

Summary Budget

OVERVIEW

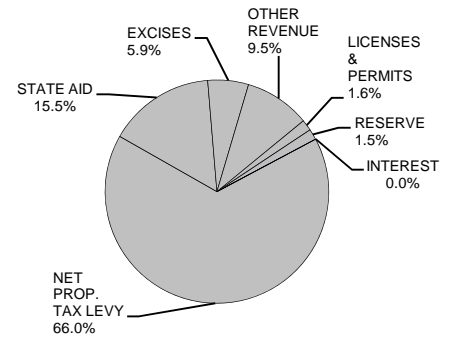
The FY14 Adopted Budget for the City of Boston totals \$2.6 billion, an increase of \$128.5 million, or 5.2%, over the FY13 budget. FY14 recurring revenue growth is \$88.5 million or 3.6%. The FY14 budget includes \$40 million in non-recurring revenue.

In FY14, property tax revenue continues to grow steadily and local receipts are gradually recovering with the improving economy. Local receipts are led by growth in license and permit revenue along with Excise and Payment-in-Lieu of Tax revenue

Revenue from the state net of assessments (Net State Aid) is expected to decline again even as the state projects its fourth consecutive year of tax revenue growth since the recent recession ended in June 2009.

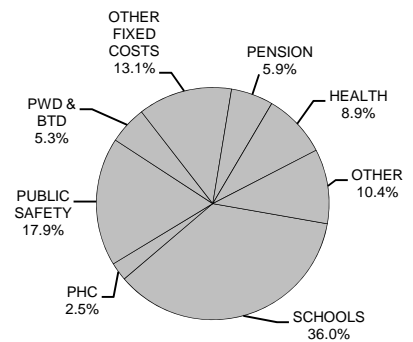
On the expenditure side, savings in health insurance costs and the City's appropriation to the Public Health Commission (PHC) are offset by increases to schools, the reserve for collective bargaining and fixed costs.

This Summary Budget section lays out the FY14 budget and discusses trends in each category of the budget summary table on the following page. An overview of the City's revenues is followed by a detailed look at personnel trends and a review of major externally funded services. An all-funds budget is also presented.



FY14 Estimated Revenue

Figure 1



FY14 Estimated Expenditures

Figure 2

CITY OF BOSTON
BUDGET SUMMARY

(Dollars in Millions)

	FY11 Actual	FY12 Actual	FY13 Budget	FY14 Budget
REVENUES				
Property Tax Levy	1,541.92	1,615.91	1,683.68	1,753.87
Overlay Reserve	(37.35)	(38.66)	(41.06)	(34.39)
Excises	125.23	155.55	149.53	153.18
Fines	65.34	64.70	62.68	62.82
Interest on Investments	1.39	0.98	0.90	0.50
Payments In Lieu of Taxes	35.50	35.98	40.11	42.97
Urban Redevelopment Chapter 121A	70.30	64.50	61.20	62.60
Misc. Department Revenue	138.99	64.46	53.08	53.59
Licenses and Permits	39.89	51.93	38.74	41.45
Penalties & Interest	9.19	8.58	8.41	8.41
Available Funds	17.11	0.00	15.00	17.31
State Aid	395.20	390.47	404.06	402.56
Total Recurring Revenue	2,402.71	2,414.41	2,476.34	2,564.86
Budgetary Fund Balance	27.00	0.00	0.00	40.00
Non-Recurring Revenue	0.00	0.00	0.00	0.00
Total Revenues	2,429.71	2,414.41	2,476.34	2,604.86
EXPENDITURES				
City Departments	1,018.32	1,029.02	1,022.16	1,032.79
Public Health Commission	69.81	72.90	66.79	66.36
School Department	821.38	831.34	881.23	937.41
Reserve for Collective Bargaining	8.55	16.02	14.40	34.36
Other Post Employment Benefits	35.00	35.00	40.00	40.00
Total Appropriations	1,953.06	1,984.29	2,024.58	2,110.92
Pensions	191.86	126.40	136.98	152.91
Debt Service	126.66	130.59	135.55	145.20
State Assessments	147.70	156.62	174.58	191.90
Suffolk County	4.34	3.92	3.92	3.92
Reserve	0.19	0.61	0.73	0.00
Total Fixed Costs	470.75	418.15	451.76	493.94
Total Expenditures	2,423.80	2,402.44	2,476.34	2,604.86
Surplus (Deficit)	5.91	11.97	0.00	0.00

Numbers may not add due to rounding

NOTE: FY11 Misc. Department Revenue and Pension expenses contain a one-time extraordinary amount of \$82.0 million.

Table 1

The City's projected revenues provide the basis for planning FY14 appropriations and fixed costs to maintain a balanced budget. Selected FY14 budgeted City revenues compare with FY13 budgeted revenues as follows: the net property tax levy increases \$76.9 million or 4.7%; excises increase \$3.6 million or 2.4%; fines increase by \$0.1 million or 0.2%; interest on investments decreases \$0.4 million or 44.4%; payments-in-lieu-of-taxes increase \$2.9 million or 7.1%; Chapter 121A revenues increase \$1.4 million or 2.3%, miscellaneous department revenues increase by \$0.5 million or 0.9%; and licenses and permits increase by \$2.7 million or 7.0%.

On the expenditure side of the budget, total appropriations increase by \$86.3 million or 4.3% and fixed costs increase by \$42.2 million or 9.3%. Selected FY14 budgeted appropriations compare with FY13 budgeted appropriations as follows: City departments increase \$10.6 million or 1%, the Boston Public Health Commission decreases by \$431 thousand or 0.6%, and the School Department increases \$56.2 million or 6.4%.

FY14 budgeted fixed costs compare with FY13 budgeted fixed costs as follows: pensions increase \$15.9 million or 11.6%; debt service increases \$9.6 million or 7.1%; and state assessments increase \$17.3 million or 9.9%.

NOTE: The "Other" category on the FY14 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the collective bargaining reserve, other post-employment benefits (OPEB), and Suffolk County.

REVENUE

The FY14 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts.

(Note: To ease comparison with other years, all figures, text, and calculations referring to or including FY11 departmental revenues will be stated without the additional \$82 million pension payment made in that year.)

Property Tax Levy

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

In each year since FY85, the City has increased its levy by the 2.5% allowable under the limits set forth in Proposition 2 ½. During these same years, the levy has also been positively impacted by taxable new value or "new growth" that is excluded from the levy limit. New growth is expected to be approximately \$28.0 million in FY14. While not the case in FY14, property tax growth from new growth has exceeded growth from the allowable 2.5% increase in 18 of the last 30 years.

The combined effect of the allowable 2.5% increase and new growth is an average annual gross levy increase from FY02 through FY13 of \$63.8 million or 5.2%, and a projected increase in FY14 of \$70.2 million or 4.2%. The gross property tax levy stands at \$1,683.7 million in FY13, and is estimated to rise to \$1,753.9 million in FY14.

While the total tax levy has continually gone up, property values in Boston declined during the recent tough years in the residential and commercial real estate markets. FY10 and FY11 were only the first and second decline in property values recorded in the City since FY94. In the FY13 revaluation as of January 1, 2012, values increased to \$92.2 billion, a \$3.7 billion or 4.2% increase.

Given the recent declines in total property values, one might expect a decrease in residential taxes. Between FY02 and FY07 the average single-family property tax increased with property values, rising nearly 78% to \$3,091. During the next two years, the tax fell as values continued to rise. Since then it has regained its upward momentum. In FY13, the average single-family tax bill increased to \$3,481, a 26% increase over FY09. (Figure 3).

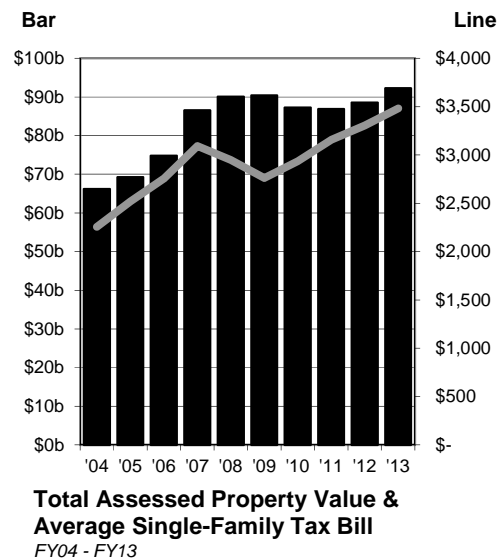
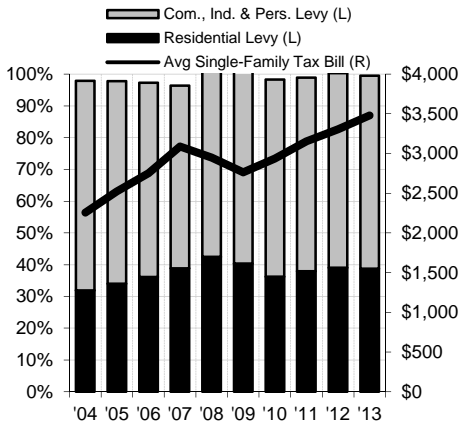


Figure 3

The percentage of the total tax levy being borne by residential taxpayers increased from 36.2% to 39.2% between FY09 and FY13. This shift is due to the larger decrease in commercial property values in the levy compared to residential property values. At its recent lowest point, the residential levy was nearly 32% of the total levy (Figure 4).

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



Boston Property Tax Trends
FY04- FY13

Figure 4

STATE AID

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

State aid has been reduced substantially over the course of the last two recessions. Since FY02, net state aid (defined as state aid revenues less Massachusetts Bay Transportation Authority, charter school tuition, and other assessments) to the City has been reduced by over \$215 million or 50%. The City lost approximately \$79 million between FY03 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$154 million between FY09 and budgeted FY14 – averaging a loss of nearly \$18 million per year (Figure 5.) For FY14, net state aid is expected to decline by \$18.8 million or 8.2%

The City’s FY14 state aid estimate is based on the lowest level of funding for each line-item between the House and Senate versions of the state budget as the state budget was still unresolved at the time of passage of the city’s budget.

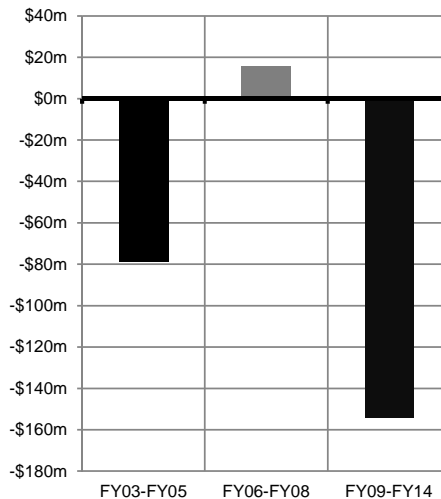
Education Aid

The City received “Chapter 70” education aid totaling \$204.3 million in FY11 and \$205.4 million in FY12. The City has budgeted \$207.9 million for FY13 but expects to receive \$209.4 million. The City estimates \$209.4 million in FY14 as well.

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

In the current year there are 6,622 Boston resident students attending “Commonwealth” charter schools. The City expects that number to rise to approximately 7,645 in FY14 with the addition of more charter schools opening to Boston students. These added schools are the result of legislation enacted in FY11 that increased the cap on charter schools in low performing districts. The law also changed the formula for reimbursement to sending districts for the annual increase in total Charter School tuition included in the state assessment.

The net cost to the City for charter schools



Change in Net State Aid
FY03-FY14, Grouped by Period of Loss or Gain

Figure 5

(reimbursement from the Commonwealth less tuition assessment) was \$55.1 million and \$61.9 million in FY11 and FY12, respectively. The City has budgeted a \$71.3 million net cost in FY13 and an \$88.4 million net cost in FY14 (see Figure 6). These figures include the cost of a capital facilities charge that is 100% reimbursed.

Unrestricted General Government Aid

Beginning in the FY10 budget and going forward, the Governor and the Legislature combined general government aid from lottery and “additional assistance” into one account. The combined accounts were reduced by \$75.5 million or 32.0% of the total between FY08 and FY13. The City expects to receive \$160.2 million in FY13 and FY14.

Below are explanations of the component revenues.

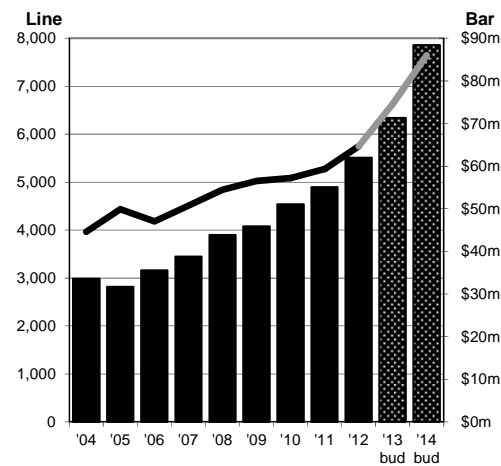
Lottery Aid

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 for the past several years. This is due in part to slowing lottery sales and optimistic estimates by state budget writers. The difference has been made up with general state revenues.

For several years during and after the 2001-2002 recession, the state diverted lottery proceeds meant for cities and towns to the state’s general fund. The City received \$53.9 million in FY04 and FY05 and \$60.5 million in FY06 as the state continued to divert growth in lottery receipts away from cities and towns. In FY07, the cap on lottery aid 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



Charter Schools Boston Enrollment and Net Cost
FY04- FY14

Figure 6

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

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

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

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

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

LOCAL RECEIPTS

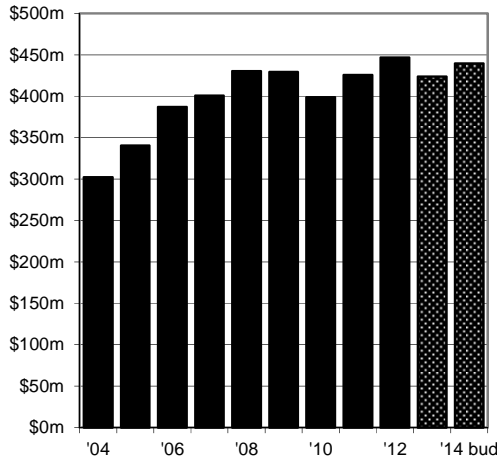
Approximately 17% of the City’s recurring revenue in FY14 is comprised of excise taxes, fines, payments-in-lieu-of-taxes (including Chapter 121A), investment income, departmental revenue, licenses and permits, penalties and interest, and available funds.

In FY11, the City collected \$420.9 million from these combined sources (excluding the funding for a one-time pension payment of \$82 million) and \$446.7 million in FY12. The FY13 Budget assumed a decrease to \$429.6 million and the FY14 budget assumes an increase to \$442.8 million (Figure 7). (See *Revenue Estimates & Analysis* section of Volume I for more detail on this revenue source.)

FY14 budgeted local receipts continue to benefit from revenue that was, previous to FY12, dedicated to support special obligation debt service for the Boston Convention and Exhibition Center (BCEC). Additional room occupancy excise revenue and a vehicle rental surcharge are now available to the general fund to offset the debt which is now general obligation.

Many of the City’s local receipts are extremely sensitive to current economic conditions. Excises, interest on investments, and license and permit revenues of the City declined in FY10 as a result of the recession. FY11 and FY12 assumed continued declines or marginal growth in these revenues except for those with tax rate or fee increases. The FY13 and FY14 budgets assume increases in local receipts except interest earnings and available funds. What follows is a brief description of selected local receipts, their recent performance and expectations for the FY14 Budget.

- After a strong year in FY11, revenue from motor vehicle excise tax decreased in FY12 and FY13 and is expected to gain modestly in FY14 as increasing demand, low interest rates and job growth drive sales.
- The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City annually collects more than \$20 million from this broad-based tax.
- After several weak years due to economic conditions, jet fuel and hotel revenues are increasing based on more travel and rising



Recurring Local Receipts (non-property tax/state aid)
 FY04 - FY14 (adj. for actual base hotel collections)
 FY12 forward includes base & new hotel tax

Figure 7

fuel prices. The hotel excise also benefits from an FY10 rate increase from 4% to 6% and the debt-related change mentioned above. In addition, a vehicle rental surcharge of \$1 per vehicle rental contract also moves to the general fund for FY13 and forward.

- With near-zero federal funds rates, the City’s investment earnings have plummeted, even as cash balances have remained strong in recent years. FY13 and FY14 earnings are expected to remain very low.
- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to increase in FY13 and FY14 based on the results of a taskforce appointed by the Mayor which concluded its work last year. This taskforce adopted more standardization among agreements as well as a higher ratio of payment to property value than was in place previously.
- License and permit revenues, driven by building permits, jumped considerably in FY12 as large commercial construction projects have recently begun in earnest. Building permit fees growth is expected to slow and stabilize in FY13 and FY14.
- Chapter 121A agreements are payments in lieu of tax for property developed in blighted areas. Those that qualify pay

different taxes on income and property as determined under Chapter 121A of Massachusetts General Law. 121A payments in FY13 are expected to decline and inflationary growth is expected in the remaining agreements for FY14.

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

Non-Recurring Revenue

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

In FY13 and FY14, the City will not appropriate to the general fund from the Surplus Property Disposition Fund.

Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, more commonly referred to as “free cash,” is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY14 Budget assumes the use of \$40 million in budgetary fund balance to fund the appropriation for other post-employment benefits (OPEB).

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

EXPENDITURES

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY14 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;

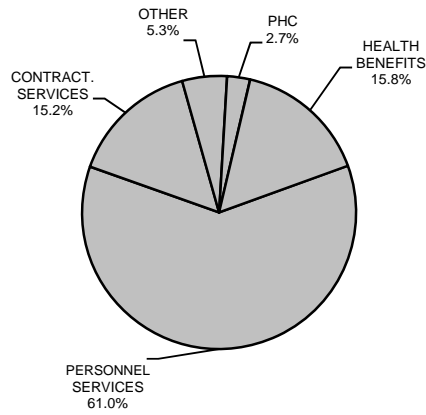
Boston Public Health Commission (PHC), the City appropriation for the quasi-independent authority and successor to the Department of Health and Hospitals; and

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

Appropriations are also presented by expenditure category across the three subgroups. (Figure 8)

Personnel Services include salaries, overtime, Medicare, unemployment compensation and workers' compensation, and a collective bargaining reserve for employees in City departments, PHC and BPS. Nearly all of the collective bargaining agreements between the City and the unions had expired during calendar year 2010. The contract with the firefighters union expired on June 30, 2011. The City has reached voluntary settlements with the majority of its civilian employees, including BPS teachers. These settlements are in effect through 2016. The City continues to be in various forms of negotiation with the remaining unsettled civilian unions. The City is currently in mediation/arbitration at the Joint Labor Management Committee (JLMC) with all 5 public safety unions. The collective bargaining reserves contain funding based on estimates for successor agreements that would cover proposed wage increases and the retroactive impacts of wage increases that are being negotiated for FY11 – FY14. The current reserve amounts are also consistent with the wage pattern agreed to in the settled collective bargaining agreements.

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



FY14 Appropriations by Category

Figure 8

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

Included in the "Other" category are supplies and materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in the "Other" category are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and funding for the City's outside audit.

EMPLOYEE BENEFITS

Balancing Responsibility for Health Care Costs

In FY14, the City has budgeted \$287 million in health insurance premiums for city employees and retirees – 11% of total expenditures. Similar to other Massachusetts municipalities, Boston's health insurance costs have dramatically increased over the last decade, restricting resources available for other purposes.

As Figure 9 demonstrates, the higher growth rate for health care, compared to other city costs, will continue into future years. However, in FY13 and FY14, the City is experiencing a one year unusual cost decrease, shown more specifically in Table 2. This decrease is due to the confluence of several factors: City employees and retirees continuing to share a

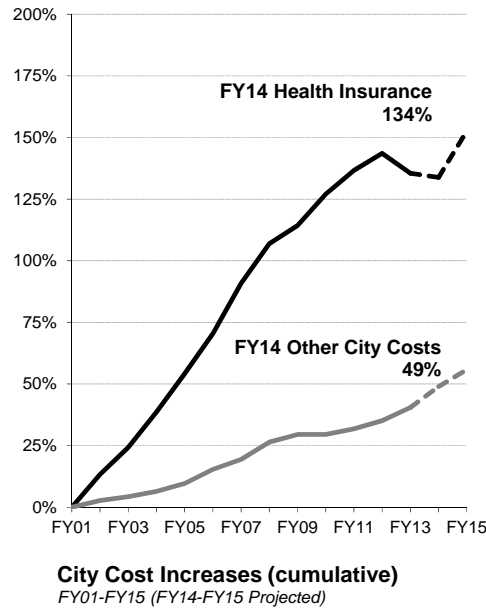


Figure 9

larger portion of health care costs, Medicare beginning to pay its full share of the City’s health claims (see later section on mandatory Medicare Enrollment), and lower health insurance premiums due to a lower claims trend.

Partnership with Unions

In FY11, the City adopted MGL Chapter 32B, S.19 and began working with the unions through coalition bargaining. As part of a four year agreement between the City and its thirty-six bargaining units, represented through the Public Employee Committee (PEC), City employees and retirees now pay an increased share of total health care costs. The agreement was established outside of, but was assisted by, statewide municipal health care reform legislation

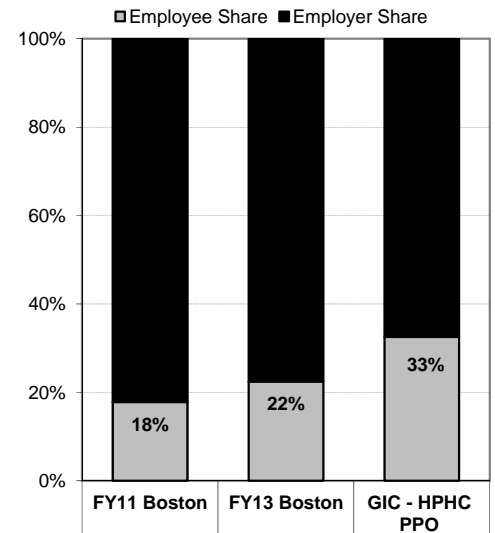
<u>Health Insurance (\$ Mil)</u>			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY05	\$189.2		
FY06	\$209.2	\$20.0	10.5%
FY07	\$234.3	\$25.1	12.0%
FY08	\$254.0	\$19.7	8.4%
FY09	\$263.0	\$9.0	3.6%
FY10	\$278.6	\$15.6	5.9%
FY11	\$290.5	\$11.9	4.3%
FY12	\$298.9	\$8.4	2.9%
FY13*	\$289.0	-\$9.9	-3.3%
FY14*	\$287.0	-\$2.0	-0.7%

*Budget estimate

Table 2

passed in June 2011, which gave municipalities more freedom in health plan design. The agreement is projected to save up to \$70 million in City costs from FY12 – FY15. Under this agreement, employee and retiree share of premiums for non-Medicare plans increased by 1.25% in FY12 and by an additional 1.25% in FY13. Total premium share varies by type of plan, ranging from 17.5% for HMOs to 27.5% for indemnity plans. In addition to the premium share increase, member co-pays increased in FY13 for prescriptions, office visits, and emergency room visits.

Figure 10 demonstrates the higher share of total health care costs (including premiums and co-pays) borne by employees and retirees as a result of this agreement. In FY11, members paid roughly 18% of total health care costs, compared to 22% in FY13 after all changes were in place. At the expiration of the City’s agreement with the Public Employee Committee in FY16, the City will have the option to implement



Employee Share of Total Healthcare Costs
Premium plus "out-of-Pocket" (OOP) costs. Boston and GIC Premium shares for Harvard Pilgrim.

Figure 10

additional changes allowed under municipal health care reform or to negotiate a successor agreement with the PEC.

Mandatory Medicare Enrollment

The 2011 municipal health care reform legislation also mandated that all Medicare-eligible municipal retirees must enroll in Medicare Part B and a supplemental Medicare health plan. For the City of Boston, this mandate impacted approximately 40% of retirees who had been enrolled in non-Medicare health plans and

were identified as having Medicare eligibility. In FY13, these roughly 2,700 retirees and additional retiree spouses were enrolled in Medicare Part B and a City of Boston Medicare health plan. For the retirees, total health care costs and benefits stayed level or decreased because the City, in compliance with the mandate, offers Medicare health plans which

City Healthplan Subscribers Jan '13

Healthplan	Active	Retiree *	Total
Indemnity	2,143	1,567	3,710
HMO	13,148	2,740	15,888
Medicare	-	9,537	9,537
Total	15,291	13,844	29,135

Table 3

are actuarially comparable to its non-Medicare health plans. For the City, annual savings from this mandate, beginning in FY13, reached approximately \$21 million.

The Broader Picture

As Table 2 demonstrates, the City's steadily increasing health care costs experienced a slower average 3% annual trend from 2008 – 2014, compared to over 10% in prior years. This lower trend reflects three components – lower premiums due to more aggressive rate negotiations along with lower overall claims inflation in that period, the increasing cost share paid by City employees and retirees, and the phasing out of a high cost health plan (Blue Cross Master Medical). In FY15, however, costs are anticipated to resume increasing based on a projected industry medical trend of about 8% per year.

This continuing high rate of cost increase is due to multiple factors, including increasing medical provider charges, increasing available technologies, an aging population, overuse of certain services, high utilization of more expensive hospitals, and unhealthy lifestyle choices of members. These problems must be addressed by multiple parties.

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

- From FY08 through FY12, the City and its unions agreed to phase out a costly indemnity plan, saving millions of dollars per year with no negative impact on members.

- In March 2012, the City and the PEC agreed to self-insure most of the City's health claims to reduce administrative costs, and establish a mechanism to smooth premium increases in the long run.
- Multiple efforts are being taken to encourage city employees and retirees to adopt healthier lifestyle choices. For example, targeted benefit improvements are being made to support smoking cessation. Also, the City is contracting with Atrius Health, a major health care provider, to provide additional chronic disease management services for City of Boston patients.

Note: FY14 health, dental and life insurance benefits for City employees and retirees are budgeted separately for City departments (\$192.8M), BPS (\$89.4M), and PHC (\$10.3M).

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. Similar to pensions, employees earn these other post-employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. The most recent independent actuarial valuation, as of June 30, 2011, valued the City of Boston's unfunded liability for these benefits at \$3.1 billion. This unfunded liability is twice as large as the

Annual Appropriations to OPEB Trust
Dollars in Millions

FY08	\$20
FY09	\$25
FY10	\$20
FY11	\$35
FY12	\$35
FY13	\$40
FY14	\$40
Total Assets	\$215

Table 4

the City also voluntarily began to annually allocate funds to reduce the OPEB liability. Annual allocations are retained in an irrevocable Trust Fund, authorized through the City's acceptance of M.G.L. Chapter 32B section 20, and summarized in Table 4.

City's unfunded pension liability.

In FY08, the City was required to follow new Governmental Accounting Standards Board (GASB) requirements to identify and disclose this estimated liability.

At the same time,

The Annual Required Contribution (ARC) for the City to significantly reduce the OPEB liability over a 30 year period is projected at \$208 million in FY14, as shown in Table 5 below. The City will fund \$176 million of the ARC in FY14, through a combination of pay-as-you-go benefit payments for current retirees as discussed in the previous section, and a \$40 million FY14 allocation to the Trust to continue to build Trust assets. This level of annual contribution balances the City's acknowledgement of the future cost of OPEB benefits, with the City's current duty to deliver

FY14 Annual Required Contribution (ARC) to Reduce OPEB Liability Over 30 Years	
Dollars in Millions	
Total ARC	\$208
Projected Benefit Payments	\$136
FY14 Annual Allocation	\$40
Total FY14 Payments	\$176
Difference	\$32

Table 5

valuable public services today.

The future annual ARC for the City will vary based on the total estimated OPEB liability, largely influenced by changes to retiree health benefits, the annual additional contribution, and the discount rate used. For example, total estimated liability was significantly reduced in the June 2011 valuation due to health benefit changes negotiated between the City and the Public Employee Committee (PEC), statewide municipal health care reform mandating that Medicare eligible retirees enroll in a Medicare health plan, and the city's increased annual OPEB allocation. Additional future decreases in liability are likely under changes to earned municipal retiree benefits proposed by the Massachusetts OPEB Commission, and included in legislation filed by the Governor for FY14.

Pensions

The City participates in a contributory defined benefit

retirement system that is administered by the State-Boston Retirement System (SBRS). SBRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The most recent completed valuation of the SBRS, based on January 1, 2012 data, committed to funding based upon a schedule which includes paying the normal cost and an annual contribution toward reducing the unfunded liability to zero by the year 2025. Current state law allows systems to fully fund by no later than 2040.

The City's annual pension funding contribution was \$191.9 million in FY11, \$126.4 million in FY12, and was budgeted for \$137.0 million in FY13 and \$152.9 million in FY14. The large-scale swings in pension cost during FY09-FY12 were driven by two main factors:

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

The real trend in pension cost is best represented by the Net Required Pension Cost in Table 6. The Net Required Pension Cost hovers between \$94 million and \$110 million between FY09 through FY11, before a significant jump occurs in FY12. FY12 was the first year the SBRS required appropriation was impacted by the significant loss in pension assets in the 2008 calendar year.

The FY14 SBRS required appropriation is higher due to a new funding schedule with updated mortality rates, decreased investment return assumptions, from 8% to 7.75%, and the continued schedule of full funding by 2025. The 2012 valuation also reflects an increase to the retiree cost of living adjustment base from \$12,000 to \$13,000 as of July 1, 2012.

Changes to City Pension Funding Obligations (\$millions)						
	SBRS	Teacher's	Net			
	Required	Pension	Required	Extraordinary	Total	
	Appropriation	Reimbursement	Pension	Payment	Pension	Cost
			Cost		Cost	
FY14	\$ 152.91	\$ -	\$ 152.91	\$ -	\$ 152.91	
FY13	136.98	-	136.98	-	136.98	
FY12	126.66	-	126.66	-	126.66	
FY11	110.01	-	110.01	82.00	192.01	
FY10	108.46	-	108.46	-	108.46	
FY09	213.23	118.84	94.39	-	94.39	

Table 6

ENERGY MANAGEMENT

Energy Management Board

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use and conservation of energy and to minimize the associated greenhouse gas impacts to public health. The Energy Management Board is comprised of the Chief of Environment and Energy, Chief Financial Officer, Chief of Public Property and the Chief of Public Health.

In FY14 energy budgets total \$52.7 million with electricity costs making up 49% of the budget, natural gas costs making up 27% of the budget and gasoline/diesel comprising 13% of the budgets. The remaining 11% of the budget funds water and sewer, steam and heating oil.

Energy Management Policies

The City's energy management and reduction policies seek to:

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

Energy Management Strategies

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

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

Energy Management Successes

In FY14, the City hopes to continue its trend of energy management successes and to continue to benefit from decisions made in prior fiscal years.

The City competitively procures its electric supply and is currently covered by a contract that will be in place through March 2016. The contract uses a pricing model where the City buys its electricity in the variable day-ahead electric supply market to get the lowest cost possible. The City measures its success in this contract by comparing its electric supply costs incurred through the third party supply vendor to what it would have paid NSTAR, the local electric distribution company, for the same electric supply.

Starting in FY12 and continuing into FY14, the most dramatic change in energy use will come in the Public Works Department. Through a collaborative effort of the Environment and Energy Cabinet, the Public Works Department and NSTAR, the local electric distribution company, three financial resources have been combined to implement a significant retrofit project. The project involves the replacement of mercury and sodium vapor street lighting fixtures with energy efficient Light Emitting Diodes (LEDs). Through FY14, the LED project is projected to save over 18 million kilowatt hours and an estimated \$2.4 million in utility costs. The cost of the LED project is currently funded with City capital bond funding and energy efficiency incentive dollars distributed by NSTAR, and has been funded in prior years from the Energy Efficiency and Conservation Block Grant, funded by the American Recovery and Reinvestment Act (ARRA).

Additional energy projects implemented in FY13 include the installation of a lighting control system at all of the Parks Department's ball fields and energy management system upgrades at 5 branch libraries. These two projects are projected to produce estimated FY13 savings of 403,000 kilowatt hours and \$67 thousand.

Continuing a successful partnership with the City's local utility companies and accessing energy efficiency incentive grant funds, future projects for FY14 and beyond include the continued upgrade of street lights fixtures to LEDs that should save an additional 3.4 million kilowatt hours of electricity and an estimated \$570 thousand in FY14. Additionally a third and fourth phase of energy improvements are scheduled for Boston City Hall that involve an upgrade to the energy

management system and additional HVAC improvements as well as building management system re-commissioning to give building managers greater environmental control. These phases are projected to save estimated 700 thousand kilowatt hours of electricity and \$117 thousand in FY14.

APPROPRIATIONS

Departmental Appropriations

The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS) as shown in the FY14 Budget Summary have increased by 3.4% from the FY13 appropriations.

The departmental appropriations are shown in the General Fund Appropriation by Cabinet table.

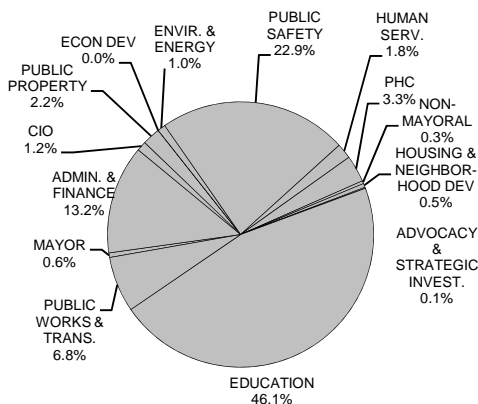
Departmental appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 11)

Some of the highlights of FY13/FY14 changes by cabinet are as follows:

Mayor's Office

Overall, in FY14 the departments in the Mayor's Office cabinet will see an increase of 4%. Departments included in the Mayor's Office Cabinet are the Mayor's Office, Emergency Management, Law, Office of Neighborhood Services and Public Information. Generally most of the FY14 budget increases in the Mayor's Office Cabinet are related to the implementation of cost-of-living wage increases in FY13 for non-union employees in the departments. The FY14 budget growth in the Office of Emergency Management relates to the ending of a temporary personnel subsidy from external funds as well as the transfer of the costs of the ALERTBoston system from external funds to the operating budget.

The Mayor's Office Cabinet will continue to house the Office of New Urban Mechanics dedicated to civic innovation and engagement, focusing on delivering both transformative and basic City services to Boston's residents. In FY14 a new program has been created within the Office of the Mayor to formally recognize the New Urban Mechanics program. The Mayor's 24-Hour Office of Constituent Engagement in the Public Information Department works in partnership with the Department of Innovation and Technology (DoIT) and front-line service delivery departments to manage the Constituent Relationship Management (CRM) system. This system dispatches work to the responsible city departments and tracks the final resolution. Costs related to CRM technology are budgeted in the Department of Innovation and Technology (DoIT) which is under the Chief



FY14 Appropriations by Cabinet

Figure 11

Information Officer. The Mayor's Office and Public Information will also collaborate on the operation of the new City Hall To Go truck initiative to serve residents where they live and work. In FY14, the truck will transition from a pilot to an initiative with a set schedule that allows it to visit every neighborhood in the City at least once every month. The truck will be available after work and on weekends to meet the needs of residents. It offers an array of city services that include paying parking tickets and tax bills, applying for library cards or dog licenses, and registering to vote. As residents' needs change, seasonally or over time, City Hall To Go will respond accordingly.

Advocacy and Strategic Investment

The Advocacy and Strategic Investment Cabinet focuses on enacting legislative reform, strengthening education, fostering job creation and serving Boston's diverse communities supported by local, state and federal partners. The cabinet is comprised of the Boston Residents Jobs Policy, Intergovernmental Relations, Office of New Bostonians and the Small and Local Business departments. The budget for this cabinet will increase by 5.2% in FY14.

The Office of Boston Residents Jobs Policy's mission is to increase construction opportunities for Boston's residents, minorities and women. The Intergovernmental Relations department keeps the Mayor informed on key issues at the city, state and federal levels. The Office of New Bostonians seeks to strengthen the ability of new immigrants in the City of Boston to fully participate in the economic, civic, social and cultural life of the City. The Small and

Local Business Enterprise Office (S/LBE) is responsible for ensuring the equitable participation of small and local businesses, as well as minority and women businesses, in the City's contracting arena.

The Advocacy and Strategic Investment Cabinet plays a leadership role in the Circle of Promise initiative working to foster collaboration between City government centered in Boston Public Schools, not-for-profit organizations, and families in the Circle of Promise to combat family poverty by helping secure jobs and job training, housing, food and health care services, and any other public benefits necessary to improve people's lives. Additional funding has been added to the Intergovernmental Relations FY14 budget to support the Circle of Promise initiative.

Administration and Finance

The Administration and Finance Cabinet administers the day-to-day management of city government. In addition to various administrative departments and the Boston Public Library, the Administration and Finance Cabinet houses the central City appropriations for Execution of Courts, Health Insurance, Medicare Payments, Pensions and Annuities, Unemployment and Workers' Compensation Fund. With the significant decrease in the central Health Insurance appropriation (more fully discussed in the Employee Benefits section earlier in this chapter), the Administration and Finance Cabinet will decrease by 1.1% in FY14.

The Office of Administration and Finance (A&F) will see a 13.9% decrease in FY14. A&F is responsible for the long-term growth and stability of the City through sound fiscal and results-driven management of the City's human and financial resources. A&F expanded its involvement in the Boston About Results (BAR) performance management program in FY13 with an additional staff member. The Office's FY14 budget includes consulting resources to protect the City's financial interests with regard to ongoing economic development and to ensure that the City's operational structure is positioned to meet the needs of the future. The primary reason for the budget decrease in FY14 is that certain expenditures made in FY13 to provide resources to perform the necessary due diligence related to significant economic development projects will not be required in FY14.

In January 2014, Mayor Menino's administration will transition to the next one. The FY14 budget for A&F includes \$50 thousand for a transition fund which will be used in the time period before the November

election to lay the groundwork for a transition and, after the election, for the Mayor-elect to begin to assemble an administration.

The Assessing Department will see a 2.1% increase in its appropriation in FY14 primarily due to increased costs for collectively bargained and non-union wage increases. During FY13 the Assessing Department completed a comprehensive parcel-specific revaluation of the City's taxable property that is legally required to be undertaken every three years.

The Auditing Department is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports and maintaining the financial records of the City. Auditing will see a 5.9% increase in its FY14 appropriation as the department reorganizes to provide centralized accounts payable services – a business process change that has come as a result of the Boston Administrative Information System (BAIS) Financials upgrade.

The Office of Budget Management (OBM) manages the City's operating and capital budget development and resource planning processes and provides analytic support to the Boston About Results (BAR) performance management program that is centrally managed by the Office of Administration and Finance. OBM will see a 4.1% increase in its FY14 appropriation.

The Health Insurance appropriation for City employees and City and BPS retirees will see a decrease of 2% compared to the FY13 appropriation, a cost reduction of \$4 million, for reasons explained in the Employee Benefits section. 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 Boston Public Library (BPL) Department will see a 2.8% increase in its FY14 general fund appropriation. The increase relates to the purchase of new book printing technology and a partial cost shift for its heating, ventilation and air conditioning (HVAC) systems' preventative maintenance contract from external funds to the operating budget. In FY14 BPL will continue to see the benefits of some one-time expenditures made in FY13 such as the purchase of e-reader equipment to support a lending program which will bring this technology to those unable to buy e-readers. Also during FY13, the BPL completed facility enhancements at branch libraries such as the creation

of an early literacy nook at Charlestown, a teen writing lab at Egleston, and a new teen zone at Hyde Park.

The Purchasing Department's budget will increase by 5% increase in FY14. Purchasing is responsible for one of the new modules included in the BAIS Financials application that became operational in FY13. The eProcurement module will provide new functionality and streamline the purchasing process. Purchasing added new positions during FY13 to support new activities related to eProcurement.

The budget reductions in Labor Relations and Registry Division reflect some one-time spending for services and equipment in FY13 that will not be necessary in FY14. In FY13, Labor Relations required additional resources for outside legal counsel given the large number of unions with outstanding labor agreements and a large arbitration case in process. Registry is actively participating in a large scale capital-funded imaging and document management technology project with the Department of Innovation and Technology that required the department to purchase new equipment in FY13. The budget reduction in the Treasury Department's FY14 budget reflects the inclusion of a mandatory appropriation for tax title activities in FY13 but the tax title budget is not shown in FY14.

Chief Information Officer

The Department of Innovation and Technology (DoIT) will see a 9.2% increase in its FY14 appropriation. This budget reflects the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. Much of the budgetary growth for DoIT in FY14 relates to new enterprise-wide modules for the BAIS Financials application that also require new staff to support them. Typically the various enterprise-wide technology systems, most often implemented through the City's capital budget, have their ongoing support and maintenance costs budgeted centrally in DoIT's operating budget. In FY14 DoIT will absorb the ongoing operating costs for the software that supports the Boston About Results (BAR) program along with the data warehouse used for business analytics and the software used to support private business development in the City.

During FY13 DoIT hired a civic software developer to be a liaison to Boston's native developer communities and support the City's open data strategy. This position in DoIT has worked closely with the Office of

New Urban Mechanics on technology enhancements that facilitate communication in various areas of civic life ranging from reporting pothole and graffiti complaints to finding flu clinics to better understanding school assignments. During FY14, DoIT will continue to shape the City's Information Technology (IT) strategy and to manage the City's entire technology project portfolio including ongoing projects such as enterprise-wide permitting and licensing, the Boston Business Hub (BizHub) web portal, the Constituent Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS), the Computer Aided Dispatch (CAD) system and imaging and document management. A major upgrade to the Computer Aided Dispatch (CAD) system will become operational in FY14.

Public Safety

In FY14 the Public Safety Cabinet that includes the Fire and Police Departments will see a .4% increase. Both Police and Fire along with Emergency Medical Services in the Public Health Commission will be active end-user participants in the roll-out of an upgraded Computer Aided Dispatch (CAD) system that will greatly improve communication of information to all public safety departments.

The FY14 budget for the Fire Department will increase by approximately \$2.3 million or 1.2%. The budget includes the impact of new firefighter recruit classes planned to start in fall of 2013 and spring of 2014. The recruit classes are intended to replace retirees and to ensure that staffing levels in the fire suppression category are maintained at the appropriate operational level. Starting in FY13 and continuing into FY14 the Fire Department budget will make a considerable investment in safety equipment specifically targeted for firefighters. The Self Contained Breathing Apparatus (SCBA) equipment will be replaced and the department will purchase replacement bunker gear and helmets to be in compliance with national standards.

The Police Department's FY14 budget will decrease by \$495 thousand or .2%. The reduction in FY14 is the result of several one-time FY13 equipment expenses targeted for police officers including bullet-proof vests and guns along with some central technology equipment. This level of supply and equipment expense will not be required in FY14. The FY14 budget also includes a large allocation to cover the cost of developing and implementing a new exam for

superior officers originally planned to be executed in FY13, which will carry over into FY14.

The budget includes the impact of a new police officer recruit class planned to start in late fall 2013. Future recruit classes will be evaluated to replace retirees and to ensure that staffing levels are at appropriate levels. In FY14 the department will continue with a Community Oriented Policing Services (COPS) grant to support increased officers on Safe Street Teams. Safe Street Teams engage Boston police officers in community problem-oriented policing of violent crime hot spot areas. Safe Street Team officers are assigned to these areas for a sustained period of time which allows officers to get to know local residents and business owners and form effective working partnerships. Since deployed, the neighborhoods with Safe Street Teams have seen a material reduction in crime. In FY13 the Police Department hired a Director of Neighborhood Outreach to better coordinate the department's community outreach and increased the number of neighborhood crime watches by over 100 groups. The Bureau of Intelligence and Analysis will continue, through the Boston Regional Intelligence Center (BRIC), to be the central clearinghouse of information from all available sources providing tactical and/or strategic expertise to support law enforcement activities throughout the department. As an ancillary part of the Computer Aided Dispatch (CAD) upgrade project, Police will get a new records management system that will allow police officers to write reports and access information from their vehicles.

Economic Development

The Boston Redevelopment Authority (BRA) continues to fully fund its operation as the City's central planning and economic development agency within the existing BRA revenue structure without support from the City's general fund in FY14. The BRA does access the City's capital budget to make investments in economic development areas under its control.

Public Property

The Public Property Cabinet as a whole will see an increase of 1.0% in FY14.

The Office of Arts, Tourism & Special Events (MOATSE) will see a 4.6% increase in its FY14 appropriation primarily related to an additional position for the Strand Theatre along with approved wage increases for employees. Additionally, MOATSE

will expand the "Paintbox" program to create public art on utility boxes throughout the City. This program had previously been funded with private donations.

The Consumer Affairs & Licensing department shows a decrease in FY14 that will have no impact on services.

The Department of Voter Mobilization will see an 11.6% decrease in its FY14 appropriation. The department's budget varies each year based on the number and type of elections scheduled to take place. In FY14, two elections are scheduled, a municipal preliminary election in September 2013 and the final municipal election in November 2013. These elections are for Mayor and City Councillors. In municipal elections, unlike state and federal elections, the City will bear all of the costs associated with printing the ballots for every registered voter. The department will continue to canvass all of Boston's neighborhoods during the annual listing process to have a full and complete list of Boston residents over the age of 17 to provide to the state's Jury Commission. Expanded outreach to non-English speakers is also a priority.

The Parks and Recreation Department budget will increase by 1.3% in FY14. (During FY13 a one-time special allocation of funding was targeted to address deferred maintenance and beautification projects in city parks. Without this special allocation the year to year increase would be greater.) The FY14 budget includes funding for the Parks and Recreation Department to expand recycling in the Boston Common, Public Garden and Christopher Columbus Parks by installing solar powered self-compacting trash receptacles with recycling sidecars. The FY14 budget also includes wage increases for settled collective bargaining agreements. The Mayor's "Boston Blooms" program will continue to plant bulbs and flowers in partnership with community groups. In FY14 the department will partner with a non-profit to update the tree inventory and has increased resources to repair artificial turf fields.

The Property and Construction Management Department manages the design and construction of most facility projects included in the City's capital plan. The FY14 budget includes wage increases for settled collective bargaining agreements including the security staff. In FY14 the department will continue to work with the Police Department to upgrade its security camera equipment.

Public Works & Transportation

Individual budgets in this cabinet include Public Works, Central Fleet Management and Transportation, as well as the City's appropriation for snow removal. Excluding the budget for snow removal, the Cabinet reflects an increase of 3.0%.

The Public Works Department's FY14 appropriation grows by 2.8%. Waste removal and street sweeping costs will increase with the continuation of multi-year contracts that contain increases tied to the consumer price index or pre-approved price schedules. Through a collaborative effort with the Environment and Energy Cabinet and NSTAR, the local electric distribution company, Public Works will continue to retrofit existing street light fixtures with energy efficient Light Emitting Diodes (LEDs). The cost of the ongoing LED project is funded with City funding and energy efficiency incentive dollars managed by NSTAR. In FY14 Public Works will establish an internship program to help create a pool of potential applicants for open positions within the department that have historically faced recruitment challenges.

In FY14, the Transportation Department will see an increase of 2.5%. The FY14 increase is tied to the expanded bicycle program that includes new positions and increased funding for bike lane maintenance. The budget also includes funding for community bicycle programs such as Roll it Forward, the Youth Cycling Initiative, Bike Fridays and Boston Bike Week.

The Central Fleet Management (CFM) Department continues to play a critical role in the analysis of departmental vehicle inventories, including information about vehicle age, mileage and repair history so that departments can make informed decisions with regard to vehicle replacement plans and budgets. CFM helped make the business case that, more often than not, it is more cost effective to replace a vehicle rather than keeping it beyond its useful life and incurring costly maintenance and repairs. CFM continues to review vehicle utilization and, based on its ongoing success, will expand the vehicle-sharing program powered by web-based technology to increase the pool of shared city vehicles dubbed FleetHub. The goal of FleetHub is to increase utilization per vehicle, which will allow a reduction in total vehicles needed citywide. The software provides a more efficient and user-friendly means of scheduling vehicle use among City staff. Additionally, CFM installed the new car sharing technology on a central pool of loaner vehicles such as pickup trucks for front-

line departments so that a scheduled vehicle repair will not interfere with the delivery of basic city services. All of these efforts are being made to create a smaller fleet of city vehicles that optimizes their use, maintains an appropriate replacement schedule and prioritizes regular ongoing preventative maintenance.

Environment and Energy

The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 6.8% increase in FY14. The Environment and Energy Cabinet focuses on energy policy including renewable energy and green buildings in addition to enforcing the City's building, housing, and environmental regulations. The cabinet helped facilitate a collective movement known as "Greenovate Boston" that seeks to ensure a greener, healthier and more prosperous future for the City by meeting the goal of reducing greenhouse gas emissions while encouraging continued sustainable growth within the City.

The Inspectional Services Department (ISD) will see a significant increase of 7.7% in FY14. The bulk of this increase is attributed to a newly approved rental housing inspection ordinance that will ultimately result in the inspection of over 140,000 rental units over the next five years and a program that will continue beyond that. The primary goal of the program is to ensure quality rental housing, particularly for non-English speaking residents and students. ISD will hire additional staff and develop and maintain new technology to support the program. New revenues are expected to be generated by the new rental housing inspection ordinance. ISD will continue to collaborate with other permitting agencies, such as the Fire Department and Neighborhood Development, to support the Boston Business Hub (BizHub), a one-stop permitting center to support constituents and small businesses with easier and more accessible permitting. ISD, in collaboration with DoIT, is implementing new technology that will allow for the electronic transmission and review of construction plans by multiple departments.

The Environment Department will see a net decrease of .5%. The decrease reflects a one-time commitment in FY13 to provide funding within the operating budget to complete a Renew Boston initiative. Renew Boston is a network of energy efficiency providers helping to assist qualified Boston homeowners and landlords in

making energy improvements to their properties and businesses. The FY14 budget includes increased funding for a new position and some one-time startup costs to manage the City's new energy reporting ordinance. The Building Energy Reporting and Disclosure Ordinance approved in Boston City Council in the Spring of 2013 requires large commercial and residential buildings to report energy use and greenhouse gas emissions to encourage energy efficiency and further the City's climate action goals.

With the Mayor's ongoing commitment to support healthy food policies, the Environment Department will continue to support the Food Policy Council to advance the Mayor's food agenda by working to increase access to fresh, affordable, and local food, especially for those at risk of going hungry.

Human Services

Overall, the FY14 appropriation for the Human Services Cabinet has increased by 3.2%. The Boston Centers for Youth and Families (BCYF) budget will increase by 2.6%. BCYF manages full service community centers that provide diverse quality programming, consistent hours of operation and quality facilities. BCYF continues to maintain its commitment to working with partner organizations and community stakeholders to provide the highest level of service in all neighborhoods of the City.

In FY14, BCYF will add two streetworker positions that will expand the proactive engagement of youth with the goal of reducing youth violence and supporting the development of at-risk youths. The FY14 budget also increases the allocation for seasonal employees to fully fund a decision made in FY13 to provide 7-day swimming pool availability in all parts of the City for the summer months.

In FY14 BCYF will continue to use its outcome measurement tool, "YOU Count", to gain a deeper understanding of the true impact BCYF is having on the community it serves. Data gathered from the tool will be used to make program changes at the centers to meet specific youth development goals.

BCYF offers diverse recreational activities such as rock climbing and will seek to add new programs and activities such as community and civic engagement projects. "Teen friendly" spaces that include music studio elements, homework space, games, and technology provide education and enrichment and promote youth development. In FY14 BCYF plans to introduce a new digital arts program at its public

computing centers in an effort to further expand BCYF arts programming offerings and to foster creative self-expression among youth. Community friendly spaces, Audio visual equipment and technology infrastructure are also available to support civic innovation and engagement.

The Civil Rights department will see a 57% increase to its general fund appropriation. While most departmental staff in the department are funded with external funds, in FY14 a new deputy director position will be created within the general fund budget to more fully support the mission of the department. The Civil Rights department focuses on eliminating discrimination to ensure fair and equal access to housing, public services, accommodations and participation in activities. The department investigates and enforces cases of discrimination with regard to housing and monitors and investigates vendor compliance with the City's Criminal Offender Record Information (CORI) ordinance.

The FY14 general fund appropriation for the Youth Fund will see a 6.9% increase. The Youth Fund budget supports a successful partnership with community-based organizations and when combined with anticipated state funds is projected to provide an estimated 3,400 summer jobs. Together with all of its partners, the City's goal is to provide or leverage over 10,000 jobs.

New in FY14, the Youth Fund will provide resources to engage youth across the City to develop a process to use participatory budgeting methods to create a capital "Youth Budget" to be included in the Boston Centers for Youth & Family's capital budget. The Youth Fund also includes an increased subsidy to alternative education programming.

The Commission for Persons with Disabilities' budget will increase by 4.6% in FY14. The Commission has restructured its staff to meet its commitment to reduce architectural, procedural, attitudinal, and communication barriers that affect people with disabilities.

The Elderly Commission will see a 2.2% increase to its FY14 appropriation. The increase will cover wage increases for settled collective bargaining agreements and rising transportation costs. The Elderly Commission plans to maintain its events and programs for all seniors with a particular focus on engaging the aging baby boomer population.

The Veteran's Services department budget increases by 1.9%. The appropriation includes the Aid to Veteran's account that covers state-mandated veteran expenses paid by the City and reimbursed by the Commonwealth of Massachusetts at 75% of the actual costs.

Housing and Neighborhood Development

The Housing and Neighborhood Development cabinet will increase by 8.3% in FY14. The Department of Neighborhood Development (DND) will see an increase of 6.2%. The FY14 DND budget includes increased funding to maintain the Strand Theatre as well as foreclosed properties that DND is temporarily responsible for until the property is disposed of either through redemption by the former owner or a sale. The budget for the maintenance of vacant lots has also been increased.

In FY14, DND will launch the "Million for the Middle" initiative that intends to make one million square feet of City-owned vacant land available for housing for middle class residents over the next two years. Economic development and job creation will be supported with funding, technical assistance, and training for the Main Street Districts whose mission is to build vibrant neighborhood commercial districts throughout the City.

DND will continue its partnership with the Department of Innovation and Technology (DoIT) and other permitting departments like Inspection Services and the Fire Department to support the Boston Business Hub (BizHub). BizHub's goal is to be a convenient place for small businesses to navigate required business permits and get technical assistance.

The Leading the Way appropriation has been increased by \$500 thousand or 10% in FY14. The additional resources will be used for Homeworks HELP (Home Equity Loan Program) that provides qualified homeowners with loans for home repair projects. Leading the Way resources will continue to support the City's efforts in the areas of foreclosure prevention, intervention and property reclamation as well as neighborhood stabilization and rental housing development and preservation.

Public Health Commission

The Boston Public Health Commission (BPHC) serves as the city's health department and provides

community health programming; infectious disease surveillance; shelter, food, and advocacy for homeless individuals; substance abuse prevention and treatment programs; home and school based health services for children and families; and emergency medical services. The FY14 appropriation for the Public Health Commission will decrease by 0.6%. The reduction is non-programmatic. Unlike most departments, the Public Health Commission appropriation includes provisions for health insurance, pension costs, and other post-employment benefits. The actual operating budget for the Public Health Commission, excluding health insurance, pension and other costs, increased by 3.4% from FY13.

The Public Health Commission plays a leading role in the Mayor's goal to narrow racial and ethnic health inequities. This goal is achieved through strategies to address the social determinants of health, including the implementation of citywide regulations (such as the ban on trans-fats in food establishments and data collection and reporting requirements for hospitals and other health care facilities) and preventive programming in the City's neighborhoods. The Commission has the following overarching 5 year goals:

1. Reduce the low birth weight rate among Boston residents, and reduce the gap between the White and Black low birth weight rate by 25%;
2. Reduce Chlamydia rates overall among Boston residents 15 through 24 years of age, and reduce the gap in Chlamydia rates between Black, Latino, and White residents 15 through 24 years of age by 25%; and,
3. Reduce obesity/overweight rates among Boston residents and reduce the gap between White and Black/Latino obesity/overweight rates by 30% for school-aged children and by 20% in adults.

In FY14 the Commission will launch an aggressive campaign to reduce Chlamydia rates among Boston youth between the ages of 15 and 24. In addition BPHC will also open 3 additional health resource centers in BPS high schools.

The Public Health Commission continues to develop innovative programs to address chronic disease prevention and wellness promotion in the City of Boston using strategies focused on increasing

opportunities for healthy eating and safe physical activity.

Violence prevention efforts remain a priority and the Commission works closely with residents to address community violence through the Violence Intervention and Prevention (VIP) initiative and Partnerships Advancing Communities Together (PACT). The department will also expand trauma support in FY14 by cross-training home visiting staff in order to provide greater assistance for families and communities following traumatic events.

The FY14 appropriation provides Emergency Medical Services (EMS) with \$13.7 million, an increase of 9.1%. However, the EMS budget projects a net loss of \$4.9 million in funding from the State. With the additional funds from the City, EMS will be able to retain the current level of field operations. The EMS budget does have reductions in administrative positions, training and equipment.

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

School Department

The FY14 Boston Public Schools (BPS) budget will increase by \$56.2 million, or 6.4%, from the FY13 appropriation. The FY14 budget increases total funding distributed to schools by \$30 million. The increased school allocations are developed using the Weighted Student Funding (WSF) allocation model. Using the WSF methodology, the funding follows the student and a school's allocation is based on the specific needs of the students enrolled. BPS school

enrollment is projected to increase by nearly 1,200 students in FY14. The FY14 BPS budget will sustain extended days in Turnaround Schools, will convert two schools to full inclusion schools, and will prepare for a new dual-language school, innovation school, in-district charter schools and a new school to serve downtown families. (See the *Innovations in Education* chapter of this volume for more details.)

Reserve for Collective Bargaining

The FY14 Adopted collective bargaining reserve includes funding for collective bargaining agreements that are still outstanding.

Debt Service

The City had expenditures for debt service of \$126.7 million in FY11 and \$130.6 million in FY12. The City has a budget of \$135.6 million for debt service in FY13 and expects to spend \$145.2 million in FY14. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. A history of balanced budgets, prudent fiscal policies and a conservatively structured debt profile continue to serve the City well. In February 2013, Standard and Poor's and Moody's Investors Service reaffirmed Boston's AA+ and Aaa ratings. A bond rating is a statement of credit quality and is analyzed when determining the interest rate that should be paid for a municipality's bonds. A higher bond rating translates into lower interest rates and real dollar savings for the City.

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

State Assessments

Accompanying the local aid distributions on the State's cherry sheet are charges to the City from the Commonwealth. Aside from the assessments for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition, state assessments are relatively small. In accordance with Proposition 2 1/2, these charges, except for Charter School Tuition, cannot increase by more than 2.5% annually on a

State Assessments				
	FY11	FY12	FY13	FY14
	Actual	Actual	Budget	Budget
M.B.T.A.	\$ 74,532,457	\$ 77,760,210	\$ 78,301,126	\$ 79,150,549
Charter School Tuition	68,292,834	74,085,738	91,461,770	108,194,516
RMV Non-Renewal Surcharge	3,186,780	2,906,560	2,906,560	2,811,520
Other Assessments	1,687,395	1,870,381	1,912,206	1,741,611
	\$ 147,699,466	\$ 156,622,889	\$ 174,581,662	\$ 191,898,196

statewide basis. The City's state assessments (inclusive of Charter School Tuition) were \$147.7 million in FY11 and \$156.6 million in FY12. The City expects growth in assessments to \$174.6 million in FY13 and to \$191.9 million in FY14.

Suffolk County

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

During FY10, State legislation was passed that moved the Sheriff's department and its employees to the state effective January 1, 2010. The one residual liability that will continue to be a cost for the City is the unfunded pension liability of current retirees of the Sheriff's department, who shall remain as members of the State-Boston Retirement System (SBRS). The FY14 annual cost will be level with what was provided in FY13 for Suffolk County. This funding level will be required to be paid during the course of the multi-year pay down. Once the unfunded liability is fully extinguished, funding by the City for Suffolk County will no longer be necessary.

Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$28.3 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve.

General Fund Appropriations by Cabinet

Cabinet	Department	FY 11	FY 12	FY 13	FY 14	Inc./Dec. 14 vs 13
		Expenditure	Expenditure	Appropriation	Appropriation	
Mayor's Office	Emergency Management	308,122	285,756	326,992	436,754	109,762
	Law Department	5,448,039	5,816,848	5,887,382	6,067,129	179,747
	Mayor's Office	2,054,880	2,112,953	2,199,041	2,273,193	74,152
	Neighborhood Services	1,181,860	1,151,989	1,255,887	1,283,430	27,544
	Public Information	1,092,647	1,152,521	1,311,130	1,361,707	50,577
	Total	10,085,547	10,520,067	10,980,432	11,422,212	441,781
Advocacy & Strategic Investment	Boston Residents Job Policy	440,459	472,441	480,635	551,143	70,508
	Intergovernmental Relations	1,071,492	1,161,314	1,204,266	1,254,288	50,022
	Office of New Bostonians	318,568	326,909	346,841	354,341	7,500
	Small/Local Business	617,713	612,670	620,774	630,268	9,494
	Total	2,448,232	2,573,334	2,652,515	2,790,039	137,524
Administration & Finance	Office of Administration & Finance	665,522	795,224	1,283,737	1,104,812	-178,925
	Assessing Department	6,323,647	6,265,855	6,550,878	6,687,423	136,545
	Auditing Department	2,152,641	2,229,469	2,460,140	2,605,501	145,361
	Budget Management	2,812,751	2,618,868	2,659,054	2,767,613	108,559
	Execution of Courts	21,021,654	14,500,001	3,500,000	3,500,000	0
	Health Insurance	200,780,123	207,405,535	196,755,586	192,789,047	-3,966,539
	Human Resources	3,094,777	3,320,939	3,636,805	3,673,099	36,294
	Labor Relations	1,324,500	1,091,723	1,618,982	1,437,514	-181,468
	Library Department	30,378,419	30,152,019	31,177,053	32,062,274	885,220
	Medicare Payments	5,697,616	7,924,250	8,280,841	8,653,479	372,638
	Pensions & Annuities	4,141,672	4,133,713	4,200,000	4,200,000	0
	Purchasing Division	1,621,172	1,519,184	1,677,304	1,761,700	84,396
	Registry Division	965,187	1,032,853	1,067,317	1,032,739	-34,579
	Treasury Department	4,208,159	4,242,360	4,547,663	4,129,312	-418,350
	Unemployment Compensation	159,806	43,489	350,000	350,000	0
	Workers' Compensation Fund	1,444,746	2,596,646	2,200,000	2,200,000	0
	Total	286,792,392	289,872,129	271,965,361	268,954,513	-3,010,848
Chief Information Officer	Department of Innovation and Technology	18,576,271	21,229,899	21,920,587	23,928,079	2,007,493
	Total	18,576,271	21,229,899	21,920,587	23,928,079	2,007,493
Public Safety	Fire Department	178,020,674	186,945,290	185,540,782	187,849,951	2,309,168
	Police Department	275,779,005	283,038,029	278,904,791	278,409,673	-495,119
	Total	453,799,679	469,983,319	464,445,574	466,259,623	1,814,050
Education	Boston Public Schools	821,375,358	831,342,693	881,227,784	937,413,660	56,185,876
	Total	821,375,358	831,342,693	881,227,784	937,413,660	56,185,876
Economic Development	Boston Redevelopment Authority	0	0	0	0	0
	Total	0	0	0	0	0
Public Property	Arts, Tourism & Special Events	1,570,325	1,551,410	1,798,361	1,880,570	82,209
	Consumer Affairs & Licensing	423,065	417,524	460,631	428,667	-31,964
	Department of Voter Mobilization	3,235,810	3,253,480	4,315,660	3,815,293	-500,368
	Parks & Recreation Department	15,495,353	15,621,888	16,905,598	17,126,480	220,882
	Property & Construction Mgmt.	21,811,969	21,669,051	20,328,092	20,990,680	662,588
	Total	42,536,522	42,513,353	43,808,342	44,241,690	433,348
Public Works & Transportation	Central Fleet Management	2,457,080	1,995,506	2,055,381	2,515,549	460,168
	Office of Chief of PWD & Transportation	1,271,077	1,318,619	1,400,084	1,426,434	26,350
	Public Works Department	81,050,263	83,471,677	82,444,152	84,720,338	2,276,186
	Snow Removal	21,461,489	5,366,278	17,843,045	18,510,608	667,563
	Transportation Department	29,869,749	29,627,357	29,994,685	30,741,674	746,989
	Total	136,109,658	121,779,438	133,737,348	137,914,604	4,177,256
Environment & Energy	Environment Department	1,251,527	1,499,489	2,077,449	2,067,089	-10,359
	Inspectional Services Dept	15,544,850	15,576,292	16,333,033	17,586,432	1,253,399
	Total	16,796,377	17,075,781	18,410,481	19,653,521	1,243,040
Human Services	Boston Centers for Youth & Families	21,382,933	21,338,453	22,827,530	23,413,069	585,539
	Civil Rights	318,360	125,080	125,996	197,875	71,879
	Commission for Persons with Disabilities		311,294	343,579	359,455	15,876
	Elderly Commission	2,818,100	2,817,791	2,889,413	2,952,018	62,606
	Veterans Services Department	5,176,247	5,193,879	5,539,596	5,643,127	103,531
	Women's Commission	157,999	158,701	161,092	163,053	1,961
	Youth Fund	4,637,150	4,629,859	4,639,185	4,960,658	321,473
	Total	34,490,789	34,575,058	36,526,389	37,689,255	1,162,866
Housing & Neighborhood Development	Leading the Way	5,000,000	5,000,000	5,000,000	5,500,000	500,000
	Neighborhood Development	3,332,856	3,632,723	3,883,666	4,123,194	239,527
	Total	8,332,856	8,632,723	8,883,666	9,623,194	739,527
Public Health	Public Health Commission	69,808,000	72,902,815	66,788,184	66,357,120	-431,064
	Total	69,808,000	72,902,815	66,788,184	66,357,120	-431,064
Non-Mayoral Departments	City Clerk	969,124	984,276	1,021,974	1,062,939	40,965
	City Council	4,508,925	4,517,718	4,800,230	5,150,000	349,770
	Finance Commission	174,346	178,714	193,335	194,659	1,324
	Licensing Board	599,031	620,838	687,357	725,322	37,966
		Total	6,251,426	6,301,545	6,702,895	7,132,920
	Grand Total	1,907,403,106	1,929,302,154	1,968,049,557	2,033,380,430	65,330,872

Table 8

Personnel Summary

		1/1/11	1/1/12	1/1/13	1/1/14	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
Office of the Mayor	Law Department	46.0	48.0	47.0	47.0	-
	Mayor's Office	23.0	24.0	23.0	25.0	2.0
	Neighborhood Services	21.0	21.0	21.0	22.0	1.0
	Emergency Management	1.0	1.0	0.6	1.4	0.8
	Public Information	17.6	17.1	18.6	19.6	1.0
	Total	108.6	111.1	110.2	115.0	4.8
Advocacy & Strategic Investment	Boston Residents Job Policy	6.0	7.0	6.0	8.0	2.0
	Intergovernmental Relations	8.7	9.8	10.8	9.8	(1.0)
	Office of New Bostonians	5.0	5.0	5.0	5.0	-
	Small/Local Business	8.0	8.0	8.0	8.0	-
	Total	27.7	29.8	29.8	30.8	1.0
Administration & Finance	Office of Administration & Finance	7.0	6.0	8.0	8.0	-
	Assessing Department	85.0	84.0	81.0	81.0	-
	Auditing Department	30.0	29.0	31.0	33.0	2.0
	Budget Management	23.1	23.1	23.1	23.1	-
	Human Resources	44.1	47.1	47.1	47.1	-
	Labor Relations	10.0	10.0	11.0	10.0	(1.0)
	Library Department	382.8	376.1	390.7	396.6	5.9
	Purchasing Division	22.0	22.0	20.0	23.0	3.0
	Registry Division	18.0	19.0	19.0	19.0	-
	Treasury Department	50.0	50.0	51.0	53.0	2.0
	Total	672.0	666.3	681.9	693.8	11.9
Chief Information Officer	Dept of Innovation & Technology (DoIT)	109.0	112.0	124.0	128.6	4.6
	Total	109.0	112.0	124.0	128.6	4.6
Public Safety	Fire Department	1,572.2	1,571.2	1,560.2	1,617.0	56.8
	Police Department	2,903.7	2,875.1	2,853.1	2,907.0	53.9
	Total	4,475.9	4,446.3	4,413.3	4,524.0	110.7
Education	School Department	8,047.2	8,052.3	8,381.0	8,469.0	88.0
	Total	8,047.2	8,052.3	8,381.0	8,469.0	88.0
Public Property	Arts, Tourism & Special Events	17.0	17.0	22.3	20.9	(1.4)
	Consumer Affairs & Licensing	6.6	6.8	6.8	6.8	-
	Department of Voter Mobilization	23.0	23.0	26.1	28.0	1.9
	Parks and Recreation	198.0	200.0	204.0	211.0	7.0
	Property & Construction Mgmt.	203.0	199.0	202.0	202.0	-
	Total	447.6	445.8	461.2	468.7	7.5
Public Works & Transportation	Chief of Public Works & Transportation	15.0	16.0	13.0	13.0	-
	Central Fleet Management	42.0	38.0	39.0	39.0	-
	Public Works Department	317.0	312.0	303.0	315.9	12.9
	Transportation	349.9	352.9	359.9	359.9	-
	Total	723.9	718.9	714.9	727.8	12.9
Environment & Energy	Environment	17.0	17.0	22.0	23.0	1.0
	Inspectional Services	221.0	212.0	217.0	229.0	12.0
	Total	238.0	229.0	239.0	252.0	13.0
Human Services	Boston Center for Youth & Families	350.6	338.0	355.3	357.3	2.0
	Civil Rights	7.0	4.0	4.0	5.0	1.0
	Commission for Persons with Disabilities	-	7.0	5.0	5.0	-
	Elderly Commission	59.0	63.0	56.0	56.0	-
	Veterans Services	12.2	10.2	11.6	12.6	1.0
	Women's Commission	2.0	2.0	2.0	2.0	-
Youth Fund	8.0	7.0	7.0	7.0	-	
	Total	438.8	431.2	440.9	444.9	4.0
Neighborhood Development	Neighborhood Development	39.5	29.3	30.4	30.4	-
	Total	39.5	29.3	30.4	30.4	-
Public Health	Public Health Commission	794.2	803.3	797.8	797.8	-
	Total	794.2	803.3	797.8	797.8	-
Non-Mayoral	City Clerk	13.4	13.0	13.0	13.0	-
	City Council	81.6	73.9	84.3	83.5	(0.8)
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	6.6	7.6	7.6	7.6	-
	Total	104.6	97.5	107.9	107.1	(0.8)
Grand Total		16,227.0	16,172.8	16,532.3	16,789.9	257.6

Table 9

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 FY14 are estimates based on the personnel funding levels contained in the FY14 budgets.

FY12- FY13 FTE Changes

The total net increase in FTEs from January 1, 2012 to January 1, 2013 was 359.5. 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 vast majority of the total increase was in the School Department, which added 328.7 FTEs. This included increases in the areas of bilingual education, as the School Department continues its commitment to investing in quality programs for English Language Learners, and in special education support. There was also an increase in the number of school nurses.

Staffing levels in the Public Safety cabinet decreased by 33 FTEs. The Police Department had a new recruit class come on shortly after the January 1st date of this annual FTE snapshot. The Fire Department has also added a new class since that time.

The Administration & Finance (A & F) Cabinet increased by 15.6. The A & F Office filled 2 vacancies including 1 to support the citywide effort to revamp the school assignment process. The Auditing Department filled vacant positions to support a business process change to provide centralized Accounts Payable services. The Library Department added 14.6 FTEs as it filled vacancies that were offset by less attrition in the first half of the fiscal year.

The increase of 12 FTEs in the Chief Information Officer Cabinet/Department of Innovation Technology (DoIT) is the result of filling vacancies and adding positions to reduce the City's reliance on outside consultants.

The Public Property Cabinet increased by 15.4 FTEs since January 2012. Office of Arts, Tourism and Special Events added positions formerly funded through external resources in the Fund for Boston Neighborhoods. The Capital Construction unit of the Property & Construction Management Department increased project management positions in order to keep the City's current capital plan, including the large project at Dudley, on schedule. The Parks Department filled vacancies.

The Public Works and Transportation Department decreased by 4 FTEs. The declines in the Office of the Chief and the Public Works Department are due to attrition. The Transportation Department's increase of 10 FTEs is primarily due to a parking enforcement officer class in the fall.

The Environment & Energy Cabinet increased by 10 FTEs. The increases in the Environment Department reflected a commitment to programmatic activities previously funded by external funds. Following the end of the Energy Efficiency and Conservation block grant, the department added 2 municipal energy managers and a Renew Boston Outreach Manager to its operating budget. The Director of the Mayor's Food Policy Council, which is a unit within the Environment Department, also moved to the operating budget in FY14. The increase in the Inspectional Services Department was due to the filling of vacancies.

The Human Services Cabinet's FTEs went up by 9.7. This change is mainly a result of Boston Centers for Youth and Families (BCYF) filling vacancies after a two-year reorganization. The reduction in the Elderly Commission is due to the timing of vacancies and leaves.

FY13-FY14 Projected FTE Changes

The City projects that the net increase in FTE levels will be 257.6 from January 1, 2013 to January 1, 2014.

Staffing in the Mayor's Office Cabinet is projected to remain fairly constant between January 1, 2013 and January 1, 2014 except for the addition of new positions for City Hall To Go. A program manager will be added to the Mayor's Office and a driver to Public Information. The Advocacy & Strategic Investment Cabinet is also expected to have a slight increase with the Office of Boston Residents Jobs Policy adding a new position to monitor construction projects.

The Administration & Finance (A & F) Cabinet is projected to see a staffing increase of 11.9. The Auditing and Purchasing Departments will fill vacant positions to support the recently upgraded financial system. The increase in the Library Department reflects the filling of vacancies as well as the shifting of more FTEs to the operating budget in FY14. The projected increase in staffing in the Chief Information Officer Cabinet/Department of Innovation Technology (DoIT) is also the result of filling vacancies in the continuing effort to reduce reliance on outside consultants for day to day operations.

Historically, the number of Public Safety employees on the payroll as of January 1 of any year has fluctuated with the timing of retirements and new classes.

Retirements, which are typically higher in January than other months, will cause the numbers to go down again. The Fire Department is projected to increase by 56.8 FTEs assuming normal attrition and the hiring of a new class in September. The goal of the department is to have enough firefighters in the suppression force to cover the minimum manning level of 262 and to reduce overtime. The projected increase of 53.9 FTEs in the Police Department is also based on normal attrition as well as a new police class in the fall of 2013.

From FY13 to FY14 the School Department is projecting a net increase of 88.0 FTEs. This growth is primarily in special education support.

The Public Property Cabinet is projected to have an increase of 7.5 FTEs. The majority of the increase is in the Parks Department, which will fill existing vacancies. Similarly, the Public Works & Transportation Cabinet is projected to have 12.9 more FTEs as a result of the Public Works Department filling of vacancies.

The Environment and Energy Cabinet has a projected increase of 13 FTEs. The Inspectional Services Department will gain 11 positions to implement rental housing ordinance inspections. The Environment Department is adding a position to support the implementation of the building energy reporting ordinance.

The Human Services Cabinet is expected to have an increase of 4.0 FTEs. Boston Centers for Youth and Families (BCYF) will add two streetworkers. The Civil Rights Commission will gain a deputy director. Veteran's Services will fill a vacancy.

The FTE counts in the Housing & Neighborhood Development cabinet are expected to remain level.

The overall level of staffing at the Public Health Commission (PHC) is also expected to be stable or decrease depending on outside funding.

The Non-Mayoral group of departments will be fairly constant from January 1, 2012 to January 1, 2013 based on current and historical staffing levels.

EXTERNAL FUNDS

The City's \$2.6 billion operating budget is supplemented by approximately \$306.9 million in external funds. These funds consist mainly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, public safety and public health are some of the largest areas for which these funds are targeted.

Twenty-four departments and agencies expect to receive federal, state or other forms of external funding in FY14. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 94% of the City's external funds are found in seven of those twenty-four departments. These seven departments are the School Department, Neighborhood Development, Public Health Commission, Office of Emergency Management, Police Department, Library Department and the Elderly Commission. Other departments that also have significant grant funding are the Parks and Recreation Department and the Transportation Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

Federal and State Grants

Federal grants provide funding for key City priorities. Given the uncertainty of federal grant dollars, departments like Department of Neighborhood Development and the Elderly Commission have kept their federal budget allocations based on level award amounts for their entitlement grants. The impacts from sequestration have not been included in those

External Funds			
	FY12	FY13	FY14
	Expenditure	Estimated	Estimated
Boston Public Schools	168,364,676	147,328,110	127,915,362
Neighborhood Development	71,608,350	67,030,568	65,090,417
Public Health Commission	47,902,217	43,507,006	42,914,488
Emergency Management	8,004,083	17,355,325	27,455,071
Police Department	12,165,829	12,273,010	11,313,615
Library Department	7,284,248	8,202,933	7,784,520
Elderly Commission	6,356,683	6,736,285	7,127,129
Other	28,483,963	22,991,461	17,270,240
	350,170,049	325,424,699	306,870,842

Table 10

budgets because the full scope of the impact has yet to be determined. Boston Public Schools have made some assumptions about the impacts of sequestration but will need to adjust budgets when the final amounts are known.

The impacts of sequestration stem from the Budget Control Act of 2011 that increased the federal debt ceiling, but also required a bipartisan "Super Committee" to agree to \$1.2 trillion in federal budget savings over ten years. Since the committee failed to approve these savings, the Budget Control Act then required across-the-board budget cuts in most federal programs. These across-the-board cuts are known as "sequestration".

Sequestration will likely reverse some of the benefits that came from the American Recovery and Reinvestment Act (ARRA). Back in February of 2009, when President Barack Obama signed the American Recovery and Reinvestment Act (ARRA) – a significant investment was made nationwide in areas including education, public safety, housing, clean energy and infrastructure. Most of the funding provided via ARRA expired in FY13; however the Boston Public Schools and the Department of Innovation and Technology have some ARRA spending that will occur in FY14.

The Department of Neighborhood Development received ARRA funds for increased levels of Community Development Block Grants, Homeless Prevention and Rapid Re-Housing Grants and Neighborhood Stabilization Grants. The Police Department received an ARRA- Byrne Justice Assistance Grant to retain fifty police officers scheduled for layoff and was also successful in securing a competitive ARRA Community Oriented Policing Services (COPS) hiring grant totaling more than \$11.8 million over three years to retain fifty police officers who were scheduled to be laid off in October 2009.

The School Department had received increased ARRA allocations for Individuals with Disabilities Education Act (IDEA) and Title I grants as well as allocations of ARRA funding from the Commonwealth of Massachusetts State Stabilization grant in lieu of state dollars that would have been allocated through Chapter 70, traditional state aid for education. In FY12 the School Department exhausted its ARRA funding for Title I and IDEA but will continue to receive standard allocations from those two sources in FY14.

The School Department exhausted its ARRA – Education Jobs Program funding in FY12, however, ARRA-Race to the Top and ARRA School Improvements will be available in FY14.

The City will continue to receive Community Development Block Grant (CDBG) and HOME funding for a variety of neighborhood development activities but at reduced funding levels. Other sources of federal funding received by the City are used to address diverse needs and/or creative approaches such as homeland security, community policing and housing support for the homeless. The Environment Department received an ARRA-Energy Efficiency Block Grant that has finished in FY13. The ARRA-Solar Market Transformation Grant expired in FY12.

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

School Department

The School Department's FY14 general fund budget of \$934.6 million is supplemented with approximately \$127.9 million in external funds, largely consisting of grants made directly to the Boston Public Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants.

Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. The Title I and IDEA grant programs were expanded with the American Recovery and Reinvestment Act (ARRA). Other significant sources of external funding include Title II (teacher quality grant), the special education "circuit breaker" reimbursement, and the Community Partnership grant.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for Title I to be \$36.6 million in FY13 and reduced to \$35 million in FY14.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis

for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$27.9 million in reimbursements in FY13 and \$27.9 million in FY14.

Individuals with Disabilities Education Act (SPED - IDEA) - This federal formula grant supports special education programs. The School Department expects to spend \$18.6 million in FY13 and \$18.0 million in FY14.

ARRA–Race to the Top – This competitive grant was created to reward states and school districts that create conditions for education innovation and reform. ARRA – Race to the Top funding seeks to impact teacher effectiveness, school curriculum and culture and to target improvements to the lowest achieving schools while readying students for college and the workplace. The School Department expects to spend \$13.9 million in FY13 and \$13.3 million in FY14.

SPED Reimbursement “Circuit Breaker”- The state special education reimbursement program, commonly known as the circuit breaker program, was started in FY04 to provide additional state funding to districts for high-cost special education students. In cases where a student’s special education costs are four times the state average foundation budget per pupil, the state reimburses a portion of those costs. In FY14, the School Department estimates that the State will reimburse at the rate of 60% of costs above average (down from a high of 75%). The School Department estimates spending levels for Circuit Breaker to be \$12.9 million in FY13 and reduced to \$12.0 million in FY14.

Title II Teacher Quality – The School Department expects to spend \$7.6 million in FY13 and \$5.9 million in FY14 from this federal formula grant program to improve educator quality and effectiveness.

Title III Bilingual Language Acquisition Program – This Federal grant provides for investments in English language learners (ELLs), including summer learning academies for ELLs, professional development for teachers and coaches and family liaisons. The department expects to spend \$3.2 million in FY13 and \$2.6 million in FY14.

Quality Full-Day Kindergarten – This grant from the Commonwealth of Massachusetts is used for extended time at the Early Learning Centers (ELCs) and Early Education Centers (EECs). The department expects to spend \$1.9 million in FY13 and \$1.8 million in FY14.

Summer Food Program – This Federal grant provides support to feed children in summer school and summer activities held in schools, community centers and community – based organizations. The department expects to spend \$1.7 million in FY13 and FY14.

Perkins Vocational Education- this Federal program supports career-technical education programs. Funds are used to develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career-technical education program. The department expects to spend \$1.4 million FY13 and FY14.

Expanded Learning Time – This grant from the Commonwealth of Massachusetts provides funding for extended teaching time at the Edwards Middle School and Boston Arts Academy. The department expects to spend \$1.2 million in FY13 and FY14.

Community Partnerships for Children - The Community Partnership Program is a state program that creates comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers and family-based day care centers. The amount budgeted by the School Department, which serves as the fiscal agent for this program, is \$1.3 million for FY13 and \$1.1 million FY14.

TILT - Turnaround with Inc Learn Time – This Federal grant will extend the day at the McCormack and Irving schools for the next three years. The department expects to spend \$1.2 million FY13 and 856 thousand in FY14.

21st Century Community Learning –This Federal grant provides extended learning opportunities for at risk students. The department expects to spend \$595 thousand in FY13 and \$375 thousand in FY14.

Neighborhood Development

The external funds budget for the Department of Neighborhood Development (DND) is projected to decrease by 2.9% in FY14. The decrease primarily comes from expiring one-time grants provided by the American Recovery and Reinvestment Act (ARRA) including ARRA-CDBG, ARRA-Homeless Prevention and Rapid Re-housing, and ARRA Neighborhood Stabilization. The DND external funds budget is based on level award amounts for entitlement grants. The impacts from sequestration have not been included in

this budget because the full scope of the impact has yet to be determined.

Community Development Block Grant (CDBG) – CDBG is an annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston. The CDBG program funds a variety of neighborhood development activities. The City's Department of Neighborhood Development (DND), the Fair Housing Commission and the Mayor's Office of Jobs and Community Services expect to spend \$20.3 million in FY13 and \$20.9 million in FY14. At least 70% of CDBG funds must be used to benefit low- and moderate-income households. The City uses CDBG funds to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities, and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cut from existing public service activities. CDBG funding is also used as security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - Section 108 funds are available to eligible cities from HUD on an application basis and can only be used for economic development projects. The City receives and administers Section 108 funds through a pledge of its current and future CDBG grant awards. DND will continue its Boston Invests in Growth II Program in FY14 with projected spending of \$5 million.

Emergency Solutions Grant/HOPWA/Shelter Plus Care/Supportive Housing - The City expects to spend \$24.8 million from these four HUD grants in FY13 and another \$24.9 million in FY14. The Emergency Solutions Grant and the Housing Opportunities for Persons With AIDS Grant (HOPWA) are entitlement grants that become available each July. The Emergency Solutions Grant supports the development and operation of emergency shelters for the homeless and the HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide support services that must match the value of the rental assistance. The Supportive Housing Program provides service,

operating, and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants with FY14 awards becoming available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. The City estimates spending \$6.2 million in FY13 and \$4.4 million in FY14. 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.

Choice Neighborhoods Implementation Grant and Community Planning Challenge Grant – In FY12 DND was awarded two competitive grants from the US Department of Housing and Urban Development (HUD). The Choice Neighborhoods Implementation Grant aims to link affordable housing with quality schools, public transportation, good jobs, and safe streets. Specifically, funds will be used to redevelop the Woodledge/Morant Bay Apartments and revitalize Dorchester's Quincy Street Corridor. The City anticipates spending \$4 million on this program in FY13 and an estimated \$6.4 million in FY14. The Community Planning Challenge Grant is being used for planning, strategic land acquisition, and outreach and engagement in order to facilitate smart growth and transit-oriented development along the Fairmount Commuter Rail Line. The City anticipates an estimated \$82,000 of spending on this project in FY13 and \$1.2 million in FY14.

HomeCorp Grants – In FY13 DND was awarded two new competitive grants from the Commonwealth of Massachusetts Attorney General's Office. The purpose of the HomeCorp grants is to mitigate the impacts of the foreclosure crisis, revitalize distressed neighborhoods impacted by foreclosure clusters, and promote homeownership and affordable housing. The HomeCorp Community Restoration Grant assists eligible homebuyers and homeowners in purchasing and/or renovating foreclosed property and the

HomeCorp Crisis Response Grant provides financial and housing search assistance to low-income families displaced by foreclosure. The City will spend an estimated \$75,000 in FY13 and \$375,000 in FY14 between the two HomeCorp Grants.

Public Health Commission

Ryan White Care Act - This funding is intended to help communities increase the availability of culturally and linguistically competent primary health care and support services, increase access for underserved populations and improve the quality of life of those living with HIV/AIDS and their families. In FY13, contracts supported approximately 42 community agencies and 95 programs in the ten county regions of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$12.9 million for FY14.

Boston REACH – The Commission was awarded \$4.6 million over 3 years in grant funding from the Centers for Disease Control and Prevention to support the implementation of projects to reduce racial and ethnic health inequities. The grant activities will engage Black and Latino residents within five neighborhoods with the goal of increasing environments with healthy beverages; increasing opportunities for physical activity in public outdoor and indoor spaces; increasing healthy practices and strategies within out of school time school programs; and improving access to low sodium food options. The grant will also be used to develop health communication messages about obesity, hypertension, and the impact of social determinants of health.

Homeless Services – External funding for the Long Island and Woods Mullen Shelters provides services to over 6,000 homeless clients annually. In addition to providing emergency shelter and transitional housing for 800 homeless adult men and women each day, clients receive food, clothing, health care, social services, vocational training, and community re-entry services. Funding from the Substance Abuse Mental Health Services Administration (SAMHSA) provides permanent supportive housing to chronically homeless clients; these clients receive Section 8 vouchers from the Boston Housing Authority and community-based management services over a 9-12 month period. Overall, projected grant funding for homeless services in the Public Health Commission budget for FY14 totals \$10.4 million.

Addictions Prevention, Treatment and Recovery Service – A \$1.5 million, 3 year grant, from SAMHSA funds the Entre Familia: Comprehensive Family Service Model (CFSM). Programs provide an intensive outpatient substance abuse treatment that preserves and supports the family unit and provides a healthy and safe environment for women and their children. The Massachusetts Department of Public Health is expected to provide \$586,000 for FY14 in the support of BPHC's harm reduction activities, connection to treatment, and needle exchange for injecting drug users. Through state funding totaling \$120,000 in FY14, the Commission will address prescription drug misuse and abuse among persons ages 12 to 25.

Early Childhood Mental Health -The Commission has leveraged \$1.5 million in funding from the Massachusetts Executive Office of Health and Human Services and \$105,000 in funding from the Massachusetts Department of Public Health (federal pass through from SAMHSA) to build a continuum of family centered care and support for children with mental health needs and their families. Other funding from the US Department of Justice, totaling \$2 million over 2 years, will allow the Commission to expand its work with partners to prevent and reduce the impact of children's exposure to violence in homes, communities and schools. Through collaboration of diverse organizations and agencies, a multi-year strategic plan will be developed to address children's exposures to violence.

The Centers for Disease Control and Prevention designated the Boston Public Health Commission the lead agency in Boston for their national initiative Striving To Reduce Youth Violence Everywhere (STRYVE), a five year grant totaling \$1.1 million. The Commission's VIP Initiative will work closely with community-based partners, to identify and implement evidence based violence prevention programs in selected VIP neighborhoods.

Public Health Preparedness -The Commission manages a number of critical initiatives to ensure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those funded by federal/ state grants totaling \$1.63 million to support public communication strategies, communicable disease control, and the public health preparedness program. Other state and federally funded programs support training EMTs, hospital clinicians, and health center workers in various medical emergency protocols and procedures; leading collaborative citywide disaster planning with other healthcare, public safety, and emergency management officials; recruitment and training of a corps of medical and non-medical volunteers who can be mobilized as needed; and writing, translating, and disseminating educational materials to the City's most vulnerable populations.

Federal funding also supports youth-led dating violence prevention work and efforts to improve air quality in homes and small businesses. The Commission continues to receive support for the Boston Healthy Start Initiative, a multi-year project with a budget of \$2.1 million for FY14 to reduce the rate of infant mortality among Black babies.

Office of Emergency Management

The Mayor's Office of Emergency Management pursues funding opportunities and manages federal homeland security grants awarded to the Metro-Boston Homeland Security Region (MBHSR). The Urban Area Security Initiative (UASI) grant provides the bulk of the funding for this office. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the MBHSR. The region encompasses the cities of Boston, Cambridge, Chelsea, Everett, Quincy, Revere, Somerville and the towns of Brookline and Winthrop. An estimated \$24 million in UASI funds will be available in FY14 allowing the department to make a concentrated effort to purchase new equipment. UASI grants are awarded based on the Federal Fiscal Year

and Emergency Management is still spending down prior year UASI awards; therefore, the 40% reduction in funding and sequestration that takes effect in Federal Fiscal Year 13 will not impact the City until FY15.

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

Emergency Management received a new Federal Transit Security Grant from the US Department of Homeland Security and the Massachusetts Bay Transportation Authority. The Transit Security Grant Program is a one-time award that serves to create a sustainable, risk-based effort to protect critical surface transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. The entire award amount of \$2 million will be spent in FY13.

Additionally, the office receives funding under the Regional Catastrophic Preparedness Grant Program (RCPGP). This federal grant is designed to enhance regional catastrophic planning efforts, with the goal of strengthening the Nation against risks associated with catastrophic events. The Region includes communities from Massachusetts, New Hampshire, and Rhode Island. Spending from RCPGP is expected to be \$1.5 million in FY13 and \$3.4 million in FY14.

Police Department

The Police Department's grant funding on both the federal and state level has historically focused for the most part on community policing.

Public Safety Answering Point (PSAP) Emergency – Funds are awarded by the Executive Office of Public Safety and Security State 911 Department. Awards are based on a formula that weighs both 911 call volume and population served. 25% of the total telephone surcharge revenues of the previous fiscal year shall be allocated to support grant awards. The purpose of the State 911 Department PSAP Grant is to assist PSAP's in providing enhanced 911 services and to encourage development. The Boston Police Department,

Emergency Management Services and Boston Fire Department will utilize funds to support and offset personnel costs, annual maintenance fees, equipment purchases such as mobile data terminals, and the development of a training room and backup facility that will be an extension of the current 911 Operations area at BPD Headquarters. The department expects to spend \$2.7 million in FY13 and \$2.5 million in FY14.

Shannon Community Safety Initiative – This state grant is awarded from the Commonwealth of Massachusetts, Executive Office of Public Safety to address gang and youth violence through the Senator Charles E. Shannon, Jr. Community Safety Initiative. The award has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The department expects to spend an estimated \$1.8 million in FY13 and FY14.

Community Based Violence Prevention Demonstration Grant – This three-year federal grant is awarded by the Department of Justice, Office of Juvenile Justice Delinquency Prevention for the purpose of implementing a coordinated strategy for the prevention of gun violence in the Mattapan neighborhood of Boston. The Boston Police Department, in partnership with the Boston Public Health Commission, Boston Center for Youth and Families, and the Mayor's Office of Jobs and Community Services is working to establish a program that focuses on the goal of reducing the number of shootings and homicides in the Mattapan neighborhood of Boston. The department expects to spend \$538 thousand in FY13 and \$1.2 million in FY14.

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, including district social workers. The department expects to spend \$546 thousand in FY13 and \$1.2 million in FY14.

Boston Reentry Initiative (BRI) - Through the BRI, the Boston Police Department in partnership with the Suffolk County Sheriff's Department, the Suffolk County District Attorney's Office, the United States Attorney's Office, the Massachusetts Departments of Probation, Parole, and Revenue; Youth Options Unlimited, Whittier Street Health Center, and Dorchester Bay Economic Development Corporation

supports individualized, sustained reentry plans for Boston's highest-risk offenders. The department expects to spend \$807 thousand in FY13 and \$821 thousand in FY14.

Community Oriented Policing Services (COPS) Hiring Program - The Police department is using this new grant to increase staffing on Safe Street Teams by 15 officers. This COPS grant requires a local match that has been included in the FY13 and FY14 operating budgets. Currently 10 of the 15 officers are receiving their police officer training within the Boston Police Academy. We anticipate that the remaining 5 will be recruited and go into the next scheduled academy class anticipated for the Fall of 2013. Safe Street Teams engage Boston police officers in community problem-oriented policing of violent crime hot spot areas. The department expects to spend \$393 thousand in FY13 and \$1.1 million in FY14.

Boston Multicultural Advocacy Support Project (BMASP) – This federal grant is awarded by the Department of Justice, Office of Violence Against Women. Funds are used to support two full time civilian advocates at police stations in Boston and four part-time civilian advocates at the Family Justice Center and Dorchester Court who provide culturally and linguistically sensitive services, crisis intervention services, referrals, and safety plans to the City's African-American, Hispanic/Latino, Haitian and Vietnamese populations. The department expects to spend \$392 thousand in FY13 and \$428 thousand in FY14.

Smart Policing Grant – This federal grant is awarded by the Department of Justice, Bureau of Justice Assistance for the purpose of improving Boston's homicide clearance rates. The funds are being used to develop and implement a business model for homicide investigators, increase accountability via structure and communication feedback loops, and increase resources available to BPD units involved in homicide investigations, and implement, research and evaluate new protocols and procedures for homicide investigative response. The department expects to spend an estimated \$414 thousand in FY13 and \$341 thousand in FY14.

Choice Neighborhood Public Safety Enhancement Strategy (PSES) Grant – This federal grant is reflected in the Department of Neighborhood Development's external funds budget. The Police Department will utilize this grant to support two

comprehensive program strategies within the Choice Neighborhood target location: 1) Targeted community policing, suppression and enforcement efforts planned and coordinated between police and community; and 2) Support for families in the target location through a full time clinical social worker, with a priority of serving those families most impacted by the Choice Neighborhoods redevelopment plan. The department expects to spend an estimated \$200 thousand in FY14.

Library Department

Projected external fund spending for Boston Public Library (BPL) is expected to decrease to \$7.8 million in FY14 primarily related to a reduction to Trust Fund Income allocated by the Trustees of the Boston Public Library and a reduction of State Aid to Libraries.

Trust Fund Income and Other Sources – Annual income generated from assets held in trust can be used, based on the intentions of the donors, to support certain personnel costs and various non-personnel items to support BPL operations. In addition, this group includes other sources of income such as revenue from private events at BPL facilities, royalties, commissions and smaller grants awarded to the Trustees of the Boston Public Library. BPL expects to spend an estimated \$5 million in FY13 and \$4.6 million in FY14.

Library for the Commonwealth (formerly Library of Last Recourse) - The Library for the Commonwealth grant provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personnel resources, expertise and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is approximately \$2.2 million for FY13 and FY14.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. The Boston Public Library expects to receive \$562 thousand in FY13 and \$507 thousand in FY14.

Elderly Commission

The Elderly Commission's FY14 external fund spending is expected to increase by \$391 thousand primarily related to the Nutrition Services Incentive Program grant. The Commission's external funds budget is based on level award amounts for entitlement grants. The impacts from sequestration have not been included in this budget because the full scope of the impact has yet to be determined.

Area Agency on Aging (AAA) – This federal Title III funding provided through the Massachusetts Executive Office for Elder Affairs and is distributed by the Elderly Commission through services providers to provide direct services to elder citizens. The commission expects to spend an estimated \$4.2 million in FY13 and FY14.

State Elder Lunch Program – This annual grant provided by the Commonwealth of Massachusetts Executive Office of Elder Affairs is distributed by the commission to service providers to deliver nutritional services to elder citizens. The commission expects to spend an estimated \$1 million in FY13 and \$1.1 million in FY14.

Nutrition Services Incentive Program – This federal grant is provided through the Executive Office of Elder Affairs is distributed by the commission to service providers to deliver nutritional services to elder citizens. The commission expects to spend an estimated \$542 thousand in FY13 and \$768 thousand in FY14.

FY14 ALL FUNDS BUDGET

The following table consolidates the projected FY14 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 FY14 budget document.

Budget Document Structure

The Operating Budget for FY14 and Five Year Capital Plan for FY14-18 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 - FY14

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Emergency Management	436,754	27,455,071		27,891,825
	Law Department	6,067,129			6,067,129
	Mayor's Office	2,273,193	92,973		2,366,166
	Neighborhood Services	1,283,430			1,283,430
	Public Information	1,361,707			1,361,707
	Total	11,422,212	27,548,044	0	38,970,256
Advocacy & Strategic Investment	Boston Residents Job Policy	551,143			551,143
	Intergovernmental Relations	1,254,288			1,254,288
	Office of New Bostonians	354,341	266,000		620,341
	Small/Local Business	630,268			630,268
	Total	2,790,039	266,000	0	3,056,039
Administration & Finance	Office of Administration & Finance	1,104,812			1,104,812
	Assessing Department	6,687,423			6,687,423
	Auditing Department	2,605,501	107,160		2,712,661
	Budget Management	2,767,613			2,767,613
	Execution of Courts	3,500,000			3,500,000
	Health Insurance	192,789,047			192,789,047
	Human Resources	3,673,099			3,673,099
	Labor Relations	1,437,514			1,437,514
	Library Department	32,062,274	7,784,520	21,859,538	61,706,332
	Medicare Payments	8,653,479			8,653,479
	Pensions & Annuities	4,200,000			4,200,000
	Purchasing Division	1,761,700			1,761,700
	Registry Division	1,032,739			1,032,739
	Treasury Department	4,129,312			4,129,312
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	Total	268,954,513	7,891,680	21,859,538	298,705,731
Chief Information Officer	Department of Innovation and Technology	23,928,079	680,394	19,105,000	43,713,473
	Total	23,928,079	680,394	19,105,000	43,713,473
Public Safety	Fire Department	187,849,951	2,301,931	6,735,000	196,886,882
	Police Department	278,409,673	11,313,615	705,000	290,428,288
	Total	466,259,623	13,615,546	7,440,000	487,315,169
Education	Boston Public Schools	937,413,660	127,915,362	66,720,000	1,132,049,022
	Total	937,413,660	127,915,362	66,720,000	1,132,049,022
Economic Development	Boston Redevelopment Authority	0		4,465,000	4,465,000
	Total	0	0	4,465,000	4,465,000
Public Property	Arts, Tourism & Special Events	1,880,570	233,320		2,113,890
	Consumer Affairs & Licensing	428,667	51,300		479,967
	Department of Voter Mobilization	3,815,293			3,815,293
	Parks & Recreation Department	17,126,480	5,774,178	23,244,959	46,145,616
	Property & Construction Mgmt.	20,990,680	182,250	65,297,620	86,470,550
	Total	44,241,690	6,241,048	88,542,579	139,025,316
Public Works & Transportation	Central Fleet Management	2,515,549			2,515,549
	Office of Chief of PWD & Transportation	1,426,434			1,426,434
	Public Works Department	84,720,338	20,000	58,955,000	143,695,338
	Snow Removal	18,510,608			18,510,608
	Total	30,741,674	2,939,630	10,502,302	44,183,607
	Total	137,914,604	2,959,630	69,457,302	210,331,536
Environment & Energy	Environment Department	2,067,089	1,398,308	359,401	3,824,798
	Inspectional Services Dept	17,586,432	235,911		17,822,343
	Total	19,653,521	1,634,219	359,401	21,647,141
Human Services	Boston Centers for Youth & Families	23,413,069	989,666	6,023,159	30,425,894
	Civil Rights	197,875	770,292		968,166
	Commission for Persons with Disabilities	359,455			359,455
	Elderly Commission	2,952,018	7,127,129		10,079,147
	Veterans Services Department	5,643,127			5,643,127
	Women's Commission	163,053			163,053
	Total	4,960,658	1,220,656	6,023,159	6,181,314
	Total	37,689,255	10,107,743	6,023,159	53,820,156
Housing & Neighborhood Development	Leading the Way	5,500,000			5,500,000
	Neighborhood Development	4,123,194	65,090,417	1,200,000	70,413,611
	Total	9,623,194	65,090,417	1,200,000	75,913,611
Public Health	Public Health Commission	66,357,120	42,914,488	2,275,000	111,546,608
	Total	66,357,120	42,914,488	2,275,000	111,546,608
Non-Mayoral Departments	City Clerk	1,062,939	6,272		1,069,211
	City Council	5,150,000			5,150,000
	Finance Commission	194,659			194,659
	Licensing Board	725,322			725,322
	Total	7,132,920	6,272	0	7,139,192
	Grand Total	2,033,380,430	306,870,842	287,446,979	2,627,698,250

Table 11

MULTI-YEAR BUDGET PLAN

Introduction

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

In projecting the City's operating budget for FY15 and FY16, the issues of health insurance cost growth and collective bargaining continue to be critical factors. The recent uncertainty around the nascent economic recovery has eased somewhat, making revenue estimation less difficult. The property tax levy is expected to grow from its base by the allowable 2.5% and new growth in the levy is expected to increase over the FY14 budgeted amount. In terms of state aid, continued pressure from rising state assessments, particularly from Charter Schools combined with a lack of sustained general government aid growth, will force the continuation of the negative growth trend in net state aid.

The projections for FY15 and FY16 are based on the most current revenue information available. The plan reflects the best estimates of revenues as well as the major components of projected expenditures given current policy and cost trends. Nearly all of the collective bargaining agreements between the City and the unions expired during calendar year 2010. The contract with the firefighters union expired on June 30, 2011. The City has reached voluntary settlements with a number of its civilian unions, including the teachers union. The City continues to be in various forms of negotiation with the remaining unsettled civilian unions. The City is currently in arbitration or mediation at the Joint Labor Management Committee (JLMC) with all 5 public safety unions. The collective bargaining reserves contain funding based on estimates for successor agreements that would cover proposed wage increases and the retroactive impacts of wage increases that are being negotiated for FY11 – FY16. The current reserve amounts are also consistent with the wage pattern agreed to in the settled collective bargaining agreements. Any changes to the pattern will add additional pressure to the bottom line in FY15, FY16 and beyond.

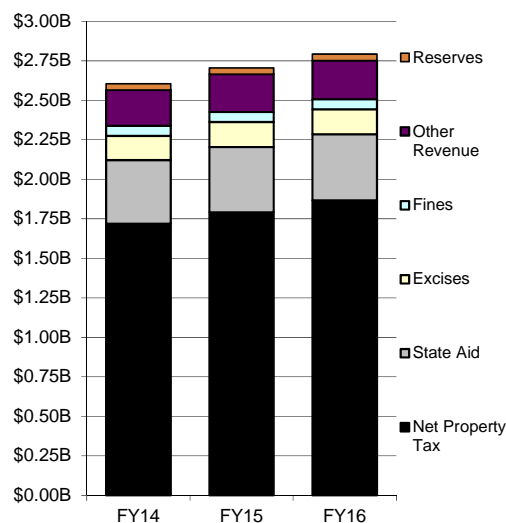
Another area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to other post-employment

benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes standards for the measurement, recognition and display of Other Post-Employment Benefits (OPEB) liabilities. The City currently provides post-employment health care and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis in the current year's operating budget. This method of financing greatly understates the full obligation to provide these benefits after retirement. Although funding OPEB is currently not a legal requirement, the City has established an irrevocable OPEB Liability Trust Fund to which contributions of \$175 million have been made through appropriations approved in FY08 – FY13. An independent actuarial valuation estimates the City's total unfunded OPEB obligation at June 30, 2011 at \$3.1 billion. The City faces the challenge of addressing the funding needs of this liability while continuing to balance all of the other costs of running a major city. The FY14 budget authorizes another "acknowledgement payment" of \$40 million to the City's OPEB Liability Trust Fund; the FY15 and FY16 projections each also include a \$40 million payment.

Revenue Trends

The following chart displays the breakdown of revenue projected for FY14-FY16 (Figure 12.)

Major revenue trends include:



Recurring Revenue

FY14 Budget, FY15 & FY16 Projected

Figure 12

Property Tax Levy: The levy will grow by the allowed 2.5% increase and new growth is projected to grow at approximately \$30.0 million each year. The net property tax assumes an overlay reserve set at 2.0%. A net total increase in the levy of nearly than \$150 million is projected over the two years.

State Aid: State aid is projected to increase marginally in FY15 and FY16. This increase is due almost entirely to an increase in the Charter School Tuition Reimbursement, which will be accompanied by a larger increase to the Charter School Tuition Assessment and thus represents a decrease in total resources available for appropriations. Unrestricted General Government Aid is projected to increase by \$4 million in FY15 and remain level in FY16. Chapter 70 education aid is projected to increase modestly each year based on per pupil aid.

Excises: Excises are expected to grow gradually in FY15 and level off in FY16 with growth across all major taxes concurrent with a slowly recovering economy. No new taxes or increases to tax rates have been assumed.

Fines: Fines are expected to increase marginally in FY15 and FY16 due to an expected increase in issuance of parking fines. No changes in fine rates or enforcement have been assumed.

Other Revenue:

Interest on Investments: Interest income is expected to increase in FY15 and FY16 based on statements by the Federal Reserve as to future action on interest rates.

Payments in Lieu of Taxes (PILOT): PILOT revenue is projected to increase as tax-exempt institutions follow a 5-year ramp up of payments (beginning in FY12) to meet the Mayor’s PILOT taskforce goal of paying 25% of the property tax they would pay if they were not exempt. Increases are projected for FY15 and FY16 based on the plan.

Miscellaneous Department Revenue: Projected from historical trends and economic assumptions, these revenues are expected to increase slightly in FY15 and level off in FY16.

Licenses and Permits: Building permits are projected to gain in FY15 with a recovering economy and historically low interest rates, and level off in FY16.

Budgetary Fund Balance: For FY15 and FY16, the use of Budgetary Fund Balance for OPEB expenses is projected to be level at \$40 million.

These estimates are based on conservative revenue assumptions that the local economy will stabilize at a reasonable level of growth in the 24 to 36 months from the beginning of FY14 to the ends of FY15 and FY16.

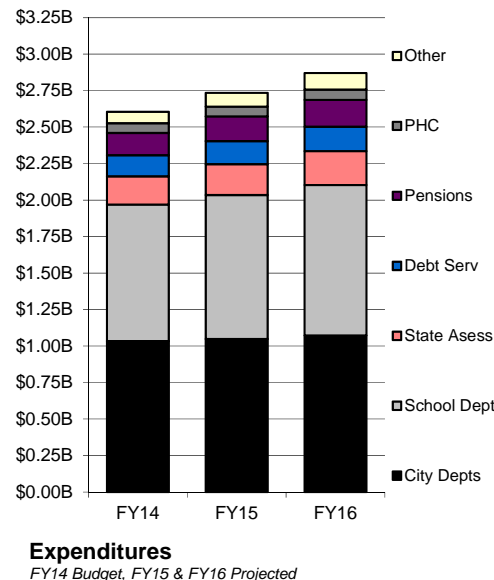


Figure 13

Expenditure Trends

Figure 13 displays the allocation of expenditures projected for FY14-FY16.

It is important to note that the multi-year expenditure projections were developed with the assumption that financial support for achieving the City’s goals of quality education for all, safe streets, shared economic recovery, and healthy, green neighborhoods will continue. Early recognition of possible FY15 and FY16 shortfalls, caused by carrying forward the costs of current operations, allows the City’s administration time to make the necessary adjustments and policy decisions to get back to a balanced budget that continues to support these goals.

Inflationary increases have been estimated in FY15 and FY16 for certain centrally budgeted expenditures such as health insurance and within departmental budgets for settled collective bargaining agreements and residential trash collection. One-time FY14 expenses have not been carried forward into the FY15 and FY16 estimates. At the School Department, estimated inflationary increases for settled collective bargaining agreements, contracted educational and student transportation services along with increased costs to serve special education students will require significant increases in FY15 and FY16. New district

wide requirements in the areas of special education and technology continue to force policy decisions to avoid unsustainable spending growth.

Citywide the cumulative growth in the reserve for collective bargaining coupled with scheduled departmental salary step increases will result in increased personnel costs for FY15 and FY16. As various types of union negotiations move forward, it will be important to quantify the impact of any material changes to the collective bargaining wage pattern that has been included in the forecast so that policy options and tradeoffs can be presented to accommodate those impacts.

All of the factors referred to above are estimated to increase total appropriations by \$82 million or 3.9% in FY15 and cumulatively increase by \$171.1 million or 8.1% in FY16.

Fixed Costs: In FY15, fixed costs are expected to increase by about 9.8% and cumulatively increase by 18.9% in FY16. These increases can be attributed to several factors including: the continued expansion of Charter Schools and the resulting increase in the tuition assessment; increased borrowing; and increasing pension costs.

Under these revenue and expenditure trend assumptions, the FY15 budget is currently projected to have a budget shortfall of approximately \$29.9 million and FY16 is projected to have a \$77.2 million shortfall. For the most part, the projections are based on current operations and any known changes that are anticipated in FY15 and FY16. As the FY15 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. The City will be watching external funding sources very closely prioritizing service areas and reviewing policy decisions and options that may result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments where federal external funds play a crucial role in allowing them to provide essential services. In the event of further grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide those services.

Current hiring must continue to be scrutinized and controlled as the bulk of the projected increase in appropriations is employee-related. As noted previously, working in partnership with our unions,

progress has been made in the area of health insurance. Despite this work and the positive impact it had on FY13 and FY14, premiums are expected to increase substantially in FY15 and FY16. The City will continue to look at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees. A decision will need to be made on the level of budgetary fund balance that may be utilized prudently. The City's policy regarding the use of its fund balance has been to limit the use of this source of revenue to offset certain fixed costs such as pension contributions and related post-retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor. The projections shown here assume that budgetary fund balance will be used only to support the OPEB appropriations for FY15 and FY16.

Planning a Balanced Budget

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

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$26 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, for which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

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

plan for personnel funding requirements. Similar BAIS systematic controls are in place to control non-personnel expenditures. (These non-personnel spending controls were used in FY09 to mitigate the impacts of mid-year State Aid reductions. At that time, the City was able to restrict access to any discretionary expenditure accounts and reduce other spending accounts centrally.)

Conclusion

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

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

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY14 Adopted	FY15 Forecast	FY16 Forecast
REVENUES			
Property Tax	1,753.87	1,827.72	1,904.91
Overlay Reserve	(34.39)	(35.84)	(37.35)
Excises	153.18	158.40	159.40
Fines	62.82	63.50	64.00
Interest On Investments	0.50	1.00	3.50
Payments in Lieu of Taxes	42.97	45.04	47.00
Urban Redev Chapter 121A	62.60	62.75	63.80
Department Revenue	53.59	57.01	57.19
Licenses & Permits	41.45	44.69	44.79
Penalties & Interest	8.41	8.53	8.53
Available Funds	17.31	19.40	19.45
State Aid	402.56	413.04	416.99
Total Recurring Revenue	2,564.86	2,665.24	2,752.21
Approp. Fund Balance	40.00	40.00	40.00
Approp. Surplus Property Fund	0.00	0.00	0.00
Total Revenues	2,604.86	2,705.24	2,792.21
EXPENDITURES			
City Departments	1,032.79	1,047.81	1,071.85
Public Health	66.36	68.38	70.73
School Department	937.41	986.09	1,031.25
Reserve for Collective Bargaining	34.36	50.71	68.20
OPEB	40.00	40.00	40.00
Total Appropriations	2,110.92	2,193.00	2,282.03
Pensions	152.91	167.70	183.84
Debt Service	145.20	158.25	167.74
State Assessments	191.90	212.31	231.85
Suffolk County Sheriff Dept	3.92	3.92	3.92
Reserve	0.00	0.00	0.00
Total Fixed Costs	493.94	542.17	587.36
Total Expenditures	2,604.86	2,735.18	2,869.38
Surplus (Deficit)	-	(29.93)	(77.17)

Numbers may not add due to rounding

Technical Note

The City of Boston's combined FY14 Budget and FY14-FY18 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Oracle - Hyperion Planning, Questica -Team Budget, SAP-Scorecard and Strategy Management and Microsoft Access were used for data management and analysis.

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