

Summary Budget

OVERVIEW

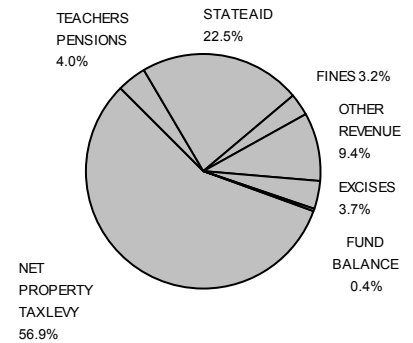
The FY07 Budget of \$2.129 billion in recurring revenue represents a \$95.9 million, or 4.7% increase from the FY06 Budget supported by recurring revenues. Included in the total FY07 Budget is \$5.3 million in non-recurring revenue and \$8.0 million in revenue from budgetary fund balance. In total, FY07 budgeted revenues amount to \$2.142 billion, an increase of \$80.0 million or 3.9% from FY06.

This Summary Budget section lays out the FY07 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends as well as a review of major externally funded services is also presented.

The increase in the FY07 Budget's recurring revenue is primarily the result of a \$51.4 million projected increase in the net property tax. The FY07 Budget estimate of state aid is \$482.2 million. This figure amounts to a 2.7% growth in aid for the City. Net state aid, state aid revenues minus state assessments, amounts to \$357.1 million, or an increase of 2.3%. Net state aid will experience a third year of less than inflationary growth after two years of large reductions.

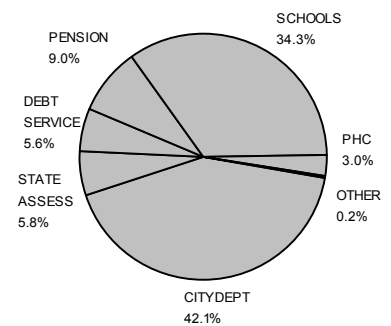
While the state is projecting reasonable revenue growth for the upcoming fiscal year and it has largely replenished its reserves, it is faced with several competing challenges and goals. Many different groups are calling on the state to restore the reductions in programs or aid made over the past few years, while others are calling for tax cuts.

To counteract the slow growth in its state aid, protect against further reductions and provide for future revenue growth and diversification of the revenue base, the City has again proposed options to increase revenue in several key areas. See the *Financial Management* chapter of this volume for more detail.



FY07 Estimated Revenue

Figure 1



FY07 Estimated Expenditures

Figure 2

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY04 Actual	FY05 Actual	FY06 Budget	FY07 Budget
REVENUES				
Property Tax Levy	1,094.15	1,150.59	1,207.62	1,260.81
Overlay Reserve	(42.08)	(44.25)	(40.84)	(42.64)
Excises	59.57	82.51	71.95	78.65
Fines	66.66	65.61	64.78	67.79
Interest on Investments	7.79	17.79	22.81	24.00
Payments In Lieu of Taxes	22.27	23.45	26.78	27.34
Urban Redevelopment Chapter 121A	54.81	54.91	53.53	54.80
Misc. Department Revenue	40.81	43.06	32.53	38.22
Licenses and Permits	34.82	33.82	27.18	31.62
Penalties & Interest	9.83	9.75	8.29	8.61
Available Funds	2.93	5.53	12.11	12.22
State Aid	459.84	461.13	469.64	482.21
Teachers Pension Reimbursement	61.39	76.52	76.52	85.16
Total Recurring Revenue	1,872.79	1,980.43	2,032.89	2,128.80
Budgetary Fund Balance	20.00	0.00	20.00	8.00
Non-Recurring Revenue	0.00	0.00	9.23	5.33
Total Revenues	1,892.79	1,980.43	2,062.12	2,142.13
EXPENDITURES				
City Departments	779.43	849.40	854.66	901.70
Public Health Commission	58.76	60.57	61.30	63.57
School Department	656.54	680.18	717.81	734.50
Reserve for Collective Bargaining	21.30	0.00	0.00	0.00
Total Appropriations	1,516.03	1,590.15	1,633.76	1,699.77
Pensions	136.97	146.56	186.28	192.92
Debt Service	123.92	118.40	116.97	119.64
State Assessments	106.51	111.69	120.62	125.14
Suffolk County Sheriff	4.55	4.20	4.48	4.66
Reserve	0.42	1.09	0.00	0.00
Total Fixed Costs	372.37	381.95	428.36	442.35
Total Expenditures	1,888.40	1,972.09	2,062.12	2,142.13
Surplus (Deficit)	4.38	8.33	0.00	0.00

Numbers may not add due to rounding

*Note: Starting in FY04 the City is required to account for Charter School Tuition as a State Assessment instead of an offset to State Aid. Comparison to prior years may be affected.

This revenue situation provides the basis for planning FY07 appropriations and fixed costs to maintain a balanced budget. Selected FY07 budgeted revenues compare with FY06 budgeted revenues as follows: the net property tax levy increases \$51.4 million or 4.4%; excises increase \$6.7 million or 9.3%; fines increase \$3.0 million or 4.6%; interest on investments increases by \$1.2 million or 5.2%; payments-in-lieu-of-taxes increase \$0.6 million or 2.1%; Chapter 121A revenues increase \$1.3 million or 2.4%, miscellaneous department revenues increase by \$5.7 million or 17.5%; licenses and permits increase by \$4.4 million or 16.3%; and state aid increases \$12.6 million or 2.7%.

On the expenditure side of the budget, total departmental appropriations increase by \$66.0 million or 4.0% and fixed costs increase by \$14.0 million or 3.3%. Selected FY07 budgeted appropriations compare with FY06 budgeted appropriations as follows: City departments increase \$47.0 million or 5.5%, the Boston Public Health Commission increases by \$2.3 million or 3.7%, and the School Department increases \$6.7 million or 2.3%. FY07 budgeted fixed costs compare with FY06 budgeted fixed costs as follows: pensions increase \$6.6 million or 3.6%, debt service increases \$2.7 million or 2.3%, state assessments increase \$4.5 million or 3.7% and Suffolk County Sheriff increases \$0.2 million or 4.0%. Please note that the "Other" category on the FY07 Estimated Expenditures pie chart (Figure 2) is the Suffolk County Sheriff FY07 estimated expenditures.

It should be noted that the appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost. The appropriation for the City's County Pensions and Annuities expenses is included in the City Departments appropriation.

REVENUE

Consistent revenue growth has allowed the City to record 20 consecutive operating budget surpluses through FY05 (Figure 3). FY06 is also expected to

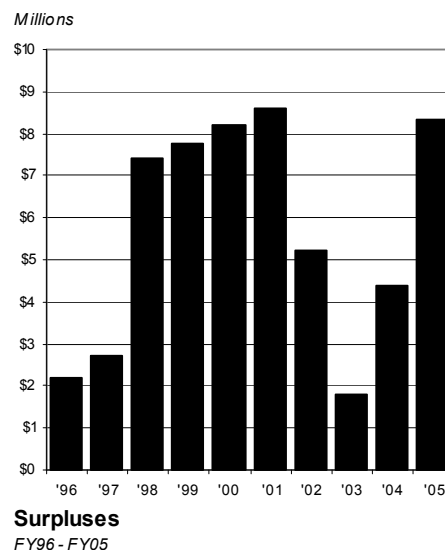


Figure 3

close with a surplus. The FY07 Budget is balanced on the following revenue projections.

Property Tax Levy

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

The property tax levy has been the City's most dependable source of revenue growth during the past twenty-two years. The increases have been steady and consistent from FY85 to FY06, ranging from a low of \$28 million to a high of \$63 million. However, because of the increasing property tax levy base, the \$30 million increase in FY85 represented an 8.9% increase, while the \$57 million increase in FY06 represented only 5.0% growth. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City revenue.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since its adoption in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for taxable new value. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however,

has not voted to either override the levy limitations or to exclude any debt from the limit.

In each year since FY85, the City has increased its levy by the allowable 2.5%. During these same years, the levy has also been positively impacted by taxable new value. Taxable new value is expected to be approximately \$23.0 million in FY07.

Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 15 of the last 23 years (Figure 4). For the four years inclusive between FY00 and FY03, taxable new value revenue growth achieved a new record each year. FY03 taxable new value increased in large part due to the efforts of the Assessing Department to update personal property data. This increase cannot be duplicated in future years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY98 through FY06 of \$50.8 million or 5.4%, and a projected increase in FY07 of \$53.2 million or 4.4%. The gross property tax levy crested \$1 billion in FY03, totaled \$1,094.1 million in FY04 and \$1,150.6 million in FY05. It is expected to reach \$1,207.6 million in FY06 and is estimated at \$1,260.8 million in FY07.

Property values in Boston have been rising steadily. During FY04, the City conducted the eighth parcel-specific revaluation that established values as of January 1, 2003 at \$66.1 billion, an increase of 15% over the prior year's market indexed valuation of \$57.5 billion. The FY05 and

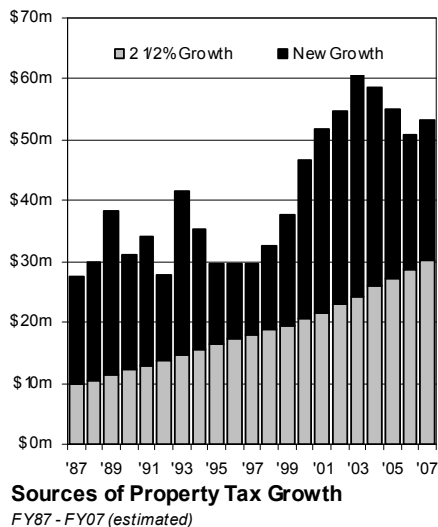


Figure 4

FY06 valuations were market-index valuation years. Values grew an average of 6.5% per year (Figure 5). FY07 will be another parcel-specific revaluation year counting values as of January 1, 2006.

STATE AID

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

In FY03, the Commonwealth's annual expenditure for direct local aid statewide was substantially reduced twice. The first statewide reduction of a net \$32 million dollars occurred in late July 2002, one full month into the fiscal year, and mostly as a result of vetoes by the Governor. The second reduction of \$114 million statewide occurred in January 2003, as a result of the Legislature granting the new governor temporary power to make unilateral reductions to local aid accounts.

In the decade prior to FY03, the Commonwealth had been successful in balancing its budget. This had given the Commonwealth the capacity to support an adequate and diversified local revenue base for municipalities. Recently, due to the national economic recession, the corresponding drop in state tax revenues left the state in need of making program reductions, drawing on reserves, increasing taxes, and reducing local aid. Municipalities are now primarily reliant on the property tax not only for revenue growth, but also to offset state aid reductions that have not been reinstated.

The primary forms of local aid distributions from the state to municipal general revenues are education aid, lottery aid and additional assistance. The amount of these funds to be distributed each year to an individual community is described on the "cherry sheet", a listing of a city or town's local aid that used to be printed on cherry-colored paper. Also listed on the cherry sheet are other relatively smaller Commonwealth programs such as library aid and other reimbursements.

Education Aid

Current estimates of the state's budget for FY07 increases Boston's education aid over FY06. The City received Chapter 70 education aid totaling \$200.5 million in FY04 and FY05. The City expects

to receive \$203.6 million in FY06 and has budgeted \$207.0 million for FY07.

FY00 was the last year of the statutorily established funding schedule for education reform. The current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly funded schools administered independently from local school committee and teacher union rules and regulations. Their charters are granted by the State Board of Education.

There are currently twenty-two Commonwealth charter schools and two Horace Mann charter schools available to Boston resident students. There were approximately 4,254 Boston resident students attending Commonwealth charter schools in FY06 and the City expects that number to be approximately 4,697 in FY07.

Before FY99, all charter school tuition was drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$10.9 million in FY98. Under amendments to the charter school law, the Commonwealth, subject to appropriation, is required to pay to the City as a reimbursement, 100% of the increase in tuition for charter school students every year, followed by 60% of the tuition increase from the prior year and 40% of the tuition increase from the year prior to that. The fourth year of the original tuition increase is not reimbursed.

In FY03, the Commonwealth failed to appropriate funding for the charter school reimbursement, therefore the City paid the full tuition cost of \$32.1 million in that year. The net cost to the City for Charter Schools was \$33.6 million and \$31.6 million in FY04 and FY05 (which now includes a reimbursement for capital facilities as well as tuition), respectively. The City has budgeted a \$36.8 million net cost in FY06. In FY07 the city has budgeted a \$13.3 million reimbursement (incorporating the Governor's pro-rating of both the tuition [94%] and capital [96%] reimbursements) against a \$53.7 million tuition cost, yielding a net impact of \$40.4 million.

Lottery Aid

Lottery aid for municipalities had grown steadily over the last few years as a result of the phase-out of a cap in place since FY95. The City's lottery aid was \$71.0 million in FY01 and \$63.5 million in

FY02 without the cap. The City received FY03 lottery aid of \$57.6 million after a mid-year reduction and the imposition of another cap on lottery aid. 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. For FY07, both the Governor and House Speaker proposed eliminating the current cap on lottery instead of an annual phase-out that would end in FY09. This will increase the City's lottery aid to \$70.6 million. The City has budgeted for this increase.

Additional Assistance

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 new governor, using his temporary local aid reduction powers, reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, these reductions, as a proportion of all local aid reductions, fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year and \$164.2 million in FY04 after a further reduction. The City received additional assistance in FY05 level with FY04 and expects FY06 and FY07 to be level-funded again. The Additional Assistance account was part of a "needs-based" aid package in the 1980's. Dollars of aid by community were determined through a formula that compared costs and revenues to statewide averages. Additional Assistance has been important to Boston in supporting schools, public safety, and other basic city services.

LOCAL RECEIPTS

Approximately 20% of the City's recurring revenue is mainly comprised of excise taxes, fines, payments-in-lieu-of-taxes, investment income, departmental revenue, licenses and permits, penalties and interest and available funds.

Many of these revenue streams are extremely sensitive to current economic conditions. With the recent improvement in the national economy,

excise, interest on investment, and license and permit revenues of the City have almost fully recovered from their recessionary lows in FY03 and FY04.

In FY03 the City collected \$377.3 million from these combined sources (some from one-time payments) and \$360.9 million in FY04. In FY05 the City collected \$412.9 million and the FY06 Budget assumes a conservative \$396.5 million. The FY07 Budget assumes growth to \$428.4 million. (See *Revenue Estimates & Analysis* section of

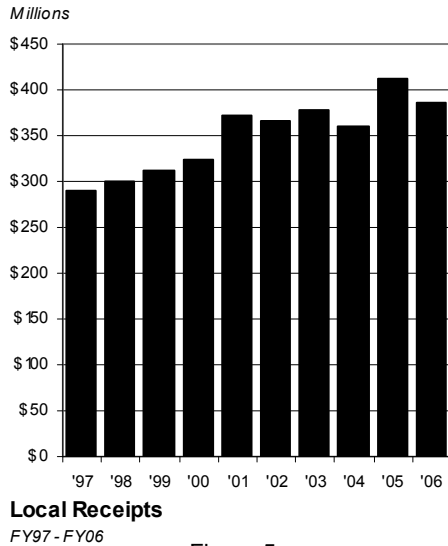


Figure 5

Volume I for more detail on this revenue source.)

The motor vehicle excise had performed well due to zero percent financing from manufacturers on new cars during the recession, some “forward buying” is likely to have occurred causing a minor drop in FY04 collections, but FY05 through FY07 shows a return in growth.

Hotel and Jet Fuel excises started their recovery around the Democratic National Convention in the summer of 2004 (FY05). Hotel occupancy has also increased due to strong advance bookings at the City’s new convention center. Jet Fuel excise has increased substantially in the current fiscal year due to high fuel prices brought on in part by the disruption of Hurricane Katrina in New Orleans last summer.

Parking fines have been steady since fine increases in FY04 and will grow in FY07 due to

another fine increase specifically for street cleaning offenses in FY06.

With increasing Federal Funds rates, the City’s investment earnings are rebounding to pre-recession levels after suffering steep losses as reduced interest rates suppressed investment returns.

License and permit revenues, as a result of building permits, have continued to grow in recent years due to strong residential and commercial development in the City combined with low interest rates. This activity is expected to slow somewhat with increasing interest rates.

The remaining sources of other revenue to the City are based on payment-in-lieu-of-tax agreements with non-profit institutions (the Massachusetts Port Authority renegotiated their agreement for FY06 through FY15), contracts with urban redevelopment corporations, or set rates of fees, fine, penalty 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 FY07, the City will appropriate \$5.3 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and the remaining \$4.3 million for the Mayor’s “Leading the Way” affordable housing program.

Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Fund Balance, or Budgetary Fund Balance, is more commonly referred to as “Free Cash” when used this way. This item is most simply 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 FY04 Budget employed the use of a \$20.0 million appropriation from that amount. For FY05, \$15.0 million was appropriated but not needed due to stronger local revenue growth than expected. In the FY06 Budget, \$20.0 million has been

appropriated and the FY07 Budget assumes the use of an additional \$8.0 million. (See *Financial Management* section of Volume I for more detail on this revenue source.)

EXPENDITURES

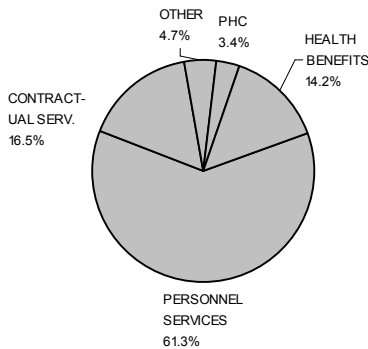
Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY07 appropriations are subdivided further as follows:

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;

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

Appropriations are also presented by expenditure category across the three subgroups. (Figure 6)



FY07 Appropriations by Category

Figure 6

Personnel Services include salaries, overtime, medicare, unemployment compensation and workers' compensation for employees in City departments and BPS. It is important to note that most of the City's current collective bargaining contracts expired at the end of FY06 or will expire shortly thereafter. The FY07 budget does not include funding for new agreements. The Health Benefits appropriation provides coverage for City and BPS employees and retirees as well as PHC employees. The Contractual Services category includes expenditures for communications, repairs and service of buildings, equipment and vehicles,

transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses. PHC is the City's appropriation to the Public Health Commission as noted above. Included in the Other category are supplies & materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in Other are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and the City's outside audit.

APPROPRIATIONS

Health Insurance

Total health insurance costs for all employees and retirees are projected to increase by approximately \$24.5 million in FY07. The table below shows total actual expenditures for health insurance in FY03 through FY05 and budgeted totals for FY06 and FY07. These totals include estimates for City departments, PHC and grants.

Health Insurance			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY03	\$ 161.972		
FY04	\$ 178.533	\$ 16.561	10.2%
FY05	\$ 199.337	\$ 20.804	11.7%
FY06*	\$ 222.246	\$ 22.909	11.5%
FY07*	\$ 246.747	\$ 24.501	11.0%

Notes: (\$millions) *budget estimate
Includes grant-funded positions

In FY04 the City made a decision to drop two of the City's HMO plans. The consolidation of plans enabled the City to keep the percentage increase in HMO premium rates at a more affordable level. Even with the plan consolidation, HMO rates increased by 14.1% in FY06 on average and will increase by 13.3% on average in FY07. Rates for Harvard Health, the plan with the largest participation, will increase by 10.0% in FY07. The rates for the City's Master Medical indemnity plan remained level in FY06 but will increase by 12.8% in FY07.

Figure 7 shows a current breakdown of employee participation in the City's health plans. The first column shows total participants; the second and third columns show HMO participation vs.

Indemnity participation as well as the breakdown between retirees and active employees.

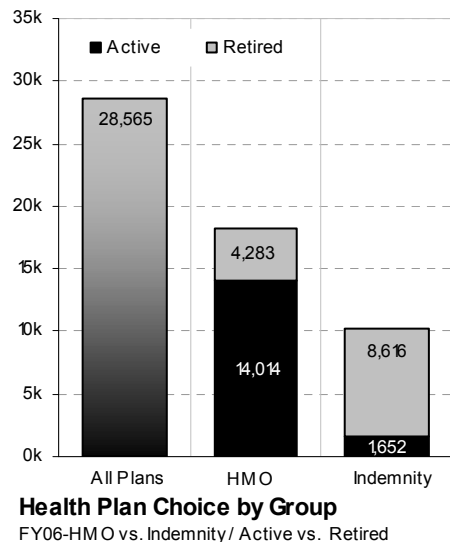
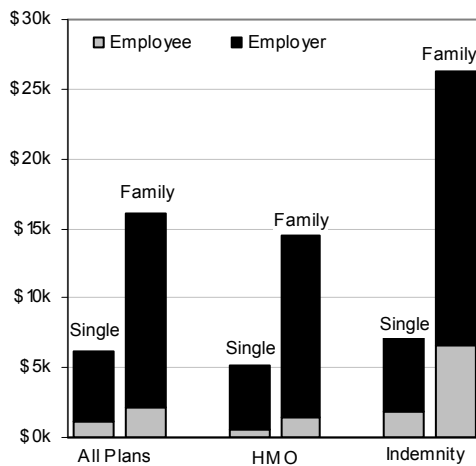


Figure 7

Figure 8 shows the total FY07 projected average cost per employee for health insurance with the employee and employer shares broken out. In FY07, based on current enrollment data, the total average cost to provide health insurance for an employee in a family plan is expected to be approximately \$16,044 with the City contributing an average of \$13,894 toward that cost. For an employee participating in an individual plan, the total average cost is expected to be \$6,207 in FY07 with the City contributing an average of \$5,029 toward that cost. The City contribution toward HMO's in general is 90%; the City contribution is



Share of Average Annual Health Insurance Cost
FY07 Projected

Figure 8

75% for the indemnity plan.

Budgeting for Employee Benefits

The City provides not only health insurance but dental and life insurance as well. Provisions for these benefits are included in three different general fund appropriations. The table below shows the amounts appropriated for City departments, BPS and the Public Health Commission to cover these benefits for general fund employees as well as retirees. It should be noted that of the total amount appropriated for health benefits in FY07, approximately \$87 million is for coverage for retired employees.

The City currently provides post employment healthcare and life insurance benefits to eligible retirees. The City has begun the process of determining its unfunded actuarial accrued liability with respect to future other post-employment benefit obligations (OPEB) in order to be in compliance with GASB 45. (See the *Financial Management Chapter* for more detail on OPEB.)

Health, Dental & Life		
Department	FY06*	FY07*
City	\$ 151.576	\$ 168.525
School	\$ 60.405	\$ 66.314
PHC	\$ 5.779	\$ 6.570
Total	\$ 217.760	\$ 241.409

Notes: (\$millions) *Appropriations

City Departments

The combined appropriations for City Departments as shown in the FY07 Summary Budget have increased by 5.5% from the FY06 appropriations. Approximately 73.2% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits. These four appropriations account for approximately 88% of the total increase in City Departments.

These appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 9)

Some of the highlights of FY06/FY07 changes by cabinet are as follows:

Mayor's Office

The cabinet will see an increase of 7.7% in FY07. Most of the increases in the mayoral departments

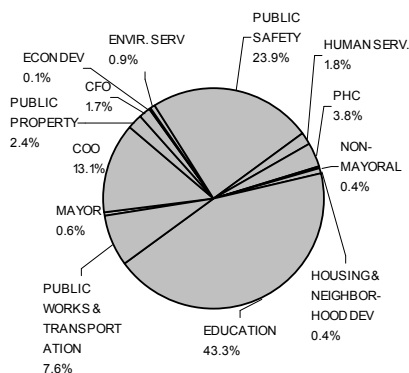
reflect standard salary increases with the exception of two departments. The increases in the Office of the Mayor and the Office of New Bostonians reflect policy decisions to be implemented in FY07.

The increase in the Office of the Mayor reflects a new initiative to develop an “Urban Mechanics” fellowship program hiring four fellows from local graduate schools who will apply their training to a portfolio of policy areas and work with city departments to improve service delivery.

Additionally, the Director of Recreation will be elevated to the Office of the Mayor to reflect the expanded role of the position to coordinate sports and recreation opportunities citywide in the agencies of the Boston Centers for Youth and Families, the Boston Public Schools and Parks and Recreation Department.

The significant increase in the Office of New Bostonians (ONB) reflects a funding transition from the Baxter Trust to the City’s operating budget. ONB will continue with its multi-year public/private community project aimed at increasing English fluency with English for Speakers of Other Languages (ESOL) programs.

Also included in the Mayor’s Cabinet is the Office of Emergency Preparedness (formerly the Office of Homeland Security). The mission of the Office includes not only the coordination and direction of Boston’s inter-departmental and multi-jurisdictional homeland security activities but also the response to and recovery from incidents of terrorism, natural disasters and other emergency situations. During FY05 the Office conducted “Operation Atlas” a series of homeland security drills that brought together local, state, federal and private sector entities to test the efficiency of information sharing, communications and public information – all critical elements in terrorism prevention. In FY07 “Operation Poseidon” will build on the lessons learned from “Operation Atlas” and expand the scope of potential terrorist targets. Additionally, the Mayor’s Office of Emergency Preparedness in partnership with the Public Health Commission will provide mini-grants to engage Boston’s network of civic groups to improve emergency preparation at the neighborhood and family levels.



FY07 Appropriations by Cabinet

Figure 9

The Mayor’s Office of Neighborhood Services (ONS) will continue to coordinate cross-departmental public/private strategies that will focus on keeping the City clean. As part of that strategy, “Boston Shines” kicks off its fourth year with a massive two-day spring cleanup and will continue working to educate Bostonians about keeping their city clean all year long. Also, ONS coordinates the Neighborhood Response Teams to work collaboratively with front line city service departments to efficiently solve problems in neighborhoods by improving service delivery. ONS is also an active government participant in the B-SMART, (Boston Strategic Multi-Agency Response Teams), program which is led by the Human Service Cabinet.

Chief Operating Officer

Excluding the City’s appropriation for health insurance, this cabinet will see a net increase of 6.6% in its FY07 appropriation. The Library department will see a 3.5% increase to cover inflationary increases related to fixed costs including utilities, as well as an increase in book purchases. The funding level for the Library also assumes that the historical appropriation requirements of the state in order to be eligible for state funding will be met with operating and external funding.

The Management and Information Services (MIS) department will see a 16.3% increase illustrating the Mayor’s commitment to focus on technology to increase efficiencies and deliver improved city services. In FY07 MIS will begin the implementation of the City’s new enterprise-wide

permitting and licensing system and also begin a needs assessment for a Citizen Relationship Management (CRM) system. The CRM system will be a central repository to intake citizen's service requests, dispatch work to the responsible city department, and track the final resolution to the citizen's request.

The Registry Division of Births, Deaths and Marriages will see a 2.8% increase in its FY07 appropriation to cover personnel costs related to collective bargaining and contractual requirements.

The Health Insurance appropriation will increase by 11.2% over the FY06 appropriation, requiring an additional \$16.9 million. The Health Insurance appropriation includes the cost of dental and vision coverage for employees (not including BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Mayor's Office of Consumer Affairs & Licensing has been transferred into the Public Property cabinet (formerly the Basic City Services cabinet) in FY07 to more closely align the department's responsibility for permitting public special events in the Cabinet that has traditionally coordinated the City's participation with these special events.

Chief Financial Officer

After excluding tax title funding from the FY06 appropriation, the net percentage increase in this cabinet is 3.1%. Departments within the cabinet will see increases related to salary costs associated with collective bargaining. The Office of Budget Management will upgrade the Boston About Results (BAR) performance management tracking system to fully integrate budget and performance metrics into a unified system to effectively measure performance. The Cabinet also includes appropriations for Medicare Payments, Pensions & Annuities and Executions of Courts. In FY07 the Assessing Department will conduct a parcel-specific revaluation establishing commercial and residential property values as of January 1, 2006. Assessing is required to conduct a comprehensive parcel-specific revaluation every three years.

Public Safety

The 5.9% increase in this cabinet is driven by several components. First, the increase reflects the annualized impact of collective bargaining increases that occurred in January 2006. Second, a policy decision has been made to consolidate public safety resources by transferring the Municipal Police into the Boston Police Department. Third, each department will be hiring recruit classes during FY07 that will increase the levels of public safety staff.

The FY07 budget for the Fire Department will increase by approximately \$5.8 million or 3.9%. The appropriation provides for a class of firefighters scheduled to start at the beginning of FY07 and a second recruit class of firefighters scheduled to start in the winter of FY07. The Fire Department will continue to focus on the management of overtime, including overtime related to sick and injured leave. Also, a continued emphasis will be put on the case management of injuries and working with the City's Retirement Board on the expeditious processing of accidental disability retirements.

The Police Department's appropriation will increase by approximately \$16.7 million or 7.1%. The FY07 Budget reflects the department's continuing efforts to focus its resources on the direct delivery of neighborhood policing services while playing a primary role in the Mayor's Comprehensive Anti Crime Strategy. The FY07 appropriation provides for the annualized costs of a large recruit class that started in the Spring of FY06, plus two additional large recruit classes that will start in the Fall and Spring of FY07. Also, as stated above, a number of Municipal Police Officers currently working in the Property and Construction Management Department will be transferred into the Boston Police Department in FY07.

The Boston Police Department will participate in a Strategic Crime Council that will take a six-pronged approach to crime fighting including: a legislative agenda with regional and national outreach, the involvement of public health and healthcare agencies, targeted law enforcement strategies, education and awareness efforts, community outreach and judicial system changes.

The Boston Regional Intelligence Center (BRIC) has been assigned directly to the Police

Commissioner's in FY07. Daily intelligence reports are used to revise deployment patterns and assign more officers to service to areas identified to be the highest priorities. The department has also been making improvements in the area of crime scene analysis, including a restructuring of the finger print lab. The Police Department has played a major role in the new Family Justice Center of Boston - a multi-disciplinary approach that will bring together services for victims of domestic violence, sexual assault and child abuse.

Economic Development

The 3.2% increase in this Cabinet reflects the general increase to salaries experienced by departments citywide.

With the expiration of the City's M/WBE ordinance at the close of calendar year 2002, the Mayor issued an Executive Order on Small and Local Business Enterprise Development to ensure the equitable participation of small and local business in the City's contracting arena. The Small and Local Business Enterprise Office (S/LBE) is responsible for the development, coordination and implementation of the executive order and will work to enhance the participation of Small, Local and Minority and Women Business Enterprises (SLMWBE).

The City's commitment to centralizing planning for the City of Boston within the Boston Redevelopment Authority will continue to be fully funded within the existing BRA revenue structure in FY07.

The Mayor's Office of Arts, Tourism and Special Events (MOATSE) will be transferred from the Chief Economic Development Officer's Cabinet to the Public Property Cabinet (formerly the Basic Services Cabinet).

Public Property

The Basic City Services Cabinet has been renamed Public Property in FY07 to reflect the goal of consolidating the responsibilities for operations and maintenance for city buildings and properties. Additionally, the Mayor's Office of Arts, Tourism & Special Events and the Mayor's Office of Consumer Affairs & Licensing have been transferred into the Public Property Cabinet in FY07 to streamline the review and permitting for the City's public events.

Overall this newly renamed and reorganized cabinet will see a decrease of 1.7% increase mainly because of the proposed change in the operations of the security program in the Property and Construction Management Department (PCM). The Property and Construction Management Department continues to provide centralized operations and maintenance for multi-departmental city buildings such as Boston City Hall, 1010 Massachusetts Avenue and the Rivermoor building in West Roxbury as well as the maintenance services for 26 Boston Centers for Youth & Families (BCYF) buildings. (The Property and Construction Management Department assumed the preventive maintenance and repair of mechanical systems and structures for BCYF in FY05.)

Property and Construction Management is also responsible for all major renovations to City buildings and will lead the effort to consolidate the storage needs of the City Archives and the Boston Public Library at the Rivermoor building. The overall decrease of funding for Property & Construction Management is mainly the result of the reorganization of the security program and the transfer of a number of Municipal Police Officers to the Boston Police Department in FY07.

The Election Department will expand its effort to canvass all of Boston's neighborhoods during the annual listing to have a full and complete list of Boston residents to provide to the State's Jury Commission. Additionally, expanded outreach to non-English speakers is planned along with regular voter registration efforts.

Increased costs related to fuel and utilities plus an increase to contracted services for Park Rangers and tree trimming have contributed to the Parks Department's FY07 budget increase.

Public Works & Transportation

Departments included in this cabinet include the newly created office for the cabinet-level position of the Chief of Public Works and Transportation. Individual departments in this cabinet include Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for snow removal. The Snow Removal budget is established using a multi-year annual cost averaging methodology. Excluding the budget for

Snow Removal the Cabinet reflects an increase of 2.8% in FY07.

The administrative, financial, technological and public information resources in both the Public Works and Transportation departments have been consolidated into the Chief of Public Works and Transportation department to facilitate the ongoing consolidation of functional overlaps between the two departments. There will also be a strengthened effort to identify efficiencies and improve service delivery with an expansion of technology.

The increase in the Public Works Department's FY07 appropriation of \$1.9 million or 2.2% is largely driven by the increase in utility costs given the Public Works Department's responsibility for operating all of the City's street lights and traffic signals. Additionally, contracted costs for residential waste removal and street light repair and maintenance have contributed to Public Works' increase. After piloting Global Positioning Systems (GPS) in its FY06 snow removal contracts, Public Works has documented great operational efficiencies and plans to expand the program in FY07. The GPS system provides enhanced equipment deployment, aids in the dispatch of limited city inspection forces and assures accountability for both the contractors as well as city employees. The GPS system provides a real-time record for hours worked and salt and sand used. Public Works will fully expand GPS with all snow removal contractors in FY07 and will introduce the GPS system to its street sweeping contracts in FY07.

In FY07, the Transportation Department will see a decrease in its appropriation of \$267 thousand. This reduction reflects both the transfer of administration and finance employees to the newly created Office of the Chief of Public Works and Transportation and the removal of a budget for financing costs that were assumed in FY06 related to an energy efficiency project. Transportation originally planned to award a contract to retrofit 6,600 traffic signal lamps with energy efficient light emitting diodes (LEDs), however, after proposals were received, the traffic signal maintenance unit at the Public Works Department made a competing counteroffer that was significantly less costly than the third party

contractor's proposal. The costs of LED units themselves were covered by energy efficiency rebates distributed by Boston's local electric utility, NSTAR. The lower installation cost offered by the city employees was one of the deciding factors to opt to effectuate the LED project with in-house resources. This LED retrofit project will reap permanent electric consumption savings totaling 2.6 million kilowatt hours (kWh) per year. Additionally, LED traffic signals are also much brighter than the former incandescent traffic signals and will be replaced less frequently given their five to seven year useful life.

Environment and Energy

The Environment and Energy Cabinet which includes the Environment and Inspectional Services (ISD) departments, will see a 2% increase in FY07. The Environment and Energy Cabinet focuses on energy policy including renewable energy, green buildings and electricity deregulation in addition to enforcing the City's building, housing and environmental regulations. The Inspectional Services Department (ISD) will see an increase of 1.2%. ISD will be the first City department to move their business processes on to the new enterprise permitting and licensing system being implemented by the Management Information Services (MIS) Department. The goal of the enterprise permitting and licensing system is to move all City permitting on to a central system to provide a consistent level of service and data across all city departments. The Environment Department's increase of 11.1% is mainly related to meeting the Mayor's commitment to provide funding for the Boston Groundwater Trust for the monitoring of groundwater in areas of the City where low groundwater levels put Boston's historic buildings at risk of being structurally compromised.

Human Services

Overall, the FY07 appropriation for the Human Services Cabinet shows an increase of 3.9% from the total FY06 appropriation. The Human Services Cabinet will continue its leadership role in the B-SMART, (Boston Strategic Multi-Agency Response Teams) initiative that aims to reduce crime and build community capacity by targeting hot spot crime areas through a collaborative government and community partnership. Government partners in the B-SMART program

include Boston Centers for Youth & Families (BCYF), Boston Police Department and the Mayor's Office of Neighborhood Services. The BCYF budget will increase by 3.7% with FY07 increases associated with collective bargaining for employee salaries along with operational increases related to energy costs. The Director of Recreation will be transferred from BCYF to the Office of the Mayor to reflect the expanded role of the position to coordinate the youth sports and recreational opportunities citywide in BCYF, the Boston Public Schools and the Parks and Recreation Department. BCYF will continue its efforts to provide a more structured delivery of services at the various community centers located in the neighborhoods in FY07. BCYF will coordinate its efforts with the Police Department and other agencies to build relationships with at-risk kids, especially through a strengthened streetworker program. BCYF plays a significant role in the B-Smart program.

The Veterans Services Department will see a 11.6% increase in FY07 mainly as a result of expanded benefits coverage that now includes peacetime veterans.

The FY07 Youth Fund appropriation is level funded with the FY06 appropriation. The Youth Fund will continue its successful partnering with community-based organizations to have youth working in the organizations and projects to increase the number of summer jobs provided. The City expects to receive funding from the Commonwealth of Massachusetts for the YouthWorks program to target summer jobs for at-risk and low income youth. The Mayor has also raised private funds to work with the Youth Opportunity Boston organization to launch a summer jobs program for teenagers who have committed serious crimes to help these individuals to develop transferable job skills.

In FY07, the Elderly Commission will see a 2.9% increase, the majority of which is related to collective bargaining salary increases. The Elderly Commission is reaping the operational benefits associated with scheduling software supported by Global Positioning Systems (GPS). The GPS enabled software allows the Commission to know the exact location of each senior shuttle van in real-time. In an effort to reduce racial and ethnic disparities, the Elderly Commission seeks to

expand access to transportation and nutrition services to elder residents of color by targeting neighborhoods that currently under-utilize such services.

Housing and Neighborhood Development

This cabinet is showing a decrease from its FY06 appropriation. The Cabinet budget decrease relates solely to the amount appropriated for the Leading the Way II (LTWII) program. The budgeted amount for FY07 is based on the cash flow needs for the year. The Department of Neighborhood Development shows an increase of 3% over the FY06 appropriation mainly as a result of scheduled contractual salary increases.

The cabinet's activities in FY07 will include a major focus on achieving the City's overall goal of increasing the housing supply to meet workforce demand. The LTWII program continues the successful blueprint used in the first phase of the program to meet and sustain the City's housing needs by creating affordable housing, preserving neighborhood stability and addressing homelessness.

Marking the tenth anniversary of the Boston Home Center, DND proposes a major focus on foreclosure prevention. This will be accomplished through a comprehensive package of education, one-on-one direct assistance and the availability of a refinancing loan pool to help prevent foreclosures. DND will also initiate a new mortgage product plus down-payment assistance to enable middle income homebuyers to "reach up" high enough in the market to afford what is currently available.

The Department of Neighborhood Development (DND) will continue to support the Main Street Districts in their mission to build vibrant neighborhood commercial districts. A private Main Streets Foundation was recently created to enhance the sustainability of the Main Street districts and contribute to continued economic development in the districts.

Public Health Commission

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and

Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network, which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY07 appropriation for the Public Health Commission shows an increase of 3.7% from the FY06 appropriation. The Public Health Commission Budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital. The direct payment requirement is level funded with FY06. The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$10.9 million.

The Public Health Commission will play a leading role in the Mayor's goal to narrow health disparities between the races. \$1 million in funding will be provided to community agencies and health facilities to improve data collection, provide patient navigators, offer cultural competency training and strengthen educational and training opportunities for residents of color interested in health care professions.

School Department

The FY07 School Department Budget is showing a \$16.7 million, or 2.3%, increase from the FY06 appropriation. Much of the increase in this budget will be used to cover rising fixed costs in the areas of health insurance, utilities and contractual obligations. However, the budget also allocates resources to areas of high priority that will allow the School Department to make progress on its agenda to close the achievement gap and maximize student achievement for all. The FY07 budget includes funding for the second phase of a multi-year plan to meet the goal of providing full-day kindergarten for all four-year-olds by 2010 by adding an additional 350 Kindergarten 1 seats and converting 3 SPED classes to full-day. (See the *Education* chapter of this volume for more details.)

Appropriations by Cabinet

Cabinet	Department	FY04 Expenditure	FY05 Expenditure	FY06 Appropriation	FY07 Appropriation	Inc/(Dec) 07 vs 06
Mayor's Office	Office of Emergency Preparedness	0	0	191,984	191,984	0
	Intergovernmental Relations	978,083	855,343	956,966	980,416	23,450
	Law Department	4,344,093	4,013,227	4,625,000	4,773,475	148,475
	Mayor's Office	1,413,610	1,618,254	1,850,756	2,151,631	300,875
	Neighborhood Services	994,610	1,013,900	1,156,460	1,181,150	24,690
	Office of New Bostonians	77,978	85,954	83,965	317,816	233,851
	Public Information	851,444	854,371	944,224	973,098	28,874
	Total	8,659,818	8,441,049	9,809,355	10,569,570	760,215
Chief Operating Officer	Chief Operating Officer	902,371	844,288	910,058	885,069	-24,989
	Graphic Arts Department	1,391,776	1,327,400	1,455,995	1,506,735	50,740
	Health Insurance	124,956,847	139,104,893	151,576,119	168,525,434	16,949,315
	Human Resources	2,553,459	2,567,538	2,770,083	2,841,802	71,719
	Labor Relations	918,845	1,212,846	1,279,259	1,284,099	4,840
	Library Department	24,085,844	26,599,975	27,477,909	28,448,473	970,564
	Management & Information Svcs	12,789,845	13,267,262	13,936,548	16,210,861	2,274,313
	Registry Division	713,176	781,029	842,634	865,827	23,193
	Unemployment Compensation	5,992	9,751	50,000	50,000	0
	Workers' Compensation Fund	3,688,947	3,916,034	2,200,000	2,200,000	0
		Total	172,007,102	189,631,016	202,498,605	222,818,300
Chief Financial Officer	Assessing Department	5,138,326	5,732,909	5,794,614	6,141,699	347,085
	Auditing Department	1,888,390	1,867,192	1,986,924	2,133,244	146,320
	Budget Management	2,341,656	2,554,975	2,567,531	2,534,382	-33,149
	Execution of Courts	18,842,206	10,883,972	3,500,000	3,500,000	0
	Medicare Payments	4,100,000	4,313,859	4,671,000	4,926,000	255,000
	Pensions & Annuities	4,900,000	4,899,985	4,700,000	4,700,000	0
	Purchasing Division	1,138,234	1,240,983	1,279,870	1,361,684	81,814
	Treasury Department	4,017,245	4,243,620	4,310,687	3,724,389	-586,298
		Total	42,366,057	35,737,495	28,810,626	29,021,398
Public Safety	Fire Department	137,753,681	150,730,469	148,009,767	153,780,312	5,770,545
	Police Department	211,363,261	234,580,600	235,456,082	252,164,016	16,707,934
	Total	349,116,942	385,311,069	383,465,849	405,944,328	22,478,479
Education	Boston Public Schools	656,538,811	680,181,395	717,809,179	734,500,000	16,690,821
	Total	656,538,811	680,181,395	717,809,179	734,500,000	16,690,821
Economic Development	Boston Residents Job Policy	426,252	444,786	467,830	495,141	27,311
	Small/Local Business	540,371	539,673	579,098	584,950	5,852
	Total	966,623	984,459	1,046,928	1,080,091	33,163
Public Property	Arts, Tourism & Special Events	0	1,542,218	1,660,014	1,625,466	-34,548
	Consumer Affairs & Licensing	360,123	409,793	437,245	442,357	5,112
	Election Department	2,206,761	2,105,615	2,562,000	2,607,646	45,646
	Parks & Recreation Department	12,474,395	14,134,497	14,556,313	14,679,331	123,018
	Property & Construction Mgmt.	21,243,083	23,227,715	22,785,281	21,921,559	-863,722
	Special Events & Tourism	902,904	0	0	0	0
	Total	37,187,266	41,419,838	42,000,853	41,276,359	-724,494
Public Works & Transportation	Chief of Public Works & Transportation	0	0	0	1,545,434	1,545,434
	Central Fleet Maintenance	2,033,598	2,111,779	2,126,481	2,183,190	56,709
	Public Works Department	75,561,126	82,616,523	84,069,132	85,940,100	1,870,968
	Snow Removal	10,044,054	21,970,447	10,595,544	12,241,753	1,646,209
	Transportation Department	27,482,758	26,159,723	27,313,648	27,046,407	-267,241
	Total	115,121,536	132,858,472	124,104,805	128,956,884	4,852,079
Environment & Energy	Environment Department	961,761	1,044,156	1,184,358	1,315,787	131,429
	Inspectional Services Dept	13,032,269	13,602,169	14,281,432	14,456,704	175,272
	Total	13,994,030	14,646,325	15,465,790	15,772,491	306,701
Human Services	Boston Centers for Youth & Families	16,821,909	17,467,325	18,521,612	19,198,292	676,680
	Civil Rights	270,598	295,179	304,880	305,091	211
	Cultural Affairs	687,696	0	0	0	0
	Elderly Commission	2,403,928	2,502,685	2,600,913	2,676,851	75,938
	Emergency Shelter Commission	499,903	530,713	535,448	535,920	472
	Veterans Services Department	3,168,192	3,359,843	3,390,877	3,783,376	392,499
	Women's Commission	139,939	146,121	150,143	150,643	500
	Youth Fund	3,661,347	3,719,791	3,806,648	3,806,648	0
	Total	27,653,512	28,021,657	29,310,521	30,456,821	1,146,300
Neighborhood Development	Leading the Way	3,000,000	0	7,500,000	4,331,000	-3,169,000
	Neighborhood Development	2,157,035	2,196,922	2,927,308	3,014,962	87,654
	Rental Housing Resource Center	550,825	522,743	0	0	0
	Total	5,707,860	2,719,665	10,427,308	7,345,962	-3,081,346
Public Health	Public Health Commission	58,762,237	60,568,437	61,300,000	63,571,000	2,271,000
	Total	58,762,237	60,568,437	61,300,000	63,571,000	2,271,000
Non-Mayoral Departments	City Clerk	827,569	783,264	874,868	883,183	8,315
	City Council	3,681,422	3,948,976	4,139,874	4,221,824	81,950
	Finance Commission	159,335	168,187	182,598	183,588	990
	Licensing Board	532,989	583,797	597,078	592,727	-4,351
	Total	5,201,315	5,484,224	5,794,418	5,881,322	86,904
	Grand Total	1,493,283,109	1,586,005,101	1,631,844,237	1,697,194,526	65,350,289

Pensions

The State-Boston Retirement System (SBRS) is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The City of Boston, including its teachers, constitutes approximately 85% of the payroll of the SBRS employee membership. The City's annual pension funding requirement was \$137.0 million in FY04 and \$146.6 million in FY05; is \$186.3 million in FY06; and will be \$192.9 million in FY07. These numbers do not include pension costs allocated to the budgets of the Suffolk County Sheriff's Department or the Public Health Commission.

After several years of modest increases, the City's pension expense underwent a significant increase in FY06, due to an update in the SBRS pension funding schedule, as is required by Chapter 32 every three years. The 1/1/2004 data, on which the funding amounts for FY06 through FY08 are based, shows the actuarial value of assets increasing over the prior three year period by 5.4%, and liabilities over the same period, increasing by 27.3%, thus significantly driving up the funding cost in the new schedule. The SBRS rates of return for the prior three years (2001, 2002, 2003) were minus 5.72%, minus 9.73%, and plus 23.09%, on a market value basis. The increase in pension liability is driven by the October 2002 early retirement incentive, the Quinn bill impact on police salaries, and a major change in the law governing teachers' pensions. The City's current pension funding schedule fully funds the system by the end of FY2023.

Debt Service

The City had expenditures for debt service of \$123.9 million in FY04 and \$118.4 million in FY05. The City has a budget of \$117.0 million for debt service in FY06 and expects to spend \$119.6 million on debt service in FY07. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in

February 2005, the City achieved a historically high bond rating by Moody's Investor's Service. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

State Assessments

Accompanying the local aid distributions on the cherry sheet are several charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid was added. All but the state assessments for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition are relatively small. In accordance with Proposition 2 1/2, these charges on a statewide basis, except for Charter School Tuition, cannot increase annually by more than 2.5%. The City's state assessment (inclusive of Charter School Tuition) increased from \$111.7 million in FY05 to \$120.6 million in FY06. The City expects growth in assessments to \$125.1 million in FY07.

Suffolk County Sheriff

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost.

In FY06, the City was responsible for funding 4% of the Sheriff's Department Budget with the Commonwealth funding the rest. The appropriation included in the FY07 budget is an estimate. The maintenance of effort requirement will be communicated to the City after the Sheriff's total budget is approved by the County Government Finance Review Board sometime in late summer or early fall.

State Assessments				
	FY04	FY05	FY06	FY07
	Actual	Actual	Budget	Budget
M.B.T.A.	\$ 64,591,393	\$ 65,075,413	\$ 65,185,386	\$ 66,210,888
Charter School Tuition	36,661,520	41,875,268	50,647,003	53,683,444
RMV Non-Renewal Surcharge	3,519,140	3,108,660	3,108,660	3,557,180
Other Assessments	1,735,834	1,632,437	1,677,242	1,686,701
	\$ 106,507,888	\$ 111,691,778	\$ 120,618,291	\$ 125,138,213

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 \$22.6 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. (See *Financial Management* section of Volume I for detail.)

Tregor Reserve Fund				
Fiscal Year	Beginning Year Balance	Funds In	Funds Out	Ending Year Balance
FY00	18.680	0.000	0.000	18.680
FY01	18.680	1.308	0.000	19.988
FY02	19.988	1.000	0.000	20.988
FY03	20.988	0.151	0.000	21.139
FY04	21.139	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.643
*FY06	22.643	0.000	0.000	22.643
*FY07	22.643	0.000	0.000	22.643

Notes: (\$millions), *projected

PERSONNEL CHANGES

The following 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 numbers used for FY07 are estimates based on the level of funding for personnel contained in the FY07 budgets.

Personnel Summary

		1/1/04	1/1/05	1/1/06	1/1/07	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
Office of the Mayor	Intergovernmental Relations	8.8	6.8	6.8	8.8	2.0
	Law Department	46.0	44.0	41.0	44.0	3.0
	Mayor's Office	20.8	23.4	23.4	28.4	5.0
	Neighborhood Services	19.0	19.0	23.0	23.0	-
	Office of Emergency Preparedness	-	-	-	1.0	1.0
	Office of New Bostonians	1.0	1.0	1.0	5.0	4.0
	Public Information	16.5	15.1	18.1	18.5	0.4
	Total	112.1	109.3	113.3	128.7	15.4
Chief Operating Officer	Chief Operating Officer	8.0	7.0	7.0	7.0	-
	Graphic Arts	31.0	29.0	28.0	29.0	1.0
	Human Resources	43.9	45.9	43.6	45.6	2.0
	Labor Relations	11.4	10.4	11.4	11.4	-
	Library Department	422.6	426.9	423.2	425.8	2.6
	Management Info Svcs	103.0	100.0	101.0	103.0	2.0
	Registry Division	18.0	18.0	18.0	18.0	-
	Total	637.9	637.2	632.2	639.8	7.6
Chief Financial Officer	Assessing Department	88.0	91.0	87.0	90.0	3.0
	Auditing Department	34.0	32.0	33.0	34.0	1.0
	Budget Management	22.7	22.7	21.9	21.9	-
	Purchasing Division	19.0	19.0	20.0	20.0	-
	Retirement Board	-	-	-	-	-
	Treasury Department	58.0	56.0	56.0	56.0	-
	Total	221.7	220.7	217.9	221.9	4.0
Public Safety	Fire Department	1,610.5	1,608.5	1,602.5	1,650.0	47.5
	Police Department	2,782.4	2,842.8	2,818.3	2,978.0	159.7
	Total	4,392.9	4,451.3	4,420.8	4,628.0	207.2
Education	School Department	7,792.5	8,008.8	8,087.1	8,396.3	309.2
	Total	7,792.5	8,008.8	8,087.1	8,396.3	309.2
Economic Development	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	8.0	8.0	8.0	8.0	-
	Total	16.0	16.0	16.0	16.0	-
Public Property	Arts, Tourism & Special Events	-	16.0	17.0	17.0	-
	Consumer Affairs & Licensing	7.4	8.2	7.4	7.4	-
	Election	19.1	20.4	20.2	21.2	1.0
	Parks and Recreation	192.6	195.6	200.0	200.0	-
	Property & Construction Mgmt.	302.6	294.1	296.1	228.0	(68.1)
	Special Events & Tourism	9.0	-	-	-	-
	Total	530.7	534.3	540.7	473.6	(67.1)
Public Works & Transportation	Chief of Public Works & Transportation	-	-	-	21.0	21.0
	Central Fleet Maintenance	40.0	41.0	44.0	44.0	-
	Public Works Department	368.6	382.6	371.0	358.0	(13.0)
	Transportation	384.9	359.9	369.6	358.6	(11.0)
	Total	793.5	783.5	784.6	781.6	(3.0)
Environment & Energy	Environment	15.0	16.0	19.0	19.0	-
	Inspectional Services	227.0	228.0	226.0	226.0	-
	Total	242.0	244.0	245.0	245.0	-
Human Services	Boston Center for Youth & Families	335.4	338.7	358.3	361.6	3.3
	Civil Rights	8.0	9.0	9.0	9.0	-
	Cultural Affairs	9.0	-	-	-	-
	Elderly Commission	55.2	57.6	54.5	65.5	11.0
	Emergency Shelter	6.0	4.0	4.0	4.0	-
	Veterans Services	15.2	14.2	15.2	15.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
	Youth Fund	3.0	3.0	4.0	4.0	-
	Total	433.8	428.5	447.0	461.3	14.3
Neighborhood Development	Neighborhood Development	38.8	36.2	51.8	51.8	-
	Rental Housing Resource Center	11.1	11.1	-	-	-
	Total	49.9	47.3	51.8	51.8	-
Public Health	Public Health Commission	728.0	743.0	738.1	748.9	10.8
	Total	728.0	743.0	738.1	748.9	10.8
Non-Mayoral	City Clerk	12.4	12.4	13.0	13.0	-
	City Council	71.1	79.4	75.1	75.1	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	10.6	10.6	9.6	9.6	-
	Total	97.1	105.4	100.7	100.7	-
Grand Total		16,048.1	16,329.3	16,395.2	16,893.6	498.4

FY05- FY06 FTE Changes - The total net increase in FTEs from January 1, 2005 to January 1, 2006 was 66. Staffing in the majority of the departments remained at or near the levels in previous years. The City continues to use a Position Review Committee to review all postings for vacant positions. All hiring is scrutinized and approved only if it is critical and can be supported within the confines of a department's budget.

The largest change occurred in the School Department with an increase of 78 FTEs. The increased staffing was due in part to initiatives undertaken to support under-performing schools and close the achievement gap. Additionally the department hired staff in response to greater than anticipated enrollment. Conversely, the Police Department had a decrease of 25 FTEs between January 1, 2005 and January 1, 2006. The department had more civilian vacancies than anticipated. The department has filled most of the vacant Criminalist positions as part of its plan to address longstanding issues in the fingerprint lab. However, other civilian positions, such as Cadets, Clerks and Dispatchers had more vacancies than in January 2005.

Public Works had approximately 12 fewer FTEs in January 2006, including 4 more employees out on unpaid leave than the year before. The vacancies were primarily in the street cleaning program; due mainly to the timing of hiring. The Transportation Department's increase of almost 10 FTEs over last January is the result of the timing of Parking Enforcement Officer (PEO) replacement classes. The FY05 PEO class began after January 1, 2005 and the FY06 class came on in November 2005.

FY06-FY07 Projected FTE Changes – The City expects the net increase in FTE levels to be approximately 498.4 from January 1, 2006 to January 1, 2007.

The Mayor's Office Cabinet is projected to increase by 15.4 FTEs. Of that increase, 4 will be the result of a new initiative in the Mayor's Office. An Urban Mechanics Fellowship Program will be created to recruit and hire four fellows from local graduate schools. The City's Recreation Director will also be transferred from Boston Centers for Youth & Families (BCYF). The Office of New Bostonians will be fully funded with General Fund revenue resulting in an increase of 4 FTEs. Other Mayoral

departments are projected to see increases as positions which were vacant on January 1, 2006 are filled.

The increase in the Chief Operating Officer's cabinet relates to filling vacant positions in the Library Department, the Management Information Services (MIS) Department and the Human Resource Department.

The increase of 4 in the FTE count for the Finance Cabinet is the result of filling vacancies in the Assessing and Auditing Departments.

The number of Public Safety employees on the payroll as of January 1 of any year fluctuates with the timing of classes and the timing of retirements. After considering the current number of filled positions, expected retirements, and the hiring of new recruits, the net increase projected for Public Safety FTEs is 207.2. This increase also takes into consideration the transfer of a number of Municipal Police Officers from the Property and Construction Management Department to Boston Police Officer positions. Both Police and Fire will be hiring two classes of new recruits during FY07. It should be noted that on April 4, 2006 the Police Department commenced a recruit class of 71. These officers are expected to be on the street by September 2006.

Education is projected to increase by 309 FTEs from January 2006 to January 2007 due to a variety of educational dynamics, including: the expansion of kindergarten opportunities for four-year olds, targeted support for low-performing schools, addressing the increasing resource needs of students with disabilities and a specific policy to restore 1% of school budgets in FY07 following the budget reductions experienced in FY04. The restoration of school based funding has resulted in a variety of positions designed to increase student academic performance and close the achievement gap, including building capacity in data management and analysis and rebuilding critical structures to support student learning.

The Public Property Cabinet is projected to have a net decrease of approximately 67 FTEs as a result of a proposed change in the operations of the security program in the Property and Construction Management Department and the anticipated transfer of a number of Municipal Police Officers

to Boston Police Department positions by January 1, 2007.

The Public Works & Transportation Cabinet, formerly called Streets, Transportation & Sanitation, is projected to have a net decrease of approximately 3 FTEs as a result of a reorganization. The renamed cabinet will have a new Office of the Chief of Public Works & Transportation that will include 20 employees formerly shown in the Public Works and Transportation Departments. The consolidation of these employees will provide a more efficient delivery of administrative, financial, technological and public information services for the departments in the cabinet. The decreases showing in the Public Works and Transportation Departments are the result of this consolidation.

The majority of the projected increase of 14.3 FTEs in the Human Services Cabinet is the result of a change in accounting for Elderly Department employees who are funded in part with external funds. The equivalent of 11 additional FTEs are now shown on the general fund budget. A portion of their salaries will be charged to external funds but it will be based on actual time spent on a particular program during each week rather than assigning a set percentage, since that percentage may change on a week to week basis. This accounting change will help to ensure compliance with all federal and state requirements. A net increase of 3.3 is expected in Boston Centers for Youth & Families (BCYF) based on current staffing levels and the filling of vacant streetworker positions.

Staffing at the Public Health Commission (PHC) is expected to increase as of January 1, 2006 by approximately 11 FTEs in order to address several areas of concern. Additional campus police will be hired to address security issues in the property area. Heating maintenance will be brought in-house in lieu of a more expensive outside contract. In addition, General Fund positions will be added in the Homeless Services Bureau, Research and Asthma Prevention & Control, and the Disparities Program.

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

EXTERNAL FUNDS

Supplementing the services that are provided by the City's \$2.1 billion operating budget is approximately \$315.6 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-one departments and agencies expect to receive federal, state or other forms of external funding in FY07. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 90% of the City's external funds are found in six of those twenty-one departments. These six departments are the School Department, Neighborhood Development, Office of Emergency Preparedness, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission, Boston Centers for Youth & Families and the Parks Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

Federal and State Grants

Some of the larger federal grants received by the City have been a vital source of funding. In FY07, the School Department is expected to receive \$43.1 million from Title I, a grant that the City has been receiving for a number of years. This funding has supplemented education programs in schools with significant populations of low-income students. The City has also received Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities for many years. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone.

The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is Chapter 70 educational reform aid in which the major requirement for receipt of the funds relates to a minimum general fund school budget. This funding is not included in the External Funds table as it is direct general fund

revenue. Further discussion on education aid can be found in the Revenue Chapter. State grant funding is also significant in the area of library services.

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

Neighborhood Development

The Community Development Block Grant (CDBG) is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston designed to fund a variety of neighborhood development activities. The City (the Department of Neighborhood Development and the Fair Housing Commission) expended approximately \$27.0 million in CDBG funding in FY05, and estimates spending \$30.3 million in FY06 and \$30.0 million in FY07. The FY07 amount becomes available in July 2006. At least 70% of CDBG funds must be used to benefit low and moderate-income households. CDBG funds are used 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 cuts from existing public service activities. CDBG funding is also used as a 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, through a pledge of its current and future CDBG grant awards, secures Section 108 funds. The Economic Development Initiative (EDI) Program is a special HUD program that makes available grants to cities to spur economic opportunity. This initiative also promotes community development through a long-term strategy which encompasses establishing community-based partnerships; training residents for new job opportunities; and developing a plan for responding to community needs by integrating

economic, physical, human, and other strategies. The City received two multi year grants of \$22 million each for these two programs for use within the Empowerment Zone. (Another \$3 million was reserved for social service activities in the Empowerment Zone.) The funds are used to assist new or existing smaller scale neighborhood commercial enterprises and larger scale commercial and/or industrial development projects. These funds must be used to lower the cost or lower the risk to the City on Section 108 loans made to eligible economic development projects. Spend down of these funds has been spread over the past several years.

The City received authority to use \$40 million in new Section 108 Loan Guarantee funds in FY04 for the purpose of establishing a Hotel Development Loan Fund. Of these funds, \$15.0 million was expended in FY04 and FY05 for the Westin Convention Center Hotel. The remaining funds were to be used on two other hotel projects. The hotels have since withdrawn their Section 108 authorizations but will proceed with private funding. As a result of those withdrawals no spending is being projected for FY06. In FY07 Section 108 and EDI funds will be used for two projects: the Dudley Square building site and the adjacent Modern Electroplating site. The combined funding will be used for site contamination cleanup and the redevelopment of the sites.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - HUD administers these four federally funded grants. FY06 expenditures are projected to be \$21.7 million while another \$21.1 million is expected to be used in FY07. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available in July of each year. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The

Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants; the FY07 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY07 funds will become available in July 2006. The City expended \$3.8 million in this program in FY05 and estimates spending \$9.7 million in FY06. Projected spending for FY07 is \$9.0 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations and up to five percent may be set aside for operating costs for Community Housing Development Organizations.

The American Dream Downpayment Initiative (ADDI) is a federal grant which was signed into law on December 16, 2003. This is an annual grant awarded to the City of Boston from the U.S. Department of Housing and Urban Development (HUD). It is administered as part of the HOME Investment Partnership Program (HOME). The purpose of this grant is to assist low-income families in becoming first-time homebuyers. ADDI funds may only be used for downpayment assistance toward the purchase of single family housing by low-income families, who are first time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted by ADDI is also an eligible activity under the ADDI statute. ADDI funding of \$721,800 is expected to be expended in FY06 with another 644,000 to be used in FY07.

School Department

The School Department's FY07 general fund budget of \$734.5 million is supplemented with approximately \$136.2 million in external funds, largely grants made directly to the Boston Public

Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants. Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. Other significant sources of external funding include Title II (teacher quality grant), the Special Education "Circuit Breaker" reimbursement, and the Community Partnerships for Children 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 this program in FY06 and FY07 of \$43.4 million and \$43.1 million, respectively.

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 \$21 million in reimbursements for both FY06 and FY07.

Title II Teacher Quality - The School Department expects to receive \$7.1 million in FY07 from this federal formula grant program to improve the quality of staff in the classrooms, a 1% decrease from the FY06 budget of \$7.2 million.

Individuals with Disabilities Education Act (IDEA or SPED 94-142 Entitlement) - This federal formula grant supports special education programs. The amount budgeted by the School Department for FY06 and FY07 is roughly \$18.8 million each year.

Community Partnerships for Children - The Community Partnerships Program is the largest competitive grant received by the School Department. The Community Partnership Program is a state program to create comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers, and family-based day care centers. The amount budgeted by the School Department,

which serves as the fiscal agent for this program, is \$9.8 million for both FY06 and FY07.

Public Health Commission

Boston Healthy Start - The purpose of this project is to develop a comprehensive needs assessment and carry out a service plan to address those factors most affecting infant mortality in the City of Boston. Three project areas consist of those census tracts found to have both the highest numbers of infant deaths and the highest infant mortality rates in the City. Overall, the City has experienced significant improvement in this health area. The Public Health Commission projects to receive \$1.7 million for this program in FY07.

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. Contracts support approximately 71 community agencies and 146 programs in the 10 county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$13.1 million for FY07.

Boston STEPS – The STEPS project is a multi-year federally and locally funded initiative to reduce the growing obesity epidemic – currently exemplified in Boston by the fact that more than 50% of our adult population is overweight. With \$1.7 million expected in FY07, its work is focused in the neighborhoods with the most elevated disease levels for illness tied to obesity. Among its many activities are: the funding of almost 60 neighborhood groups to conduct walking-related exercise efforts and the screening of school children and teenagers for weight and height in order to identify those families who might benefit from additional information and support. The grant also supports programs that are directed to specific health problems such as asthma and diabetes – with a focus on both prevention and disease management. A final component of the STEPS work is reducing tobacco use – the primary behavioral cause of death and disability among Bostonians.

Long Island Shelter – Federal funding. This project provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 500 homeless adult men and women. The Shelter also provides a room for families in crisis. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. Overall, projected external funding for homeless services in the Public Health Commission Budget for FY07 totals \$8.8 million.

Public Health Preparedness -The Commission is involved in a number of activities to insure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those that stem from a \$693,000 federal/state grant for a Cities Readiness Initiative (CRI). This national effort requires Boston to plan for the provision of medicine to every city resident within a 48 hour period, if needed. Other state and federally funded efforts include training EMT's, hospital clinicians and health center workers in various medical emergency protocols and procedures; developing a corps of volunteers who can be mobilized as needed and writing, translating and printing educational materials and tool kits for all populations within the City. Total external funds spending on public health preparedness is expected to be \$2.6 million in FY07.

The Public Health Commission is the recipient of a new \$2 million grant from the Kellogg Foundation. The grant will be spent over three years beginning in FY07 and will fund the Healthy Pest Free Housing Initiative, a three year pest management and asthma program conducted in collaboration with Boston Public Housing residents and the Boston Housing Authority (BHA). The Initiative includes a resident health campaign, community and organizational capacity building to sustain effective pest management practices, a public awareness campaign and dissemination of intervention tools and findings.

External Funds

	FY05 Expenditure	FY06 Estimated	FY07 Estimated
Boston Public Schools	136,140,150	141,818,128	136,180,474
Neighborhood Development	54,951,518	65,725,212	76,645,142
Office of Emergency Preparedness	28,335,751	38,060,096	21,144,671
Public Health Commission	41,476,173	42,630,328	42,311,744
Library Department	10,360,521	10,978,363	11,287,766
Police Department	9,172,737	10,627,753	8,654,776
Other	19,677,862	19,563,189	19,372,153
	300,114,712	329,403,069	315,596,726

Office of Emergency Preparedness

One of the objectives of the Mayor's Office of Emergency Preparedness is to allocate and manage state and federal homeland security funds obtained by the City. The majority of the Office itself is funded with an Urban Area Security Initiative (UASI) grant. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the Boston Urban Area. Spending from UASI is expected to be \$24.6 million in FY06 and \$20.9 million in FY07. The office was also responsible for coordinating spending of up to \$50 million from a federal grant approved to cover security costs for the 2004 Democratic National Convention. The City spent approximately \$1.9 million in FY04, \$22.0 million in FY05 and expects to finalize reimbursements in FY06. Total expenditures for the DNC for all agencies is expected to be \$28.1 million once the final reimbursements are made.

Police Department

The Police Department's grant funding on both the federal and state level has focused mostly upon community policing.

Same Cop, Same Neighborhood - This neighborhood policing program is based on the belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total cost of the program supported by this grant was \$3.9 million in FY05; estimated expenditures for FY06 are \$3.9 million. For FY07

the Department expects to have \$3.4 million available for this program.

BJA Block Grants - This federal program was awarded by the Bureau of Justice for the purpose of reducing crime and improving public safety through the purchase of police equipment, the use of police overtime, and to support community partnerships for community policing. Spending for this program was \$1.2 million in FY05. The Bureau of Justice is no longer funding the Local Law Enforcement Block Grants; the remaining balance, estimated to be \$611,402 will be depleted in FY06.

Judicial Oversight Demonstration Initiative - These funds, made available through the Violence Against Women Act and awarded by the U.S. Department of Justice, are being used to increase offender accountability and improve victim safety through the development and implementation of the Dorchester Domestic Violence Court. Spending from this grant was \$810,000 million in FY05 and is expected to be \$759,400 in FY06. In FY07, the Department is expected to spend the remaining funds available for this program estimated at \$81,000.

Interoperable Communications Technology Grant - In FY04 the City received a grant of over \$3 million to aid in the development of a region-wide interoperable communications system for critical incident command and management. This initiative involves police, fire, emergency medical services and mutual aid partner organizations. \$1.7M was spent in FY04. In FY05, \$1.2 million was spent with the balance of \$176,000 to be spent in FY06.

Shannon Community Safety Initiative - The department is expecting a \$3 million grant 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 will support a number of prevention, intervention and enforcement initiatives and activities that will focus on a comprehensive citywide strategy for youth gang and gun violence.

Total projected spending for all grants in FY07 is estimated at \$8.7 million; not all grants listed have been awarded. The nature of the police grant programs has tended to be short-term funding that runs its course and serves its purpose and is then supplanted by new programs.

Library Department

Total spending from state funding for the Library was increased slightly from \$7.7 million in FY05 to an estimated \$7.9 million for FY06. In FY07 the Library expects that approximately \$8 million will be available from the state. The three state programs that relate to libraries are described below.

Library of Last Recourse - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining, and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personal resources, expertise, and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is expected to be fairly level between FY06 and FY07 at approximately \$6.5 million.

Boston Regional Library - The Boston Regional Library System Program (BRLS is a cooperative organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts

Board of Library Commissioners. Funding for this program is expected to increase slightly from \$781,600 in FY06 to approximately \$804,700 in FY07.

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. Approximately \$627,000 is budgeted for FY06 and approximately \$676,000 is expected in FY07.

FY07 ALL FUNDS BUDGET

The following table consolidates the projected FY07 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 FY07 budget document.

Budget Document Structure

The Operating Budget for FY07 and Five Year Capital Plan for FY07-11 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 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, which

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 the chapter titled Budget Organization and Glossary.

Technical Note

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All Funds Budgets - FY07

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Office of Emergency Preparedness	191,984	21,144,671	0	21,336,655
	Intergovernmental Relations	980,416	0	0	980,416
	Law Department	4,773,475	0	0	4,773,475
	Mayor's Office	2,151,631	88,544	0	2,240,175
	Neighborhood Services	1,181,150	0	0	1,181,150
	Office of New Bostonians	317,816	11,990	0	329,806
	Public Information	973,098	0	0	973,098
	Total	10,569,570	21,245,205	0	31,814,775
Chief Operating Officer	Chief Operating Officer	885,069	0	0	885,069
	Graphic Arts Department	1,506,735	0	0	1,506,735
	Health Insurance	168,525,434	0	0	168,525,434
	Human Resources	2,841,802	0	0	2,841,802
	Labor Relations	1,284,099	0	0	1,284,099
	Library Department	28,448,473	11,287,766	2,170,000	41,906,239
	Management & Information Svcs	16,210,861	0	2,071,500	18,282,361
	Registry Division	865,827	0	0	865,827
	Unemployment Compensation	50,000	0	0	50,000
	Workers' Compensation Fund	2,200,000	0	0	2,200,000
Total	222,818,300	11,287,766	4,241,500	238,347,566	
Chief Financial Officer	Assessing Department	6,141,699	0	0	6,141,699
	Auditing Department	2,133,244	0	0	2,133,244
	Budget Management	2,534,382	0	0	2,534,382
	Execution of Courts	3,500,000	0	0	3,500,000
	Medicare Payments	4,926,000	0	0	4,926,000
	Pensions & Annuities	4,700,000	0	0	4,700,000
	Purchasing Division	1,361,684	0	0	1,361,684
	Treasury Department	3,724,389	0	0	3,724,389
	Total	29,021,398	0	0	29,021,398
Public Safety	Fire Department	153,780,312	1,211,872	2,716,000	157,708,184
	Police Department	252,164,016	8,654,776	9,169,000	269,987,792
	Total	405,944,328	9,866,648	11,885,000	427,695,976
Education	Boston Public Schools	734,500,000	136,180,474	37,774,290	908,454,764
Total	734,500,000	136,180,474	37,774,290	908,454,764	
Economic Development	Boston Redevelopment Authority	0	0	200,000	200,000
	Boston Residents Job Policy	495,141	0	0	495,141
	Small/Local Business	584,950	0	0	584,950
	Total	1,080,091	0	200,000	1,280,091
Public Property	Arts, Tourism & Special Events	1,625,466	130,080	0	1,755,546
	Consumer Affairs & Licensing	442,357	51,300	0	493,657
	Election Department	2,607,646	0	0	2,607,646
	Parks & Recreation Department	14,679,331	5,015,000	13,368,025	33,062,356
	Property & Construction Mgmt.	21,921,559	162,927	14,343,008	36,427,494
	Total	41,276,359	5,359,307	27,711,033	74,346,699
Public Works & Transportation	Chief of Public Works & Transportation	1,545,434	0	0	1,545,434
	Central Fleet Maintenance	2,183,190	0	0	2,183,190
	Public Works Department	85,940,100	0	33,949,864	119,889,964
	Snow Removal	12,241,753	0	0	12,241,753
	Transportation Department	27,046,407	933,465	843,236	28,823,108
	Total	128,956,884	933,465	34,793,100	164,683,449
Environment & Energy	Environment Department	1,315,787	372,896	100,000	1,788,683
	Inspectional Services Dept	14,456,704	47,055	0	14,503,759
	Total	15,772,491	419,951	100,000	16,292,442
Human Services	Boston Centers for Youth & Families	19,198,292	3,073,896	13,579,390	35,851,578
	Civil Rights	305,091	730,197	0	1,035,288
	Elderly Commission	2,676,851	6,284,166	0	8,961,017
	Emergency Shelter Commission	535,920	10,875	0	546,795
	Veterans Services Department	3,783,376	0	0	3,783,376
	Women's Commission	150,643	0	0	150,643
	Youth Fund	3,806,648	1,200,000	0	5,006,648
	Total	30,456,821	11,299,134	13,579,390	55,335,345
Neighborhood Development	Leading the Way	4,331,000	0	0	4,331,000
	Neighborhood Development	3,014,962	76,645,142	4,250,000	83,910,104
	Total	7,345,962	76,645,142	4,250,000	88,241,104
Public Health	Public Health Commission	63,571,000	42,311,744	429,000	106,311,744
Total	63,571,000	42,311,744	429,000	106,311,744	
Non-Mayoral Departments	City Clerk	883,183	47,890	0	931,073
	City Council	4,221,824	0	0	4,221,824
	Finance Commission	183,588	0	0	183,588
	Licensing Board	592,727	0	0	592,727
	Total	5,881,322	47,890	0	5,929,212
Grand Total	1,697,194,526	315,596,726	134,963,313	2,147,754,565	

FY07 - FY08 BUDGET PLAN

Introduction

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

In projecting the City's operating budget for FY08, the issue of state aid stands out as the most critical. While the state has recently begun its delayed economic recovery and tax revenues are beginning to grow, there is mounting pressure for restoration of state programs of all types – including aid to municipalities. In addition, calls for further income tax cuts are re-emerging even while the state still likely has a small structural deficit. These competing factors make an accurate estimation of state aid growth in FY08 difficult.

The budget for FY07 is based on the most current revenue information available. The FY08 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. However, it should be noted that the FY08 budget as currently shown in the Budget Summary table does not fully illustrate the fiscal challenges that face the City. There are two specific areas that are of concern.

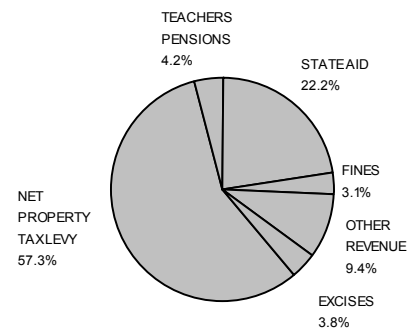
In the area of personnel expenditures, a collective bargaining reserve was not established for FY07. All but a few of the city's collective bargaining agreements expired at the end of FY06 or shortly thereafter. Due to the large share of appropriations that is allocated to salaries, contract settlements have a material impact on the total operating budget. The impact of a one percent increase for all employees is currently estimated at \$11-12 million. A collective bargaining reserve is also not included in this presentation for FY08.

The second area of concern is the unfunded liability related to post-employment benefits. Beginning in FY08, the City will be required to implement the provisions of GASB Statement No. 45. The Statement establishes standards for the measurement, recognition and display of Other Post-employment Benefits (OPEB). The City currently provides post-employment healthcare and life insurance benefits to eligible retirees in accordance with state law and pays its share of the

cost on a pay-as-you go basis. The City has begun the process of determining its unfunded actuarial accrued liability with respect to future OPEB benefits. The City faces the challenge of beginning to address the funding needs of this liability while continuing to balance all of the other costs of running a major city.

Revenue Trends

The following pie chart displays the breakdown of revenue projected for FY08. (Figure 10.)



FY08 Estimated Recurring Revenue

Figure 10

Major revenue trends for FY08 include:

Property Tax Levy: The 2.5% increase and a projected \$20.0 million of new growth will result in \$51.5 million or 4.1% in additional gross tax levy. The net property tax assumes an overlay reserve set at 3.5%.

Excises: Hotel and jet fuel excises are expected to increase, reflecting steady business and leisure travel associated with a recovered local economy and higher fuel prices. Motor vehicle excise is expected to grow modestly with motor vehicle sales.

Fines: Fines overall are expected to grow slightly as recent fine increases, implemented in FY06 fully filter through collections and small adjustments to fine rates are made.

Interest on Investments: Interest income is expected to increase as short-term interest rates continue to rise with an accelerating economy yielding better returns for the City's short-term investments.

Payments in Lieu of Taxes: With no major new agreements expected, PILOT revenue should increase 3.2%. This increase essentially captures the inflation in the current agreements.

Chapter 121A: Increases in payments are expected to total \$2.1 million or 3.7% based on recent trends.

Miscellaneous Department Revenue: Projected from historical trends and economic assumptions, these revenues are expected to increase 2.7%.

Licenses and Permits: Building permits will likely slow somewhat with interest rate increases at first and then stabilize, this along with increasing employment and business activity, the City expects slightly better than inflationary growth in Licenses and Permits in FY08.

Penalties & Interest: Projected to increase in FY08 mainly as a result of property value increases ; the property tax collection rate is expected to remain strong.

Available Funds: No substantial increase from FY07 is expected in FY08.

State Aid: Projected to increase marginally from the FY07 Budget. State Aid growth will be slow until the state commits to funding local aid adequately through higher appropriations, improved distribution formulas, or both.

Teachers' Pension Reimbursement: An increase of \$7.3 million is expected in FY08 from this reasonably predictable reimbursement arrangement with the state.

Non-Recurring Revenues: For FY08, \$1.0 million will be applied to the risk retention reserve through a transfer from the surplus property fund.

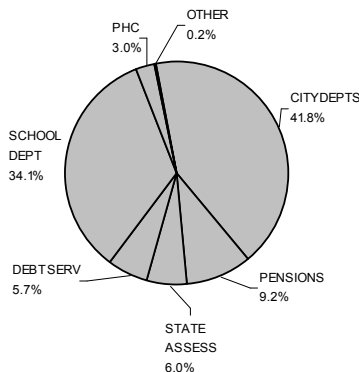
Budgetary Fund Balance: In FY07, the City is using an allocation of reserves to support ongoing expenses. For FY08, the use of Budgetary Fund Balance has not been factored into the financial projection. The City's planning process for FY08 will assess the need for further allocation of remaining City reserves.

Total recurring revenues in FY08 are projected to increase by \$83.7 million, or 3.9 % over FY07 Budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will continue its return to a

reasonable level of growth in the 24 months from the beginning of FY07 to the end of FY08.

Expenditure Trends

The following pie chart displays the allocation of expenditures projected for FY08. (Figure 11.)



FY08 Estimated Expenditures

Figure 11

Based on inflationary increases estimated for certain expenditures within departments such as utilities, health insurance and trash collection and disposal, as well as current collective bargaining provisions that impact FY08, the total increase in appropriations is expected to be, \$48.2 million, or 2.8% in FY08.

Fixed Costs: Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY08 fixed costs will increase by \$26.5 million or 6.0%, led by an \$11.7 million or 6.1% increase in pension costs and an \$8.2 million or 6.6% increase in State Assessments. Debt Service will increase by \$6.5 million or 5.4%.

Under these revenue and expenditure trend assumptions, the City's Operating Budget would have a projected deficit of \$3.4 million. As the FY08 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. During the current year, hiring must continue to be controlled as the bulk of the increase in appropriations is employee related. New collective bargaining agreements will have to be negotiated within revenue

restraints. The impact of an employee's total compensation, including Health Insurance and other benefits, not wages on their own, must be considered. Looking ahead the City is currently analyzing ways to mitigate the impacts of annual double digit increases in the cost to provide health insurance to its employees and retirees.

As noted previously, a decision will also need to be made on the level of budgetary fund balance that may be utilized prudently. The City's fund balance policy has been to limit the use of this source of revenue to offsetting certain fixed costs such as pension contributions and related post retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

Planning a Balanced Budget

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

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$20 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, 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 or natural disasters, for example), and outside funding sources for a 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 the Office of Budget Management and the Chief Operating Officer's Office 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.

Conclusion

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

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

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY07 Budget	FY08 Projected
REVENUES		
Property Tax Levy	1,260.81	1,312.71
Overlay Reserve	(42.64)	(44.39)
Excises	78.65	83.55
Fines	67.79	68.71
Interest on Investments	24.00	29.00
Payments In Lieu of Taxes	25.84	26.66
Urban Redevelopment Chapter 121	56.30	58.36
Misc. Department Revenue	38.22	39.26
Licenses and Permits	31.62	32.76
Penalties & Interest	8.61	8.88
Available Funds	12.22	12.31
State Aid	482.21	492.18
Teachers Pension Reimbursement	85.16	92.50
Total Recurring Revenue	2,128.80	2,212.47
Non-Recurring Revenue	5.33	1.00
Budgetary Fund Balance	8.00	0.00
Total Revenues	2,142.13	2,213.47
 EXPENDITURES		
City Departments	901.70	925.76
Public Health Commission	63.57	65.42
School Department	734.50	756.82
Reserve for Collective Bargaining	0.00	0.00
Total Appropriations	1,699.77	1,748.00
Pensions	192.92	204.60
Debt Service	119.64	126.15
State Assessments	125.14	133.35
Suffolk County Sheriff	4.66	4.78
Reserve	0.00	0.00
Total Fixed Costs	442.35	468.88
Total Expenditures	2,142.13	2,216.88
Surplus (Deficit)	0.00	(3.41)

Numbers may not add due to rounding