



City of Boston

Thomas M. Menino, Mayor

Operating Budget Fiscal Year 2010
Capital Plan Fiscal Years 2010-2014

Volume 1 - Overview of the Budget

Thomas M. Menino, Mayor

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Boston

Massachusetts

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Boston for its annual budget for the fiscal year beginning July 1, 2008.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

June 19, 2009

TO THE CITY COUNCIL

Dear Councilors:

I retransmit herewith my Fiscal Year 2010 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.4 billion is \$26.3 million, or 1.1%, less than the Fiscal Year 2009 Budget. This represents the first time in over 15 years that the City's operating budget is lower than the previous year.

The FY10 budget development process was one of the most challenging of the past few decades. All major revenue accounts, with the exception of property tax, are projected to decline significantly in FY10. As the Commonwealth of Massachusetts struggles with its own revenue challenges, State Aid to the City of Boston will decline sharply in FY10. In the months following the Governor's budget presentation in January, state receipts have fallen precipitously as the economy nationwide has continued to weaken.

While the Commonwealth's budget process is not yet complete, the City has used a prudent estimate of a loss of approximately \$95 million in net State Aid for FY10 – an additional loss of \$32 million from the estimates used in the City's initial budget submitted in April. This decrease in net State Aid of more than 25% from FY09 levels is unprecedented. The City remains hopeful that local option taxes, such as meals and hotel excise taxes may offer an opportunity to mitigate a portion of the losses in State Aid. However, it is important to note that no municipality will realize the full-year value of any new local option taxes in FY10 given that the new fiscal year is less than two weeks away.

The strategies outlined in the City's initial budget recommendation of April 8, 2009, reflect the hard work of all of the City's departments to meet the challenge of balancing the budget in the context of sharply declining State Aid and other revenue sources, in combination with increasing fixed costs. In addition to departmental strategies to adjust to the reduction in resources, the City's FY10 budget plan benefits greatly from the shared sacrifice made by the employees of the 22 unions that have agreed to delay their FY10 wage increases.

This resubmission includes critical adjustments to that plan in order to accommodate the further reduction in State Aid, while also preserving core services and preventing further job loss. These adjustments include both revenue and expenditure changes that combine for a balanced budget. Anticipating weakened revenue projections for this and subsequent fiscal years, the City will

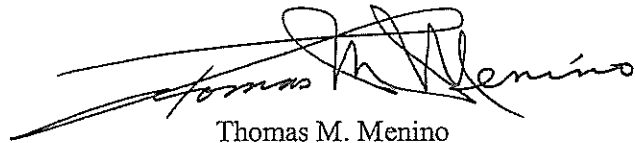
prudently allocate \$45 million, just over one-third, of its spendable reserves in FY10, an increase of \$5 million from our initial budget plan. Our approach to the use of reserves will help to ensure that core city services are sustainable in the difficult years ahead. The City will also make a one-time application of an additional \$3 million from the Parking Meter Fund.

On the expenditure side, the City will reduce non-personnel spending from that which was originally planned in April and defer investments in equipment and vehicles. Other reductions will include capturing further savings from personnel attrition throughout the year. Additionally, while the City will continue to honor its commitment to support its portion of the Quinn education award, we are anticipating a significant reduction in the Commonwealth's share, reflected in this resubmission.

I wish to thank the City Council and the Ways and Means Committee for the time you have committed to understanding and evaluating the evolving economic environment in which the City currently finds itself. Over the past two months, your thoughtful and thorough budget review process has allowed departments to articulate the challenges they face and the strategies they hope to implement to mitigate the effects of those challenges on services to the people of Boston. This has been an extremely difficult year for budget development, but I remain confident that our cooperative efforts have resulted in a budget plan that addresses the most critical issues for our City's future.

The recommended budget for Fiscal Year 2010 is soundly balanced within the City's available resources. I respectfully request your favorable action on the FY10 Operating Budget and the Five Year Capital Plan for FY10 to FY14.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino", written over a horizontal line.

Thomas M. Menino
Mayor of Boston



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 7, 2009

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Fiscal Year 2010 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.4 billion is \$5.0 million, or 0.2%, more than the Fiscal Year 2009 Budget.

The FY10 budget development process was one of the most challenging of the past few decades. While property tax continues to grow in FY10, most other revenue accounts decline. As the Commonwealth of Massachusetts struggles with its own revenue challenges, State Aid to the City of Boston will decline sharply in FY10. The City has used a prudent estimate of a loss of \$62.2 million in net State Aid for FY10. However, it is important to note that State Aid could be reduced even further as the state completes its budget deliberations.

The combination of declining revenue and rising costs resulted in an initial projection of a gap of over \$140 million. Every effort was made to reduce expenses outside of departmental appropriations. The City successfully renegotiated health insurance premiums, saving nearly \$5 million from initial projections. Over the past four months, staff across all departments and all layers of management joined together to devise strategies to balance the budget. In particular, I want to acknowledge the shared sacrifice made by the employees of 22 unions that have agreed to delay their FY10 wage increases.

The wage deferral by all non-union and half of the City's bargaining units, together with targeted resources from the American Recovery and Reinvestment Act, and countless accomplishments of service contract negotiations, debt refinancing, streamlining of management positions, and modernization of operations has resulted in a budget that preserves frontline services for the people of Boston in the context of an unprecedented global economic downturn. In addition, the City will use a prudent allocation of \$40 million in reserves in FY10.

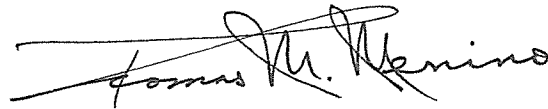
While this has been an extremely difficult year for budget development, I remain confident that the decisions contained within the City's plan appropriately address the most critical issues for our City's future.

Despite significant challenges, the FY10 Budget continues our commitments to investing in youth, strengthening our neighborhoods and improving our economy. In the coming year we will expand community learning sites, increase the number of pilot schools and respond to parents' interest in supporting K-8 learning communities by increasing those offerings for students. Continuing our efforts to improve the health of residents and of our environment, the City will advance projects that reduce the carbon footprint of City assets and support those that enable residents to do the same. The City will remain at the forefront of the nation's efforts on foreclosure prevention, investing in counseling, foreclosure reclamation programs, and homelessness prevention activities. In the face of global financial constraints, we will support Boston's entrepreneurial spirit by increasing the Boston Invests in Growth business loan fund and by helping businesses take advantage of bulk purchasing through Boston Buying Power.

As we face the current economic upheaval, the City of Boston stands on a firm foundation built through years of sound management practice, and we will continue to make the investments that will serve the City well when the economy improves.

I look forward to working with you during the budget review process, and I respectfully request your favorable action on the FY10 Operating Budget and the Five Year Capital Plan for FY10 to FY14.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino". The signature is stylized and written over a horizontal line.

Thomas M. Menino
Mayor of Boston