

# Summary Budget

## OVERVIEW

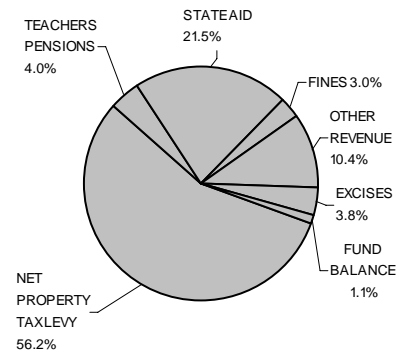
The FY08 Budget of \$2.27 billion in recurring revenue represents a \$120.7 million, or 5.6% increase from the FY07 Budget supported by recurring revenues. Included in the total FY08 Budget is \$6.7 million in non-recurring revenue and \$25.0 million in revenue from budgetary fund balance. In total, FY08 budgeted revenues amount to \$2.30 billion, an increase of \$135.3 million or 6.3% from FY07.

This Summary Budget section lays out the FY08 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends, a review of major externally funded services, and an all-funds budget is also presented.

The increase in the FY08 Budget's recurring revenue primarily results from a \$67.6 million projected increase in the net property tax. The FY08 Budget estimate of state aid is \$493.0 million. This figure amounts to 1.2% growth in aid for the City. Net state aid, state aid revenues minus state assessments, amounts to \$362.1 million, or a decrease of 0.01%.

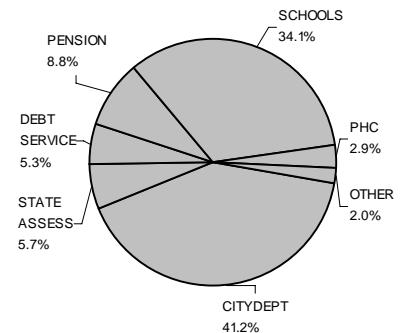
The state began its budget planning with an estimated deficit of over \$1 billion and projects slower revenue growth for the upcoming fiscal year compared with the current fiscal year. Due to these fiscal constraints, local aid to municipalities, which are struggling to counteract a trend of rapid property tax growth, will increase at a rate insufficient to reverse this trend.

Both the Mayor and the Governor have separately proposed new local revenue sources to aid municipalities where the state is currently unable to help with rapidly rising property taxes. Furthermore, the Mayor has pledged new revenue sources to property tax relief for Boston residents and businesses. See the *Revenue Estimates and Analysis* chapter of this volume for more detail.



**FY08 Estimated Revenue**

Figure 1



**FY08 Estimated Expenditures**

Figure 2

# CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget
<b>REVENUES</b>				
Property Tax Levy	1,150.59	1,208.18	1,270.26	1,329.99
Overlay Reserve	(44.25)	(40.84)	(46.60)	(38.74)
Excises	82.51	89.68	79.57	87.58
Fines	65.61	67.98	66.19	67.94
Interest on Investments	17.79	30.05	32.54	39.00
Payments In Lieu of Taxes	23.45	32.06	27.34	30.75
Urban Redevelopment Chapter 121A	54.91	65.05	54.55	59.31
Misc. Department Revenue	43.06	44.55	36.53	45.22
Licenses and Permits	33.82	38.76	32.73	37.69
Penalties & Interest	9.75	9.19	8.06	9.12
Available Funds	5.53	3.11	12.22	12.14
State Aid	461.13	464.61	487.17	493.04
Teachers Pension Reimbursement	76.52	85.16	85.16	93.33
<b>Total Recurring Revenue</b>	<b>1,980.43</b>	<b>2,097.55</b>	<b>2,145.71</b>	<b>2,266.37</b>
Budgetary Fund Balance	0.00	6.70	11.65	25.00
Non-Recurring Revenue	0.00	0.00	5.33	6.67
<b>Total Revenues</b>	<b>1,980.43</b>	<b>2,104.25</b>	<b>2,162.70</b>	<b>2,298.04</b>
<b>EXPENDITURES</b>				
City Departments	849.40	891.92	911.86	946.84
Public Health Commission	60.57	61.30	63.57	65.42
School Department	680.18	717.79	747.49	782.54
Reserve for Collective Bargaining	0.00	0.00	0.00	22.19
OPEB Stabilization Fund	0.00	0.00	0.00	20.00
<b>Total Appropriations</b>	<b>1,590.15</b>	<b>1,671.01</b>	<b>1,722.91</b>	<b>1,837.00</b>
Pensions	146.56	186.28	192.93	202.91
Debt Service	118.40	112.82	117.42	122.67
State Assessments	111.69	114.33	125.05	130.97
Suffolk County Sheriff	4.20	4.48	4.39	4.50
Reserve	1.09	1.46	0.00	0.00
<b>Total Fixed Costs</b>	<b>381.95</b>	<b>419.38</b>	<b>439.78</b>	<b>461.04</b>
<b>Total Expenditures</b>	<b>1,972.09</b>	<b>2,090.39</b>	<b>2,162.70</b>	<b>2,298.04</b>
<b>Surplus (Deficit)</b>	<b>8.33</b>	<b>13.86</b>	<b>0.00</b>	<b>0.00</b>

Numbers may not add due to rounding

This revenue situation provides the basis for planning FY08 appropriations and fixed costs to maintain a balanced budget. Selected FY08 budgeted revenues compare with FY07 budgeted revenues as follows: the net property tax levy increases \$67.6 million or 5.5%; excises increase \$8.0 million or 10.1%; fines increase \$1.8 million or 2.6%; interest on investments increases by \$6.5 million or 20%; payments-in-lieu-of-taxes increase \$3.4 million or 12.5%; Chapter 121A revenues increase \$4.8 million or 8.7%, miscellaneous department revenues increase by \$8.7 million or 24%; licenses and permits increase by \$5.0 million or 15%; and state aid increases \$5.9 million or 1.2%.

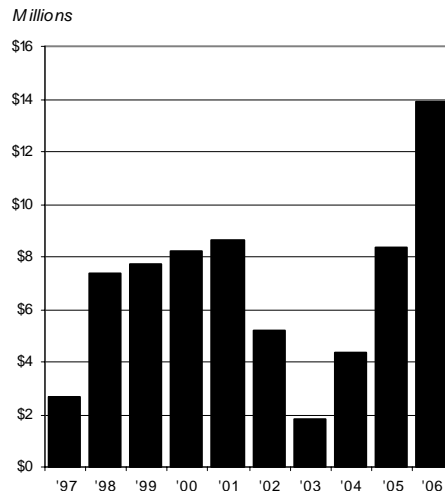
On the expenditure side of the budget, total departmental appropriations increase by \$114.1 million or 6.6% and fixed costs increase by \$21.3 million or 4.8%. Selected FY08 budgeted appropriations compare with FY07 budgeted appropriations as follows: City departments increase \$35.0 million or 3.8%, the Boston Public Health Commission increases by \$1.9 million or 2.9%, and the School Department increases \$35.1 million or 4.7%. FY08 budgeted fixed costs compare with FY07 budgeted fixed costs as follows: pensions increase \$10.0 million or 5.2%, debt service increases \$5.3 million or 4.5%, state assessments increase \$5.9 million or 4.7% and Suffolk County Sheriff increases \$0.1 million or 2.5%.

Please note that the "Other" category on the FY08 Estimated Expenditures pie chart (Figure 2) includes FY08 estimated expenditures for Suffolk County Sheriff, OPEB, and Reserve for Collective Bargaining.

It also 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 21 consecutive operating budget surpluses



**Surpluses**  
FY97 - FY06

Figure 3

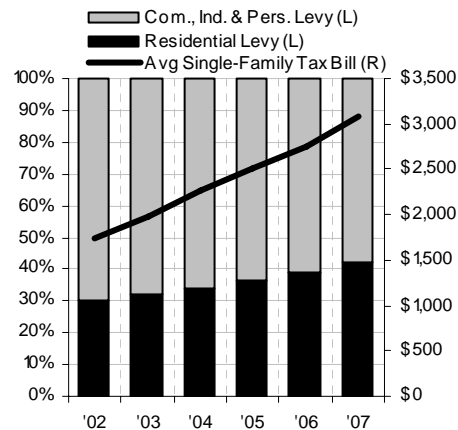
through FY06 (Figure 3). FY07 is also expected to close with a surplus. The FY08 Budget is balanced on the following revenue projections.

**Property Tax Levy**

Recent history demonstrates the danger posed to the City in relying too heavily on one source of revenue. The average single-family tax bill has increased 78% since FY02, and the percentage of the total tax levy being borne by residents versus businesses has increased from 30% to nearly 42% during the same period (Figure 4).

With increasing fixed costs and reduced state aid in recent years, the City has been unable to address these issues through property tax relief.

To combat this trend, the Mayor has committed to



**Boston Property Tax Trends**  
FY02 - FY07

Figure 4

reducing the City's reliance on the property tax and increasing flexibility in the City's revenue base. New local revenue sources proposed in the Mayor's legislative package and included in the Governor's recently released budget have been pledged to property tax relief for Boston residents and businesses.

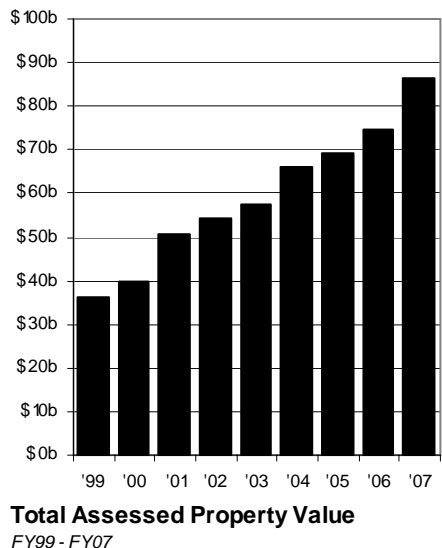


Figure 5

Still, the gross property tax levy has been the City's most dependable source of revenue growth during the past twenty-three years. Property tax levy growth is fundamental to the financial health of the City since it has provided over half of all City revenue and will continue to do so for the immediate future.

In each year since FY85, the City has increased its levy by the allowable 2.5% under Proposition 2 ½. During these same years, the levy has also been positively impacted by taxable new value that is excluded from the levy limit. Taxable new value is expected to be approximately \$27.2 million in FY08. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 16 of the last 24 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 FY07 of \$52.1 million or 5.4%, and a projected increase in FY08 of \$59.7 million or 4.7%. The gross property tax levy surpassed \$1 billion in FY03, currently stands at \$1,270.3 million in FY07, and is estimated at \$1,330.0 million in FY08.

Property values in Boston have risen steadily in recent years. During FY04, the City conducted its 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 FY06 valuations were market-index valuation years. Values grew an average of 6.5% per year (Figure 5). FY07 was another parcel-specific revaluation year counting values as of January 1, 2006. Values grew by \$11.8 billion, or 15.8%, to \$86.5 billion.

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.

### 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.

Net state aid, defined as state aid combined with the charter school tuition assessment and other assessments, is expected to decrease marginally for FY08 based on the recent local aid resolution agreed to by the House and Senate.

The primary sources of local aid from the state to municipalities are education aid, lottery aid and additional assistance. Aid for other relatively smaller programs such as libraries and reimbursements are also distributed.

### Education Aid

The House & Senate joint FY08 local aid resolution increases Boston's education aid over FY07. The City received Chapter 70 education aid totaling \$200.5 million in FY05, \$203.6 million in FY06, and has budgeted \$210.5 million for FY07. The FY08 resolution calls for Boston to receive a minimum of \$215.8 million.

FY00 was the last year of the statutorily established funding schedule for education reform designed in FY93. Increases in Education aid in fiscal years since have been less reliable. In FY07, the legislature enacted changes to the Chapter 70 education aid formula. These changes weighted a municipality's median income more heavily versus property values than in the past. By most accounts this was an improvement to the existing

formula. FY08 education aid continues these changes with slight modifications.

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 open to Boston resident students. There were approximately 4,591 Boston resident students attending Commonwealth charter schools in FY07 and the City expects that number to rise to approximately 4,971 in FY08.

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

The net cost to the City for charter schools (which now includes a reimbursement for capital facilities as well as tuition) was \$31.6 million and \$35.5 million in FY05 and FY06, respectively. The City has budgeted a \$38.7 million net cost in FY07. In FY08 the City has budgeted a \$43.9 million net cost.

Both the Governor's budget and the Legislature's local aid resolution have under-funded the full value of the Charter School Tuition reimbursement for FY08.

#### *Lottery Aid*

The City received FY03 lottery aid of \$57.6 million after a mid-year reduction and the imposition of a cap on lottery distributions. The City received \$53.9 million in FY04 and FY05 and \$60.5 million in FY06 as the state continued to divert growth in lottery receipts away from cities and towns. In FY07, the cap on lottery was fully eliminated instead of a planned annual phase-out that would end in FY09. This increased the City's FY07 lottery

aid to \$70.6 million. The City expects to receive \$71.6 million in lottery aid in FY08.

#### *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 governor reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, those 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 and FY06 level with FY04 and expects FY07 and FY08 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 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 fully recovered from their recessionary lows in FY03 and FY04.

In FY04 the City collected \$360.9 million from these combined sources and \$412.9 million in FY05 (some from one-time payments). In FY06 the City collected \$465.6 million and the FY07 Budget assumes a conservative \$434.9 million. The FY08 Budget assumes growth to \$482.1 million (Figure 6). (See *Revenue Estimates & Analysis* section of 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 (along with late billing pushing revenue into FY05), but FY05 and FY06 show a return in growth. The City expects that growth will slow somewhat in FY07 and FY08 due to increased interest rates and lagging employment 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.

Parking fines have been steady since fine increases in FY04 but will lag moderately in FY07 due redeployment of Parking Enforcement Officers during the temporary closing of the Ted Williams tunnel.

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. Residential 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.

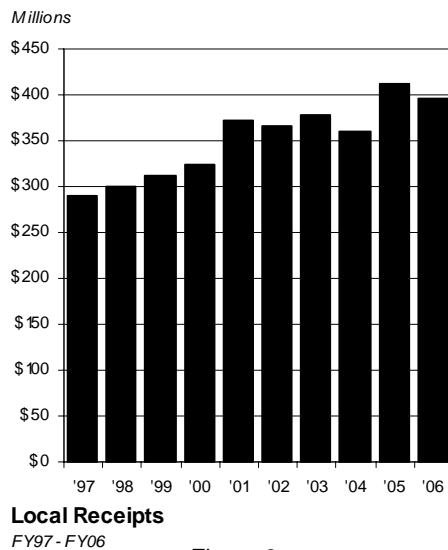


Figure 6

In FY08, the City will appropriate \$6.7 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and the remaining \$5.7 million for the Mayor’s “Leading the Way” affordable housing program.

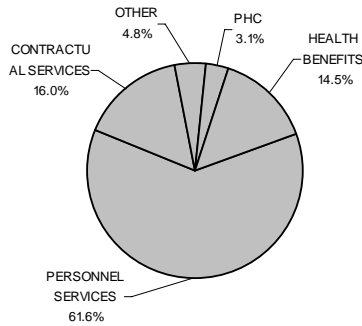
**Budgetary Fund Balance**

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance is more commonly referred to as “free cash” when used this way and is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY08 Budget assumes the use of \$25 million of budgetary fund balance. Of that amount, \$5 million will be used to support ongoing operations and \$20 million will be allocated to a stabilization fund for other post employment benefits.

(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. FY08 appropriations are subdivided further as follows:



**FY08 Appropriations by Category**

Figure 7

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 7)

Personnel Services include salaries, overtime, medicare, unemployment compensation and workers' compensation for employees in City departments and BPS. It is important to note that a number of the City's collective bargaining contracts that expired at the end of FY06 or shortly thereafter are still under negotiation. Included in the Personnel Services category is a collective bargaining reserve to fund future contract settlements. 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.

**EMPLOYEE BENEFITS**

**Budgeting for Health Related Employee Benefits**

The City provides health insurance as well as dental and life insurance. 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 related benefits in FY08, approximately \$95 million is due to coverage for retired employees.

<b>Health, Dental &amp; Life</b>			
<b>Department</b>	<b>FY07*</b>	<b>FY08*</b>	
City	\$ 168.53	\$ 182.58	
School	\$ 66.31	\$ 73.47	
PHC	\$ 6.57	\$ 6.98	
<b>Total</b>	<b>\$ 241.41</b>	<b>\$ 263.03</b>	

Notes: (\$millions) \*Appropriations

Health Insurance

Total health insurance costs for all employees and retirees are projected to increase by approximately \$23.6 million in FY08. The table below shows total actual expenditures for health insurance in FY04 through FY06 and budgeted totals for FY07 and FY08. These totals include estimates for City departments and the Boston Public Health Commission, and include grant-funded positions. The amount of the total increase that will be covered by the general fund is \$21.8 million.

**Health Insurance**

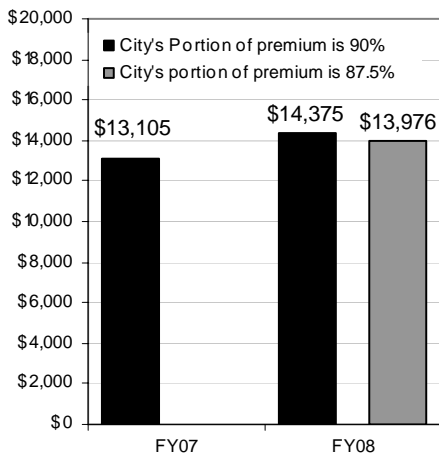
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY04	\$ 178.15		
FY05	\$ 198.19	\$ 20.04	11.2%
FY06	\$ 220.04	\$ 21.85	11.0%
FY07*	\$ 246.50	\$ 26.46	12.0%
FY08*	\$ 270.08	\$ 23.58	9.6%

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

The annual increases in health insurance costs reflect continuing high premium increases for both HMO's and Indemnity plans. HMO and non-Medicare indemnity plan rates increased at an average 12% and 13% per year, respectively, over the past five years. Both rates increased an average 11% in FY08. The indemnity Medicare plan averaged an 8% increase over the same period, with a 4% increase in FY08.

Despite premium increases, the overall growth in health insurance costs for the City was reduced in FY08 to under 10%, due to two changes negotiated through collective bargaining. First, a new indemnity plan offered in FY08 as an alternative to Master Medical, will ultimately reduce indemnity premiums by 14%. Second, employee contributions to HMO premiums will begin increasing in FY08 per certain collective agreements, from the current 10%, to 11% or 12.5% in FY08. These changes will continue incrementally over the next two years, reaching a full 15% by FY10.

Figure 8 demonstrates the impact of this



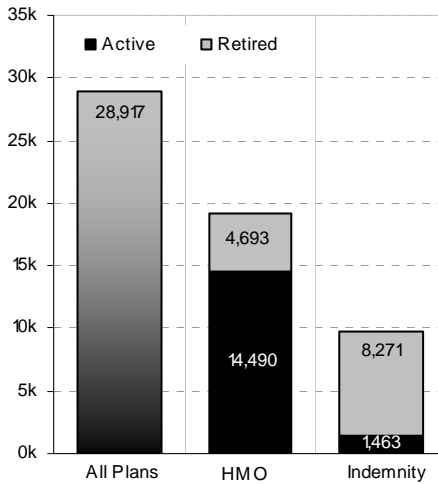
**Employer Cost of Employee Health Insurance**

Harvard HMO Family Plan

Figure 8

contribution change for City costs in FY08. At the current employer contribution rate of 90%, the City would pay \$14,375 annually in FY08 for an employee enrolled in the Harvard Family HMO plan. For employees whose bargaining agreements include the two-year schedule for contribution changes, the City will instead pay \$13,976 per year (beginning January 1, 2008) – a savings of \$400.

By 2010, it is projected that the City will save \$966 per employee in the Harvard Family HMO by paying 85% of the premium, instead of the current 90%.



**Health Plan Choice by Group**

FY07-HMO vs. Indemnity / Active vs. Retired

Figure 9

Figure 9 shows a breakdown of employee participation in the City's health plans as of January, 2007. The first column shows total subscribers; the second and third columns show HMO participation vs. Indemnity participation as well as the breakdown between active employees and retiree subscribers.

Other Post Employment Benefits (OPEB)

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for the cost of retiree healthcare and life insurance. Similar to pensions, employees earn these "non-pension," other post employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. The City currently pays for these benefits as the actual expense is paid out (pay-as-you-go basis), which greatly



understates the full obligation taxpayers have incurred because it does not include any benefits to be paid in the future. In FY08, the City will be required to implement new standards for financial statements established by the Governmental Accounting Standards Board (GASB), disclosing the full cost associated with these OPEB benefits for the first time.

The City's outside actuarial consultant provided a valuation of the City's OPEB obligation as of June 30, 2005. This obligation was estimated at \$5.2 billion and reflects the future estimate of benefits to be paid to current and future retirees. The actuarial report further estimated the obligation would be reduced to \$2.5 billion if the City were able to prefund the liability over 30 years in a separate reserve fund where a higher rate of investment return is assumed to be earned. Based on these estimates, the City's annual actuarially required contribution toward its OPEB obligations was projected at to approximately \$286 million on a pay-as-you-go basis, and approximately \$176 million on a prefunded basis.

In FY08, the City will make a \$20 million acknowledgement payment to begin to fund this liability. The City is committed to the stability of its workforce and the importance of providing healthcare benefits to its retirees.

Pensions

The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System (SBRS). SBRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The City of Boston, including its teachers, constitutes approximately 85% of the payroll of the SBRS employee membership. The City is committed to funding based upon a schedule approved by the SBRS and the state actuary, which includes paying the current year's estimated present value of benefits earned during the year ("normal cost") and an annual contribution toward reducing the unfunded liability to zero by the year 2023.

The City's annual pension funding requirement was \$146.6 million in FY05, \$186.3 million in FY06, \$192.9 million in FY07 and will be \$202.9 million in FY08. These figures do not include pension costs allocated to the budgets of the Suffolk County Sheriff's Department or the Public Health

Commission. After a significant jump in the City's annual pension funding cost in FY06, the growth in pension cost has subsequently moderated. The 1/1/06 valuation, on which the funding amount for FY08 is based, shows over the prior two calendar years that the SBRS actuarial value of assets increased by 13.4% as the SBRS pension liability increased by 9.9%. As of 1/1/06 the SBRS pension liability was 64.4% funded, as compared to the 62.4% on the prior valuation date two years ago. The SBRS rates of return, as calculated for the statewide annual report, for the prior two years (calendar 2004 and calendar 2005) were 12.01% and 8.56%.

**APPROPRIATIONS**

*City Departments*

The combined appropriations for City Departments as shown in the FY08 Summary Budget have increased by 3.8% from the FY07 appropriations. Approximately 73.6% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits. These four appropriations account for approximately 91.9% 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 10)

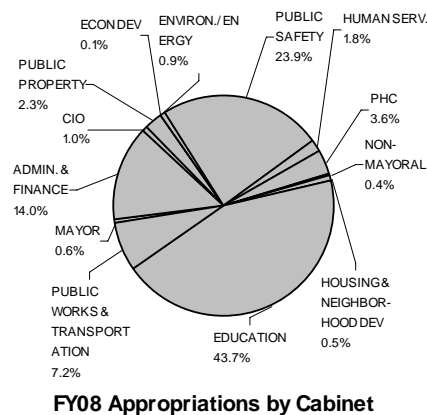


Figure 10

Some of the highlights of FY07/FY08 changes by cabinet are as follows:

### ***Mayor's Office***

The cabinet will see an increase of 4.2% in FY08. Most of the increases in the mayoral departments reflect standard salary increases with the exception of two departments. The increase in the Office of Emergency Preparedness (which includes Homeland Security) is the result of transferring expenses relating to office support functions to the general fund. The Office of Public Information's increase is reflective of the first phase of implementation of a new 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 Office of Emergency Preparedness is responsible for 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. In FY08, the Office plans to conduct four training exercises to address specific regional training needs.

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 fifth year with a massive two-day spring cleanup and will continue working to educate Bostonians about keeping their city clean all year long. 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.

### ***Administration and Finance***

This newly created cabinet combines the former cabinets of the Chief Operating Officer and the Chief Financial Officer. Excluding the City's appropriations for health insurance and tax title, the consolidated cabinet will see a net increase of 0.9% in its FY08 appropriation.

In FY07 the Office of Budget Management (OBM) upgraded the Boston About Results (BAR) performance management system along with its budget development and resource planning

application to a web-based environment. The one-time costs associated with the new application developments in FY07 accounts for OBM's budget reduction in FY08.

The Auditing Department's appropriation increase will allow the department to strengthen its internal audit processes in FY08 to reduce risk and implement process improvements.

The Health Insurance appropriation will increase by 8.3% over the FY07 appropriation, requiring an additional \$14 million. The Health Insurance appropriation also includes the cost of dental and vision coverage for employees (non- BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Human Resources Department will begin a job classification project in FY08 to revise job descriptions to reflect accurate job responsibilities for today's municipal service requirements and also define the necessary skills and abilities required for hire and or promotion.

The Library department will see a 1.4% increase to cover salary increases, 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 Registry Division of Births, Deaths and Marriages will see a 5.6% increase in its FY08 appropriation to cover personnel costs related to collective bargaining and the increased cost of postage.

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

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

The CIO is responsible for the Management and Information Services (MIS) department. Increases in FY07 and FY08 for the MIS department illustrate the Mayor's commitment to focus on technology to increase efficiencies and

deliver improved city services. In FY08 MIS will continue to shape the City's Information Technology (IT) strategy to manage the City's entire technology project portfolio including enterprise-wide permitting and licensing, the Citizen Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS) and imaging and workflow. Additionally, MIS will implement new information security software to better manage identity and information access.

### ***Public Safety***

The 4.4% increase in this cabinet is driven by several components. FY08 includes the annualized cost associated with laterally transferring the Municipal Police Officers into the Boston Police Department. Additionally, each department will be hiring recruit classes during FY08 that will increase the levels of public safety staff.

The FY08 budget for the Fire Department will increase by approximately \$5.8 million or 3.8%. The appropriation provides for a class of firefighter recruits scheduled to start at the beginning of FY08 and a second class scheduled to start in the winter FY08. Management of overtime, including overtime related to sick and injured leave, and case management of injuries will continue to be priorities of the department.

The Police Department's appropriation will increase by approximately \$12.3 million or 4.8%. The FY08 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 significant increase in the FY08 appropriation from the recommended budget represents the recent ratification of the Police Patrolman's collective bargaining agreement that included increases for FY07 and FY08. Planned hiring between now and the end of the calendar year is projected to bring the uniformed staffing level to its highest point since January of 2000.

The Boston Police Department participates in a Strategic Crime Council that takes 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 Police Department hosts the Boston Regional Intelligence Center (BRIC) that uses daily intelligence reports to revise deployment patterns and assign more officers to service to areas identified to be the highest priorities. Additionally, the department will implement a new gun shot detection technology that will cover a six square mile area and facilitates an immediate response to gun shot incidents and ultimately lead to a reduction in firearm violence. The department has also been making improvements in the area of forensics including crime scene analysis, a restructured latent finger print lab, and improvements to the ballistics unit.

### ***Economic Development***

The Small and Local Business Enterprise Office (S/LBE) is responsible for ensuring the equitable participation of small and local businesses, as well as minority and women businesses, in the City's contracting arena. The Office of Boston Residents Jobs Policy mission is to increase construction opportunities for Boston's residents, minorities and women. After considering salary adjustments required in FY08, both offices together will see a 1.4% increase.

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 FY08.

### ***Public Property***

The Property and Construction Management Department provides 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 maintenance services for 26 Boston Centers for Youth & Families (BCYF) buildings.

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 1.7% for Property & Construction Management in FY08 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 mid FY07.

A re-organized Election Department will be renamed "Department of Voter Mobilization" in FY08. The structure of this department will be guided by a study conducted by Professor David King of Harvard University's John F. Kennedy School of Government and will see a 28.5% increase in its FY08 appropriation. The department will reinvigorate its mission to mobilize new voters, remove physical and language barriers to voting and run fair and efficient elections. The 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 over the age of 17 to provide to the State's Jury Commission. Additionally, expanded outreach to non-English speakers is planned along with regular voter registration efforts. In response to the study, the budget includes funding for additional personnel, training and updating the phone system.

The Parks and Recreation Department will see a 2.8% increase in FY08 mostly related to standard salary increases and additional resources to provide seasonal Park Rangers during the summer months when park use is higher and safety and security issues are heightened. Additionally, emergency phones will have been installed in 11 park locations to provide immediate contact to police, fire and EMS rapid response units by the summer of FY08.

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

The administrative, financial, technological, and public information resources in both the Public Works and Transportation departments were consolidated into the Chief of Public Works and Transportation department to facilitate the ongoing consolidation of functional overlaps. There will be a strengthened effort to identify efficiencies and improve service delivery with an expansion of technology. Individual budgets 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. The Cabinet reflects an increase of .3% in FY08.

The Public Works Department's FY08 appropriation is seeing a slight decrease, largely driven by energy cost savings resulting from the City's competitive electric supply contract and energy savings measures implemented with the City's traffic signals. The department's budget for utilities will see a 13.1% reduction in FY08. Public Works and Transportation have already reduced electric consumption by approximately 2 million kilowatt hours (kWh) saving \$274,000 in FY08 by changing 6,600 traffic signal lamps from incandescent bulbs to Light Emitting Diodes (LEDs) and is in the process of upgrading all its pedestrian signal housings to accommodate LEDs. 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.

Adjusting for a projection in estimated tonnage, the inflationary clauses in Public Works' multi-year contracts for residential waste removal show a 1.7% increase in FY08. Following up on the successes using Global Positioning Systems (GPS) in its snow removal and street sweeping contracts with private vendors, the department will install GPS in 142 of the department's city-owned vehicles. The GPS system provides enhanced equipment deployment and assures accountability for both the contractors as well as city employees. The GPS system provides a real-time record for hours worked and work areas covered.

In FY08, the Transportation Department will see 1% increase. Increases in departmental salary costs have been offset by comparable non-personnel budget reductions. The department renegotiated an agreement with the Massachusetts Bay Transportation Authority (MBTA) for parking meter coin counting with a reduction in costs. Also, the department converted a contract for the removal of abandoned vehicles from a budgetary cost to a revenue arrangement whereby the new contractor pays the City for each abandoned vehicle removed. Transportation will continue to monitor its limited use of multi-space parking meter technology to ensure that the operational benefits have been achieved. Transportation will also fully deploy a

license plate recognition technology to improve efficiencies in parking enforcement.

**Environment and Energy**

The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 3.4% increase in FY08. 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 3.6%. ISD was the first City department to move their business processes to a 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 to a central system to provide a consistent level of service and data across all city departments. The Environment Department's appropriation includes funding to meet the Mayor's commitment to 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 FY08 appropriation for the Human Services Cabinet shows an increase of 6.8% from the total FY07 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.

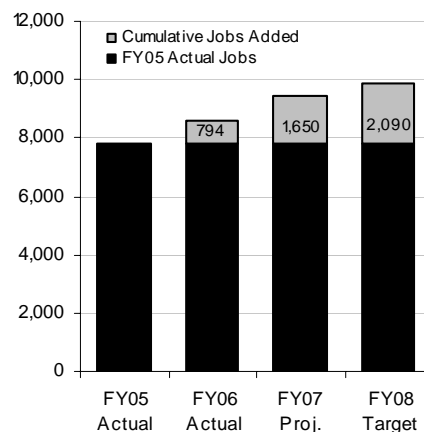
The BCYF budget will increase by 5% in FY08 due to the impact of general salary increases plus the addition of six new streetworker positions in order to expand BCYF's efforts to reduce and prevent youth violence in the areas of the City most at risk. BCYF will also expand hours in many of its centers. BCYF will coordinate its efforts with the Police Department and other agencies to build

relationships with at-risk kids, especially with the expanded streetworker program.

BCYF will partner with the Family Nurturing Center and the Boston Housing Authority in FY08 to launch the Smart from the Start initiative; a public-private collaboration to create, expand and strengthen neighborhood-based systems and programming that prepare Boston's lowest income children and their families for a successful academic experience at school. The Smart from the Start initiative expects to reach 700 children ages 0 through 5 years and 500 parents.

The Veterans Services Department will see a 12.1% increase in FY08 mainly as a result of expanded benefits coverage that now includes peacetime veterans and increasing numbers of new veterans.

The FY08 Youth Fund appropriation has been increased by 13.3% and is projected to provide an estimated 3,600 summer jobs. The Youth Fund will continue its successful partnering with community-based organizations. 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 which will help achieve the jobs goal of



**Summer Jobs for City Youth**  
FY05 - FY08

Figure 11

9,870 provided by the City and all of its partners. (See Figure 11.)

In FY08, the Elderly Commission will see a 4.8% increase, the majority of which is related to salary increases.

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

This cabinet is showing a 17.8% increase from its FY07 appropriation. The Cabinet budget increase relates solely to the amount appropriated for the

Leading the Way II (LTWII) program. The budgeted amount for FY08 represents the cash-flow balance of the program remaining from total housing commitments.

The cabinet's activities in FY08 will include a major focus on achieving the City's overall goal of increasing the housing supply to meet workforce demand. LTWII officially ends on 6/30/07, however the Department of Neighborhood Development (DND) will continue to complete permitted units in FY08. The LTWII program has been highly successful in meeting and sustaining the City's housing needs by creating affordable housing, preserving neighborhood stability and addressing homelessness. The City will host a major national housing conference in late April called Housing Boston 2012, that will assist in developing a new housing strategy for the coming years that responds to changing market conditions.

DND proposes to extend its major focus on foreclosure prevention. This will be accomplished through a comprehensive package of prevention and intervention activities including, education, one-on-one counseling through neighborhood non-profit agencies, and a refinancing loan pool to help prevent foreclosures. DND will also initiate a new mortgage program with down-payment assistance to enable middle-income homebuyers to "reach up" high enough in the market to afford what is currently available. DND's successful multi-lingual educational workshops for homeowners and homebuyers will continue with new topics, which respond to the prevailing issues and challenges facing Boston constituents. Also, DND will continue to utilize its resources of land and funding to invest in housing and economic development projects that have a transformative impact on the City's neighborhoods.

The Department of Neighborhood Development will continue to support the Main Street Districts in their mission to build vibrant neighborhood commercial districts. The private Boston Main Streets Foundation has recently undertaken a major capital campaign to enhance the

sustainability of the Main Street districts and contribute to continued economic development in these neighborhoods. Also, DND has proposed the creation of a small business growth fund, which will be used to support existing businesses to expand their operations in Boston and create new jobs.

### ***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 FY08 appropriation for the Public Health Commission shows an increase of 2.9% from the FY07 appropriation. In FY08 the Public Health Commission will create the Youth Development Network hiring Youth Development Specialists with clinical backgrounds to provide direct counseling, specialized services and referrals to adolescents identified as high-risk. 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 FY07. The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$11.4 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 FY08 School Department Budget is showing a \$35 million, or 4.7%, increase from the FY07 appropriation. Much of the increase in this budget

will be used to cover rising fixed costs in the areas of health insurance 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. Additionally, new resources have been added to the FY08 appropriation to act on a study commissioned to evaluate over age/ off-track youth and to begin to form a long term strategy to address truancy, drop-outs and alternative education capacity and requirements. The FY08 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 450 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	FY05 Expenditure	FY06 Expenditure	FY07 Appropriation	FY08 Appropriation	Inc/(Dec) 08 vs 07
Mayor's Office	Office of Emergency Preparedness	0	191,984	248,134	286,016	37,882
	Intergovernmental Relations	855,343	803,094	1,014,316	1,038,120	23,803
	Law Department	4,013,227	4,471,975	5,109,395	5,228,937	119,543
	Mayor's Office	1,618,254	1,842,882	2,203,101	2,249,945	46,845
	Neighborhood Services	1,013,900	1,089,450	1,197,520	1,212,923	15,403
	Office of New Bostonians	85,954	83,958	328,416	333,808	5,393
	Public Information	854,371	934,957	987,698	1,202,997	215,299
	<b>Total</b>	<b>8,441,049</b>	<b>9,418,300</b>	<b>11,088,579</b>	<b>11,552,746</b>	<b>464,166</b>
Administration & Finance	Assessing Department	5,732,909	5,769,170	6,204,880	6,265,938	61,059
	Auditing Department	1,867,192	1,965,410	2,142,919	2,248,825	105,906
	Budget Management	2,554,975	2,893,440	2,805,171	2,543,106	-262,066
	Execution of Courts	10,883,972	10,496,828	3,500,000	3,500,000	0
	Graphic Arts Department	1,327,400	1,452,422	1,526,620	1,539,064	12,444
	Health Insurance	139,104,893	151,575,199	168,525,434	182,583,083	14,057,649
	Human Resources	2,567,538	2,595,352	2,870,613	2,953,660	83,048
	Labor Relations	1,212,846	1,110,389	1,397,749	1,393,485	-4,263
	Library Department	26,599,975	27,711,939	28,448,474	28,840,631	392,158
	Medicare Payments	4,313,859	4,650,776	4,926,000	5,603,000	677,000
	Office of Administration & Finance	844,288	769,130	893,799	821,004	-72,794
	Pensions & Annuities	4,899,985	4,599,999	4,700,000	4,200,000	-500,000
	Purchasing Division	1,240,983	1,282,620	1,373,704	1,378,388	4,684
	Registry Division	781,029	801,976	875,187	924,028	48,841
	Treasury Department	4,243,620	4,192,106	4,401,659	3,843,080	-558,580
	Unemployment Compensation	9,751	13,999	50,000	50,000	0
	Workers' Compensation Fund	3,916,034	2,350,590	2,200,000	2,200,000	0
	<b>Total</b>	<b>212,101,249</b>	<b>224,231,345</b>	<b>236,842,207</b>	<b>250,887,293</b>	<b>14,045,086</b>
Chief Information Officer	Management & Information Svcs	13,267,262	14,154,939	17,227,356	17,384,043	156,687
	<b>Total</b>	<b>13,267,262</b>	<b>14,154,939</b>	<b>17,227,356</b>	<b>17,384,043</b>	<b>156,687</b>
Public Safety	Fire Department	150,730,469	160,515,298	153,816,102	159,616,291	5,800,188
	Police Department	234,580,600	245,221,274	256,008,391	268,341,282	12,332,891
	<b>Total</b>	<b>385,311,069</b>	<b>405,736,573</b>	<b>409,824,494</b>	<b>427,957,573</b>	<b>18,133,079</b>
Education	Boston Public Schools	680,181,395	717,793,047	747,485,514	782,535,360	35,049,846
	<b>Total</b>	<b>680,181,395</b>	<b>717,793,047</b>	<b>747,485,514</b>	<b>782,535,360</b>	<b>35,049,846</b>
Economic Development	Boston Residents Job Policy	444,786	454,249	500,086	508,880	8,794
	Small/Local Business	539,673	550,408	590,100	596,687	6,588
	<b>Total</b>	<b>984,459</b>	<b>1,004,657</b>	<b>1,090,186</b>	<b>1,105,568</b>	<b>15,382</b>
Public Property	Arts, Tourism & Special Events	1,542,218	1,617,322	1,653,196	1,669,414	16,218
	Consumer Affairs & Licensing	409,793	429,943	450,157	452,694	2,537
	Department of Voter Mobilization	2,105,615	2,479,543	2,715,201	3,488,832	773,631
	Parks & Recreation Department	14,134,497	14,458,799	15,035,356	15,451,861	416,505
	Property & Construction Mgmt.	23,227,715	25,946,633	22,065,364	20,163,801	-1,901,563
	<b>Total</b>	<b>41,419,838</b>	<b>44,932,240</b>	<b>41,919,275</b>	<b>41,226,603</b>	<b>-692,672</b>
Public Works & Transportation	Central Fleet Maintenance	2,111,779	2,257,559	2,222,190	2,267,724	45,534
	Office of Chief of PWD & Transportation	0	0	1,555,144	1,606,402	51,257
	Public Works Department	82,616,523	87,806,195	86,232,241	86,203,434	-28,807
	Snow Removal	21,970,447	11,931,886	12,241,753	12,292,072	50,319
	Transportation Department	26,159,723	27,811,630	27,350,097	27,618,759	268,662
	<b>Total</b>	<b>132,858,472</b>	<b>129,807,271</b>	<b>129,601,426</b>	<b>129,988,390</b>	<b>386,965</b>
Environment & Energy	Environment Department	1,044,156	1,170,283	1,334,627	1,352,920	18,293
	Inspectional Services Dept	13,602,169	13,946,157	14,624,674	15,144,504	519,830
	<b>Total</b>	<b>14,646,325</b>	<b>15,116,440</b>	<b>15,959,301</b>	<b>16,497,424</b>	<b>538,123</b>
Human Services	Boston Centers for Youth & Families	17,467,325	18,496,752	19,231,522	20,201,040	969,519
	Civil Rights	295,179	300,710	315,592	316,638	1,047
	Elderly Commission	2,502,685	2,556,397	2,739,201	2,870,853	131,652
	Emergency Shelter Commission	530,713	520,283	541,470	541,470	0
	Veterans Services Department	3,359,843	3,896,712	3,800,056	4,261,152	461,096
	Women's Commission	146,121	149,920	152,843	156,165	3,322
	Youth Fund	3,719,791	3,802,225	3,809,848	4,315,950	506,102
	<b>Total</b>	<b>28,021,657</b>	<b>29,722,999</b>	<b>30,590,531</b>	<b>32,663,268</b>	<b>2,072,737</b>
Neighborhood Development	Leading the Way	0	7,500,000	4,331,000	5,669,000	1,338,000
	Neighborhood Development	2,196,922	2,778,291	3,043,363	3,020,903	-22,460
	Rental Housing Resource Center	522,743	0	0	0	0
	<b>Total</b>	<b>2,719,665</b>	<b>10,278,291</b>	<b>7,374,363</b>	<b>8,689,903</b>	<b>1,315,540</b>
Public Health	Public Health Commission	60,568,437	61,299,999	63,571,000	65,422,057	1,851,057
	<b>Total</b>	<b>60,568,437</b>	<b>61,299,999</b>	<b>63,571,000</b>	<b>65,422,057</b>	<b>1,851,057</b>
Non-Mayoral Departments	Boston Housing Authority	0	0	2,150,000	0	-2,150,000
	City Clerk	783,264	855,327	897,498	909,411	11,914
	City Council	3,948,976	4,125,850	4,579,774	4,632,449	52,675
	Finance Commission	168,187	180,679	186,088	187,365	1,277
	Licensing Board	583,797	508,098	596,952	581,601	-15,351
	<b>Total</b>	<b>5,484,224</b>	<b>5,669,955</b>	<b>8,410,312</b>	<b>6,310,826</b>	<b>-2,099,486</b>
	<b>Grand Total</b>	<b>1,586,005,101</b>	<b>1,669,166,057</b>	<b>1,720,984,541</b>	<b>1,792,221,052</b>	<b>71,236,511</b>



**Debt Service**

The City had expenditures for debt service of \$118.4 million in FY05 and \$112.8 million in FY06. The City has a budget of \$117.4 million for debt service in FY07 and expects to spend \$122.7 million on debt service in FY08. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in March 2007, Standard & Poor's Rating Services upgraded Boston's credit rating to AA+. Both Moody's Investors Service and Fitch Ratings affirmed the City's credit ratings of Aa1 and AA respectively. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

**State Assessments**

Accompanying the local aid distributions on the cherry sheet are charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid was added. 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 assessments (inclusive of Charter School Tuition) were \$111.7 million in FY05 and \$114.3 million in FY06. The City expects growth in assessments to \$125.0 million in FY07 and to \$131.0 million in FY08.

**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 FY07, the City was responsible for funding 4% of the Sheriff's Department Budget with the Commonwealth funding the rest. The appropriation included in the FY08 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

<b>Tregor Reserve Fund</b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds In</b>	<b>Funds Out</b>	<b>Ending Year Balance</b>
FY01	18.680	1.308	0.000	19.989
FY02	19.989	1.000	0.000	20.989
FY03	20.989	0.151	0.000	21.140
FY04	21.140	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.644
FY06	22.644	1.457	0.000	24.101
*FY07	24.101	0.000	0.000	24.101
*FY08	24.101	0.000	0.000	24.101

Notes: (\$millions), \*projected

late summer or early fall.

**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 \$24.1 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.)

<b>State Assessments</b>				
	<b>FY05 Actual</b>	<b>FY06 Actual</b>	<b>FY07 Budget</b>	<b>FY08 Budget</b>
M.B.T.A.	\$ 65,075,413	\$ 65,185,386	\$ 66,210,888	\$ 67,531,540
Charter School Tuition	41,875,268	43,922,686	53,696,926	58,228,266
RMV Non-Renewal Surcharge	3,108,660	3,557,180	3,557,180	3,564,540
Other Assessments	1,632,437	1,668,374	1,581,350	1,641,246
	<b>\$ 111,691,778</b>	<b>\$ 114,333,626</b>	<b>\$ 125,046,344</b>	<b>\$ 130,965,592</b>

## Personnel Summary

		1/1/05	1/1/06	1/1/07	1/1/08	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
<b>Office of the Mayor</b>	Intergovernmental Relations	6.8	6.8	9.8	8.8	(1.0)
	Law Department	44.0	41.0	51.0	51.0	-
	Mayor's Office	23.4	23.4	24.0	24.0	-
	Neighborhood Services	19.0	23.0	23.0	23.0	-
	Office of Emergency Preparedness	-	-	1.0	2.0	1.0
	Office of New Bostonians	1.0	1.0	4.0	5.0	1.0
	Public Information	15.1	18.1	17.5	17.5	-
	<b>Total</b>	<b>109.3</b>	<b>113.3</b>	<b>130.3</b>	<b>131.3</b>	<b>1.0</b>
<b>Administration &amp; Finance</b>	Office of Administration & Finance	7.0	7.0	7.0	7.0	-
	Assessing Department	91.0	87.0	88.0	88.0	-
	Auditing Department	32.0	33.0	33.0	34.0	1.0
	Budget Management	22.7	21.9	23.9	23.9	-
	Graphic Arts	29.0	28.0	29.0	29.0	-
	Human Resources	45.9	43.6	46.6	46.6	-
	Labor Relations	10.4	11.4	10.4	10.4	-
	Library Department	426.9	423.2	432.2	434.2	2.0
	Purchasing Division	19.0	20.0	20.0	20.0	-
	Registry Division	18.0	18.0	18.0	18.0	-
	Treasury Department	56.0	56.0	53.0	54.0	1.0
	<b>Total</b>	<b>757.9</b>	<b>749.1</b>	<b>761.1</b>	<b>765.1</b>	<b>4.0</b>
<b>Chief Information Officer</b>	Management Info Svcs	100.0	101.0	104.0	110.0	6.0
	<b>Total</b>	<b>100.0</b>	<b>101.0</b>	<b>104.0</b>	<b>110.0</b>	<b>6.0</b>
<b>Public Safety</b>	Fire Department	1,608.5	1,602.5	1,631.5	1,670.0	38.5
	Police Department	2,842.8	2,818.3	2,922.2	3,041.0	118.8
	<b>Total</b>	<b>4,451.3</b>	<b>4,420.8</b>	<b>4,553.7</b>	<b>4,711.0</b>	<b>157.3</b>
<b>Education</b>	School Department	8,008.8	8,087.1	8,282.5	8,561.8	279.3
	<b>Total</b>	<b>8,008.8</b>	<b>8,087.1</b>	<b>8,282.5</b>	<b>8,561.8</b>	<b>279.3</b>
<b>Economic Development</b>	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	8.0	8.0	8.0	8.0	-
	<b>Total</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>	<b>-</b>
<b>Public Property</b>	Arts, Tourism & Special Events	16.0	17.0	16.0	17.0	1.0
	Consumer Affairs & Licensing	8.2	7.4	7.4	7.4	-
	Department of Voter Mobilization	20.4	20.2	20.2	28.2	8.0
	Parks and Recreation	195.6	200.0	205.0	205.0	-
	Property & Construction Mgmt.	294.1	296.1	214.1	221.5	7.4
	<b>Total</b>	<b>534.3</b>	<b>540.7</b>	<b>462.7</b>	<b>479.1</b>	<b>16.4</b>
<b>Public Works &amp; Transportation</b>	Chief of Public Works & Transportation	-	-	1.0	21.0	20.0
	Central Fleet Maintenance	41.0	44.0	43.0	44.0	1.0
	Public Works Department	382.6	371.0	375.0	361.0	(14.0)
	Transportation	359.9	369.6	363.9	358.9	(5.0)
	<b>Total</b>	<b>783.5</b>	<b>784.6</b>	<b>782.9</b>	<b>784.9</b>	<b>2.0</b>
<b>Environment &amp; Energy</b>	Environment	16.0	19.0	17.0	18.0	1.0
	Inspectional Services	228.0	226.0	225.0	229.0	4.0
	<b>Total</b>	<b>244.0</b>	<b>245.0</b>	<b>242.0</b>	<b>247.0</b>	<b>5.0</b>
<b>Human Services</b>	Boston Center for Youth & Families	338.7	358.3	370.7	382.6	11.9
	Civil Rights	9.0	9.0	9.0	9.0	-
	Elderly Commission	57.6	54.5	67.6	67.6	-
	Emergency Shelter	4.0	4.0	4.0	4.0	-
	Veterans Services	14.2	15.2	15.2	15.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
	Youth Fund	3.0	4.0	3.0	3.0	-
	<b>Total</b>	<b>428.5</b>	<b>447.0</b>	<b>471.5</b>	<b>483.4</b>	<b>11.9</b>
<b>Neighborhood Development</b>	Neighborhood Development	36.2	51.8	49.8	49.8	-
	Rental Housing Resource Center	11.1	-	-	-	-
	<b>Total</b>	<b>47.3</b>	<b>51.8</b>	<b>49.8</b>	<b>49.8</b>	<b>-</b>
<b>Public Health</b>	Public Health Commission	743.0	738.1	749.8	774.8	25.0
	<b>Total</b>	<b>743.0</b>	<b>738.1</b>	<b>749.8</b>	<b>774.8</b>	<b>25.0</b>
<b>Non-Mayoral</b>	City Clerk	12.4	13.0	13.0	14.0	1.0
	City Council	79.4	75.1	79.8	79.8	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	10.6	9.6	8.6	8.6	-
	<b>Total</b>	<b>105.4</b>	<b>100.7</b>	<b>104.4</b>	<b>105.4</b>	<b>1.0</b>
<b>Grand Total</b>		<b>16,329.3</b>	<b>16,395.2</b>	<b>16,710.6</b>	<b>17,219.6</b>	<b>509.0</b>

## **PERSONNEL CHANGES**

The Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The projected numbers used for FY08 are estimates based on the level of funding for personnel contained in the FY08 budgets.

**FY06- FY07 FTE Changes** - The total net increase in FTEs from January 1, 2006 to January 1, 2007 was 315.5. 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 195.4 FTEs. This increase was 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 resulted in the addition of 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.

Staffing levels in the Public Safety area also increased. The Police Department increased by 103.9 FTEs between January 1, 2006 and January 1, 2007 mainly due to an increase in the levels of uniformed officers. The Fire department also contributed to the public safety increase by adding 29 FTE's, the overwhelming majority of which were firefighters.

Another department with an unusual change in FTEs is the Property and Construction Management Department which decreased by 82 FTEs due to a change in the operations of the security program and the transfer of a number of Municipal Police Officers to Boston Police Department positions.

In the Human Services Cabinet, the increase is mainly 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.

**FY07-FY08 Projected FTE Changes** – The City expects the net increase in FTE levels to be approximately 496.9 from January 1, 2007 to January 1, 2008.

The Mayor's Office Cabinet staffing is projected to remain nearly stable from January 1, 2007 to January 1, 2008.

The small net increase in the newly formed Administration and Finance Cabinet (formerly the Chief Operating Officer and Chief Financial Officer cabinets) relates mainly to the addition of two new Digital Librarian positions in the Library Department and a new position to strengthen the internal audit functions of the Auditing department.

The Management Information Services (MIS) Department will include several new positions in FY08. The Department will be hiring a Public Safety Chief Information Officer (CIO) who will serve the information technology (IT) leadership needs of the Police and Fire departments under the direction of the City's CIO in order to better coordinate all technology initiatives. MIS will also hire a Director of Security and Risk Management and a Director of IT Strategy and Planning to address citywide issues of risk management and long term strategic planning.

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 157.3. Fire is projected to increase by 38.5 and Police is expected to increase by 118.8. Fire classes are being scheduled and sized to ensure that the department can cover its manning requirements. It should be noted that planned hiring of Police

Officers between now and the end of the calendar year is projected to bring the uniformed force to its highest level since FY00. The increase in the Police Department also includes 8 new positions for the Forensic Division to boost the department's resources dedicated to solving crimes.

Education is projected to increase by 279 FTEs from January 2007 to January 2008. There are many areas that contribute to the increase. Increasing enrollment of English Language Learners and special education students as well as an increase in the number of Autistic programs require more FTEs. BPS will also add 15 positions to the Family and Community Outreach Coordinator program. The expansion of K1 classes, initiatives and programs such as the Boston Teacher Residency Program and Ostiguy High (Sobriety High), as well as Extended Learning Time all contribute to the need for more FTEs in FY08.

The Public Property Cabinet is projected to have a net increase of approximately 16 FTEs. The Property and Construction Management Department will show an increase of 7 based on current staffing and the filling of security guard positions. The Department of Voter Mobilization (formerly known as the Election Department) will increase by 8 FTEs based on an outside review of the functions and legal responsibilities of the department. The department will fill current vacancies and create three new positions. One of the newly created positions will be a Director of Elections who will have extensive experience in election law and will help the department realize its goal of becoming a national model for voter mobilization and efficient elections.

Staffing in the Public Works & Transportation Cabinet is projected to remain level. The Chief of Public Works & Transportation will continue to pursue ways to provide a more efficient delivery of administrative, financial, technological and public information services, as well as basic city services, for the departments in the cabinet.

The projected increase of 12 FTEs in the Human Services Cabinet is based on current staffing levels and the addition of 6 new street worker positions in Boston Centers for Youth & Families (BCYF).

Staffing at the Public Health Commission (PHC) is expected to increase as of January 1, 2008 by

approximately 25 FTEs in order to address areas of concern in the Emergency Medical Services area and to hire 10 Youth Development Specialists with clinical backgrounds to provide direct counseling, specialized services and referrals to adolescents identified as high-risk..

The Environment & Energy Cabinet is projected to show an increase of 5 FTEs based on current staffing levels.

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

### ***EXTERNAL FUNDS***

Supplementing the services that are provided by the City's \$2.3 billion operating budget is approximately \$346.8 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 FY08. 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 FY08, the School Department is expected to utilize \$34.5 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 FY06, and estimates spending \$30.6 million in FY07 and \$31.2 million in FY08. The FY08 amount becomes available in July 2007. 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 previously 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. Since then, \$15 million was expended in FY04 and FY05 for the Westin Convention Center Hotel and \$15 million is expected to be expended in FY08 as a loan to the Battery Wharf Hotel. The remaining \$10 million was originally earmarked for a third hotel but the hotel withdrew its application to pursue private financing. Also in FY08, 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. The City also anticipates \$15 million of Section 108 Loan Guarantee funds for the purpose of establishing a Small Business Growth Fund, which will be used to support existing businesses seeking to expand their operations in Boston.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - HUD administers these

four federally funded grants. FY07 expenditures are projected to be \$21.1 million while another \$20.7 million is expected to be used in FY08. 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 FY08 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. FY08 funds will become available in July 2007. The City expended \$7.9 million in this program in FY06 and estimates spending \$9.2 million in FY07. Projected spending for FY08 is \$8.9 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.

**School Department**

The School Department's FY08 general fund budget of \$782.5 million is supplemented with approximately \$120.9 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 FY07 and FY08 of \$39.2 million and \$34.5 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

<b>External Funds</b>			
	<b>FY06 Expenditure</b>	<b>FY07 Estimated</b>	<b>FY08 Estimated</b>
Boston Public Schools	149,517,470	141,259,856	120,875,420
Neighborhood Development	65,968,666	65,170,332	111,212,259
Office of Emergency Preparedness	27,036,002	21,568,181	20,556,775
Public Health Commission	44,400,111	40,358,524	54,622,622
Library Department	11,514,920	11,518,681	11,491,777
Police Department	7,431,165	8,714,767	8,653,255
Other	21,874,425	19,475,909	19,418,531
	<hr/>	<hr/>	<hr/>
	327,742,759	308,066,250	346,830,639

for low-income students. The School Department expects to receive \$21 million in reimbursements for both FY07 and FY08.

Title II Teacher Quality - The School Department expects to receive \$6.2 million in FY08 from this federal formula grant program to improve the quality of staff in the classrooms, a 10% decrease from the FY07 budget of \$6.9 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 FY08 is \$18.3 million, a 2% decrease from the FY07 budget of \$18.7 million.

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 \$9.0 million for FY08, a 4.3% decrease from the FY07 budget of \$9.4 million.

#### 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 \$1.6 million for this program in FY08.

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. In FY07, contracts supported 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

\$10.7 million for FY08, down from \$13.1 million in FY07. This steep reduction in funding will result in negative service impacts in some areas, the total results of which are not yet known.

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 \$1.8 million expected in FY08, 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 FY08 totals \$9.01 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 \$670,000 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 \$1.7 million in FY08.

Office of Emergency Preparedness

One of the objectives of the Mayor's Office of Emergency Preparedness is to allocate and manage 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 \$19.5 million in FY07 and \$20.5 million in FY08. The office was also responsible for coordinating spending from a federal grant approved to cover security costs for the 2004 Democratic National Convention. Final reimbursements of \$4.1 million from that grant were made in FY06. (The total expended for the DNC for all agencies was \$28.1 million.)

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 \$3.2 million in FY06; estimated expenditures for FY07 are \$3.3 million. For FY08 the Department expects to have \$3.5 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 of \$684,675 was spent in FY06.

Justice Assistance Grant (JAG) -This federal grant was awarded by the Department of Justice in FY07 for prevention, intervention and enforcement efforts aimed at reducing crime and violence. JAG replaced the Local Law Enforcement Block Grant program referred to above. These funds are used to support civilian analyst and advocacy personnel, as well as district social workers. This is a multi-year project that the department expects to run through June 30, 2009. The department expects to spend \$840,000 in FY07 and expects to utilize \$1.1 million in FY08.

Judicial Oversight Demonstration Initiative - These funds, made available through the Violence Against Women Act and awarded by the U.S. Department of Justice, were 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 in FY05 and was \$738,170 in FY06. In FY07, the Department spent the remaining funds available for this program estimated at \$81,000. Funding is not anticipated for FY08.

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 has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The department anticipates spending \$2.3 million in FY07 and the balance in FY08. Anticipated new funding in FY08 is subject to state appropriation.

Total projected spending for all grants in FY08 is estimated at \$8.6 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 \$8 million in FY06 to



an estimated \$8.0 million for FY07. In FY08 the Library again 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 FY07 and FY08 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 be approximately \$851,000 in FY07 and FY08.

**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 \$678,000 is budgeted for FY07 and FY08.

## ***FY08 ALL FUNDS BUDGET***

The following table consolidates the projected FY08 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 FY08 budget document.

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

The Operating Budget for FY08 and Five Year Capital Plan for FY08-12 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.

## All Funds Budgets - FY08

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Office of Emergency Preparedness	286,016	20,556,775		20,842,790
	Intergovernmental Relations	1,038,120			1,038,120
	Law Department	5,228,937			5,228,937
	Mayor's Office	2,249,945	90,495		2,340,440
	Neighborhood Services	1,212,923			1,212,923
	Office of New Bostonians	333,808	5,936		339,744
	Public Information	1,202,997			1,202,997
	<b>Total</b>	<b>11,552,746</b>	<b>20,653,205</b>	<b>0</b>	<b>32,205,951</b>
Administration & Finance	Assessing Department	6,265,938			6,265,938
	Auditing Department	2,248,825			2,248,825
	Budget Management	2,543,106			2,543,106
	Execution of Courts	3,500,000			3,500,000
	Graphic Arts Department	1,539,064			1,539,064
	Health Insurance	182,583,083			182,583,083
	Human Resources	2,953,660			2,953,660
	Labor Relations	1,393,485			1,393,485
	Library Department	28,840,631	11,491,777	7,821,370	48,153,778
	Medicare Payments	5,603,000			5,603,000
	Office of Administration & Finance	821,004			821,004
	Pensions & Annuities	4,200,000			4,200,000
	Purchasing Division	1,378,388			1,378,388
	Registry Division	924,028			924,028
	Treasury Department	3,843,080			3,843,080
	Unemployment Compensation	50,000			50,000
	Workers' Compensation Fund	2,200,000			2,200,000
	<b>Total</b>	<b>250,887,293</b>	<b>11,491,777</b>	<b>7,821,370</b>	<b>270,200,440</b>
Chief Information Officer	Management & Information Svcs	17,384,043		5,500,000	22,884,043
	<b>Total</b>	<b>17,384,043</b>	<b>0</b>	<b>5,500,000</b>	<b>22,884,043</b>
Public Safety	Fire Department	159,616,291	117,200	7,602,000	167,335,491
	Police Department	268,341,282	8,653,255	13,230,005	290,224,542
	<b>Total</b>	<b>427,957,573</b>	<b>8,770,455</b>	<b>20,832,005</b>	<b>457,560,033</b>
Education	Boston Public Schools	782,535,360	120,875,420	41,963,480	945,374,260
	<b>Total</b>	<b>782,535,360</b>	<b>120,875,420</b>	<b>41,963,480</b>	<b>945,374,260</b>
Economic Development	Boston Redevelopment Authority	0	0	1,075,000	1,075,000
	Boston Residents Job Policy	508,880			508,880
	Small/Local Business	596,687			596,687
	<b>Total</b>	<b>1,105,568</b>	<b>0</b>	<b>1,075,000</b>	<b>2,180,568</b>
Public Property	Arts, Tourism & Special Events	1,669,414	159,450		1,828,864
	Consumer Affairs & Licensing	452,694	51,300		503,994
	Department of Voter Mobilization	3,488,832			3,488,832
	Parks & Recreation Department	15,451,861	5,873,000	19,576,520	40,901,381
	Property & Construction Mgmt.	20,163,801	154,999	14,560,000	34,878,800
	<b>Total</b>	<b>41,226,603</b>	<b>6,238,749</b>	<b>34,136,520</b>	<b>81,601,872</b>
Public Works & Transportation	Central Fleet Maintenance	2,267,724			2,267,724
	Office of Chief of PWD & Transportation	1,606,402			1,606,402
	Public Works Department	86,203,434	25,000	36,552,527	122,780,961
	Snow Removal	12,292,072			12,292,072
	Transportation Department	27,618,759	1,210,647	5,350,000	34,179,406
	<b>Total</b>	<b>129,988,390</b>	<b>1,235,647</b>	<b>41,902,527</b>	<b>173,126,565</b>
Environment & Energy	Environment Department	1,352,920	181,725	75,000	1,609,645
	Inspectional Services Dept	15,144,504	32,170		15,176,674
	<b>Total</b>	<b>16,497,424</b>	<b>213,895</b>	<b>75,000</b>	<b>16,786,319</b>
Human Services	Boston Centers for Youth & Families	20,201,040	2,611,278	14,306,021	37,118,339
	Civil Rights	316,638	774,900		1,091,539
	Elderly Commission	2,870,853	6,698,045		9,568,898
	Emergency Shelter Commission	541,470	128,375		669,845
	Veterans Services Department	4,261,152			4,261,152
	Women's Commission	156,165			156,165
	Youth Fund	4,315,950	1,249,000		5,564,950
	<b>Total</b>	<b>32,663,268</b>	<b>11,461,599</b>	<b>14,306,021</b>	<b>58,430,887</b>
Neighborhood Development	Leading the Way	5,669,000	0		5,669,000
	Neighborhood Development	3,020,903	111,212,259	4,225,000	118,458,162
	<b>Total</b>	<b>8,689,903</b>	<b>111,212,259</b>	<b>4,225,000</b>	<b>124,127,162</b>
Public Health	Public Health Commission	65,422,057	54,622,622	450,000	120,494,679
	<b>Total</b>	<b>65,422,057</b>	<b>54,622,622</b>	<b>450,000</b>	<b>120,494,679</b>
Non-Mayoral Departments	City Clerk	909,411	55,010		964,422
	City Council	4,632,449			4,632,449
	Finance Commission	187,365			187,365
	Licensing Board	581,601		0	581,601
	<b>Total</b>	<b>6,310,826</b>	<b>55,010</b>	<b>0</b>	<b>6,365,836</b>
<b>Grand Total</b>		<b>1,792,221,052</b>	<b>346,830,639</b>	<b>172,286,923</b>	<b>2,311,338,614</b>

**Technical Note**

The City of Boston's combined FY08 Budget and FY08-FY12 Capital Plan was published using Microsoft Word 2000. Graphics were generated using Microsoft Excel 2000. Hyperion System 9 Planning and Scorecard and Microsoft Access 97 were used for data management and analysis.

All production was done within the Office of Budget Management. Document production assistance was provided by the City of Boston Graphic Arts Department and Jim Alberque of Management Information Services. Technical development and support was provided by Paul D. Parisi.

***FY08 - FY09 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 FY09, 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.

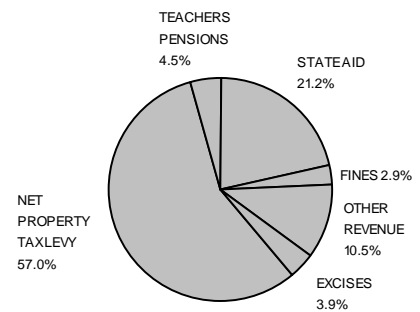
The budget for FY08 is based on the most current revenue information available. The FY09 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. The increases associated with collective bargaining agreements settled as of June 30, 2007 have been included in FY09 projected expenditures for City Departments and the School Department. The costs projected for those agreements that were not settled as of that date have been included in the collective bargaining reserve.

An area of concern that has not been fully illustrated in the Budget Summary table 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's OPEB total obligation has been estimated at \$5.2 billion by an outside actuarial consultant. 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. For FY08, the City has created a \$20 million stabilization fund to begin to acknowledge this liability. The FY09 plan includes an additional \$20 million contribution to the stabilization fund.

***Revenue Trends***

The following pie chart displays the breakdown of revenue projected for FY08. (Figure 12.)



**FY09 Estimated Recurring Revenue**

Figure 12

Major revenue trends for FY08 include:

Property Tax Levy: The 2.5% increase and a projected \$27.5 million of new growth will result in \$60.7 million or 4.6% in additional gross tax levy. The net property tax assumes an overlay reserve set at 3.25%.

Excises: Hotel excise is expected to increase, reflecting steady business and leisure travel associated with a recovered local economy and Jet

Fuel excise to decline somewhat with lower fuel prices. Motor vehicle excise is expected to grow modestly with motor vehicle sales.

Fines: Fines overall are expected to grow slightly with focus on enforcement and possibly small fine rate increases.

Interest on Investments: Interest income is expected to decrease as short-term interest rates decline with a slowing economy and sub-prime mortgage fallout yielding smaller returns for the City's short-term investments.

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

Chapter 121A: Increases in payments are expected to total \$3.2 million or 5.4% based on recent trends.

Miscellaneous Department Revenue: Usually projected from historical trends and economic assumptions, these revenues are expected to increase 28% due to a new reimbursement for retirement costs from grant programs and from Medicare part D as well as other increases in department revenues.

Licenses and Permits: Building permits will likely hold steady or decline slightly with small interest rate decreases supporting, and sub-prime mortgage fallout acting against, growth in activity.

Penalties & Interest: Projected to increase in FY09 mainly as a result of a slowing economy and the sub-prime mortgage fallout; the property tax collection rate is expected to remain strong.

Available Funds: No substantial increase from FY08 is expected in FY09.

State Aid: Projected to increase marginally from the FY08 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 \$8.0 million is expected in FY09 from this reasonably predictable reimbursement arrangement with the state.

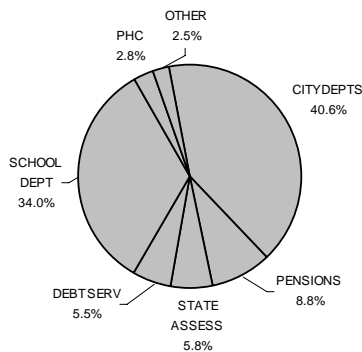
Non-Recurring Revenues: For FY09, \$1.0 million will be applied to the risk retention reserve through a transfer from the surplus property fund.

Budgetary Fund Balance: In FY08, the City is using an allocation of reserves to support ongoing expenses and to begin funding for OPEB liabilities. For FY09, the use of Budgetary Fund Balance for non-OPEB has not been factored into the financial projection. The City's planning process for FY09 will assess the need for further allocation of remaining City reserves.

Total recurring revenues in FY09 are projected to increase by \$81.0 million, or 3.6% over FY08 Budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will stabilize at a reasonable level of growth in the 24 months from the beginning of FY08 to the end of FY09.

**Expenditure Trends**

The following pie chart displays the allocation of expenditures projected for FY09. (Figure 13.)



**FY09 Estimated Expenditures**

Figure 13

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 FY09, the total increase in appropriations is expected to be, \$71.5 million, or 3.9% in FY09.

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 FY09 fixed costs will increase by \$26.8 million or 5.8%, led by a \$10.4 million or 8.4% increase in Debt Service costs and a \$9.1 million or 4.5% increase in Pensions. State Assessments are projected to increase by \$7.2 million or 5.5%.

Under these revenue and expenditure trend assumptions, the City's Operating Budget would have a projected deficit of \$13.1 million. As the FY09 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. Looking ahead the City will continue to analyze 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 Office of Administration and Finance ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements.

### ***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)

	<b>FY08 Budget</b>	<b>FY09 Projected</b>
<b>REVENUES</b>		
Property Tax Levy	1,329.99	1,390.74
Overlay Reserve	(38.74)	(43.78)
Excises	87.58	91.83
Fines	67.94	68.70
Interest on Investments	39.00	34.00
Payments In Lieu of Taxes	30.75	32.50
Urban Redevelopment Chapter 121	59.31	62.50
Misc. Department Revenue	45.22	58.00
Licenses and Permits	37.69	40.14
Penalties & Interest	9.12	8.72
Available Funds	12.14	12.23
State Aid	493.04	501.55
Teachers Pension Reimbursement	93.33	105.07
Total Recurring Revenue	2,266.37	2,362.19
Non-Recurring Revenue	6.67	1.00
Budgetary Fund Balance	25.00	20.00
<b>Total Revenues</b>	2,298.04	2,383.19
 <b>EXPENDITURES</b>		
City Departments	946.84	972.00
Public Health Commission	65.42	67.27
School Department	782.54	814.00
Reserve for Collective Bargaining	22.19	35.19
OPEB Stabilization	20.00	20.00
Total Appropriations	1,837.00	1,908.46
Pensions	202.91	212.01
Debt Service	122.67	133.02
State Assessments	130.97	138.16
Suffolk County Sheriff	4.50	4.61
Reserve	0.00	0.00
Total Fixed Costs	461.04	487.81
<b>Total Expenditures</b>	2,298.04	2,396.27
<b>Surplus (Deficit)</b>	0.00	(13.07)

Numbers may not add due to rounding