City of Boston, Massachusetts
Office of the Mayor
MICHELLE WU

April 7, 2025

TO THE BOSTON CITY COUNCIL

Dear Councilors:

I transmit herewith my Fiscal Year 2026 (FY26) Recommended Budget for the City of Boston. The $4.8 billion FY26 Annual Operating Budget and $4.5 billion five-year FY26-30 Capital Plan responsibly protect the critical City services our residents and businesses rely on, while continuing to fulfill the City's commitments as an employer, asset owner, and economic driver. We are grateful to Ways and Means Committee Chair Worrell for his leadership in convening hearings prior to today's filing, and to all colleagues for joining and sharing the feedback you are hearing from our residents. These proactive and collaborative improvements to the budget process enabled our administration to better incorporate your work and our shared priorities in this budget.

This proposed budget prioritizes resources for the most fundamental services delivered at the local level for Boston to be a home for everyone. Our mission to be the safest, greenest, and most family-friendly city in the country requires doubling down on progress to support public education and services for youth and seniors, community safety and public health, climate resiliency and mobility, affordability and economic opportunity. In the face of national economic uncertainty, the City of Boston maintains strong financial health from consistent and responsible budget management, reflected in our consistent AAA bond rating for more than a decade and annual balanced budgets.

We join the Council in monitoring the rapidly evolving federal policy landscape and volatile global economic outlook as a consequence of federal actions. With over $300 million of federal funds supporting critical city services each year, and with nationwide economic impacts from federal tariffs and other federal actions already taking a toll on consumer confidence, tourism from international visitors, higher education and healthcare, critical research and innovation, and the broader economy, we must exercise caution to ensure stability for our communities—preparing for worst case scenarios while refraining from preemptive disruption of City services.

It is important to note that Boston's budget is built differently from the Commonwealth's and from the budgets of many other cities across the country, as our financial underpinnings are uniquely solid and resilient to short-term economic volatility. Although we consistently seek to diversify revenue sources at the municipal level, the primary revenue source that supports Boston's budget, property tax, provides long-term revenue stability with Proposition 2 ½. Other more economically sensitive revenues, such as excise taxes and state aid, represent a much smaller share of the City's revenue base than the State's, making Boston's budget less vulnerable to short-term economic volatility.

The FY26 Recommended Budget will reinforce Boston's strong fiscal position and ensure the City can weather the economic uncertainty ahead. By slowing budget growth in FY26, we will continue to meet our fixed and long-term financial obligations, make progress on community needs, and stay nimble in the face of shifting economic and federal dynamics. The FY26 Recommended Budget provides us with a blueprint for the year, but, as always, requires active management throughout the year to adapt to evolving needs and conditions. Boston has demonstrated the ability to thoughtfully implement spending controls when faced with immediate disruptions to maintain the balance of critical service delivery with constrained resources through many economic downturns, most recently through the pandemic and recovery.

The FY26 Recommended Budget includes targeted reductions and reflects a judicious use of resources in order to meet our fixed and long-term obligations while preserving jobs and services. Departmental budget growth that excludes fixed long-term financial obligations and employer costs totals 1.7%, reflecting the cost escalation of maintaining critical service levels. Including non-discretionary costs, this budget grows at the rate of inflation: by 4.4%[1] over FY25. This budget reduces the number of long term vacant positions, increases salary savings where appropriate, and reduces discretionary non-personnel spending. Departments will convert other remaining long term vacant positions for new roles, using existing resources to meet new needs.

The FY25 budget included one-time investments in the Mayor's Office of Housing and Property Management that will not continue in the next fiscal year, leading to reduced budgets for those departments even as they maintain and grow services. Other departmental decreases reflect more effective use of City funds; for example some departments in the Equity and Inclusion Cabinet show a year-over-year budget decrease due to centralizing cabinet functions. These departments are not losing resources, but rather coordinating access to cabinet-wide support. Finally, the Planning Department and the Office of Workforce Development allocations are decreasing due to a more accurate assessment of their needs as new City departments.

These targeted reductions will allow for limited growth in FY26 to address the most critical needs of the City, including the following:

Basic City Services
Excellent constituent services is a core value shared by all frontline service delivery departments. The FY26 budget will see modest growth in the Streets Cabinet of $12.8 million or 6.6%, related to new, improved trash collection contracts that provide additional contracted labor and require more reliable trucks and technology. Strengthened accountability terms, such as continuous reporting on the status of staff and equipment, will ensure quicker collection times and fewer missed collections. The Information and Technology Cabinet's budget will grow in FY26 by $4.1 million or 7.7% as they lead efforts in partnership with the Community Engagement Cabinet and all the service delivery departments to build out a new 311 constituent relationship management technology and permitting and licensing systems, improving

[1] https://www.bls.gov/regions/northeast/news-release/consumerpriceindex_boston.htm

constituents' experience reporting issues, requesting services, and obtaining permits. The FY26 budget also includes investments in the Elections Department to help implement necessary operational reforms and improvements.

The Capital Plan includes over $6 million for the implementation of key technology systems. The Plan also invests over $188 million in state of good repair needs for municipal facilities, including community centers, libraries, fire houses, police stations, and City Hall. The Plan ensures that the places our public servants work and our community enjoys can remain open and reliable.

In FY26, the Streets Cabinet will continue to improve overall mobility, roadway repairs, and curb management. The Capital Plan will invest over $135 million over the next 5 years in sidewalk reconstruction, roadway resurfacing, and the construction of ADA compliant curb ramps, ensuring safe, reliable, and accessible transportation for all road users. Our traffic calming investments will also continue delivering needed safety improvements across our neighborhoods.

Health & Safety
Our teams work every day with community partners to maintain Boston as the safest major city in the country. To support continued progress on community safety, Police, Fire and Emergency Medical Services will continue to utilize their cadet programs as a recruiting feeder for budgeted replacement recruit classes so our first responder workforce is fully staffed and reflects the residents of Boston. In FY26, Police will recruit two replacement classes scheduled for Winter and Spring of 2026, and Fire will include the first cohort of Cadets in its Fall 2025 recruitment class. Additionally, first responders will continue to innovate and expand alternative safety responses where appropriate, including the new BPD community interaction teams who provide a visible presence in our neighborhoods while collaborating with community stakeholders to improve quality of life, increase trust and reduce violence in the City. . In FY26, the youth jobs budget will maintain the City's record-breaking, robust commitment to youth employment as a benefit to the entire community.

The Boston Public Health Commission will focus on the most vulnerable populations struggling with substance use disorder and homelessness, as well as the general health and well-being of all residents. The Boston Public Health Commission will utilize opioid settlement funds and its operating budget to continue tackling opioid overdoses. Additionally, the Commission will use existing resources to partner with local business organizations to target syringe collection in local business districts. The Age Strong Commission, with strong support from the Mayor and City Council, will leverage their Council on Aging state external funds and operating budget to target reducing social isolation for older adults through increased programming across several neighborhoods. These resources will augment state earmarked funding for senior programming in West Roxbury, increasing programming from two days to three days per week.

Education
Public education represents the largest operational departmental budget, with FY26 budgetary growth of $45.5 million focused on inclusive education, early childhood education, supporting multilingual learners, and providing a high quality educational experience for every student.

The increase does not yet include the increased costs that will come with the inclusion of the collective bargaining contract with the Boston Teachers Union that is pending ratification and approval. The cost of the union contract is included in the central collective bargaining reserve. Newly renovated school buildings reopening in FY26 include the combined Philbrick and Sumner Schools at the new Sarah Roberts Elementary School, the Carter School, and PJ Kennedy Elementary. The FY26-30 Capital Plan invests almost $1.2 billion in BPS facilities, accounting for 27% of the total planned investment. Moreover, 32% of all City bonds, which finance the vast majority of the Capital Plan, are invested in BPS.

Housing Affordability

With robust operating budget investments made in FY25, the Housing and Planning Cabinets continue to target affordability with a focus on housing stability. In the FY25 operating budget, $2 million in one-time seed funding paired with $3 million in American Rescue Plan seed funding was provided to start the Housing Acquisition Fund. The program helped kickstart a public-private revolving loan fund to provide low interest debt, advancing much needed affordable housing preservation. Additionally, in FY25 a supplemental operating budget of $110 million for the Housing Accelerator Program was appropriated with the goal of providing funding in Boston's approved mixed-use housing projects, lowering the cost of capital to spur construction now, while achieving a return for the City in the long run. Accelerator Program projects must be ready to start construction and be 20% affordable to be considered. Selection will prioritize climate sustainability, positive community impact, and development teams that reflect and represent our communities. Finally, the Acquisition Opportunity Program, funded with a variety of external resources outside of the operating budget, will support mission-driven developers to buy occupied multi-family private housing and make it permanently affordable. Homeowners will have greater access to utility-based incentive programs through the Boston Energy Saver program, which is hosted in the Environment, Energy and Open Space cabinet, enabling homeowners to upgrade their heating and cooling systems, saving significant money. Meanwhile, using existing operating funding, the Housing Cabinet will launch a Co-Purchasing Pilot Program to encourage households to combine their purchasing power and buy multi-family homes with 0% interest-deferred loans from the City. The Capital Plan also invests $124 million in partnership with the Boston Housing Authority in the preservation and redevelopment of the Bunker Hill, Mildred Hailey, and Mary Ellen McCormack sites.

I look forward to the continued partnership of the City Council in this budget process and beyond. Our administration will continue to monitor the economic landscape carefully and adapt this budget proposal if needed as the scale of economic uncertainties and consequences of federal policies continue to emerge. I respectfully request your favorable action on the FY26 Annual Operating Budget and the FY26-FY30 Capital Plan.

Sincerely,

Michelle Wu
Mayor of Boston