired in FY10 or shortly thereafter. The negotiations underway for successor collective bargaining agreements covering the fiscal years of FY11 - FY13 and beyond have been completed for some unions establishing a wage pattern for ongoing negotiations. A reserve for collective bargaining has been established for the outstanding contracts based on the wage pattern. Any changes to the pattern will add additional pressure to the bottom line in FY14 and FY15.

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) liabilities. The City currently provides post-employment health care 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 \$135 million have been made through appropriations approved in FY08 – FY12. An independent actuarial valuation estimates the City's total unfunded OPEB obligation at June 30, 2011 at \$3.1 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 FY13 budget authorizes another "acknowledgement payment" of \$40 million to the City's OPEB Liability Trust Fund; the FY14 and FY15 projections also include \$40 million payments.

### Revenue Trends

The following chart displays the breakdown of revenue projected for FY13 – FY15. (Figure 12.)



#### Recurring Revenue

FY13 Budget, FY14 & FY15 Projected

Figure 12

Major revenue trends for FY14 & FY15 include:

**Property Tax Levy:** The levy in each year will grow by the allowed 2.5% increase and a projected \$27.0 million and \$30.0 million of new growth in FY14 and FY15, respectively. The net property tax assumes an overlay reserve set at 2.5%.

**State Aid:** State aid is projected to increase marginally in FY14 and then increase by over \$30.0 million in FY15. This increase is due almost entirely to an

increase in the Charter School Tuition Reimbursement, 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 and Chapter 70 education aid are projected to remain level between FY13 and FY14. A small increase in Chapter 70 education aid is projected in FY15. Other minor state aid revenues are projected to be level as well.

**Excises:** Excises are expected to grow gradually in FY14 and FY15 with growth across all major taxes concurrent with a slowly recovering economy. No new taxes or increases to tax rates have been assumed.

**Fines:** Fines are expected to increase marginally in FY14 and FY15 due to an expected increase in issuance of parking fines. No changes in fine rates or enforcement have been assumed.

**Other Revenue:**

**Interest on Investments:** Interest income is expected to increase marginally in FY14 with a slightly larger increase projected in FY15 based on statements by the Federal Reserve as to future action on interest rates.

**Payments in Lieu of Taxes (PILOT):** PILOT revenue is projected to increase as tax-exempt institutions follow a 5-year ramp up of payments (beginning in FY12) to meet the Mayor’s PILOT taskforce goal of paying 25% of the property tax they would pay if they were not exempt. Increases are projected for FY14 and FY15 based on the plan.

**Miscellaneous Department Revenue:** Usually projected from historical trends and economic assumptions, these revenues are expected to increase only slightly after the expiration of certain temporary revenues in FY13.

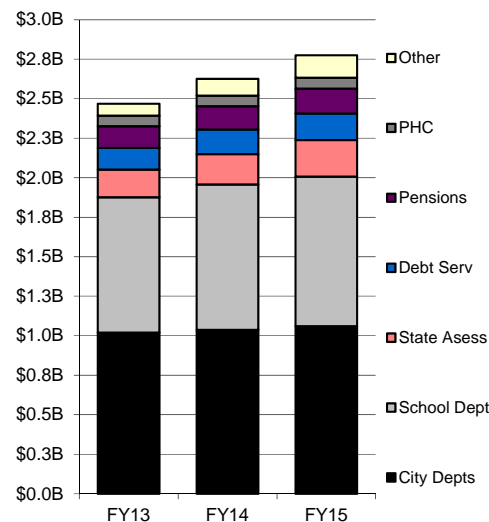
**Licenses and Permits:** Building permits are projected to gain with a recovering economy and historically low interest rates.

**Budgetary Fund Balance:** In FY13, the City is not using an allocation of reserves to support funding for OPEB liabilities, but instead is using recurring revenues. For FY14 and FY15, the use of Budgetary Fund Balance for OPEB expenses is projected to be \$40 million in each year.

These estimates are based on conservative revenue assumptions that the local economy will stabilize at a reasonable level of growth in the 24 to 36 months from the beginning of FY13 to the ends of FY14 and FY15.

**Expenditure Trends**

The following chart displays the allocation of expenditures projected for FY13-FY15. (Figure 13.)



**Expenditures**  
FY13 Budget, FY14 & FY15 Projected

Figure 13

It is important to note that the 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 possible FY14 and FY15 shortfalls, caused by carrying forward the costs of current operations, allows 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 FY14 and FY15 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. At the School Department, estimated inflationary increases for contracted educational and student transportation services along with increased costs to serve special education students will require significant increases in FY14 and FY15. 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 transportation contract at the end of FY13. New requirements and increased demand for special education services in the areas of early childhood and autism are also creating significant expenditure pressure.

Citywide the cumulative growth in the reserve for collective bargaining coupled with scheduled departmental salary step increases will result in increased personnel costs for FY14 and FY15. As union negotiations move forward, it will be important to quantify the impact of any material changes to the collective bargaining wage pattern 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 \$113.8 million or 5.7% in FY14 and cumulatively increase appropriations by \$201.6 million or 10% in FY15.

**Fixed Costs:** In FY14, fixed costs are expected to increase by \$45.2 million or 10% and cumulatively increase by \$106.6 million or 23.5% in FY15. These increases can be attributed to several factors including: the continued expansion of Charter Schools and the resulting increase in the tuition assessment; an increase in debt due to the Dudley Square project; and increasing pension costs. It should be noted that when the pension schedule is updated for FY14 the amount shown here will change.

Under these revenue and expenditure trend assumptions, the FY14 budget is currently projected to have a budget shortfall of approximately \$28.4 million and the FY15 budget is currently projected to have a \$61.6 million shortfall. For the most part, the projections are based on current operations and any known changes that are anticipated in FY14. As the FY14 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 further 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. As noted previously, working in partnership with our unions, progress has been made in the area of health

insurance. Despite this work and the positive impact it had on FY13, premiums are expected to increase substantially in FY14 and FY15 - although the base is now lower than it would have been, "saving" the City a significant amount. 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. 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. The projections shown here assume that budgetary fund balance will be used to support the OPEB appropriations for FY14 and FY15.

### ***Planning a Balanced Budget***

Preparing a multi-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 for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

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)

|                                   | <b>FY13</b>     | <b>FY14</b>     | <b>FY15</b>     |
|-----------------------------------|-----------------|-----------------|-----------------|
|                                   | <b>Adopted</b>  | <b>Forecast</b> | <b>Forecast</b> |
| <b>REVENUES</b>                   |                 |                 |                 |
| Property Tax                      | 1,675.10        | 1,741.98        | 1,815.53        |
| Overlay Reserve                   | (40.86)         | (42.49)         | (44.28)         |
| Excises                           | 145.23          | 153.93          | 159.23          |
| Fines                             | 65.14           | 65.32           | 66.15           |
| Interest On Investments           | 1.00            | 1.25            | 2.25            |
| Payments in Lieu of Taxes         | 42.84           | 45.93           | 49.29           |
| Urban Redev Chapter 121A          | 61.20           | 63.10           | 64.60           |
| Department Revenue                | 52.59           | 54.69           | 55.18           |
| Licenses & Permits                | 39.48           | 43.93           | 44.93           |
| Penalties & Interest              | 8.81            | 8.41            | 8.41            |
| Available Funds                   | 15.00           | 17.98           | 17.95           |
| State Aid                         | 401.49          | 403.53          | 435.36          |
| <b>Total Recurring Revenue</b>    | <b>2,467.01</b> | <b>2,557.56</b> | <b>2,674.57</b> |
| Approp. Fund Balance              | 0.00            | 40.00           | 40.00           |
| Approp. Surplus Property Fund     | 0.00            | 0.00            | 0.00            |
| <b>Total Revenues</b>             | <b>2,467.01</b> | <b>2,597.56</b> | <b>2,714.57</b> |
| <b>EXPENDITURES</b>               |                 |                 |                 |
| City Departments                  | 1,019.09        | 1,035.75        | 1,060.45        |
| Public Health                     | 66.21           | 67.07           | 68.71           |
| School Department                 | 857.83          | 921.00          | 946.15          |
| Reserve for Collective Bargaining | 30.12           | 63.20           | 99.57           |
| OPEB                              | 40.00           | 40.00           | 40.00           |
| <b>Total Appropriations</b>       | <b>2,013.25</b> | <b>2,127.03</b> | <b>2,214.88</b> |
| Pensions                          | 136.98          | 147.35          | 157.39          |
| Debt Service                      | 137.55          | 156.27          | 167.73          |
| State Assessments                 | 174.58          | 191.41          | 231.37          |
| Suffolk County Sheriff Dept       | 3.92            | 3.92            | 3.92            |
| Reserve                           | 0.73            | -               | -               |
| <b>Total Fixed Costs</b>          | <b>453.76</b>   | <b>498.95</b>   | <b>560.41</b>   |
| <b>Total Expenditures</b>         | <b>2,467.01</b> | <b>2,625.97</b> | <b>2,775.29</b> |
| <b>Surplus (Deficit)</b>          | <b>-</b>        | <b>(28.41)</b>  | <b>(60.72)</b>  |

Numbers may not add due to rounding

**Technical Note**

The City of Boston's combined FY13 Budget and FY13-FY17 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.

All production was done within the Office of Budget Management. Technical development and support was provided by Paul D. Parisi.

