

# Executive Summary

## ***INTRODUCTION***

Mayor Walsh's FY16 budget makes targeted investments in key City priorities, aimed at creating a thriving, healthy, and innovative Boston. In order to afford investments in critical areas, such as Education, Housing, Public Safety, and Transportation, the administration will continually evaluate its use of resources and its approaches to program and service delivery.

While the City's triple A bond rating was affirmed by Moody's Investors Service and Standard & Poor's in March, constant examination of departmental approaches to operations is necessary to ensure long-term fiscal sustainability in the face of substantial structural challenges.

The FY16 recommended budget continues the trend of increased City reliance on new growth revenue, as projected state aid as a percentage of City revenues remains in decline.

The FY16 Recommended Budget totals \$2.86 billion and represents growth of \$121.8 million, or 4.5 percent over the FY15 budget.

## ***Boston's Economy***

Boston is the hub of the Massachusetts and New England economies, with its diverse industries generating nearly one-quarter of Massachusetts' economic output and one-fifth of state tax revenues, including approximately one-quarter of income, business income, and business excise taxes.

Boston's 21<sup>st</sup> century economy is driven by several major industries, including academic, medical, high-tech, and life sciences. The City's economy continues to grow. Both state and city unemployment rates recently reached their lowest levels since 2008. Statistics show robust commercial real estate development and an active residential real estate market.

In FY15, the City's total assessed property value surpassed \$100 billion for the first time, soaring to \$110.7 billion. The overall property tax levy growth in FY15 related to pure new growth eclipsed the substantial FY14 new growth. Despite the significant growth in assessed values, the average single-family property tax bill remains approximately 30 percent below the state average.

Hotel occupancy rates, average daily room rates, and revenue per available room are all at their highest levels in recent memory.

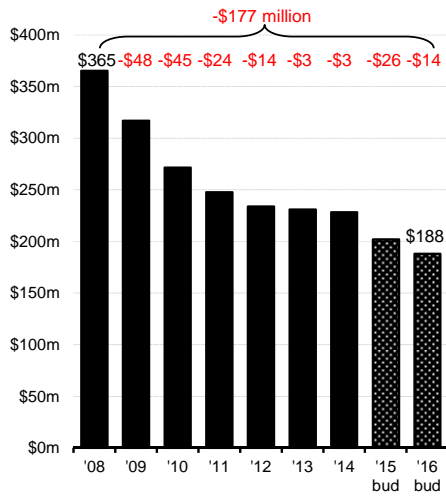
The development outlook within the City remains extremely strong. In 2014, nearly \$4 billion in new construction broke ground, with 272 projects with development costs of \$23 billion in the BRA pipeline. An additional 38 projects worth \$2 billion are also currently under review. Several neighborhoods, including Downtown, the Waterfront, South Boston, and Fenway, continue to enjoy high levels of development activity. Additionally, the City is developing its first citywide master plan since 1964, and continues to endeavor to strategically expand transit-oriented workforce housing development while improving Boston's permitting climate.

National monetary policy has continued to produce a low interest environment. However, recent signals indicate that the Federal Reserve is exploring raising rates later in the calendar year, which could affect City borrowing costs going forward.

## ***Changes in Resources and Expenditures***

Recurring revenue growth of \$121.8 million comes almost exclusively from revenues derived locally. Property taxes, excise taxes, and license and permit revenues are increasing as a result of a strong economic climate in Boston. Additionally, a \$4.7 million increase in State Aid is projected for FY16. However, when reduced by increasing state assessments, mainly for Charter School tuition and

the MBTA, “net” State Aid is projected to decrease by approximately 14 million, or 6.6% (See Figure 1). This decline, primarily a result of the state’s proposed underfunding of Charter School tuition reimbursement, remains one of the biggest budgetary challenges facing Boston. Although its share of total general fund revenue continues to decline, state aid remains the second largest source of revenue for the City and therefore plays a critical role in determining available resources.



**Net State Aid**  
FY08 - FY16

Figure 1

The two largest sources of FY16 recurring revenue growth are the property tax and excise taxes. Property tax, the City’s largest revenue source, reflects a 4.6 percent net increase.

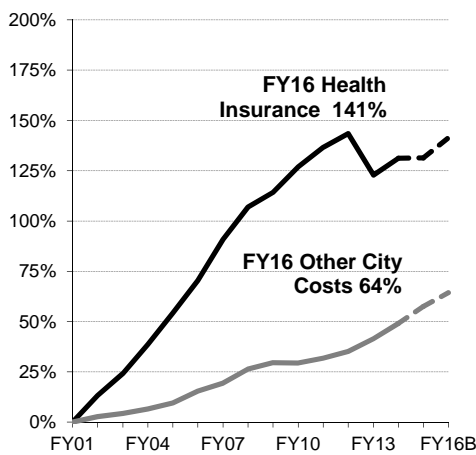
Excise taxes are projected to increase by 7.9 percent in the FY16 budget. Motor Vehicle, Meals, and Room Occupancy excises all continue to exceed budgeted amounts in FY15, a trend projected to continue into FY16.

In addition to recurring revenue, the FY16 budget also includes \$40 million from Fund Balance to support the appropriation for Other Post-Employment Benefits (OPEB). This is level with the appropriation for OPEB from Fund Balance in the FY15 budget.

On the expenditure side, the FY16 budget reflects a 3.5 percent or \$76.9 million increase in total appropriations in addition to a \$44.9 million increase in fixed costs.

The City is projecting an increase of 4.4% in health care costs for city employees and retirees, continuing the recent trend of more manageable health care cost increases. Strong legislative action in FY11 coupled with thoughtful responses from the City and its unions, through the Public Employee Committee (PEC) played a significant role in recent lower increases. Most recently, the City and the PEC agreed to a successor agreement, effective July 1, 2015, which is projected to reduce cost growth by \$45 million over the next five years. The City also competitively bid its non-Medicare health plans for FY16, reducing the number of plan options and reducing administrative costs. The Summary Budget chapter of this volume describes in more detail some of the successes the City and the State have had managing municipal health insurance costs.

Despite these efforts, the City’s health care claims trend increase is projected at over 7%, a rate far exceeding projected City revenue growth. Health insurance costs are budgeted at \$296.2 million in FY16 and remain a major expenditure. Consistent with national and local trends, Boston’s health insurance costs have dramatically increased since 2001 and now constitute a much larger share of the City’s budget at 10.4 percent. That is why the successor PEC agreement that will become effective on the first day of FY16 is important to achieve further savings for the City.



**City Cost Increases (cumulative)**  
FY01-FY16 (FY16 Projected)

Figure 2

In the area of debt service, the City continued to benefit from favorable interest rates, and received high premium on the FY15 bond issue, keeping debt service costs lower than they otherwise would have been in FY16. Even with the recent favorable borrowings, debt service costs are projected to increase by \$12.3 million in FY16.

Significant savings in trash disposal, a large expense for the City, will also be realized based on last year's competitive bid. Additional savings is projected to occur due to decreased projections for overall trash tonnage.

Collective bargaining increases scheduled for FY16, with most agreements providing 3% wage increases, drives much of the cost growth in departments. For all but 2 of the City's unions, FY16 is the last year of their bargaining agreement. All of the City's civilian unions, and all but one public safety union, have settled to two consecutive three year agreements. A collective bargaining reserve has been established in FY16, to provide the estimated funding for contracts that can be transferred to the relative departments once they are settled.

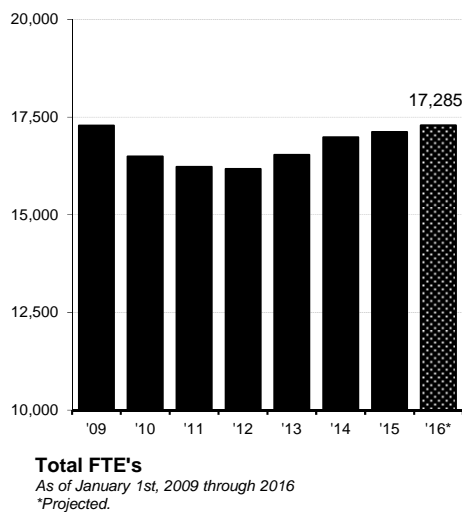


Figure 3

With salaries and health benefits representing 77% of the City's operating budget appropriations, it is important to manage the level of the City's workforce. Through controlled hiring and attrition, the City continues to manage employee levels. In FY16, general fund FTEs are projected to increase between January 1, 2015 and January 1, 2016. (Figure 3). The majority of the increase is in the

strategic areas of public safety and education. In the Public Safety Cabinet, there will be new recruit classes to cover attrition in both Police and Fire. Boston Public School (BPS) FTEs are expected to increase by 107.7 with higher projections for bilingual and other specialist teachers, and instructional aides in classrooms, offsetting reductions in central office positions.

This FY16 budget also supports the five-year capital plan. The capital plan totals \$1.8 billion and includes \$151 million in new FY16 project authorizations. The plan emphasizes the strategic use of infrastructure to promote economic development, neighborhood vitality, quality education, health care, and public safety. Highlights of the plan include renovations at community centers, fire and police stations, libraries, and parks, as well as the creation of the groundbreaking STEM Academy at the Dearborn School. The capital plan also makes large investments in technology initiatives and infrastructure.

Further information relating to the City's revenues, expenditures, and personnel levels can be found in the Summary Budget and Revenue Estimates and Analysis chapters of this volume.

**Long-Term Financial Outlook**

The City of Boston has produced balanced budgets for three decades. Its heavy reliance on revenues independent of State and Federal revenues and robust financial management policies have contributed greatly to this success. The City maintains comprehensive financial policies considered to be "best practice" related to position control, financial modeling, revenue projection, variance tracking, and debt and reserve level management. In March 2015, Standard & Poor's Rating Services and Moody's Investor Services affirmed the City's AAA and Aaa bond ratings. A bond rating is a statement of credit quality and drives interest rates paid for a municipality's bonds. Higher bond ratings translate into lower interest rates. Lower interest rates translate into lower costs for the City and the ability to increase investment.

City management places a high priority on adhering to comprehensive financial policies and long-range planning strategies as well as continuing to exercise strong fiscal discipline. These practices ensure the City's ability to

preserve budgetary balance and address future budget challenges.

With the confluence of persistent cost pressures driven by substantial fixed costs, high labor and health care costs, and declining net state aid, a careful long-term approach to budgeting is imperative. Prudent planning will allow for more consistent resourcing of priority City spending through changes in economic conditions.

***FY16 BUDGET PRIORITIES:  
THRIVING, HEALTHY, INNOVATIVE***

In this budget, Mayor Walsh has identified several priorities toward the goal of a thriving, healthy innovative city: strengthening the economy and creating 21st century jobs along with a 21st century workforce; improving public safety, treating trauma and addressing an epidemic of opiate addiction and substance abuse; ensuring that Boston Public Schools, under new leadership, enables every child from every neighborhood to succeed; furthering a comprehensive plan for the development of housing that meets a range of needs; and investing in the arts, parks, and the customer experience. This budget represents the Mayor's values, and seeks to create an environment that promotes equity, builds community, and helps maintain Boston's place as a national leader.

***EDUCATION***

The BPS budget comprises 36% of the City's total budget. The \$1.0135 billion recommendation is in addition to the \$146 million projected to be assessed for charter school tuition. Mayor Walsh recognizes the potential and challenges of the Boston Public Schools, and is recommending funding for a variety of initiatives to improve outcomes for all students. This year's BPS budget is approximately \$39 million higher than FY15, despite a projected decrease in net state aid to the City. Mayor Walsh's commitment to schools is demonstrated by the 4 percent increase recommended, while overall City Departments appropriation will increase by 3.1 percent.

With costs far outpacing City revenues, and the expected decline in State and Federal resources, BPS faces perpetual budget challenges.

Nonetheless, BPS keeps its priority focus on schools and proposes to raise the overall weighted student funding allocation to schools by \$21 million.

The FY16 BPS budget will make noteworthy investments in several areas:

- Expanding early education: A \$1 million, 100 seat expansion of the BPS early education (K1) program.
- Extended Learning Time (ELT): Investing in ELT options by maintaining funding for schools with existing ELT programs at \$4.0 million and \$1.4 million in Acceleration Academies, and adding 40 minutes per day in 16 new schools at a cost of \$3.9 million.
- Human Capital: Continuing successful human capital initiative at a cost of \$4.8 million.
- Technology: Expanding digital learning opportunities to prepare students for the 21st century with a \$500 thousand expansion of Digital Academy, \$1 million in technology infrastructure updates, and \$500 thousand for continued support of 10,000 PARCC devices.
- Network Structure: Continuing to invest in a network structure by supporting 5 K-8 networks and 1 high school network at a cost of \$3.6 million for FY16.
- Inclusive Opportunities: Expanding inclusive opportunities by investing an additional \$620 thousand for staffing of another 51 classrooms for a total investment of \$2.1 million and 149 classrooms.
- Weighted Student Funding (WSF): Increased investment in funding based on students and their specific needs with an additional \$21million in FY16. This is the fifth year of WSF.
- Compensation Reform: \$340 thousand to reform student leader compensation.

## ***ECONOMIC DEVELOPMENT***

The Mayor remains committed to supporting businesses, large and small, through programs that foster an environment for growth and job creation. This budget does that by:

- Developing pathways to overcome income and wealth disparity and disproportionate opportunity.
- Establishing an Office of Financial Empowerment, which will continue to develop programs to help the working poor address the wealth gap.
- Establishing a stronger connection between education and workforce development.
- Establishing fair and transparent policies on land use and development.
- Cultivating an environment that encourages, supports, and promotes entrepreneurship and new business development.
- Establishing a Startup Manager at the BRA, aimed at creating programs to support the unique needs of startup culture.
- Commissioning a Disparity Study to provide guidance on how to close the opportunity gap.
- Continuing to build the new Office of Tourism, Sports and Special Events, which supports one of our most lucrative industries.

### Streamlining the Permit Process

Mayor Walsh will continue his efforts to make getting a permit in Boston an easy, clean, and predictable process. Building off of last year's efforts to engage Boston's technologists and permit customers at the inaugural HubHacks event, the City will unveil the first release of a modern online permit experience. The site will go through multiple releases in FY16, expanding the total number of permits available online, while refining the user experience based on feedback from people and businesses who will use it each day. The City will also continue to improve digital tools, such as the Permit Finder application that was launched in December, that help permit

processors throughout the City work more efficiently, help customers see where they are in the review process, and create public accountability towards the Mayor's performance goals for faster permit review.

### Supporting Innovation & Entrepreneurship Across Boston

The City will deepen its support for entrepreneurs throughout Boston's neighborhoods. It will welcome the first tenants to its new Roxbury Innovation Center; it will roll out new regional innovation programs through its StartHub initiative; and it will develop a new strategic plan to better support Boston's new, small, and local businesses.

Mayor Walsh will also continue investing in programs that transform the way the City engages with residents and serves its constituents. The City will work with partners to identify new policies that improve housing development and access through its Housing Innovation Lab. It will engage youth, through a participatory budgeting program, to help shape the City's capital investment; and it will collaborate with artists, designers, and architects to help rethink civic spaces citywide.

## ***PUBLIC SAFETY***

### A New Boston Police Department Class

Mayor Walsh is committed to maintaining a strong Boston Police Department and will start a new police recruit class in the fall of 2015.

### Reinstating the Police Cadet Program

Mayor Walsh is providing funding to the Boston Police to reinstitute its Cadet program. The Cadet program will allow young city residents the opportunity to earn sworn positions with BPD after 2 years in the program. This will be utilized as a tool to recruit talented young people from Boston's neighborhoods into its police force as well as to increase diversity within the department.

### A New Boston Fire Department Class

A safe city must be served by a well-trained fire department, and the Mayor will start a new firefighter recruit class in the summer of 2015.

## Diversity

With Mayor Walsh's commitment to addressing diversity within the City's workforce, this budget funds a new position focused on increasing diversity within the Boston Fire Department.

## Increased Trauma-Informed Services to Female Victims of Violence and Exploitation

Recognizing that female survivors of violence and exploitation have been underserved for a long time, the Mayor has stated a commitment to more resources for the Anti-Human Trafficking Unit. These victims range from survivors of rape, domestic violence, prostitution and human trafficking, to victims of street assaults and harassment, as well as females coerced into holding/purchasing firearms. All these forms of violence are highly traumatic. The Mayor invests in increased, trauma-informed public safety resources for women who experience this kind of violence.

## **HOUSING**

### Housing Boston 2030

With the publication of the Housing Boston 2030 plan last fall, Mayor Walsh moves to protect affordable housing and strengthen the development of workforce housing. The Department of Neighborhood Development convened a panel of advisors, including private and non-profit development communities, financial institutions, Labor, universities, neighborhood activists, thought leaders on housing, and advocates for affordable housing. Their plan calls for building 53,000 housing units by 2030 to meet the City's population growth. This plan lays out strategic and measureable goals for meeting all of Boston's housing challenges, with special areas of focus on innovative housing models; controlling development costs; senior and low-income housing; and creating incentives for private developers to meet the needs of the middle class. It also lays out a plan to move students out of neighborhood housing stock and back on to campus. In support of the the Housing Boston 2030 plan, the Mayor provides an additional \$1.75 million for affordable senior housing in the FY16 budget.

## **HEALTH AND HUMAN SERVICES**

### Addiction/Recovery

Last year, Mayor Walsh announced a plan to establish the Office of Recovery Services. This year, after a needs assessment and recommendations from the Blue Cross/Blue Shield Foundation, the office will be placed and staffed in the Boston Public Health Commission. This new office will coordinate services across a wide range of programs and create policy aimed at curbing our addiction epidemic. It will provide much-needed guidance for families in need of help. In this budget, Mayor Walsh creates an Overdose Prevention and Outreach Team, which will work with families and addicts to save lives and guide recovery. The budget also provides additional resources for safe needle pickup and disposal.

## **ARTS AND CULTURE**

This year's budget represents a major investment in the arts. Boston recently hired its first Arts Commissioner in over 20 years. In FY16 the Mayor is creating a new staff position to work on a cultural planning process. In addition, after doubling the Massachusetts Cultural Council's granting allocation in the FY15 budget, the Mayor has chosen to budget an additional \$150,000 for small organization and project grants. As Boston prepares to host the national Americans for the Arts conference in June of 2016, the Mayor is committing \$50,000 to support the event.

## **INFORMATION TECHNOLOGY**

### Investments in Technology

The City continues to upgrade and improve its technology infrastructure -- expanding fiber connectivity to schools, expanding free public WiFi, modernizing existing technology systems, and using digital technology to improve the efficiency of legacy business processes. The Mayor

is also committed to making key investments to combat cybersecurity threats and improve the resilience of the City's technology infrastructure.

#### Digital Engagement and Service Delivery

The City is undertaking a major redesign of its website, with the goal of creating a better online experience for residents, businesses, and visitors. This effort will make it easier to access information and services, and will improve the accessibility of digital resources to every community in Boston. In the spirit of transparency and public engagement, the City will expand its efforts to use social media, email, and digital communication tools to better communicate with the people of Boston, and to give them a voice in City Hall.

#### A Data Driven Boston

Mayor Walsh announced the creation of the Citywide Analytics team in his 2015 State of the City address, highlighting his commitment to bringing the power of data to all functions of City government. In the upcoming year, the Citywide Analytics team will work more deeply within Departments and across new functional areas to find insights from data that can improve service delivery for Boston residents.

In FY16, this team will work to make internal and external data relevant to city operations more easily accessible; it will ask - and answer - better questions about city operations and progress towards the City's goals; it will create reporting and data visualization solutions that become deeply integrated into City operations; and it will create digital tools that inform and engage the Mayor, senior City leaders, and the public.

### ***PARKS***

#### Investing in Boston's Parks

Parks play an important role in the life of our city. Parks allow residents to gather to walk, exercise, perform, compete, or just relax. A strong park system helps make a stronger city, and Mayor Walsh's FY16 budget makes a substantial investment in one of our most valuable assets. A

second-shift of maintenance workers will be added so that our parks will be cleaner and safer. In addition, the Mayor has committed matching funds for the Olmstead Tree Society's pruning program, which will leverage additional funds from private sources. The capital plan also contains considerable investment in Boston's renowned parks system.

### ***ENHANCING THE CUSTOMER EXPERIENCE***

The FY16 budget commits substantial additional funds to some of the more public facing City departments. As we transition to a 311 system for non-emergency calls, additional staff will be added to the call center. New positions in the Office of Neighborhood Services will focus on civic engagement and technical support. This budget also funds the purchase of additional snow removal equipment and expansion of the popular Hokie program to maintain clean City streets. This budget provides funds for the replacement of parking meters with new smart meters, and for the creation of a comprehensive Street Regulation Rule Book, which will compile all street regulations in an easy-to-read online format.

### ***LEVERAGING INVESTMENT***

In this budget, Mayor Walsh has set aside funding to create an office that will oversee grant cultivation, solicitation, and fulfillment. As state and federal funding continue to decline, and fixed costs continue to rise, it is important that the City creatively seek revenue from foundations and the private sector. This office will do that, as well as maximize existing grant streams.

### ***STRATEGIC PLANNING***

Mayor Walsh has launched several strategic planning initiatives to establish long-term goals and initiatives with appropriate community input. The Mayor kicked off Imagine 2030, the first comprehensive master plan for the City of Boston in 50 years that aims to preserve, enhance, and grow the City's neighborhoods. The Mayor also launched GoBoston 2030, a comprehensive

transportation plan; Boston Creates, a community-wide process to build a shared vision for arts and culture; and a Boston Schools Facility Master Plan to provide a strategic planning framework for educational programming and major capital investments in the Boston Public Schools. The City has also engaged in several departmental audits to uncover inefficiencies in operations. While many of these strategic plans have a time horizon that goes out fifteen years, many of the short term recommendations will be addressed over the next two years. These planning processes and operational reviews will inform future operating budget priorities, capital investments and reform initiatives.