



City of Boston

Thomas M. Menino, Mayor

Operating Budget Fiscal Year 2007

Capital Plan Fiscal Years 2007-2011

Volume I - Overview of the Budget

Thomas M. Menino, Mayor

Dennis A. DiMarzio, Chief Operating Officer

Lisa C. Signori, Chief Financial Officer

**Office of Budget Management
Karen A. Connor, Director**

James Williamson, Deputy Director, Operating Budget

Roger McCarthy, Deputy Director, Capital Planning

Operating Budget and Capital Planning Staff

Carol Brait
Jean Capizzi
Lynda Fraley
Chris Giuliani
Melissa Goff
Gail Hackett
John Hanlon
Ellen Hatch
Era Kaplan
James Kennedy
Conor McEachern
Marianne Regan
Anthony Reppucci
Dennis Roache
Ralph Rosati
Noah Stockman
Allison Taylor

Systems Administrator

Gerard Rufo

Central Office Staff

Jacquelyn Conley
Deborah DeLeo
Liliana Guzman
Renee Hogan

Special Acknowledgement

Meredith Weenick
Office of the Mayor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Boston
Massachusetts**

For the Fiscal Year Beginning

July 1, 2005

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, 2005.

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.

Table of Contents

Volume I Overview of the Budget

Letter of Transmittal: Thomas M. Menino, Mayor

Executive Summary	1
Summary Budget	7
City Council Orders	39
Revenue Estimates and Analysis	75
Innovations in Education	89
Boston About Results - Performance Goals	99
Financial Management of the City	105
Capital Planning	113
Statutes and Ordinances Governing Boston's Operating and Capital Budgets	127
Boston's People and Economy	137
Budget Organization and Glossary of Terms	145



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

June 20, 2006

TO THE CITY COUNCIL

Dear Councilors:

I retransmit herewith my Fiscal Year 2007 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.14 billion is \$91.3 million, or 4.5% more than the Fiscal Year 2006 Budget.

This budget reflects our priority that additional resources must be allocated to hire more police officers. The FY07 budget includes funding to double the size of the classes that were funded in the budget originally submitted in April, bringing the total new recruits to be hired in FY07 to 140. This commitment requires an increase to the Police Department as well as increases to the Health Insurance and Medicare accounts.

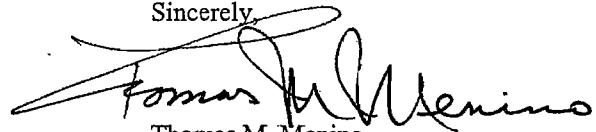
FY07 continues to be a challenging year for the City of Boston. Property taxes and other revenues will continue to grow, while the City's net state aid, our second largest source of revenue, remains far below the amount that was received five years ago in FY02. Since the Governor's budget was submitted in January, we have monitored the State budget process closely. As that process comes to a close, I am confident that the City's allocation of aid from the Commonwealth will be higher than the assumptions used in the City's budget originally submitted in April. These limited additional resources will be substantially used to support the costs associated with hiring additional police recruits. Additional funding has also been included in the Parks and Public Works departments to fulfill our environmental compliance and maintenance responsibilities related to the opening of the park at Spectacle Island in Boston Harbor.

Nearly two thirds of the spending growth over FY06 is due to cost trends in health benefits and energy as well as the annualized impact of collective bargaining increases included in the current labor contracts. Trends in health insurance costs have caused this benefit to increase as a proportion of the operating budget from less than 8% in FY02 to 11% in FY07. Since FY02, health insurance costs have increased by almost 92% while all other City spending has increased by approximately 19%. This trend clearly is not sustainable and should concern us all. Because our total spending growth continues to exceed our rate of revenue growth, the budget before you also assumes a responsible allocation of reserves to fill the resulting gap between revenues and spending. We must be mindful that one-time resources are not a long-term solution. I remain committed to ensuring that the City's budget is sustainable in the coming years.

I would like to commend you on a well-run budget review process. Your review of the FY07 Recommended Budget was thorough and focused on the important issues facing the City of Boston. Despite the fiscal challenges we face, through our cooperative efforts, I am confident that this budget will effectively and efficiently allow us to continue to provide high quality services to Boston's residents, visitors and businesses.

The Recommended Budget for Fiscal Year 2007 is soundly balanced within the City's available resources. I respectfully request your favorable action on the Fiscal Year 2007 operating budget and the Five Year Capital Plan for FY07 to FY11.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino". The signature is fluid and cursive, with a large, sweeping initial "T" and "M".

Thomas M. Menino
Mayor of Boston



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

April 11, 2006

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Fiscal Year 2007 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.14 billion is \$87.9 million, or 4.3% more than the Fiscal Year 2006 Budget.

Nearly two thirds of the spending growth is due to health benefits, energy costs and the annualized impact of collective bargaining increases included in the current labor contracts. The annual spending growth needed to meet the City's commitments continues to exceed our rate of revenue growth. The City's FY07 budget assumes a cautious allocation of reserves to support ongoing expenses. These additional resources are necessary to mitigate the effects of marginal growth in state aid and rising fixed costs.

While property tax and other local revenues continue to grow, the City's allocation of aid from the Commonwealth increases only marginally despite additional revenue resulting from uncapping Lottery Aid. For FY07 net state aid remains \$75.6 million less than it was five years ago in FY02. The City continues to face the challenge of our over-reliance on property taxes to fund services. Restricted by a state-imposed structure, the City must continue to build awareness of the negative consequences of this structure not only for the City of Boston but also for the entire Commonwealth.

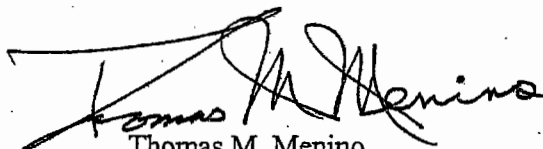
The budget before you provides resources aligned around several overarching goals, including the reduction of violent crime, closing the achievement gap, narrowing health disparities and increasing the housing supply. The City is moving forward with a bold agenda that will concentrate on delivering innovative and effective solutions to our most critical challenges while focusing on cross-departmental collaboration and shared accountability to deliver meaningful results and high quality services to Boston's residents, businesses and visitors.

Building a strong foundation for Boston's future means educating all of our children to compete for the jobs of tomorrow, supporting an economy that will continue to grow and provide those jobs, embracing and leveraging the changing face of our community, and providing the basic services that contribute to the quality of life in our neighborhoods. Accomplishing these goals in today's constrained fiscal environment is not easy, and it requires that we in city government work more efficiently with each other and with our partners in the public and private sectors to ensure our City's success.



I look forward to working with you during the budget review process and I respectfully request your favorable action on the FY07 Operating Budget and the Five Year Capital Plan for FY07 to FY11.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino". The signature is stylized with a large, sweeping initial "T" and "M".

Thomas M. Menino
Mayor of Boston