

# Summary Budget

## OVERVIEW

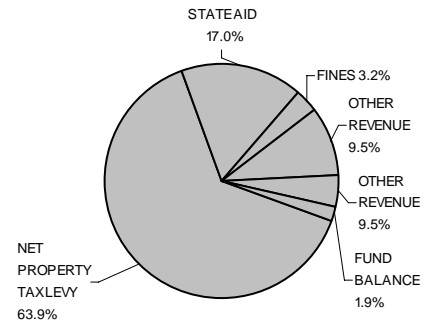
The FY11 budget for the City of Boston totals \$2.33 billion, 2.2% higher than the FY10 budget. This Summary Budget section lays out the FY11 budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends, a review of major externally funded services, and an all-funds budget is also presented.

The FY11 budget is supported by \$2.28 billion in recurring revenue, 2.2% higher than recurring revenues in FY10. In addition, the FY11 budget includes \$6.0 million in non-recurring revenue and \$45 million in revenue from budgetary fund balance.

The City's modest increase in recurring revenue reflects the stability of the property tax and the addition of new tax revenues granted to municipalities by the state. The most substantial increase in the FY11 budget's recurring revenue is the \$62.1 million projected increase in the net property tax. The FY11 budget estimate of state aid is \$396.8 million. This figure amounts to a 5.1% decrease in aid for the City. Net state aid (state aid revenues minus state assessments) amounts to \$248.1 million, a decrease of \$24.4 million or 9.0%. All other local revenue categories combined are expected to increase by \$8.9 million or 2.0%

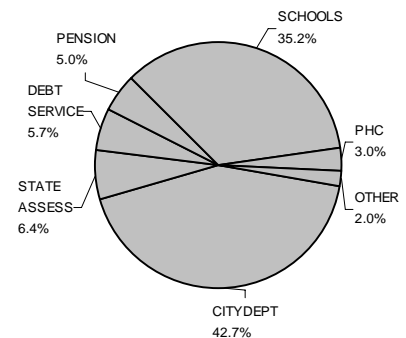
In FY11, the City is facing additional reductions in state aid, its second largest single source of revenue. The state legislature released guidance this spring warning cities and towns of up to a 4.0% reduction in each of the two major accounts covering education and general government aid. The City's revenue estimates are in line with that guidance.

The state may finally be turning the corner on several years of negative revenue growth, but a gaping structural budget deficit remains to be



**FY11 Estimated Revenue**

Figure 1



**FY11 Estimated Expenditures**

Figure 2

dealt with in FY11 and beyond. After two years of using state stabilization funds and federal stimulus funds to plug budget gaps, the state will soon run out of both. The state's structural budget gap for FY11 is currently projected at \$2.5 billion.

To help municipalities cope with state aid reductions and increasing costs, in FY10 the state legislature approved a new local option tax and an increase to an existing rooms tax. Subsequent to

**CITY OF BOSTON  
BUDGET SUMMARY**

(Dollars in Millions)

	FY08 Actual	FY09 Actual	FY10 Budget	FY11 Budget
<b>REVENUES</b>				
Property Tax Levy	1,334.59	1,400.71	1,465.06	1,528.68
Overlay Reserve	(39.13)	(35.43)	(35.73)	(37.28)
Excises	92.27	106.85	85.65	104.57
Fines	67.72	70.40	73.39	74.00
Interest on Investments	39.51	17.84	6.50	5.00
Payments In Lieu Of Taxes	31.42	33.95	34.25	34.75
Urban Redevelopment Chapter 121A	64.54	65.46	66.10	59.50
Misc. Department Revenue	59.54	71.57	64.36	60.72
Licenses and Permits	47.58	41.01	31.26	32.79
Penalties & Interest	8.52	7.78	8.02	7.01
Available Funds	12.14	14.19	17.08	17.11
State Aid	493.33	454.44	418.25	396.75
Teachers Pension Reimbursement*	105.42	118.84	-	-
<b>Total Recurring Revenue</b>	<b>2,317.44</b>	<b>2,367.60</b>	<b>2,234.19</b>	<b>2,283.59</b>
Budgetary Fund Balance	20.00	35.00	45.00	45.00
Non-Recurring Revenue	5.67	-	5.98	6.00
<b>Total Revenue</b>	<b>2,343.11</b>	<b>2,402.60</b>	<b>2,285.17</b>	<b>2,334.59</b>
<b>EXPENDITURES</b>				
City Departments	979.01	1,002.43	983.94	996.60
Public Health Commission	68.19	69.45	70.00	69.79
School Department	795.49	810.01	817.88	821.38
Collective Bargaining Reserve	11.83	16.86	-	8.55
OPEB Stabilization Fund	20.00	25.00	20.00	35.00
<b>Total Appropriations</b>	<b>1,874.52</b>	<b>1,923.74</b>	<b>1,891.82</b>	<b>1,931.33</b>
Pensions*	202.91	213.23	112.56	117.18
Debt Service	115.92	119.41	130.56	133.06
State Assessments	128.28	137.71	145.78	148.68
Suffolk County Sheriff Reserve	4.52	4.34	4.45	4.34
	1.12	0.02	-	-
<b>Total Fixed Costs</b>	<b>452.74</b>	<b>474.72</b>	<b>393.35</b>	<b>403.26</b>
<b>Total Expenditures</b>	<b>2,327.26</b>	<b>2,398.46</b>	<b>2,285.17</b>	<b>2,334.59</b>
<b>SURPLUS (DEFICIT)</b>	<b>15.85</b>	<b>4.13</b>	<b>0.00</b>	<b>0.00</b>

Totals may not add due to rounding

\*NOTE: Funding for Teacher's Pensions has been changed by Legislative action. The Commonwealth of Massachusetts now funds the liability directly eliminating the City's appropriation and the need for a reimbursement by the state.

the passage of the City's FY10 budget, these taxes were approved by the Governor and locally adopted by the City. The City chose not to budget most of these new revenues in FY10 to protect the City from further reductions that were expected in state aid. See the *Revenue Estimates and Analysis* chapter of this volume for more detail.

The City's projected revenues provide the basis for planning FY11 appropriations and fixed costs to maintain a balanced budget. Selected FY11 budgeted City revenues compare with FY10 budgeted revenues as follows: the net property tax levy increased \$62.1 million or 4.3%; excises increased \$18.9 million or 22.1%; fines remained relatively flat; interest on investments decreased by \$1.5 million or 23.1%; payments-in-lieu-of-taxes increased \$.5 million or 1.5%; Chapter 121A revenues decreased \$6.6 million or 10.0%, miscellaneous department revenues decreased by \$3.6 million or 5.7%; licenses and permits increased by \$1.5 million or 4.9%; and state aid decreased \$21.5 million or 5.1%.

On the expenditure side of the budget, total departmental appropriations increased by \$39.5 million or 2.1% and fixed costs increased by \$9.9 million or 2.5%. Selected FY11 budgeted appropriations compare with FY10 budgeted appropriations as follows: City departments increased \$12.7 million or 1.3%, the Boston Public Health Commission decreased by \$.2 million or .3%, and the School Department increased \$3.5 million or .4%. FY11 budgeted fixed costs compare with FY10 budgeted fixed costs as follows: pensions increased \$4.6 million or 4.1%, debt service increased \$2.5 million or 1.9%, state assessments increased \$2.9 million or 2.0% and Suffolk County Sheriff's Department decreased by \$.1 million or 2.4%.

Please note that a legislative change has occurred with regard to the funding of teachers' pensions. This change eliminates a special circumstance for Boston and the confusion often associated with this pension liability and the revenue received as reimbursement. The City no longer pays for or is reimbursed for the cost of teachers' pensions. The funding of this liability has moved to the Commonwealth where it resides for all other teachers in Massachusetts.

Also note that the "Other" category on the FY11 Estimated Expenditures pie chart (Figure 2) is

comprised of estimated expenditures for the Suffolk County Sheriff, the collective bargaining reserve and other post-employment benefits (OPEB).

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

## **REVENUE**

The FY11 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts:

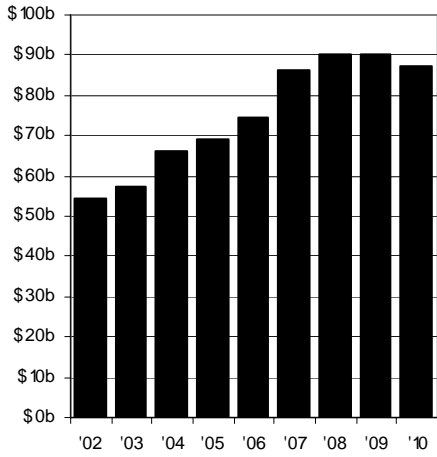
### ***Property Tax Levy***

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

In each year since FY85, the City has increased its levy by the allowable 2.5% under Proposition 2 ½. During these same years, the levy has also been positively impacted by taxable new value that is excluded from the levy limit. Taxable new value is expected to be approximately \$27.0 million in FY11. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 17 of the last 27 years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY00 through FY10 of \$59.9 million or 5.4%, and a projected increase in FY11 of \$63.6 million or 4.3%. The gross property tax levy surpassed \$1 billion in FY03, currently stands at \$1,465.1 million in FY10, and is estimated at \$1,528.7 million in FY11.

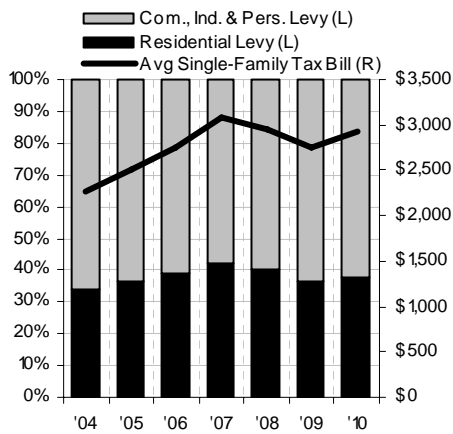
As the levy has gone up, property values in Boston have declined during the recent tough years in the residential and commercial real estate markets. In the FY09 citywide market-indexed valuation as of January 1, 2008, property values grew by only \$0.3 billion, or 0.4%, to \$90.4 billion from FY08. In the FY10 tenth parcel-specific revaluation as of January 1, 2009, values declined by \$3.1 billion, or 4.6%, to \$87.3 billion (Figure 3). This was the first decline in property values recorded in the City since FY94.



**Total Assessed Property Value**  
FY02 - FY10

Figure 3

Given the decline in total property values, one might expect a decrease in residential taxes. The average single-family property tax bill had decreased between FY07 and FY09 by approximately \$329 or 11% after increasing by nearly 78% or \$1,351 from its low in FY02. But, in FY10, the average single-family tax bill increased again by 6.3% or \$173. This shift is due to the relative decrease in commercial property values in the levy compared to residential property values. The percentage of the total tax levy being borne by residents versus businesses also increased from 36% to 38% in FY10. At its lowest point, the residential levy was 30% of the total levy (Figure 4).



**Boston Property Tax Trends**  
FY04 - FY10

Figure 4

A 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 local aid from the state to municipalities are education aid, lottery aid and additional assistance. (The latter two are now combined.) The Commonwealth also distributes aid for libraries and provides some reimbursements to municipalities.

Local aid has been reduced substantially over the course of the last two recessions. Since FY02, net local aid to the City has been reduced by \$180 million. The City lost approximately \$79 million between FY02 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$117 million between FY09 and projected FY11 with \$89 million lost in FY10 alone.

In preparing for the FY11 budget, the House Speaker and Senate President along with the Chairs of Ways & Means in both houses released guidance in mid-March stating that no municipality would receive greater than a 4% reduction in education or general government aid.

The FY11 estimate of state aid most closely resembles that of the final budget released in late May by the Senate.

On this basis, the City expects to receive a 5.1% reduction in aid revenues (including changes to smaller aid accounts). Net state aid (defined as state aid revenues decreased by the MBTA, charter school tuition, and other assessments) is expected to decrease for FY11 at a rate of 9.0%.

The guidance provided by the House and Senate was in direct conflict with the Governor's budget released in late January 2010 which called for no reduction in local aid for FY11. The Governor's recommendation was based on several targeted tax increases that the Legislature did not approve, so a veto of reductions in local aid made by the Legislature by the Governor is very unlikely.

*Education Aid*

The City received Chapter 70 education aid totaling \$215.8 million in FY08, \$198.1 million in FY09 (not including \$23 million paid through a

state grant instead of general fund revenues), and has budgeted \$217.0 million for FY10. The City estimates it will receive a reduction from the FY10 general fund budgeted amount to \$205.8 million in FY11.

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

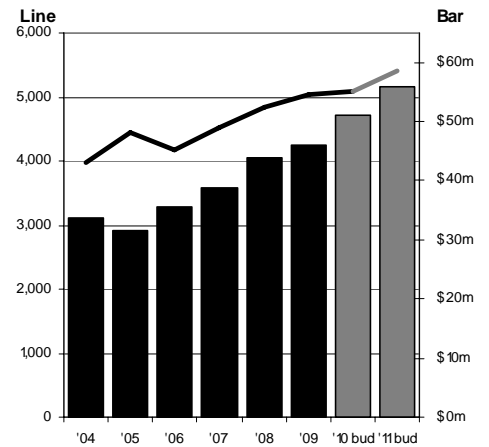
There are currently more than twenty Commonwealth charter schools and Horace Mann charter schools open to Boston resident students. There are approximately 5,086 Boston resident students attending Commonwealth charter schools in FY10. The City expects that number to rise to approximately 5,417 in FY11.

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

The net cost to the City for charter schools (which now includes a reimbursement for capital facilities as well as tuition) was \$41.6 million and \$45.9 million in FY08 and FY09, respectively. The City has budgeted a \$51.0 million net cost in FY10. In FY11 the City has budgeted a \$55.8 million net cost. (See Figure 5.)

#### *Unrestricted General Government Aid*

Beginning in the FY10 budget and going forward, the Governor and the Legislature have combined general government aid from lottery and additional assistance into one account. The combined accounts were reduced by \$45.9 million for FY10 on top of a reduction in FY09 of \$22.9 million for a two-year reduction in both accounts of \$68.9 million or 29.2% of the total. The City expects to receive another reduction of \$6.7 million in FY11 to \$160.2 million in FY11 from this account based on the Legislative guidance.



**Charter Schools Boston Enrollment and Net Cost**  
FY04 FY11  
Figure 5

Below are explanations of the component revenues.

#### *Lottery Aid*

The expected amount of lottery revenue available to be distributed to cities and towns as local aid has been in excess of the actual amount available for the past several years. This is due in part to slowing lottery sales and optimistic estimates by budget writers. The difference has been made up with general state revenues.

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

#### *Additional Assistance*

The Additional Assistance account was part of a "needs-based" aid package in the 1980's. Each municipality's allocation was determined through a formula that compared costs and revenues to statewide averages. Additional Assistance has

been important to Boston in supporting schools, public safety and other basic city services.

Additional Assistance had been level-funded since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the governor vetoed \$31 million from the statewide appropriation and the legislature failed to override that veto. Subsequently, the governor reduced additional assistance yet again in January 2003 for a total decrease of \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, those reductions fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year, and \$164.2 million in FY04 after a further reduction. The City received additional assistance in FY05, FY06, FY07 and FY08 that was level with FY04 amounts. Although \$164.2 million was budgeted in FY09, the City received \$148.2 million after a mid-year reduction by the state.

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

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

**LOCAL RECEIPTS**

Approximately 17.3% of the City’s recurring revenue in FY11 is comprised of excise taxes, fines, payments-in-lieu-of-taxes, investment income, departmental revenue, licenses and permits, penalties and interest, available funds and Teachers’ Pension reimbursement.

In FY08 the City collected \$528.7 million from these combined sources and \$547.9 million in FY09. The FY10 Budget assumes a decline to \$386.6 million (excluding Teachers’ Pension reimbursement from FY10 forward). The FY11 Budget assumes an increase to \$395.4 million (Figure 6). (See *Revenue Estimates & Analysis* section of Volume I for more detail on this revenue source.)

Many of the City’s recurring revenue streams are extremely sensitive to current economic conditions. Excise, interest on investments, and license and permit revenues of the City declined in FY10 as a result of the recession. FY11 assumes continued declines or only marginal growth in these revenues except for those with tax or fee increases. For instance, motor vehicles sales had stalled nationally with major U.S. automakers on the brink of bankruptcy, reporting last year, monthly sales declines of 50% or more. With high unemployment and a weak housing market adding to pressure on auto sales, the City expects motor vehicle excise growth to slow considerably or decline over the coming years.

The FY11 budget benefits tremendously from the addition of one new tax, the increase of another, and routine increases to various fees and fines that are all in place for the upcoming year. Without these increases, local receipts would be much less than the modest growth projected below.

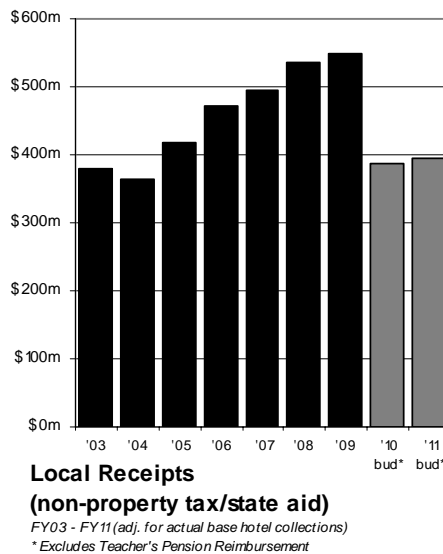


Figure 6

The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City adopted this tax and will collect a partial year of revenue in FY10. This revenue was not fully budgeted for FY10 due to approval of the new tax by the City Council after the adoption of the FY10 budget and uncertainties about the possibility of further local aid cuts at the time of adoption. The FY11 budget assumes a full year of collections.

The current economic climate has reduced business, leisure and international travel causing revenues from Hotel and Jet Fuel excises to fall significantly in FY10 and FY11, losing much of the gains from recent years. The state also granted an increase in the local hotel tax from 4% to 6% in FY10. This increase was implemented at the same time as the new meals tax.

With decreasing Federal Funds rates, the City's investment earnings are trending down even as cash balances have remained strong in recent years. FY10 and FY11 earnings are expected to drop precipitously.

License and permit revenues, as a result of building permits, had continued to grow in recent years due to strong residential and commercial development in the City. However, residential and commercial activity have slowed considerably in the current market as housing prices decline and credit for large commercial projects has become scarce. Building permit application fees have been increased in the FY11 budget.

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

The remaining sources of other revenue to the City are payment-in-lieu-of-tax agreements with non-profit institutions (such as the Massachusetts Port Authority) or set rates of fees, fines, penalties or interest. These usually endure economic changes with small changes in activity or revenue.

The Boston's Teachers' Pension Reimbursement is an item that is unique to the City among municipalities that was captured in the local receipts category prior to its elimination during FY10. The pensions paid to retired teachers in all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System. However, Boston teachers are members of the State-Boston Retirement System (SBRS). Prior to the passage of new legislation, the SBRS managed the investment of the teacher employee and teacher

retiree assets. Under this arrangement, the City funded the teachers' pension liability on an actuarial cost basis and was reimbursed by the state on the basis of the prior year's teacher retiree portion of the SBRS pension payroll. The teachers' pension reimbursement totaled \$105.4 million in FY08 and \$118.8 million in FY09.

As noted earlier, new legislation has replaced this form of financing Boston teachers' pension liability. Beginning in FY10, and continuing in succeeding years' budgets, the Commonwealth will directly fund Boston teachers' pension liabilities.

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

### ***Non-Recurring Revenue***

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

In FY11, the City will appropriate \$6.0 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and \$5.0 million for the Mayor's "Leading the Way" affordable housing program.

### ***Budgetary Fund Balance***

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, 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 FY11 Budget assumes the use of \$45 million of budgetary fund balance. Of that amount, \$35 million will be allocated to funding other post employment benefits (OPEB).

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

## EXPENDITURES

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY11 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

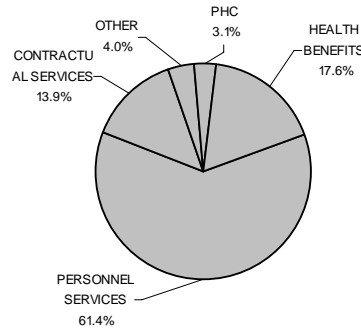
School Department, the City appropriation for the Boston Public Schools (BPS).

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. As anticipated, in early May 2010 an arbitrator issued a ruling in the arbitration case between the City of Boston and Local 718, International Association of Firefighters. The arbitrator's award of wage increases specifically related to random drug testing for firefighters became a source of debate in the Boston City Council when the arbitrator's decision and FY10 supplemental appropriation were put before the City Council for approval. A memorandum of understanding was negotiated between the City of Boston and the firefighter's union that reduced the arbitrator's award and extended the contract through FY11. Since most of the other union contracts expire at the end of FY10 or shortly thereafter, the current collective bargaining reserve only contains limited funding for the other successor agreements.

The Health Benefits appropriation provides 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,



**FY11 Appropriations by Category**

Figure 7

transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses.

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

### *Facing the Increasing Cost of Healthcare*

In FY11, the City will spend almost \$300 million in health insurance premiums for city employees and retirees – over 12% of the total City budget. Similar to other Massachusetts communities, Boston's health insurance costs have more than doubled over the last decade, compared to other City costs, which increased by about 30% over the same period. The City has taken multiple actions to address this rapidly increasing share of the budget, resulting in:

\$2.2 million savings per year through elimination of a costly indemnity plan for active employees.

\$9.6 million savings per year by increasing employees' share of HMO premiums from 10% - 15%.



\$300,000 FY11 savings, increasing each subsequent year to \$2.5 million in FY16, through the adoption of M.G.L.S.18a, effective July 1, 2011. S.18a requires Medicare-eligible retirees to enroll in a lower cost Medicare Plan.

Administrative cost savings through actuarial analysis and negotiations with health plans, reflected in lower rate increases from FY09 - FY11 of 7% - 9.5% for the City's most heavily enrolled plan.

Despite significance savings, most of these efforts required years of bargaining with the City's forty-four unions, and still only temporarily stemmed the cost increases from FY09 - FY11. The City still faces an over \$19 million increase in FY11 health insurance premiums.

<b>Health Insurance</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*	\$279.1	\$16.1	6.1%
FY11*	\$297.5	\$18.4	6.6%

(\$millions) \* Budget estimate

To further reduce the size of this annual increase, the City is working closely with other Massachusetts municipalities to establish new state legislation giving cities and towns the freedom to change plan design. Increasing employee co-pays and deductibles may reduce health plan premiums by up to 10%, as evidenced by savings incurred by the Commonwealth of Massachusetts in recent years, as it took advantage of its freedom to change design. Local cities and towns are seeking similar freedom to control costs, but the state legislature has yet to pass the necessary legislative changes.

**The Longer Term**

Growth in health insurance costs is a national issue, not unique to the City of Boston. The Massachusetts' Group Insurance Commission identifies six factors contributing to these increasing costs: increasing medical provider charges, increasing available technologies, aging population, overuse of certain services, high utilization of more expensive hospitals, and unhealthy lifestyle choices of members.

While the broader problem must be addressed by multiple parties, the City is working to make the changes that are within its control.

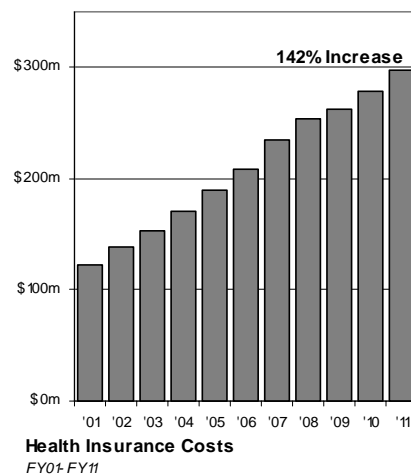


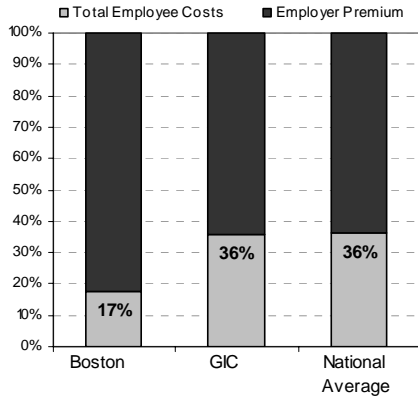
Figure 8

The first priority is to reduce the total cost of healthcare, for both the City and its employees and retirees. City efforts listed in the previous section decreased costs by eliminating high-cost plans and ensuring that claims which are the responsibility of Medicare are not being paid by City plans. Both of these changes resulted in savings for both the City and enrollees.

The enrollment chart below reflects the lower number of subscribers in more expensive indemnity plans, and also the potential for future savings as more retirees enroll in lower cost Medicare plans. The City also has comprehensive plans to proactively reach out and encourage existing retirees, who are not mandated under S.18a, to move to Medicare.

In FY11, the City will move further to reduce total costs by pursuing more cost effective alternatives for health plan administration. The City is also taking a deeper look at how to support employees and retirees in improving their health and making the best use of healthcare resources.

<b>City Healthplan Subscribers</b>			
<b>Healthplan</b>	<b>Active</b>	<b>Retiree</b>	<b>Total</b>
Indemnity	1,150	2,107	3,257
HMO	14,566	4,552	19,118
Medicare	0	5,900	5,900
<b>Total</b>	<b>15,716</b>	<b>12,559</b>	<b>28,275</b>



**Employee Share of Total Healthcare Costs\***

\*Premium plus "out-of-Pocket" (OOP) costs. Boston/GIC- Feb '10 Harvard Pilgrim only, premium share for employees hired after 6/30/03. GIC OOP costs estimated from 2008 Annual Report and Feb '10 premium decrease assumed to be full cost transfer to OOP. National Average of Commercial Plans from Hewitt Associates survey 9/29/09.

Figure 9

The City's second priority is to balance the share of growing health insurance costs between the City and its employees and retirees. Total healthcare costs include monthly premiums plus co-pays and deductibles paid "out of pocket" by the employee or retiree. As Figure 9 above shows, a newly hired state employee, covered by the State's Group Insurance Commission, pays almost 36% of these total costs, similar to the national average paid by employees in the commercial sector.

A City of Boston employee in a similar plan paid just over 17% of total costs in FY10. The financial impact of this difference to City services is significant. The City continues to work towards a more balanced sharing of costs with enrollees, by advocating to change state legislation for the freedom to change deductibles and co-pays.

**Budget Details**

FY11 health, dental and life insurance benefits for City employees and retirees are budgeted separately for City departments (\$207.4M), BPS (\$85.8M), and PHC (\$9.9M).

**Other Post Employment Benefits (OPEB)**

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for retiree health and life insurance benefits. The City pays for retiree health benefits as the actual expense is paid out on a pay-as-you-go basis, which greatly understates the full obligation. Similar to

pensions, employees earn these other post employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. In fact, this liability is greater than the City's pension liability. An independent actuarial valuation estimates the City's total OPEB obligation at June 30, 2009 at \$5.8 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 the fiscal 2008 budget the City appropriated an acknowledgement payment of \$20 million, a first step in addressing this unfunded promise. In the absence of legal authority to establish a trust fund for the purpose of prefunding OPEB liabilities, the City also established an OPEB Stabilization Fund that year. 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 and appropriated \$20 million to this Trust Fund in the FY10 budget.

The City will allocate \$35 million in FY11 toward reducing this liability. Again, this appropriation is a mere fraction of the \$373 million required to fund this obligation for the year. 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 105 public pension systems governed by Massachusetts General Law Chapter 32. The most recent completed valuation of the

SBRS, based on January 1, 2008 data, committed to funding based upon a schedule which includes

**Post Employment Benefits  
as of June 30, 2009**  
(\$ in billions)

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
<b>Pension*</b>	\$4.1	\$6.9	\$2.8	59.3%
<b>OPEB</b>	---	\$5.8	\$5.8	0.0%

\* As of January 1, 2009

paying the normal cost and an annual contribution toward reducing the unfunded liability to zero by the year 2023. The SBRS is currently working on a valuation based upon data from January 1, 2010. As in prior valuation updates, the date for reducing the unfunded liability to zero is subject to change. Current state law allows systems to fully fund by no later than 2030.

The City's annual pension funding requirement was \$202.9 million in FY08, \$213.2 million in FY09, and was budgeted for \$112.6 million in FY10 and \$117.2 in FY11. The amounts for FY10 and FY11 have undergone a large-scale downward adjustment due to legislation passed in May, 2010. This is a neutral event, as the reimbursement for Teachers' Pension costs has also been eliminated.

See the *Financial Management* chapter of this volume for a detailed explanation of this change.

As of January 1, 2009, during the prior two calendar years, the SBRS actuarial value of assets decreased by 1.2% as the SBRS pension liability increased by 10.9%. As of January 1, 2009 the SBRS pension liability was 59.3% funded, as compared to the 66.5% two years ago. The SBRS rates of return, as calculated for the statewide annual report, for the prior two years (calendar 2007 and calendar 2008) were 10.4% and -24.2%. The SBRS rate of return for 2009 was 19.65%. The SBRS is currently making a final calculation on its January 1, 2010 liability, which will be available in an actuarial report available in the fall of 2010.

In calendar year 2008 a pension investment return of negative 24.2%, was similar to decreases experienced by other Massachusetts public pension systems. The next valuation, as of January 1, 2010, will reflect the 2008 and 2009 investment results. This valuation will not impact the City

budget until FY12. The large 2008 loss will be partly offset by the 2009 rate of return by SBRS of 19.65%, which was its highest since 2003. The 2008 loss was unprecedented for a single year, but not as great as experienced by most local public pension systems in Massachusetts. It will impact budgets initially in FY12, and also for years after, since investment gains and losses are typically spread over five years. As the new SBRS valuation is completed, the City will review its budgetary impact and the practicality of schedule adjustments, such as extending the date for fully funding the system from the current 2023 target. The amortizing of the unfunded liability constitutes about three-quarters of the pension appropriation.

**ENERGY MANAGEMENT**

**Energy Management Board**

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use and conservation of energy and to minimize the associated greenhouse gas impacts to public health. The Energy Management Board is comprised of the Chief of Environmental Services, Director of Administration and Finance, Chief of Public Property and the Chief of Public Health. In FY11 the City will create a new energy advisor position, made possible through the American Recovery and Reinvestment Act (ARRA) Energy Efficiency Block Grant, to oversee energy consumption and supply procurement. In FY11 energy budgets total \$51.7 million with electricity costs making up 55% of the budget, natural gas costs making up 25% of the budget and gasoline/diesel comprising 10% of the budgets. The remaining 10% of the budget funds water and sewer, steam and heating oil.

**Energy Management Policies**

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

- Coordinate and enhance existing conservation programs
- Incorporate best practices for both operations & maintenance and future capital investment.

- Focus on efficiency projects using currently-available and proven technologies
- Analyze the financial impacts of project implementation.

### ***Energy Management Strategies***

Following the policy of best practices in both operations & maintenance (O&M) and capital investment, strategies have been developed to implement energy conservation projects.

Strategies include:

- Maximizing the use of energy efficiency subsidies provided by energy efficiency distribution tariffs and distributed by local utility companies;
- Using existing Energy Management Systems (EMS) to control energy use at existing buildings;
- Providing for a green energy component in the City's electric supply contract;
- Supporting electric grid reliability and generate revenue and energy savings with demand response contract; and
- Implementing energy performance contracts to get necessary capital improvements and ensure operational efficiencies.

### ***Energy Management Success Stories***

In FY11, the City hopes to continue its trend of energy management successes. In FY09 the City of Boston executed a contract with EnerNoc for electric demand response management seeking to curtail 1,300 kW during peak electric consumption periods. Boston expects to receive payments of approximately \$60 thousand annually for participating in the demand response program. Also, in FY09 the Property and Construction Management Department implemented a utility-subsidized lighting control project that included light and occupancy sensors at Boston City Hall saving approximately 1.3 million kWh and avoiding more than \$200 thousand in costs. Property and Construction Management's utility budget has been level-funded even with the transfer of utility costs of the former printing plant in FY11.

In FY10 the City of Boston executed a successor electric supply contract for a three-year term that expired in March 2010. The new contract will use the same pricing model whereby the City buys its electricity in the variable day-ahead electric supply market to get the lowest cost possible. The

City estimates that it avoided approximately \$11.7 million in electric supply costs over a three-year period versus what it would have paid NSTAR, the local electric distribution company, for the same electric supply.

In FY11, the most dramatic changes in energy use will have come in the Boston Public Schools and the Boston Public Libraries. For FY11, Boston Public Schools reduced its utility budget by almost \$3 million by shedding 6.8 million kWh of electricity and 1.6 million therms of natural gas. This energy savings was achieved through a mix of projects including a complete lighting retro-fit, computer power-save programs and by adjusting temperatures with its centralized Energy Management System (EMS). The Boston Public Library (BPL) also used its EMS system to centrally adjust temperatures at its branches and central branch, and also changed lighting schedules and installed light and occupancy sensors will save 3.2 million kWh. BPL will see a \$36,000 reduction in its FY11 utility budget. Although BPL avoided almost \$500,000 in costs in FY11, the budget reduction is not as dramatic because state funds budgeted to subsidize the utility budget in FY10 are not available in FY11.

Future projects for FY11 and beyond include a capital energy performance project for BPL's Johnson Building and an additional phase of energy projects at Boston City Hall. The Johnson Building project is expected to save 6 million kWh of electricity or approximately \$900,000. The next phase of the Boston City Hall project is projected to save 2.1 million kWh or approximately \$400,000. Finally, the Environment Department will make a capital investment to support renewable energy by installing a new 1,650 kW wind turbine on Moon Island. This new wind turbine will generate over 4 million kWh of electricity annually. This electricity will be sold to the City's local electric distribution company, NSTAR, thus providing renewable energy source to the electric grid and subsidizing the City's electric costs with net metering.

**APPROPRIATIONS**

**City Departments**

The combined appropriations for City Departments as shown in the FY11 Summary Budget have increased by 1.3% from the FY10 appropriations. Approximately 74% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits.

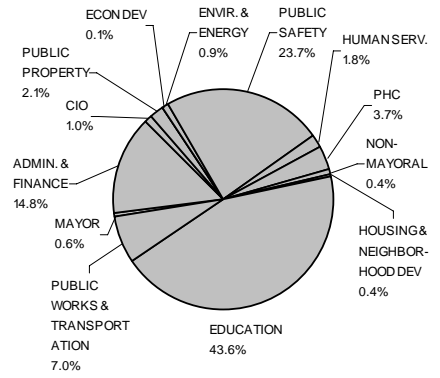
Reductions were made in both personnel and non-personnel accounts for most departments. The departmental appropriations are shown in the Appropriation by Cabinet table. It should be noted that most level-funded departmental appropriations are effectively reductions given that the City is obligated to implement collective bargaining pay increases in FY11 for the twenty-four unions that agreed to defer contractual wage increases for FY10 to FY11.

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 FY10/FY11 changes by cabinet are as follows:

**Mayor's Office**

This cabinet will see an increase of 1.1% in FY11. Most departments in the Mayor's Office Cabinet have been level-funded or reduced. Only the Intergovernmental Relations and Public Information budgets will see increases in FY11. In both of these departments, the increases reflect the staffing requirements to ensure the Mayor's policy agenda is implemented. The Mayor has prioritized funding in two areas in his cabinet. First, given the City's ongoing dependence on federal and state revenues and the importance of the Census for future federal funding, Intergovernmental Relations will require additional funds to support its staffing. Second, the Mayor's 24-Hour Constituent Engagement program in the Public Information Department contains a new position of Director of Constituent Engagement. The program will enhance its partnership with the Department of Innovation and Technology (DoIT) and front-line service delivery departments to manage the Constituent Relationship Management (CRM) system. This system dispatches work to the responsible city



**FY11 Appropriations by Cabinet**

Figure 10

departments and tracks the final resolution. Costs related to CRM technology are budgeted in DoIT.

To better capture its larger mission, the Mayor's Office of Emergency Preparedness will be renamed the Mayor's Office of Emergency Management in FY11. Its general fund appropriation has been reduced by 5.2% due to new external resources.

**Administration and Finance**

The Administration and Finance Cabinet administers to the day-to-day management of city government. Excluding the City's central appropriations for Health Insurance, Medicare, Unemployment, Workers Compensation and tax title, the consolidated cabinet will see a net decrease of 0.6% in its FY11 appropriation.

Implementing the final phase of a decision made in FY09, the Graphic Arts Department, home of the City's in-house printing plant, will be closed in FY11 and the appropriation eliminated. The remaining printing and binding staff will be laid off and the Purchasing Division will assume responsibility for procuring any required printing services as well as operating the central copy center. With continually expanding use of desktop publishing and electronic communication, employees will be encouraged to print less material on paper. More materials will be generated with desktop publishing and then copied at the copy center. The Office of Budget Management (OBM) manages the City's operating and capital budget development and resource planning processes as well as the Boston about Results (BAR) performance management program with the Office of Administration and Finance.

OBM will see a 1.3% reduction in its FY11 appropriation. The Auditing Department is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports and maintaining the financial records of the City. Auditing will see a 1.7% reduction in its FY11 appropriation due to delays in hiring and the use of American Recovery and Reinvestment Act (ARRA) indirect administrative funding.

The Health Insurance appropriation for City employees and City and BPS retirees will increase by 5.8% over the FY10 appropriation, requiring an additional \$11.3 million. The Health Insurance appropriation also includes the cost of dental and vision coverage for employees (non- BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Office of Human Resources (OHR), while overseeing a strategic reduction in citywide hiring, will continue to operate the Career Center to streamline the hiring processes to recruit a superior workforce for the positions that need to be filled. OHR has a level-funded appropriation in FY11.

The Library Department will see a 2.2% increase in its FY11 appropriation. The Library will close four of twenty-six branch libraries and consolidate and reduce services at the central branch. There will be strategic capital investments made in the remaining branch libraries. A decision was made at the time the FY11 budget was resubmitted to City Council in late June 2010 to extend the branch closure dates later in FY11 to provide more time to complete the closure plan.

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

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

In FY11 the Management and Information Services (MIS) department will be renamed the Department of Innovation and Technology (Do IT) to capture the innovative and technological

efficiencies implemented by the department. Despite a reduction of 0.3%, the FY11 Do IT budget will maintain the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. In FY11, Do IT will continue to shape the City's Information Technology (IT) strategy and to manage the City's entire technology project portfolio including ongoing projects such as enterprise-wide permitting and licensing, the Constituent Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS), imaging and workflow and the identity and access management project. In FY11 DoIT will invest in public safety with an upgrade to the Computer Aided Dispatch (CAD) system. 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) will further the goals of the Community Learning Initiative. DoIT successfully secured a competitive grant, the Boston Public Computing Grant. This grant, funded by the American Recovery and Reinvestment Act (ARRA), will create forty-eight modern public computing sites located at BCYF, BPL & Boston Housing Authority (BHA) facilities. This investment will double the current number of computing sessions and hours over the next two years.

### ***Public Safety***

The 0.4% increase in this cabinet reflects a 1% increase in the Fire Department appropriation. The Police Department is level-funded for FY11.

The Police Department's appropriation will not be reduced in FY11 in order to meet certain federal grant requirements. The Police Department was fortunate to have secured a competitive American Recovery and Reinvestment Act (ARRA) Community Oriented Policing Services (COPS) Hiring Recovery Grant totaling more than \$11.8 million over three years. These funds have allowed the City to retain fifty police officers who were scheduled to be laid off in October 2009. One of the requirements of the grant is to maintain sworn police officer staffing levels consistent with what was funded in the FY10 all-funds budget. It should be noted that the FY10 all-funds budget supported sworn staffing levels that were also bolstered by a

one-time \$3.9 million award from the ARRA-Byrne-Justice Assistance grant. This grant expires in early FY11. The FY11 budget includes a recruit police officer class for the fall of 2010 to ensure that the City will maintain its sworn staffing levels.

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

The FY11 budget for the Fire Department will increase by approximately \$1.8 million or 1%. The department saw much higher than normal sworn firefighter disability retirements at the end of FY09 with the passage of state pension reform legislation that changed the protocol for calculating a permanently injured firefighter's pension. The FY11 budget includes a new firefighter recruit class scheduled in early FY11 to replace some of these retirees and ensure the staffing levels in the fire suppression category are maintained at the desired operational level. In addition, the FY11 budget includes further improvements to fleet maintenance operations including the hiring of additional civilian staff with expertise in vehicle repair. The FY11 budget also includes scheduled wage increases resulting from an arbitrator's award and subsequent memorandum of understanding that was negotiated between the City of Boston and the firefighter's union.

### ***Economic Development***

The Small and Local Business Enterprise Office (S/LBE) is responsible for ensuring the equitable participation of small and local businesses, as well as minority and women businesses, in the City's contracting arena. S/LBE is responsible for educating City departments regarding the requirements set forth in an ordinance to establish

the City of Boston's Minority and Women Business Enterprise Initiative signed by the Mayor in the summer of 2008. The Office of Boston Residents Jobs Policy's mission is to increase construction opportunities for Boston's residents, minorities and women. Together, the Small and Local Business Enterprise and Boston Residents Jobs Policy offices show a small increase of 0.9% or \$9,000 from their FY10 appropriation. The Boston Redevelopment Authority will continue to fully fund its operation as the City's central planning department within the existing BRA revenue structure without support from the City's general fund in FY11.

### ***Public Property***

The Property and Construction Management Department will be level-funded in FY11 due to the elimination of several vacant positions resulting from recent retirements in the department. The utility savings related to a lighting control project at Boston City Hall implemented in FY09 will roll forward into FY11. Property and Construction Management is responsible for all major renovations to City buildings and is leading the effort to consolidate the storage needs of the City Archives and the Boston Public Library at the Rivermoor building.

The Arts, Tourism & Special Events and the Consumer Affairs & Licensing departments will see decreases of 2.7% and 3.2%, respectively. Both departments had position layoffs in FY10. The associated unemployment costs will not carry over to FY11.

The Department of Voter Mobilization will see a 2% reduction in FY11. The department's budget varies each year based on the number and type of elections scheduled to take place. In FY11 two statewide elections for Governor are scheduled. 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 has been prioritized.

The Parks and Recreation Department budget will see an increase of 0.7% in FY11. The Parks Department will maintain the Park Ranger mounted unit in FY11 with the non-personnel

costs related to horse care being covered with private donations. It should be noted that the \$2.1 million cost of the Cemetery program is included as part of the Parks Department budget but supported through a separate appropriation from fees collected and deposited into the Cemetery Trust Fund.

### ***Public Works & Transportation***

The administrative, financial, technological and public information resources for Public Works and Transportation are consolidated in the Office of the Chief of Public Works and Transportation. Work continues on the effort to eliminate functional overlaps in the two departments to identify efficiencies and improve service delivery. An example of this ongoing effort is the consolidation of the Sanitation and Recycling programs into one Waste Reduction program in the Public Works Department. The new program will create management and staffing efficiencies as well as provide a singular message that recycling is an integral part of the waste management operation. Individual budgets in this cabinet include Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for snow removal. Excluding the budget for snow removal, the Cabinet reflects a decrease of 1.1%.

The Public Works Department's FY11 appropriation is seeing a decrease of 1.0%. In FY11 the single stream recycling program will be available citywide. Furthermore, with the market for the sale of recycled materials improving, Public Works will go back to a revenue sharing model with its recycling vendor that will save \$650,000 in recycling disposal costs. Due in part to increasing recycling tonnage and economic conditions that produce less regular waste, Public Works was able to reduce its regular disposal costs by over \$630,000 by factoring in a continued trend of less tonnage of regular waste. Finally, waste collection costs for one outstanding contract negotiated at the end of FY09 produced additional budget savings. Collectively, all these items saved almost \$1.8 million on the waste removal budget line.

In FY11, the Transportation Department will see a decrease of 1.0%. This decrease primarily reflects a 15% reduction in the parking ticket processing fees paid to a vendor to manage the information

systems of the City's parking violations program. A more competitive bidding environment for parking violations management resulted in a very favorable bid for those services.

With the installation of parking meters purchased in FY09, Transportation now has almost 8,000 metered parking spaces in the City.

Approximately 7,100 spaces are covered with single space meters and approximately 800 spaces are covered with multi-space parking meters. The department continues to explore areas where metering would improve parking turnover and access to curbside parking.

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

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

The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 1.0% decrease in FY11. The Environment and Energy Cabinet focuses on energy policy including renewable energy, green buildings, and electricity deregulation in addition to enforcing the City's building, housing and environmental regulations. The collective efforts are generally referred to as the City's Municipal Sustainability Program.

The Inspectional Services Department (ISD) will see a decrease of 1.1% with the elimination of recently vacated positions. 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 newly renamed 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. Currently the ISD Constituent Services, Environment and Health units are using APIS. The Buildings unit will be the next functional area to migrate to the system with the Housing and Weights and Measures units to follow.

The Environment Department will be level-funded in FY11. The Environment Department will continue to provide funding for the Boston



Groundwater Trust for the monitoring of groundwater in areas of the City where low groundwater levels put Boston's historic buildings at risk of being structurally compromised. In FY11, the department will continue to use ARRA funds to retrofit existing homes and implement energy efficiency programs in small businesses.

**Human Services**

Overall, the FY11 appropriation for the Human Services Cabinet shows a decrease of 0.1% from the total FY10 appropriation. The Boston Centers for Youth and Families (BCYF) budget will increase only by .1% in FY11 with a two-year reorganization plan that will eventually close or consolidate a number of community center sites. In FY11, eight sites will be consolidated with 17 positions being eliminated and 12 positions being redeployed to other sites. In most cases the space being freed up by BCYF consolidations and closures, will be used by existing non-profit partners using space at the sites already or entirely new partners. In other cases it will allow Boston Public Schools to use the space for expanded programming if needed. The goal is to move beyond just gym and swim programs and to redirect resources to strengthen the remaining centers and expand program offerings specifically for teens, the arts and information technology. In the area of information technology programming, BCYF centers will benefit from the ARRA-Boston Public Computing grant, managed by the Department of Innovation and Technology that will modernize BCYF's computing centers. BCYF will partner with community center site councils, (independent non-profit organizations set up specifically to support the local community centers), to transition the Tiny Tots pre-school programs to site council funding over three years. The FY11 budget assumes that the site councils will fund 25% of the compensation and benefits of program staff and assumes that any new employees for the Tiny Tot program will be employed directly by the site council. BCYF will continue to partner with the Family Nurturing Center and the Boston Housing Authority in FY11 to support the Smart from the Start initiative; a public-private collaboration to create, expand and strengthen neighborhood-based systems and programming that prepare Boston's lowest income children and their families for a successful academic experience at school. Smart from the

Start programs exist in the three neighborhoods of Charlestown, Mattapan and Roslindale, where BCYF centers are located adjacent to Boston Housing Authority developments. This program is a component of the City's "Thrive in Five" initiative – a public/private partnership aimed at promoting school readiness.

The Youth Fund will continue its successful partnering with community-based organizations. The FY11 general fund appropriation for the Youth Fund has been level funded and together with available state funds is projected to provide an estimated 3,000 summer jobs. The City is expecting to receive reduced funding from the Commonwealth of Massachusetts for the YouthWorks program that targets summer jobs for at-risk and low income youth. However, even with a projected 44% reduction in state resources, together with all of its partners, the City's goal is to provide 8,500 jobs. (See Figure 11.)

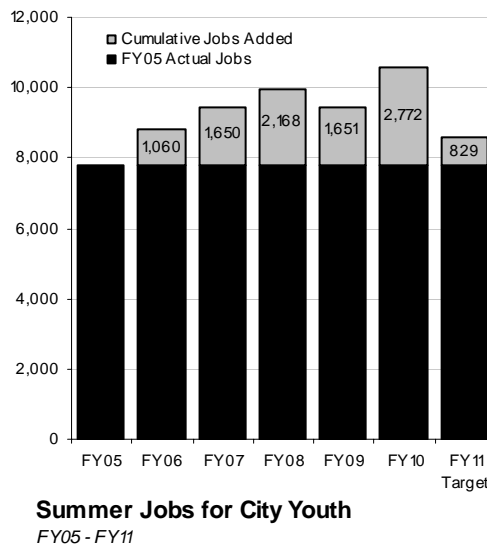


Figure 11

In FY11, the Elderly Commission will see a 1% decrease partially achieved through the maximization of its external resources. The Emergency Shelter Commission will be merged into the Public Health Commission in FY11 eliminating its separate appropriation. The increase reflected in the Veteran's Services department is almost exclusively related to the Aid to Veteran's appropriation that covers state-mandated veteran expenses and are reimbursed by

the Commonwealth of Massachusetts at 75% of the actual costs.

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

The Housing and Neighborhood Development cabinet is showing a net decrease of 1.7 %. The operating budget for the Department of Neighborhood Development (DND) was reduced by 4.7% due to the shift of some personnel expenses to the Neighborhood Stabilization Program 2 grant (NSP2) and the removal of some one-time expenses in FY11 related to maintenance at a property acquired through tax foreclosure in FY10. In FY11 DND will be funding portions of its foreclosure prevention and intervention programs with the NSP grant and expects to use Leading the Way funding for homeless housing production, down payment assistance, and for activity related to real estate owned (REO) properties. In FY11, Leading the Way resources will be used to fulfill the following goals: to help new homebuyers enter the market including purchasing bank-foreclosed properties; to stabilize neighborhoods by assisting homeowners with repairs of their homes; and by securing and acquiring distressed bank-owned properties for redevelopment to ownership or rental housing; to create supportive housing for homeless families and individuals and; to preserve rental housing.

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

### ***Public Health Commission***

The Boston Public Health Commission serves as the city's health department and provides community health programming, infectious disease surveillance, shelter and food for homeless individuals, substance abuse prevention and treatment programs, emergency medical services, and this year includes the Mayor's Emergency Shelter Commission programs. The FY11 appropriation for the Public Health Commission decreased by 0.3% from the FY10 appropriation.

In FY11, the Public Health Commission will continue to develop innovative programs to address chronic disease prevention and wellness

promotion in the city of Boston using strategies focused on increasing opportunities for healthy eating and safe physical activity. Violence prevention efforts remain a priority and the Commission works closely with residents to address community violence through the Violence Intervention and Prevention (VIP) initiative. The Commission has redoubled its efforts to ensure healthy pregnancies and births by prioritizing the reduction of disparities in sexually transmitted infections and poor birth outcomes.

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 Public Health Commission budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital, [and transferred the public health operations of the former Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH) to the Public Health Commission.] The direct payment requirement is level funded with FY10.

The appropriation also provides \$10.97 million in funding for Emergency Medical Services (EMS). Since increasing the number of ambulance units in FY09, EMS has reduced response times citywide.

### ***School Department***

The FY11 School Department budget will increase by \$3.5 million, or 0.4%, from the FY10 appropriation. The department's budget will require position reductions and layoffs but will also advance academic priorities by improving opportunities for English Language Learners and expanding arts and music programming. The School Department will use approximately \$21.7 million in federal funding provided by the American Recovery and Reinvestment Act (ARRA) to sustain school operations and make strategic investments FY11.

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

**Reserve for Collective Bargaining**

As mentioned earlier, most union contracts in City Departments expire at the end of FY10, or shortly thereafter. The FY11 recommended collective bargaining reserve only includes limited funding for successor agreements for those unions. Debt Service

The City had expenditures for debt service of \$115.9 million in FY08 and \$119.4 million in FY09. The City has a budget of \$130.6 million for debt service in FY10 and expects to spend \$130.1 million on debt service in FY11. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in March 2010, Standard and Poor's and Moody's Investors Service reaffirmed Boston's AA+ and Aa1 ratings, respectively. In April 2010, Moody's Investors Service began the recalibration of its long-term U.S. municipal ratings to its global rating scale, in order to be more in line with the ratings it issues for corporate debt. Accordingly, Moody's has recalibrated the City's of Boston's bond rating from Aa1 to Aaa. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

**State Assessments**

Accompanying the local aid distributions on the cherry sheet are charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid, was added. Aside from the 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 and the MBTA assessment, cannot increase by more than 2.5% annually on a

statewide basis. The City's state assessments (inclusive of Charter School Tuition) were \$128.3 million in FY08 and \$137.7 million in FY09. The City expects growth in assessments to \$145.8 million in FY10 and to \$148.7 million in FY11.

<b>Tregor Reserve Fund</b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds In</b>	<b>Funds Out</b>	<b>Ending Year Balance</b>
FY04	21.140	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.644
FY06	22.644	1.457	0.000	24.101
FY07	24.101	2.230	0.000	26.330
FY08	26.330	1.125	0.000	27.455
FY09	27.455	0.021	0.000	27.476
*FY10	27.476	0.000	0.000	27.476
*FY11	27.476	0.000	0.000	27.476

Notes: (\$millions), \*projected

**Suffolk County Sheriff**

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

In FY10, the City was responsible for funding roughly 4% of the Sheriff's Department budget with the Commonwealth funding the rest. State legislation was passed during FY10 that moved the Sheriff and the Sheriff's department employees to the state effective January 1, 2010. The one residual liability that will continue to be a cost for the City is the unfunded pension liability of current retirees of the Sheriff's department, who shall remain as members of the State-Boston Retirement System (SBRS). The FY11 annual cost is expected to be 2.4% less than was provided in FY10 for Suffolk County Sheriff. This funding level will be required to be paid during the course of the multi-year pay down. Once the unfunded liability is fully paid down, all funding by the City for the Suffolk County Sheriff's department shall cease.

**Reserve**

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

<b>State Assessments</b>				
	<b>FY08 Actual</b>	<b>FY09 Actual</b>	<b>FY10 Budget</b>	<b>FY11 Budget</b>
M.B.T.A.	\$ 67,531,540	\$ 71,436,756	\$ 74,728,852	\$ 74,532,457
Charter School Tuition	55,466,364	61,257,924	66,004,010	69,053,708
RMV Non-Renewal Surcharge	3,606,700	3,301,680	3,301,680	3,359,720
Other Assessments	1,671,024	1,715,704	1,742,082	1,734,328
	\$ 128,275,628	\$ 137,712,064	\$ 145,776,624	\$ 148,680,213

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. (See *Financial Management* section of Volume I for detail.)

# Appropriations by Cabinet

Cabinet	Department	FY08 Expenditure	FY09 Expenditure	FY10 Appropriation	FY11 Appropriation	Inc/(Dec) 11 vs 10
Mayor's Office	Emergency Management	257,105	312,846	328,331	311,392	-16,939
	Intergovernmental Relations	956,011	950,423	1,017,480	1,137,372	119,892
	Law Department	6,142,422	5,580,467	5,496,960	5,476,960	-20,000
	Mayor's Office	2,256,457	2,142,318	2,126,467	2,126,467	0
	Neighborhood Services	1,265,489	1,260,987	1,280,133	1,280,133	0
	Office of New Bostonians	337,010	348,982	334,401	334,401	0
	Public Information	1,013,749	1,091,691	1,151,311	1,201,580	50,270
	<b>Total</b>	<b>12,228,243</b>	<b>11,687,714</b>	<b>11,735,084</b>	<b>11,868,306</b>	<b>133,222</b>
Administration & Finance	Office of Administration & Finance	624,885	915,102	846,796	835,534	-11,262
	Assessing Department	6,412,743	6,479,171	6,543,004	6,393,004	-150,000
	Auditing Department	2,258,875	2,284,654	2,309,442	2,270,037	-39,404
	Budget Management	2,832,703	3,187,799	2,730,478	2,693,657	-36,820
	Execution of Courts	3,499,841	4,805,672	3,500,000	3,500,000	0
	Graphic Arts Department	1,514,891	1,514,906	1,276,625	0	-1,276,625
	Health Insurance	182,583,082	186,480,707	196,076,530	207,414,861	11,338,331
	Human Resources	3,075,990	3,184,823	3,223,204	3,223,204	0
	Labor Relations	1,349,570	1,507,047	1,480,724	1,410,881	-69,843
	Library Department	29,600,665	31,211,214	29,714,692	30,369,142	654,450
	Medicare Payments	5,718,699	6,169,605	6,595,000	7,250,000	655,000
	Pensions & Annuities	4,144,023	4,148,132	4,200,000	4,200,000	0
	Purchasing Division	1,340,535	1,365,568	1,251,390	1,720,203	468,813
	Registry Division	912,205	946,084	974,292	995,597	21,305
	Treasury Department	4,565,296	4,394,550	4,306,703	3,656,703	-650,000
	Unemployment Compensation	12,275	13,970	50,000	350,000	300,000
	Workers' Compensation Fund	2,199,700	2,409,471	1,900,000	2,200,000	300,000
<b>Total</b>	<b>252,645,976</b>	<b>261,018,475</b>	<b>266,978,878</b>	<b>278,482,824</b>	<b>11,503,945</b>	
Chief Information Officer	Department of Innovation and Technology	18,407,554	19,517,374	18,665,003	18,614,675	-50,328
<b>Total</b>	<b>18,407,554</b>	<b>19,517,374</b>	<b>18,665,003</b>	<b>18,614,675</b>	<b>-50,328</b>	
Public Safety	Fire Department	165,734,767	165,300,211	174,201,053	175,970,200	1,769,147
	Police Department	281,610,495	288,631,946	270,874,944	270,874,944	0
	<b>Total</b>	<b>447,345,262</b>	<b>453,932,156</b>	<b>445,075,997</b>	<b>446,845,145</b>	<b>1,769,147</b>
Education	Boston Public Schools	795,487,879	810,005,673	817,882,402	821,382,404	3,500,002
<b>Total</b>	<b>795,487,879</b>	<b>810,005,673</b>	<b>817,882,402</b>	<b>821,382,404</b>	<b>3,500,002</b>	
Economic Development	Boston Residents Job Policy	489,952	461,835	446,777	460,865	14,088
	Small/Local Business	575,645	594,859	604,408	599,714	-4,694
	<b>Total</b>	<b>1,065,597</b>	<b>1,056,695</b>	<b>1,051,185</b>	<b>1,060,579</b>	<b>9,394</b>
Public Property	Arts, Tourism & Special Events	1,641,890	1,715,425	1,675,911	1,630,790	-45,121
	Consumer Affairs & Licensing	414,624	466,355	450,013	435,772	-14,240
	Department of Voter Mobilization	3,241,420	3,094,737	3,205,742	3,142,447	-63,294
	Parks & Recreation Department	16,047,729	16,137,612	15,093,334	15,196,211	102,877
	Property & Construction Mgmt.	22,687,540	22,398,954	19,433,066	19,433,066	0
	<b>Total</b>	<b>44,033,202</b>	<b>43,813,084</b>	<b>39,858,065</b>	<b>39,838,287</b>	<b>-19,778</b>
Public Works & Transportation	Central Fleet Maintenance	2,026,114	2,495,554	2,001,254	1,992,053	-9,201
	Office of Chief of PWD & Transportation	1,751,561	1,483,844	1,492,289	1,384,987	-107,302
	Public Works Department	86,687,043	86,879,509	82,083,207	81,245,610	-837,597
	Snow Removal	17,164,571	21,562,224	15,943,706	15,943,706	0
	Transportation Department	27,667,511	29,329,490	30,824,751	30,516,503	-308,248
	<b>Total</b>	<b>135,296,800</b>	<b>141,750,622</b>	<b>132,345,207</b>	<b>131,082,858</b>	<b>-1,262,349</b>
Environment & Energy	Environment Department	1,326,501	1,352,210	1,321,049	1,321,048	0
	Inspectional Services Dept	15,276,659	15,782,686	15,683,124	15,511,443	-171,681
	<b>Total</b>	<b>16,603,160</b>	<b>17,134,896</b>	<b>17,004,173</b>	<b>16,832,491</b>	<b>-171,681</b>
Human Services	Boston Centers for Youth & Families	21,759,426	22,087,006	21,659,229	21,674,447	15,219
	Civil Rights	316,432	323,740	321,197	321,197	0
	Elderly Commission	2,905,450	3,011,636	2,848,676	2,820,264	-28,412
	Emergency Shelter Commission	545,087	567,747	553,062	0	-553,062
	Veterans Services Department	4,451,460	4,635,333	4,276,038	4,809,306	533,268
	Women's Commission	157,388	157,280	159,800	159,800	0
	Youth Fund	4,261,425	4,622,038	4,638,373	4,638,373	0
	<b>Total</b>	<b>34,396,668</b>	<b>35,404,780</b>	<b>34,456,376</b>	<b>34,423,387</b>	<b>-32,989</b>
Housing & Neighborhood Development	Leading the Way	5,669,000	5,000,000	4,979,000	5,000,000	21,000
	Neighborhood Development	3,095,969	3,778,970	3,402,945	3,242,792	-160,152
	<b>Total</b>	<b>8,764,969</b>	<b>8,778,970</b>	<b>8,381,945</b>	<b>8,242,792</b>	<b>-139,152</b>
Public Health	Public Health Commission	68,194,763	69,445,774	70,000,000	69,793,000	-207,000
	<b>Total</b>	<b>68,194,763</b>	<b>69,445,774</b>	<b>70,000,000</b>	<b>69,793,000</b>	<b>-207,000</b>
Non-Mayoral Departments	City Clerk	912,527	997,655	978,547	1,005,976	27,429
	City Council	4,568,280	4,549,240	4,538,123	4,676,230	138,107
	Finance Commission	188,605	192,620	217,986	217,822	-40,164
	Licensing Board	616,558	737,423	718,720	718,721	0
	<b>Total</b>	<b>6,285,970</b>	<b>6,476,938</b>	<b>6,453,376</b>	<b>6,578,748</b>	<b>125,372</b>
<b>Grand Total</b>	<b>1,840,756,043</b>	<b>1,880,023,150</b>	<b>1,869,887,691</b>	<b>1,885,045,495</b>	<b>15,157,805</b>	

## Personnel Summary

		1/1/08	1/1/09	1/1/10	1/1/11	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
<b>Office of the Mayor</b>	Intergovernmental Relations	10.0	9.0	8.7	8.7	-
	Law Department	53.0	50.0	44.0	44.0	-
	Mayor's Office	27.0	26.0	20.0	21.0	1.0
	Neighborhood Services	24.0	23.0	22.0	22.0	-
	Office of Emergency Preparedness	1.0	2.0	2.0	2.0	-
	Office of New Bostonians	5.0	5.0	5.0	5.0	-
	Public Information	18.1	17.6	17.6	17.6	-
	<b>Total</b>	<b>138.1</b>	<b>132.6</b>	<b>119.3</b>	<b>120.3</b>	<b>1.0</b>
<b>Administration &amp; Finance</b>	Office of Administration & Finance	6.0	7.0	7.0	5.9	(1.1)
	Assessing Department	88.0	89.0	86.0	87.0	1.0
	Auditing Department	34.0	33.0	32.0	32.0	-
	Budget Management	22.9	24.9	23.9	23.9	-
	Graphic Arts	29.0	27.0	23.0	-	(23.0)
	Human Resources	45.6	47.6	46.6	45.1	(1.5)
	Labor Relations	11.4	10.4	11.0	10.0	(1.0)
	Library Department	428.3	435.2	396.6	391.9	(4.7)
	Purchasing Division	20.0	20.0	18.0	23.0	5.0
	Registry Division	19.0	19.0	18.0	18.0	-
Treasury Department	52.0	53.0	53.0	53.0	-	
	<b>Total</b>	<b>756.2</b>	<b>766.1</b>	<b>715.1</b>	<b>689.8</b>	<b>(25.3)</b>
<b>Chief Information Officer</b>	Dept of Innovation & Technology (DoIT)	100.0	107.0	108.0	108.0	-
	<b>Total</b>	<b>100.0</b>	<b>107.0</b>	<b>108.0</b>	<b>108.0</b>	<b>-</b>
<b>Public Safety</b>	Fire Department	1,690.5	1,643.2	1,560.2	1,586.0	25.8
	Police Department	3,032.2	3,042.3	2,870.3	2,926.0	55.7 *
	<b>Total</b>	<b>4,722.7</b>	<b>4,685.5</b>	<b>4,430.5</b>	<b>4,512.0</b>	<b>81.5</b>
<b>Education</b>	School Department	8,475.9	8,572.2	8,210.5	8,139.0	(71.5)
	<b>Total</b>	<b>8,475.9</b>	<b>8,572.2</b>	<b>8,210.5</b>	<b>8,139.0</b>	<b>(71.5)</b>
<b>Economic Development</b>	Small/Local Business	8.0	8.0	7.0	7.0	-
	Office of Boston RJP	8.0	7.0	7.0	7.0	-
	<b>Total</b>	<b>16.0</b>	<b>15.0</b>	<b>14.0</b>	<b>14.0</b>	<b>-</b>
<b>Public Property</b>	Arts, Tourism & Special Events	18.0	19.0	18.0	18.0	-
	Consumer Affairs & Licensing	5.6	7.4	6.6	6.6	-
	Department of Voter Mobilization	26.3	24.2	25.2	25.2	-
	Parks and Recreation	199.0	215.0	209.0	205.0	(4.0)
	Property & Construction Mgmt.	220.0	219.6	213.6	208.6	(5.0)
	<b>Total</b>	<b>468.9</b>	<b>485.2</b>	<b>472.4</b>	<b>463.4</b>	<b>(9.0)</b>
<b>Public Works &amp; Transportation</b>	Chief of Public Works & Transportation	21.0	16.0	16.0	15.0	(1.0)
	Central Fleet Maintenance	42.0	41.0	43.0	43.0	-
	Public Works Department	373.0	367.0	335.0	335.0	-
	Transportation	348.9	372.9	369.9	369.9	-
	<b>Total</b>	<b>784.9</b>	<b>796.9</b>	<b>763.9</b>	<b>762.9</b>	<b>(1.0)</b>
<b>Environment &amp; Energy</b>	Environment	18.0	19.0	18.0	18.0	-
	Inspectional Services	229.0	230.0	225.0	222.0	(3.0)
	<b>Total</b>	<b>247.0</b>	<b>249.0</b>	<b>243.0</b>	<b>240.0</b>	<b>(3.0)</b>
<b>Human Services</b>	Boston Center for Youth & Families	388.1	389.0	374.7	352.4	(22.3)
	Civil Rights	9.0	9.0	9.0	9.0	-
	Elderly Commission	65.6	66.6	64.0	64.0	-
	Emergency Shelter	5.0	5.0	4.0	-	(4.0)
	Veterans Services	14.2	15.2	15.2	13.2	(2.0)
	Women's Commission	2.0	2.0	2.0	2.0	-
	Youth Fund	4.0	4.0	4.0	4.0	-
	<b>Total</b>	<b>487.9</b>	<b>490.8</b>	<b>472.9</b>	<b>444.6</b>	<b>(28.3)</b>
<b>Neighborhood Development</b>	Neighborhood Development	42.8	41.8	32.9	32.9	-
	<b>Total</b>	<b>42.8</b>	<b>41.8</b>	<b>32.9</b>	<b>32.9</b>	<b>-</b>
<b>Public Health</b>	Public Health Commission	751.7	819.8	797.4	814.4	17.0
	<b>Total</b>	<b>751.7</b>	<b>819.8</b>	<b>797.4</b>	<b>814.4</b>	<b>17.0</b>
<b>Non-Mayoral</b>	City Clerk	13.4	13.4	13.4	13.4	-
	City Council	76.8	90.4	82.7	82.7	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	8.6	8.6	8.6	8.6	-
	<b>Total</b>	<b>101.8</b>	<b>115.4</b>	<b>107.7</b>	<b>107.7</b>	<b>-</b>
<b>Grand Total</b>		<b>17,093.9</b>	<b>17,277.3</b>	<b>16,487.6</b>	<b>16,449.0</b>	<b>(38.6)</b>

\* The projected increase in FTEs in the Police Department is solely due to externally funded positions being transferred to the general fund.

## ***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 FY11 are estimates based on the personnel funding levels contained in the FY11 budgets.

### ***FY09- FY10 FTE Changes***

The total net decrease in FTEs from January 1, 2009 to January 1, 2010 was 789.7. General fund resources were extremely limited in FY10 causing staffing in all but a few of the departments to decrease or remain level with FY09. The City's Position Review Committee continued to review all proposed job postings for vacant positions. All hiring was scrutinized and only critical positions were approved.

The largest change occurred within the School Department with a decrease of 361.7 FTEs. The department's reduction is due to attrition or layoffs of teachers and paraprofessionals as well as positions in areas such as central support and custodial services.

The decreased number of FTEs in the Administration and Finance Cabinet relates mainly to the Library Department's planned reduction in force and additional measures taken following the significant decline in state funding. Restructuring within the main branch at Copley as well as the relocation of the Kirstein Business Branch to Copley resulted in the need for fewer employees. In addition the department reduced the number of part-time library aides and left many positions vacant. The Graphic Arts Department also reduced its staff in FY10 as the City began the first phase of eliminating the provision of in-house graphic arts services.

Staffing levels in the Public Safety cabinet decreased by 255.0 FTEs. There were no new public safety classes in FY10. In addition the Fire Department had a higher than average number of retirements. The Police Department also disbanded the mounted unit, which eliminated the need for positions responsible for caring for the horses, suspended the Police Cadet program, and was able to retain uniformed officers scheduled for layoff with ARRA grant funds.

The Public Property Cabinet decreased by 12.8 FTEs primarily as a result of departments leaving positions vacant after retirements or other attrition. The Public Works and Transportation Cabinet's FTE reduction is related to the Public Works Department not filling vacant positions. Similarly, the Public Health Commission had a decline of 22.4 FTEs due to a freeze on filling non-critical positions.

The Human Services Cabinet's FTEs declined by 17.9. This change is mainly a result of the elimination of a layer of middle management at the Boston Center for Youth & Families.

While the Department of Neighborhood Development had 8.9 less city-funded FTEs, the overall staffing level remained fairly steady across all funds.

### ***FY10-FY11 Projected FTE Changes***

The City expects the net decrease in FTE levels to be approximately 39 from January 1, 2010 to January 1, 2011.

The Mayor's Office Cabinet staffing as a whole is projected to remain stable from January 1, 2010 to January 1, 2011.

The decrease in the number of FTEs in the Administration and Finance Cabinet relates mainly to the reductions in force in the Library Department and the elimination of the Graphic Arts Departments. The restructuring within the main branch at Copley will result in the need for fewer employees. Additionally the reduction in library branches will further impact staff levels by the end of the fiscal year. The Graphic Arts Department will close in FY11 as the City completes the final phase of the elimination of the provision of in-house graphic arts services. The Purchasing Department will take on additional staff to assist in the procurement of printing services and to operate the central copy center. The Department of Innovation and Technology (DoIT) is projected to have level staffing in FY11.

In the past, the number of Public Safety employees on the payroll as of January 1 of any year has fluctuated with the timing of classes and the timing of retirements. The Fire Department is projected to increase by 25.8 FTEs assuming normal attrition and the hiring of a new class this summer. The projected increase in FTEs in the Police Department is solely due to externally

funded police officer and community service officer positions being transferred to the general fund as grants expire. A police class coming on in late fall of 2010 will cover attrition.

From FY10 to FY11 the School Department is projecting a net decrease of 71.5 FTEs. A large part of the decrease is layoffs in custodial staff and clerical support for Evaluation Team Facilitators (ETFs). Other areas that will see declines in FTEs are professional and technical support. There will actually be an increase in the number of Bilingual teachers as the School Department makes significant investments in programs for English Language Learners.

The Public Property Cabinet is projected to have a net decrease of approximately 9 FTEs. The decrease in the Property & Construction Management Department is the result of leaving positions vacant after retirements and other attrition. The Parks Department will eliminate four filled positions in the administration and maintenance areas.

Staffing in the Public Works & Transportation Cabinet is projected to remain level. The FTE count in the Environment & Energy cabinet is expected to decrease by 3 based on expected retirements in the Inspectional Services Department.

The Human Services Cabinet is expected to have a reduction of 28.3 FTEs. Boston Centers for Youth and Families (BCYF) is closing or consolidating eight sites with some staff being terminated and others redeployed. The Emergency Shelter Commission (ESC) staff will transition to the Public Health Commission. Veterans Services' vacancies will not be filled.

Staffing at the Public Health Commission (PHC) is expected to increase by 17 as a result of the transition of 4 ESC staff to PHC and the timing of

an EMT class for Emergency Medical Services.

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

**EXTERNAL FUNDS**

The City's \$2.3 billion operating budget is supplemented by approximately \$373 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-three departments and agencies expect to receive federal, state or other forms of external funding in FY11. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 93% of the City's external funds are found in six of those twenty-three departments. These six departments are the School Department, Neighborhood Development, Office of Emergency Management, Public Health Commission, Police Department and the Parks and Recreation Department. Other departments that also have significant grant funding are the Elderly Commission and Boston Centers for Youth & Families. Due to cuts in state funding, the external resources for the Boston Public Library have been reduced significantly since FY09, especially the state Library of Last Recourse grant. For FY11, the Massachusetts Board of Library Commissioners consolidated regional services into a single organization called the Massachusetts Regional Library System. Therefore Boston will not be receiving funds for the Boston Regional Library System in FY11. Descriptions and amounts for grants by department can be found in Volumes II and III.

<b>External Funds</b>			
	<b>FY09 Expenditure</b>	<b>FY10 Estimated</b>	<b>FY11 Estimated</b>
Boston Public Schools	155,080,732	158,410,171	160,235,369
Neighborhood Development	60,832,347	95,764,985	101,768,896
Public Health Commission	46,797,638	41,562,191	48,345,229
Emergency Management	11,587,063	25,351,213	18,684,511
Police Department	8,238,822	18,063,945	12,835,212
Parks & Recreation Department	6,970,010	7,384,140	6,948,518
Other	23,760,040	25,580,044	24,622,699
	<b>313,266,652</b>	<b>372,116,688</b>	<b>373,440,434</b>



### ***Federal and State Grants***

Federal grants provide funding for key City priorities. In February of 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA). ARRA is a nearly \$800 billion multi-year investment in the nation's economy that hopes to create or save 3.5 million jobs over a two years period. The City of Boston will receive ARRA funds in three ways: direct appropriation from the federal government, competitive grants from the federal government and competitive grants from the Commonwealth of Massachusetts. ARRA funds have been allocated for transportation projects such as Dorchester Avenue, traffic signal and traffic management upgrades and a \$21 million citywide paving program all of which will be managed by the Massachusetts Highway Department (MHD). In addition to these infrastructure projects, the Department of Neighborhood Development will receive ARRA funds for increased levels of Community Development Block Grants, Emergency Shelter 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 will receive increased allocations for Individuals with Disabilities Education Act (IDEA) and Title I grants. The Environment Department received an Energy Efficiency Block Grant in FY10 and will receive a Solar Market Transformation Grant in FY11. In FY11, the School Department, in addition to using \$21.1 million in ARRA Title I funding, is expected to receive \$45.9 million from its normal Title I allotment. This funding has supplemented education programs in schools with significant populations of low-income students. The City continues to receive Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone. The FY11

budget includes \$61.9 million in American Recovery and Reinvestment Act (ARRA) funding.

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

### **Neighborhood Development**

The External Funds budget for DND is projected to increase by 6.3%. The increase primarily comes from new ARRA funding under the Neighborhood Stabilization Program (NSP2) awarded to the City in mid FY10. These funds will be used to support the City's efforts to reclaim and re-occupy abandoned bank owned properties and to support turnkey development. The increase can also be attributed to an uptick in expected spending of Section 108 funds under the Boston Invests in Growth initiative which is designed to help jumpstart well-financed construction projects, create jobs, and strengthen Boston's economy. Other grants are described below.

Community Development Block Grant (CDBG) – CDBG is a annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston. The CDBG program funds a variety of neighborhood development activities. The City's Department of Neighborhood Development (DND), the Fair Housing Commission and the Mayor's Office of Jobs and Community Services have expended approximately \$23.6 million in CDBG funding in FY09, and estimates spending \$25.7 million in FY10 and \$25.8 million in FY11. At least 70% of CDBG funds must be used to benefit low- and moderate-income households. The City uses CDBG funds to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cut from existing public service activities. CDBG funding is also used as security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - DND will continue the Boston Invests in Growth Program in FY11 with spending in this program expected to double. Section 108 funds

are available to eligible cities from HUD on an application basis and can only be used for economic development projects. The City receives and administers Section 108 funds through a pledge of its current and future CDBG grant awards.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - The City expects to spend \$22.5 million from these four HUD grants in FY10 and another \$23.3 million in FY11. In FY10 DND received over \$8 million in ARRA- Homeless Prevention and Rapid Re-Housing funding to support homelessness prevention and to support the City's goal of a 50% reduction in Boston's homeless population by 2012. More than 60% of these funds will be expended by the end of FY11. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available each July. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants. FY11 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY11 funds will become available in July 2010. The City expended \$6.5 million in this program in FY09 and estimates spending \$9.6 million in FY10. Projected spending for FY11 is \$9.4 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME

funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations. Up to five percent may be set aside for operating costs for Community Housing Development Organizations.

Neighborhood Stabilization Program Two (NSP2) – NSP2 is the second round of funding made available through a competitive application process from the US Department of Housing and Urban Development as authorized by the American Recovery and Reinvestment Act of 2009. DND received a grant award of \$13.6 million in mid FY10. These funds will be used to support the City's efforts to reclaim and re-occupy abandoned bank owned properties and to support turnkey development. Projected spending in FY10 is \$2.4 million and an estimated \$7.4 million will be expended in FY11. At least fifty percent of the funds must be expended within 24 months of the grant award.

#### School Department

The School Department's FY11 general fund budget of \$821.4 million is supplemented with approximately \$160.2 million in external funds, largely grants made directly to the Boston Public Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants. Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. Both of these grant programs have been expanded with the American Recovery and Reinvestment Act (ARRA). Other significant sources of external funding include Title II (teacher quality grant), the special education "circuit breaker" reimbursement, and the Community Partnership grant.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates

spending levels for Title I to be \$45.9 million in both FY10 and FY11. BPS received another \$20.9 million in FY10 and expects to receive \$21.1 million in ARRA funding through Title I. These funds are being targeted for supporting classroom staff and making strategic investments.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$24.7 million in reimbursements in FY10 and \$25.0 million in FY11.

Title II Teacher Quality – The School Department expects to receive \$6.9 million in FY10 and \$7.3 million in FY11 from this federal formula grant program to improve teaching and learning.

Individuals with Disabilities Education Act (IDEA or SPED 94-142 Entitlement) - This federal formula grant supports special education programs. The amount budgeted by the School Department in both FY10 and FY11 is \$19.3 million. In FY10, an additional \$10.7 million in IDEA funds appropriated through ARRA has funded positions and strategic investments in special education. BPS will receive \$10.6 million in ARRA funding through IDEA in FY11.

Community Partnerships for Children - The Community Partnerships Program is the largest competitive grant received by the School Department. The Community Partnership Program is a state program to create comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers and family-based day care centers. The amount budgeted by the School Department, which serves as the fiscal agent for this program, is \$1.9 million for FY10 and \$1.6 million for FY11.

#### Public Health Commission

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for underserved populations and improve the quality of life of those affected by the HIV/AIDS epidemic. In FY10, contracts supported approximately 50 community agencies and 93 programs in the ten county region of Massachusetts and southern New Hampshire. The

estimated level of spending for this federally funded program is \$13.6 million for FY11.

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

REACH CEED - The Centers for Disease Control and Prevention designated the Boston Public Health Commission as one of 18 national Centers of Excellence in the Elimination of Disparities (CEED). The CEED grant brings to scale the work of REACH and the Office of Health Equity, and funds 7 coalitions to facilitate regional efforts to eliminate disparities in breast and cervical cancer and cardiovascular disease in Black communities across New England. The Commission will receive \$4.5 million between 2007 and 2012 to work across six New England states: MA, Rhode Island, Vermont, Maine, Connecticut, and New Hampshire. The budget for FY11 is \$889,069.

Homeless Services – Federal funding for the Long Island Shelter provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 800 homeless adult men and women. The Shelter also provides training and support services to 1,140 homeless individuals annually. Overall, projected external funding for homeless services in the Public Health Commission budget for FY11 totals \$8.9 million.

Substance Abuse Treatment – Federal funding received in FY09 and continuing through FY11 allows the Commission to provide culturally competent treatment and recovery options to women from Boston's highest need neighborhoods. A \$2.5 million, 5 year grant, from the Substance

Abuse and Mental Health Services Administration funds the Moving on to Recovery & Empowerment (MORE) program, an intensive outpatient substance abuse treatment which includes enhanced group, individual and case management services. This year, new federal grants totaling \$1 million for FY11, support Men in Recovery, a program for Latino and Black men, and Safe and Sound, a re-entry treatment program for women. Through state funding totaling \$660,000 in FY11, the Commission supports an additional eight neighborhood-based No Drugs Coalitions to develop strategic substance abuse prevention plans.

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 \$1.3 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.

With over \$48 million dollars in external funding, the Commission also has many smaller grant funded programs. For example, funding from the Robert Wood Johnson Foundation allows the Commission to implement an in-school and out-of-school peer education program, Building Healthy Teen Relationships, to prevent intimate partner violence among youth and provides support for our case management program for victims of violence.

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

Office of Emergency Management

As discussed earlier, the Mayor's Office of Emergency Preparedness has been renamed the Mayor's Office of Emergency Management in FY11 to capture its larger mission. The department pursues funding opportunities and manages federal homeland security grants awarded to the Metro-Boston Homeland Security Region (MBHSR). The Urban Area Security Initiative (UASI) grant provides the bulk of the funding for this office. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the MBHSR. The region encompasses the cities of Boston, Cambridge, Chelsea, Everett, Quincy, Revere, Somerville and the towns of Brookline and Winthrop. UASI spending is projected to be \$17 million in FY11.

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

Additionally, the office receives funding under the Regional Catastrophic Preparedness Grant Program (RCPGP). This federal grant is designed to enhance regional catastrophic planning efforts, with the goal of strengthening the Nation against risks associated with catastrophic events. The Region includes communities from Massachusetts, New Hampshire, and Rhode Island. Spending from RCPGP is expected to be \$2.4 million in FY10 and \$772,000 in FY11.

### Police Department

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

ARRA -Byrne Justice Assistance Grant – The department received \$3.9 million from the Department of Justice Bureau of Justice Assistance for prevention, intervention and enforcement efforts aimed at reducing violence through the job retention and job growth. These funds are being used to support the retention of approximately fifty police officers. This was a one-year award for FY10 with some carryover spending into FY11.

ARRA- Community Oriented Policing Services (COPS) Hiring Recovery Grant - The department successfully secured a competitive grant totaling more than \$11.8 million over three years to retain fifty police officers that were scheduled to be laid off in October 2009. The FY11 budget includes \$3.9 million from the ARRA COPS Hiring Recovery Grant.

Same Cop, Same Neighborhood – This neighborhood policing program was based on the belief that police officers and private citizens working together can help address community problems related to crime. The program was supported with a grant awarded by the Massachusetts Executive Office of Public Safety. This grant had provided \$3.8 million in FY08 was reduced to \$2.9 million in FY09 and was eliminated completely in the FY10 state budget with only \$1.6 million available in carryover funds in FY10 for the City of Boston. There is no funding available for FY11. This critical grant had funded civilian Community Service Officer positions. Given, the important role Community Service Officers play in the community, the Mayor has allocated general fund dollars to retain this critical staffing complement.

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

advocacy personnel, as well as district social workers. This is a multi-year project that the department expects to run through September 2012. The department expended \$628,000 in FY09. Estimated expenditures for FY10 are \$594,000. In FY11 the department expects to spend \$1 million for this program.

Shannon Community Safety Initiative – This state grant was awarded from the Commonwealth of Massachusetts, Executive Office of Public Safety to address gang and youth violence through the Senator Charles E. Shannon, Jr. Community Safety Initiative. The award has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The total cost of the program supported by this grant for FY09 was \$2.5 million. For FY10 estimated expenditures are \$2.5 million. In FY11 the department expects to have \$1.1 million available for this program.

### Environment Department

The American Recovery and Reinvestment Act (ARRA) is providing \$6.5 million to Boston for a new Energy Efficiency Block Grant which will be used to support the Renew Boston initiative. Renew Boston will be an innovative public-private partnership that will boost energy efficiency and alternative energy services for Boston residents, businesses and municipal facilities. Projected expenditures for the Energy Efficiency Block Grants are estimated at \$2.5 million in FY11. The American Recovery and Reinvestment Act (ARRA) is funding a one time Solar Market Transformation grant from the United States Department of Energy. Working with the Transportation and Public Works Departments, the Environment Department will support the design and construction of a solar evacuation route to be used by residents and visitors in emergencies. The solar powered route will store power and provide direction in case of wide spread electrical failure. The projected expenditures are estimated at \$700,000 in FY11.

### Parks and Recreation Department

The external funds budget for the Parks and Recreation Department is \$6.9 million in FY11. This amount is a 5.9% decrease from the FY10 appropriation of \$7.4 million. In FY11 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. FY11 spending is expected to be \$5.7 million.

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

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

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. FY11 spending is expected to be \$25,000.

**Library Department**

Total spending from state funding for the Library increased to \$9.2 million in FY08, but dipped in FY09 to an estimated \$8.6 million. With significant reductions to the Library of Last Recourse grant in the FY10 state budget, the Library received only \$4.0 million in total from the Commonwealth in FY10. In FY11, the Boston Public Library expects another reduction to \$2.4 million in state funding. The three state programs that relate to libraries are described below.

Library of Last Recourse - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at

the Boston Public Library through developing, maintaining and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personnel resources, expertise and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program dropped from \$7.1 million in FY09 to \$2.6 million in FY10 to an anticipated \$1.8 million in FY11.

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, will be absorbed into this merged system in FY11. Funds for BRLS supported enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The Boston Public Library received \$901k in funds for this program in FY10, but does not anticipate any funding 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 \$561,238 in both FY10 and FY11.

## ***FY11 ALL FUNDS BUDGET***

The following table consolidates the projected FY11 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 FY11 budget document.

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

The Operating Budget for FY11 and Five Year Capital Plan for FY11-15 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 - FY11

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total	All Funds Budget
Mayor's Office	Emergency Management	311,392	18,684,511			18,995,903
	Intergovernmental Relations	1,137,372				1,137,372
	Law Department	5,476,960				5,476,960
	Mayor's Office	2,126,467	146,527			2,272,994
	Neighborhood Services	1,280,133				1,280,133
	Office of New Bostonians	334,401				334,401
	Public Information	1,201,580				1,201,580
	<b>Total</b>	<b>11,868,306</b>	<b>18,831,038</b>	<b>0</b>		<b>30,699,344</b>
Administration & Finance	Office of Administration & Finance	835,534				835,534
	Assessing Department	6,393,004				6,393,004
	Auditing Department	2,270,037	214,982			2,485,020
	Budget Management	2,693,657				2,693,657
	Execution of Courts	3,500,000				3,500,000
	Health Insurance	207,414,861				207,414,861
	Human Resources	3,223,204				3,223,204
	Labor Relations	1,410,881				1,410,881
	Library Department	30,369,142	5,649,672	5,183,412		41,202,226
	Medicare Payments	7,250,000				7,250,000
	Pensions & Annuities	4,200,000				4,200,000
	Purchasing Division	1,720,203				1,720,203
	Registry Division	995,597				995,597
	Treasury Department	3,656,703				3,656,703
	Unemployment Compensation	350,000				350,000
Workers' Compensation Fund	2,200,000				2,200,000	
	<b>Total</b>	<b>278,482,824</b>	<b>5,864,655</b>	<b>5,183,412</b>		<b>289,530,890</b>
Chief Information Officer	Department of Innovation and Technology	18,614,675	1,906,439	20,000,000		40,521,114
	<b>Total</b>	<b>18,614,675</b>	<b>1,906,439</b>	<b>20,000,000</b>		<b>40,521,114</b>
Public Safety	Fire Department	175,970,200	1,964,493	9,035,000		186,969,693
	Police Department	270,874,944	12,835,212	11,175,000		294,885,156
	<b>Total</b>	<b>446,845,145</b>	<b>14,799,705</b>	<b>20,210,000</b>		<b>481,854,849</b>
Education	Boston Public Schools	821,382,404	160,235,369	32,488,813		1,014,106,586
	<b>Total</b>	<b>821,382,404</b>	<b>160,235,369</b>	<b>32,488,813</b>		<b>1,014,106,586</b>
Economic Development	Boston Redevelopment Authority	0		140,000		140,000
	Boston Residents Job Policy	460,865				460,865
	Small/Local Business	599,714				599,714
	<b>Total</b>	<b>1,060,579</b>	<b>0</b>	<b>140,000</b>		<b>1,200,579</b>
Public Property	Arts, Tourism & Special Events	1,630,790	137,720			1,768,510
	Consumer Affairs & Licensing	435,772	51,300			487,072
	Department of Voter Mobilization	3,142,447				3,142,447
	Parks & Recreation Department	15,196,211	6,948,518	11,984,934		34,129,663
	Property & Construction Mgmt.	19,433,066	261,699	9,689,534		29,384,299
	<b>Total</b>	<b>39,838,287</b>	<b>7,399,237</b>	<b>21,674,468</b>		<b>68,911,991</b>
Public Works & Transportation	Central Fleet Maintenance	1,992,053				1,992,053
	Office of Chief of PWD & Transportation	1,384,987				1,384,987
	Public Works Department	81,245,610	160,000	32,110,480		113,516,090
	Snow Removal	15,943,706				15,943,706
	Transportation Department	30,516,503	586,940	6,632,090		37,735,533
	<b>Total</b>	<b>131,082,858</b>	<b>746,940</b>	<b>38,742,570</b>		<b>170,572,368</b>
Environment & Energy	Environment Department	1,321,048	3,675,202	400,000		5,396,251
	Inspectional Services Dept	15,511,443	139,912			15,651,355
	<b>Total</b>	<b>16,832,491</b>	<b>3,815,114</b>	<b>400,000</b>		<b>21,047,606</b>
Human Services	Boston Centers for Youth & Families	21,674,447	1,136,075	10,507,665		33,318,187
	Civil Rights	321,197	838,056			1,159,253
	Elderly Commission	2,820,264	6,305,561			9,125,825
	Veterans Services Department	4,809,306				4,809,306
	Women's Commission	159,800				159,800
	Youth Fund	4,638,373	1,402,000			6,040,373
	<b>Total</b>	<b>34,423,387</b>	<b>9,681,692</b>	<b>10,507,665</b>		<b>54,612,744</b>
Housing & Neighborhood Development	Leading the Way	5,000,000				5,000,000
	Neighborhood Development	3,242,792	101,768,896	900,000		105,911,689
	<b>Total</b>	<b>8,242,792</b>	<b>101,768,896</b>	<b>900,000</b>		<b>110,911,689</b>
Public Health	Public Health Commission	69,793,000	48,345,229	1,305,000		119,443,229
	<b>Total</b>	<b>69,793,000</b>	<b>48,345,229</b>	<b>1,305,000</b>		<b>119,443,229</b>
Non-Mayoral Departments	City Clerk	1,005,976	46,120			1,052,096
	City Council	4,676,230				4,676,230
	Finance Commission	177,822				177,822
	Licensing Board	718,721				718,721
	<b>Total</b>	<b>6,578,748</b>	<b>46,120</b>	<b>0</b>		<b>6,624,868</b>
	<b>Grand Total</b>	<b>1,885,045,495</b>	<b>373,440,434</b>	<b>151,551,928</b>		<b>2,410,037,857</b>



## FY11-FY12 BUDGET PLAN

### Introduction

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

In projecting the City's operating budget for FY12, the issues of revenue growth and the use of one-time funds continue to be the critical factors. The current uncertainty around the nascent economic recovery remains troubling and makes revenue estimation very difficult. While the property tax levy is expected to grow from its base by the allowable 2.5%, new growth in the levy is expected to be weaker than in recent years. In terms of state aid, there will continue to be substantial risk to the City's allocation of aid until the economy fully recovers and even then growth is not assured.

The projection for FY12 is based on the most current revenue information available. The FY12 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. Please note that all of the City's ratified collective bargaining agreements expire on June 30, 2010 or shortly thereafter. The negotiations for successor collective bargaining agreements for FY11 and beyond have barely begun. However, any negotiated wage increases will add to the bottom line deficit. Staffing levels on the City's general fund are assumed to remain consistent with FY11 for most departments.

Another area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to other post-employment benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes standards for the measurement, recognition and display of Other Post-Employment Benefits (OPEB). The City currently provides post-employment healthcare and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis in the current year's operating budget which greatly understates the full obligation to provide these benefits after retirement. An independent actuarial valuation estimates the City's total OPEB

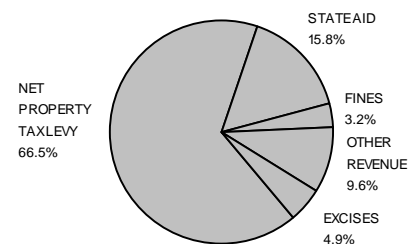
obligation as of June 30, 2009 at \$5.8 billion. The City faces the challenge of addressing the funding needs of this liability while continuing to balance all of the other costs of running a major city. The FY11 budget includes an "acknowledgement payment" of \$35 million to the City's OPEB Liability Trust Fund; the FY12 plan includes an additional \$40 million payment.

### Revenue Trends

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

Major revenue trends for FY12 include:

Property Tax Levy: The 2.5% increase and a projected \$30.0 million of new growth will result in \$73.1 million or 4.8% in additional gross tax levy. The net property tax assumes an overlay reserve set at 2.5%.



**FY12 Estimated Recurring Revenue**

Figure 12

State Aid: State aid is projected to decline by over \$25 million or 6.4% with reductions to unrestricted general government aid and Chapter 70 education aid. Unrestricted general government aid is projected to be reduced by 10.0% and Chapter 70 aid by 2.8%. The Chapter 70 projected reduction is actually a 4.0% reduction from an FY11 all funds base that includes a grant from the State Fiscal Stabilization Fund (SFSF). This additional non-general fund state funding is temporary and may not be available in FY12 and beyond.

Excises: Excises are expected to increase with a recovering economy by \$11 million or 11.0%. Growth in the meals, hotel, jet fuel and motor vehicle excise are all expected to contribute to the overall growth.

Fines: Fines overall are expected to remain level in FY11. No changes in fine rates or enforcement have been assumed.

Other Revenue:

Interest on Investments: Interest income is expected to increase marginally as short-term interest rates remain low and cash balances stagnate as the City uses reserves in FY11 and fails to produce material budget surpluses in FY10 or FY11.

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

Miscellaneous Department Revenue: Usually projected from historical trends and economic assumptions, these revenues are expected to grow slightly with rents on City property and reimbursement for costs of city services provided to external partners increases.

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

Budgetary Fund Balance: In FY11, the City is using an allocation of reserves to support ongoing expenses and to continue funding for OPEB liabilities. For FY12, the use of Budgetary Fund Balance for non-OPEB expenses has been estimated at \$5.0 million. The City's planning process for FY12 will assess the need for further allocation of remaining City reserves.

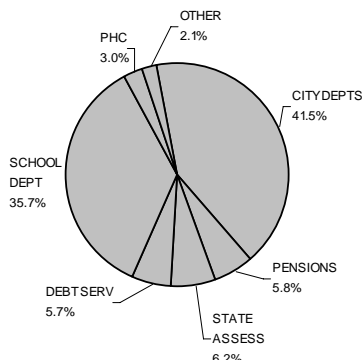
Total recurring revenues in FY12 are projected to increase by \$66.8 million, or 2.9% over FY11 budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will stabilize at a reasonable level of growth in the 24 months from the beginning of FY11 to the end of FY12.

**Expenditure Trends**

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

Inflationary increases have been estimated in FY12 for certain centrally budgeted expenditures and within departments such as health insurance, trash collection and disposal, energy and deferred

facility maintenance in the School department. Additionally, the fully annualized impact of the FY11 firefighter collective bargaining agreement that includes a special wage increase on June 30, 2011 for firefighter drug testing coupled with



**FY12 Estimated Expenditures**

Figure 13

scheduled departmental salary step increases will result in increased personnel costs for FY12. These increases, along with significant ARRA grant losses, are estimated to increase total appropriations by \$98.8 million or 5.1% in FY12. Please note the estimate for FY12 includes limited resources for successor collective bargaining agreement wage increases in FY11 but does not provide for any wage increases for FY12.

Fixed Costs: Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY12, fixed costs will increase by \$37.7 million or 9.4%. Pensions will increase \$25.8 million or 22% due to the imposition of a required new funding schedule that will take into account the substantial losses experienced in 2008 during the stock market fall.

Under these revenue and expenditure trend assumptions, the City's operating budget has a projected deficit of \$69.7 million. For the most part, the projections are based on current operations and any known changes that are anticipated in FY12. As the FY12 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. Current year hiring must continue to be scrutinized and controlled as the bulk of the

projected increase in appropriations is employee-related. The City will also be looking at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees. As noted previously, a decision will need to be made on the level of budgetary fund balance that may be utilized prudently. The City's policy regarding the use of its fund balance has been to limit the use of this source of revenue to offset certain fixed costs such as pension contributions and related post retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

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

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

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

It is important to note that the City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through a committee consisting of staff from the Office of Human Resources, the Office of Budget Management and the Office of Administration and Finance ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements. Similar BAIS systematic controls are in place to control non-personnel expenditures. (These non-personnel spending

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

### ***Conclusion***

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

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

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

(Dollars in Millions)

	FY11 Adopted	FY12 Forecast
<b>REVENUES</b>		
Property Tax Levy	1,528.68	1,601.82
Overlay Reserve	(37.28)	(39.07)
Excises	104.57	116.08
Fines	74.00	74.25
Interest on Investments	5.00	5.75
Payments In Lieu of Taxes	34.75	35.50
Urban Redevelopment Chapter 121	59.50	61.00
Misc. Department Revenue	60.72	63.16
Licenses and Permits	32.79	36.35
Penalties & Interest	7.01	7.01
Available Funds	17.11	17.11
State Aid	396.75	371.43
Total Recurring Revenue	2,283.59	2,350.37
Budgetary Fund Balance	45.00	45.00
Non-Recurring Revenue	6.00	6.00
<b>Total Revenues</b>	<b>2,334.59</b>	<b>2,401.37</b>
 <b>EXPENDITURES</b>		
City Departments	996.60	1,026.14
Public Health Commission	69.79	73.49
School Department	821.38	881.94
Reserve for Collective Bargaining	8.55	8.55
OPEB	35.00	40.00
Total Appropriations	1,931.33	2,030.12
Pensions	117.18	142.96
Debt Service	133.06	139.76
State Assessments	148.68	153.93
Suffolk County Sheriff	4.34	4.34
Reserve	0.00	0.00
Total Fixed Costs	403.26	440.98
<b>Total Expenditures</b>	<b>2,334.59</b>	<b>2,471.10</b>
<b>Surplus (Deficit)</b>	<b>0.00</b>	<b>(69.73)</b>

Numbers may not add due to rounding

**Technical Note**

The City of Boston's combined FY11 Budget and FY11-FY15 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Hyperion System 9 Planning and Scorecard and Microsoft Access were used for data management and analysis.

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