

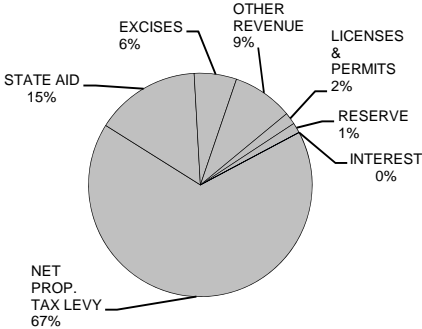
Summary Budget

OVERVIEW

The FY15 Adopted Budget for the City of Boston totals \$2.7 billion, an increase of \$121.4 million, or 4.6%, over the FY14 budget. FY15 recurring revenue growth is \$121.4 million or 4.7%. The FY15 budget includes \$40 million in non-recurring revenue – an amount that is level with the FY14 budget.

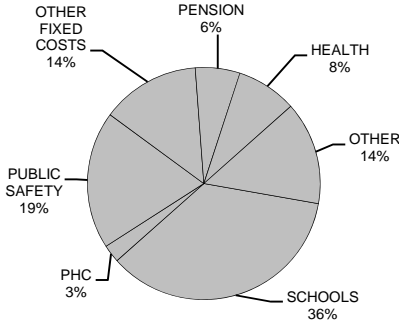
In FY15, property tax revenue continues to grow steadily and local receipts are recovering with the improving economy. Local receipts are led by growth in Excise, License & Permit and State Aid revenues. Net State Aid (state aid net of assessments) is expected to decline again as continued increases in state assessments for charter school tuition eclipse the gain in revenue.

This Summary Budget section lays out the FY15 budget and discusses trends in each category of the budget summary table on the following page. An overview of the City’s revenues is followed by a detailed look at appropriations and personnel trends and a review of major externally funded services. An all-funds budget is also presented.



FY15 Estimated Revenue

Figure 1



FY15 Estimated Expenditures

Figure 2

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY12 Actual	FY13 Actual	FY14 Budget	FY15 Budget
REVENUES				
Property Tax Levy	1,615.91	1,684.42	1,778.80	1,858.43
Overlay Reserve	(38.66)	(41.06)	(34.88)	(36.44)
Excises	155.55	174.38	154.32	167.20
Fines	64.70	59.77	59.25	60.50
Interest on Investments	0.98	0.18	0.18	0.20
Payments In Lieu of Taxes	35.98	42.58	42.17	45.14
Urban Redevelopment Chapter 121A	64.50	63.99	47.60	48.21
Misc. Department Revenue	64.46	61.97	49.98	57.63
Licenses and Permits	51.93	45.57	40.46	47.24
Penalties & Interest	8.58	9.26	8.41	8.68
Available Funds	0.00	0.00	17.31	19.77
State Aid	390.47	403.27	409.21	417.68
Total Recurring Revenue	2,414.41	2,504.34	2,572.80	2,694.23
Budgetary Fund Balance	0.00	0.00	40.00	40.00
Non-Recurring Revenue	0.00	0.00	0.00	0.00
Total Revenues	2,414.41	2,504.34	2,612.80	2,734.23
EXPENDITURES				
City Departments	1,029.02	1,043.72	1,069.42	1,094.18
Public Health Commission	72.90	67.04	66.76	67.62
School Department	831.34	881.20	937.96	974.93
Reserve for Collective Bargaining	16.02	21.00	5.44	13.00
Other Post Employment Benefits	35.00	40.00	40.00	40.00
Total Appropriations	1,984.29	2,052.96	2,119.58	2,189.72
Pensions	126.40	136.98	152.91	169.62
Debt Service	130.59	129.17	143.99	154.74
State Assessments	156.62	172.38	192.39	215.57
Suffolk County	3.92	3.92	3.92	3.87
Reserve	0.61	0.73	0.00	0.70
Total Fixed Costs	418.15	443.17	493.21	544.51
Total Expenditures	2,402.44	2,496.13	2,612.80	2,734.23
Surplus (Deficit)	11.97	8.22	0.00	0.00

Numbers may not add due to rounding

Table 1

The City's projected revenues provide the basis for planning FY15 appropriations to maintain a balanced budget. Selected FY15 budgeted City revenues compare with FY14 budgeted revenues as follows: the net property tax levy increases \$78.1 million or 4.5%; excises increase \$12.9 million or 8.3%; payments-in-lieu-of-taxes increase \$3.0 million or 7.0%; miscellaneous department revenues increase by \$7.7 million or 15.3%; licenses and permits increase by \$6.8 million or 16.7%, and state aid increases by \$8.5 million or 2.1%.

On the expenditure side of the budget, total appropriations increase by \$70.1 million or 3.3% and fixed costs increase by \$51.3 million or 10.4%. Selected FY15 budgeted appropriations compare with FY14 budgeted appropriations as follows: City departments increase \$24.8 million or 2.3%, the Boston Public Health Commission increases by \$860 thousand or 1.3%, and the School Department increases \$37.0 million or 3.9%.

FY15 budgeted fixed costs compare with FY14 budgeted fixed costs as follows: pensions increase \$16.7 million or 10.9%; debt service increases \$10.8 million or 7.5%; and state assessments increase \$23.2 million or 12.0%.

NOTE: The "Other" category on the FY15 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the collective bargaining reserve, other post-employment benefits (OPEB), Suffolk County and the Tregor Reserve.

REVENUE

The FY15 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts. A more detailed discussion of City revenues is provided in the *Revenue Estimates and Analysis* chapter of this volume.

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

Property Tax Levy

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

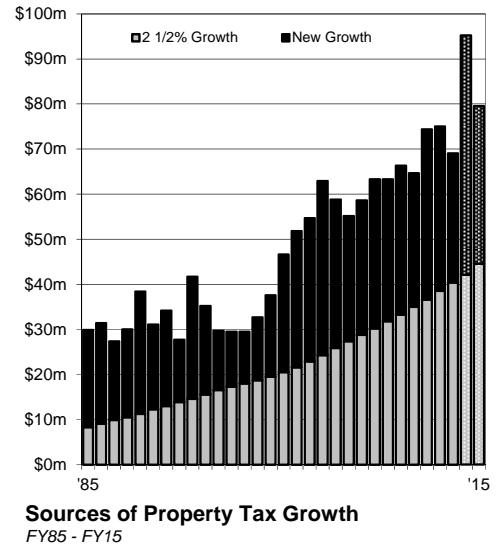


Figure 3

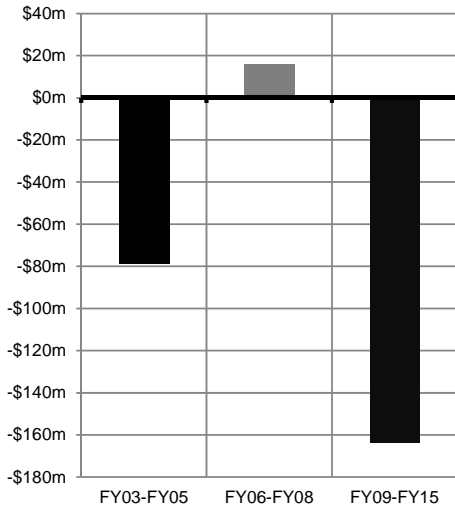
In each year since FY85, the City has increased its levy by the 2.5% allowable under the limits set forth in Proposition 2 ½. During these same years, the levy has also been positively impacted by taxable new value or "new growth" that is excluded from the levy limit. New growth is expected to be approximately \$35.0 million in FY15. New growth added to the property tax levy has exceeded growth from the allowable 2.5% increase in 19 of the last 31 years.

The combined effect of the allowable 2.5% increase and new growth is an average annual gross levy increase of the last ten years through FY14 of \$69.8 million or 4.5%, and a projected increase in FY15 of \$79.6 million or 4.5%. The gross property tax levy stands at \$1.779 billion in FY14, and is estimated to rise to \$1.858 billion in FY15.

State aid

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

State aid has been reduced substantially over the course of the last two recessions. Since FY02, net state aid (defined as state aid revenues less Massachusetts Bay Transportation Authority, charter school tuition, and other assessments) to the City has been reduced by over \$226 million or 53%. The City lost approximately \$79 million between FY03 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$163 million between FY09 and budgeted



Change in Net State Aid
FY03-FY15, Grouped by Period of Loss or Gain

Figure 4

FY15 – averaging a loss of nearly \$17.5 million per year (Figure 4.) For FY15, net state aid is expected to decline by \$14.7 million or 6.8%.

The City’s FY15 state aid estimate is based on a local aid resolution passed by the House and Senate for the two major sources of local aid: unrestricted general government aid and education aid. For the remainder, the City has used the Governor’s budget released in late January.

Education Aid

The City received “Chapter 70” education aid totaling \$205.4 million in FY12 and \$207.9 million in FY13. The City has budgeted \$209.4 million for FY14 and per the local aid resolution, expects \$211.0 million in FY15.

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

The net cost to the City for charter schools (reimbursement from the Commonwealth less tuition assessment) was \$61.9 million and \$69.8 million in FY12 and FY13, respectively. The City has budgeted an \$86.6 million net cost in FY14 and a \$105.0 million net cost in FY15 (Figure 5).

Unrestricted General Government Aid

Beginning in the FY10 budget and going forward, the Governor and the Legislature combined general government aid from lottery and “additional assistance” into one account. The total statewide aid amount is now covered completely by proceeds from the lottery. The combined accounts were reduced by \$75.5 million or 32.0% of the total between FY08 and FY13. The City expects to receive \$164.0 million in FY14, and per the local aid resolution, \$168.6 million in FY15.

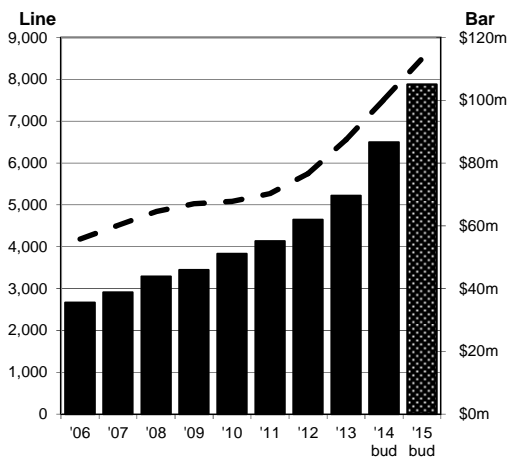
Local Receipts

Approximately 16% of the City’s recurring revenue in FY15 is comprised of excise taxes, fines, payments-in-lieu-of-taxes (including Chapter 121A), investment income, departmental revenue, licenses and permits, penalties and interest, and available funds.

In FY12, the City collected \$446.7 million from these combined sources and \$457.7 million in FY13. The FY14 Budget assumes a decrease to \$419.7 million and the FY15 budget assumes an increase to \$454.6 million (Figure 6).

FY15 budgeted local receipts continue to benefit from revenue that was, previous to FY12, dedicated to support special obligation debt service for the Boston Convention and Exhibition Center (BCEC). Additional room occupancy excise revenue and a vehicle rental surcharge are now available to the general fund as the debt is now general obligation.

Many of the City’s local receipts are extremely sensitive to current economic conditions. What follows is a brief

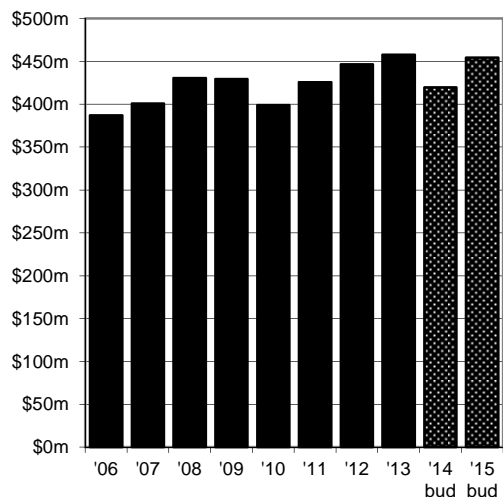


Charter Schools Boston Enrollment and Net Cost
FY06- FY15

Figure 5

description of selected local receipts, their recent performance and expectations for the FY15 Budget.

- After a weak year in FY12, revenue from motor vehicle excise tax increased sharply in FY13 and is conservatively estimated in FY14 and FY15.
- The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City annually collects more than \$20 million from this broad-based tax.
- After several weak years due to economic conditions, hotel revenues are increasing. The hotel excise also benefits from an FY10 rate increase from 4% to 6% and the debt classification-related change mentioned above. Jet Fuel excise collections were very strong in FY13, but are expected to soften in FY14 and FY15. In addition, a vehicle rental surcharge of \$1 per vehicle rental contract also moved to the general fund for FY13 and forward.
- With the federal funds rates near zero, the City's investment earnings have plummeted, even as cash balances have remained strong in recent years. FY14 and FY15 interest on investment earnings are expected to remain very low.
- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to increase in FY14 and FY15 based on the results of a taskforce which concluded its work two years ago. This taskforce recommended more standardization among agreements as well as a higher ratio of payment to property value than was in place previously.
- License and permit revenues, driven by building permits, jumped considerably in FY12 and FY13 as large commercial construction projects returned in earnest. Building permit fees growth is conservatively budgeted in FY14 and is expected to stabilize in FY15.
- Chapter 121A agreements are payments in lieu of tax for property developed in blighted areas. Those that qualify pay different taxes on income and property as determined under Chapter 121A of Massachusetts General Law.



**Recurring Local Receipts
(non-property tax/state aid)**
FY06 - FY15 (adj. for actual base hotel collections)
FY12 forward includes all hotel tax

Figure 6

121A payments in FY14 are expected to decline as several large agreements have expired and moved to normal property taxation. Inflationary growth is expected in the remaining agreements for FY15.

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

Non-Recurring Revenue

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

In FY14 and FY15, the City will not appropriate to the general fund from the Surplus Property Disposition Fund. (Appropriations from this fund will be made to the capital fund.)

Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, more commonly referred to as "free cash," is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY15

Budget uses \$40 million in budgetary fund balance to fund the appropriation for other post-employment benefits (OPEB).

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

EXPENDITURES

Expenditures are broken down into two primary groups: (1) appropriations directly related to departmental services and (2) fixed and mandated costs. FY15 appropriations are subdivided into three subgroups as follows:

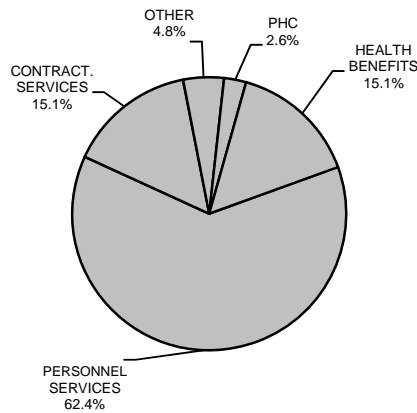
City Departments, which includes all operating department appropriations, a risk retention reserve and a set-aside for tax title and annual audit expenses;

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

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

Appropriations are also presented by expenditure category across the three subgroups. (Figure 7)

Personnel Services include salaries, overtime, Medicare, unemployment compensation and workers' compensation, and a collective bargaining reserve for employees in City departments, PHC and BPS. Nearly all of the collective bargaining agreements between the City and the unions had expired during calendar year 2010. The City has reached voluntary settlements with all of its civilian employees, including BPS teachers. Each agreement is six years in duration and contains the same general wage pattern, roughly 12% wage increases over the six years covering from FY11 through FY16. The City and the Boston Police Patrolmen's Association received an arbitration award in September 2013 which included an increase in annual salaries of approximately 25.4% over six years. The award was funded by the City Council in December 2013 and has since been executed. The City subsequently reached voluntary agreements with police superiors and superior detectives. The police award and agreements as well as the civilian settlements are in effect through 2016. The City and the fire union also agreed to a contract which will increase salaries by 18.8% over six years through 2017. The City is currently in negotiations with the detectives union. In addition the Boston Public Health Commission is in negotiations with its Emergency Medical Service union. The collective



FY15 Appropriations by Category

Figure 7

bargaining reserve contains funding based on estimates for successor agreements that would cover proposed wage increases and the retroactive impacts of wage increases that are being negotiated for FY11 – FY15.

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

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

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

HEALTH BENEFITS
Multiple Efforts Result in Savings

The FY15 budget includes \$284 million for health care premiums for the City's employees and retirees. These costs comprise 10.4% of total City expenditures -- compared to 7% in 2001. This increase is due to the fact that medical claims costs annually increase at a rate

significantly higher than cost increases for other City expenditures.

As shown in Figure 8, however, from FY13 – FY15 the City experienced a temporary reprieve from annual health cost increases, and an actual decrease in total costs, due to several efforts by the City, its unions, and the state legislature.

City health care costs dropped approximately \$20 million in FY13 due to mandated Medicare enrollment for Medicare eligible retirees, with another \$3.7 million savings due to employees and retirees assuming a larger share of non-Medicare premiums. Additional savings resulted from more cost efficient health care management systems, and lower health care claims trends. Finally, \$12.8 million in projected premium increases were avoided due to employees and retirees assuming higher co-pays, which reduced overall premiums.

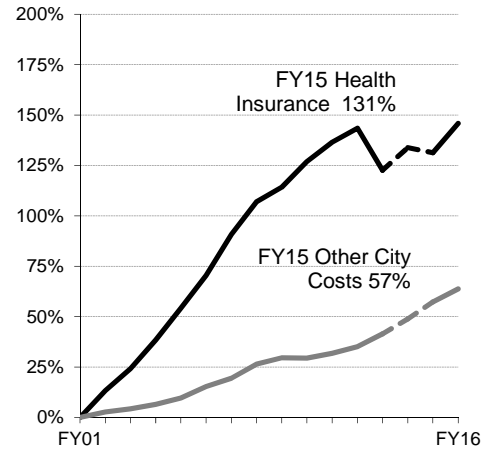
Mandatory Medicare Enrollment

New municipal health care reform legislation passed by the state legislature in 2011 mandated that all Medicare-eligible municipal retirees enroll in Medicare Part B and a supplemental Medicare health plan. By FY14, approximately 4,500 more City retirees and their spouses were enrolled in Medicare Part B and a City of Boston supplemental Medicare health plan, than prior to the legislation. For these retirees, total health care costs stayed level or decreased and benefits remained level because the City, in compliance with the state mandate, offers supplemental Medicare health plans which are actuarially comparable to its non-Medicare health plans.

Health Insurance (\$ Mil)			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY05	\$ 189.23		
FY06	\$ 209.19	\$ 19.96	10.5%
FY07	\$ 234.25	\$ 25.06	12.0%
FY08	\$ 253.96	\$ 19.71	8.4%
FY09	\$ 263.01	\$ 9.05	3.6%
FY10	\$ 278.59	\$ 15.58	5.9%
FY11	\$ 290.46	\$ 11.88	4.3%
FY12	\$ 298.91	\$ 8.44	2.9%
FY13	\$ 273.39	\$(25.52)	-8.5%
FY14*	\$ 287.02	\$ 13.63	5.0%
FY15*	\$ 284.03	\$(2.99)	-1.0%

*Projected

Table 2



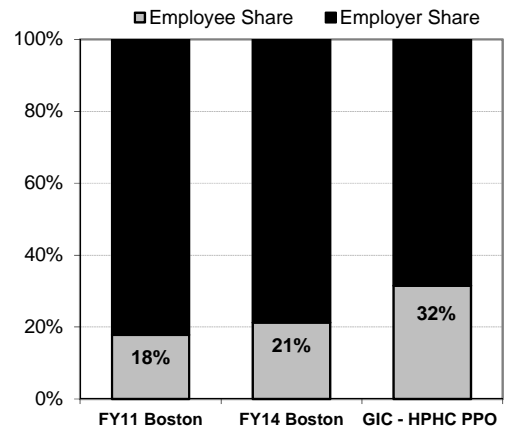
City Cost Increases (cumulative)
FY01-FY16 (FY15-FY16 Projected)

Figure 8

For the City, annual savings from this mandate, beginning in FY13, totaled approximately \$20 million annually.

City and Union Partnership

In FY11, the City adopted MGL Chapter 32B, S.19 and began working on health benefit strategies with City unions through coalition bargaining. As part of a four-year agreement between the City and its thirty-six bargaining units, represented through the Public Employee Committee (PEC), City employees and retirees now pay an increased share of total health care costs. The agreement was established outside of, but was assisted by, statewide municipal health care reform legislation passed in June 2011, which gave



FY14 Employee Share of Total Healthcare Costs

Premium plus "Out-of-Pocket" (OOP) costs. Boston and GIC Premium shares for Harvard Pilgrim.

Figure 9

municipalities more freedom in health plan design. The agreement was projected to save the City up to \$70 million from FY12 – FY15. Under this agreement, the employee and retiree share of premiums for non-Medicare plans increased by 1.25% in FY12 and by an additional 1.25% in FY13. Total employee premium share varies by type of plan, ranging from 17.5% for HMO plans to 27.5% for indemnity plans.

In addition to the premium share increase, member co-pays for prescriptions, office visits, and emergency room visits increased in FY13. These co-pay increases were partially balanced by the elimination of co-pays, under requirements of the Federal Affordable Care Act (ACA), for preventive services such as annual check-ups and women’s preventive health services.

Figure 9 demonstrates the net higher share of total health care costs (including premiums and co-pays) borne by employees and retirees as a result of the PEC agreement and ACA changes. In FY11, members paid roughly 18% of total health care costs, compared to 21% in FY14, the second year the new co-pays went into effect.

Cost Efficiencies

City health care costs have also been reduced through more efficient management practices, undertaken with the cooperation of the PEC. These efforts include:

- By FY12, a costly indemnity plan was completely phased out, saving millions of dollars per year with no negative impact on members.
- In FY13, the City began to self-insure most health care costs to reduce administrative costs, and establish a mechanism to smooth premium increases in the long run. Savings are first being realized in reduced FY15 premiums, after reserves were funded.
- In FY14, self-insurance expanded to an additional health plan saving up to \$0.9 million per year.
- FY14, the Health Benefits Office undertook a state mandated comprehensive enrollment audit, to assure that dependents enrolled in the City’s plans are eligible for coverage.
- In FY14, the City and PEC began the process of competitively bidding out all non-Medicare plans, to assure that City health care claims are being most effectively and cost efficiently managed, and to explore additional lower cost options. Plan management will be competitively bid during FY14 – FY15, with plan changes effective for July 2015.

Claims Trends

Nationally, claims costs are increasing at a lower rate than in the early 2000’s, contributing to lower premium increases. The current projected annual increase for the City of just under 7% is still higher than that for other City expenditures. Health care cost increases are a national issue, and the City is limited in its ability to tackle multiple causes including increasing medical provider charges, an aging population, overuse of certain services, high utilization of more expensive hospitals, and unhealthy lifestyle choices of members.

The City, in cooperation with the PEC, will continue to address the portion of these factors within its control and to negate this trend. For example, efforts have been taken to encourage City employees and retirees to adopt healthier lifestyle choices, through targeted benefit improvements to support smoking cessation. And a program was undertaken by the City’s largest health care provider to encourage additional preventive screenings.

Note: FY15 health, dental and life insurance benefits for City employees and retirees are budgeted separately for

City Healthplan Subscribers Mar '14			
Healthplan	Active	Retiree	Total
Indemnity	2,116	1,390	3,504
HMO	13,263	2,601	15,864
Medicare	-	10,279	10,279
Total	15,379	14,270	29,647

Table 3

City departments (\$189.9M), BPS (\$90.3M), and PHC (\$10.0M).

Other Post-Employment Benefits (OPEB)

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for retiree health and life insurance benefits. Similar to pensions, employees earn these other post-employment benefits (OPEB) over their years of service, but do not actually receive them until retirement. The most recent independent actuarial valuation, as of June 30, 2013, valued the City of Boston’s unfunded liability for these benefits at \$2.1 billion.

City Annual Appropriations to OPEB Trust		
	City	PHC
FY08	20.0	-
FY09	25.0	-
FY10	20.0	-
FY11	35.0	1.3
FY12	35.0	1.3
FY13	40.0	2.3
FY14	40.0	2.3
FY15	40.0	2.3
Total	255.0	9.3

\$millions

Table 4

In FY08, the City was required to follow new Governmental Accounting Standards Board (GASB) requirements to identify and disclose this estimated liability. At the same time, the City also voluntarily began to annually allocate funds to reduce the OPEB liability. Annual allocations are retained in an irrevocable Trust Fund, authorized through the City's acceptance of M.G.L. Chapter 32B section 20, and are summarized in Table 4.

The Annual Required Contribution (ARC) for the City to significantly reduce the OPEB liability over a 30 year period is projected at \$168.3 million in FY15, as shown in Table 5 below. The City will fund \$166.3 million in FY15 through a combination of pay-as-you-go benefit payments for current retirees as discussed in the previous section, and a \$40 million FY15 allocation to the Trust to continue to build Trust assets. (The PHC will also deposit an additional \$2.25 million to the Trust.)

The future annual ARC for the City will vary based on the total estimated OPEB liability, largely influenced by changes to retiree health benefits, the annual additional contribution, and the discount rate used. The total estimated liability was significantly reduced in the June 2013 valuation due to health benefit changes negotiated

FY15 Annual Required Contribution (ARC) to Reduce OPEB Liability Over 30 Years		% ARC
Total ARC	\$168.3	
FY15 Projected Benefit Payments	\$124.1	
FY15 Annual Allocation	\$42.3	
Total FY15 Payments	\$166.3	99%
Difference	-\$2.0	

\$millions

Table 5

between the City and the Public Employee Committee (PEC), statewide municipal health care reform mandating that Medicare eligible retirees enroll in a Medicare health plan, and the impact of the City's steady annual OPEB allocation on the discount rate.

Pensions

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

The City's annual pension funding contribution was \$126.4 million in FY12, \$137.0 million in FY13, and is budgeted for \$152.9 million in FY14 and \$169.6 million in FY15.

FY12 was the first year the SBRS required appropriation was impacted by the significant loss in pension assets experienced in calendar year 2008.

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

ENERGY MANAGEMENT

Energy Management Board

The Mayor's Energy Management Board is charged with making decisions regarding the City's procurement, use and conservation of energy and to minimize the associated greenhouse gas impacts to public health.

In FY15 energy budgets total \$52.6 million with electricity costs making up 50% of the budget, natural gas costs making up 26% of the budget and gasoline/diesel

comprising 13% of the budgets. The remaining 11% of the budget funds water and sewer, steam and heating oil.

Energy Management Policies

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

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

Energy Management Strategies

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

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

Energy Management Successes

In FY15, the City hopes to continue its trend of energy management successes and benefit from decisions made in prior fiscal years.

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

Starting in FY12 and continuing into FY15, the most dramatic change in energy use will come in the Public

Works Department. Through a collaborative effort of the Environment and Energy Cabinet, the Public Works Department and NSTAR, the local electric distribution company, three financial resources have been combined to implement a significant retrofit project. The project involves the replacement of mercury and sodium vapor street lighting fixtures with energy efficient Light Emitting Diodes (LEDs). Through FY15, the LED project is projected to save over 24 million kilowatt hours and an estimated \$3 million in utility costs. The cost of the LED project is currently funded with City capital funding and energy efficiency incentive dollars distributed by NSTAR. In prior years items were paid for from the Energy Efficiency and Conservation Block Grant, funded through the American Recovery and Reinvestment Act (ARRA).

Additional energy projects implemented in FY14 include the installation of automatic energy control systems at the Strand Theater, saving over 120,000 kilowatt hours and over \$20 thousand annually. Boston Public Schools also continued to install lighting controls and occupancy sensors, this year at the Hennigan School, Boston Latin Academy, the Thompson School and East Boston High School. These measures saved \$53 thousand and over 360,000 kilowatt hours.

Continuing a successful partnership with the City's local utility companies and accessing energy efficiency incentive grant funds, future projects for FY15 and beyond include the continued upgrade of street lights fixtures to LEDs that should save an additional 6 million kilowatt hours of electricity and an estimated \$900 thousand in FY15. Additionally, several firehouses will receive boiler, HVAC and lighting upgrades. The remainder of the Boston Public Library branches will have Building Management Systems installed; making BPL the first city department with all of its buildings continuously monitored. Estimated savings are over 110,000 kilowatt hours and \$25 thousand.

APPROPRIATIONS

Departmental Appropriations

The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS) as shown in the FY15 Budget Summary have increased by 3% from the FY14 appropriations.

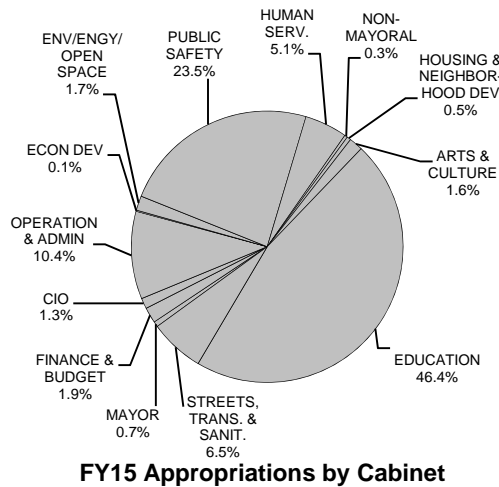


Figure 10

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

Departmental appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 10)

It should be noted that the cabinet structure under the new Walsh administration has been revamped. The structure now includes an Operations & Administration cabinet and an Arts & Culture cabinet. The former Advocacy & Strategic Investment cabinet and the Public Property cabinet have been eliminated with the departments formerly under them distributed among the remaining cabinets. Public Health has been combined with Human Services to form the Health & Human Services Cabinet. More of the details of the reorganization are described below in each of the cabinet sections.

Mayor's Office

Overall, in FY15 the departments in the Mayor's Office cabinet will see a net decrease of just under 1%. Departments included in the Mayor's Office Cabinet are the Mayor's Office, the Election Department, Law, and Public Information. The most significant decrease is in the Election Department (formerly under the Public Property cabinet). The department's budget varies each year based on the number and type of elections scheduled to take place. There are no City municipal elections currently anticipated for FY15. It is a State election year therefore all ballot, programming and printing costs are the responsibility of the Commonwealth.

The Mayor's Office includes two new positions that will focus on the Mayor's priority of violence prevention. The Office of New Urban Mechanics (MONUM) also resides in the Mayor's Office. MONUM is dedicated to civic innovation and engagement, focusing on delivering both transformative and basic City services to Boston's residents. In FY15, a new position was added to further MONUM's mission.

The Mayor's 24-Hour Office of Constituent Engagement in the Public Information Department works in partnership with the Department of Innovation and Technology (DoIT) and front-line service delivery departments to manage the Constituent Relationship Management (CRM) system. This system dispatches work to the responsible city departments and tracks the final resolution. Costs related to CRM technology are budgeted in the Department of Innovation and Technology (DoIT) which is under the Chief Information Officer.

Operations & Administration

The Chief of Operations & Administration will oversee the development and maintenance of the relationships, procedures and strategic operations necessary to implement the Mayor's goals for his administration. This newly created cabinet will assume responsibility for many of the administrative functions formerly under the Administration & Finance cabinet such as human resources, labor relations and health insurance as well as oversee the Offices of Neighborhood Services and Intergovernmental Relations (IGR) and the Property & Construction Management Department.

The Office of Neighborhood Services is showing an increase of 19.2% mainly due to the consolidation of staff and non-personnel expenses for the "City Hall To Go" truck – an initiative that serves residents where they live and work. (These expenses were spread over several departments in FY14.) The truck visits every neighborhood in the City at least once a month and is available after work and on weekends to meet the needs of residents. "City Hall To Go" offers an array of city services that include paying parking tickets and tax bills, applying for library cards or dog licenses, and registering to vote. There are also increases in IGR (5.2%) where resources were added to address the coordination of external funding and in Human Resources (3.0%) which will assume more responsibilities in its Workers' Compensation unit.

The Property and Construction Management Department manages the design and construction of most facility projects included in the City's capital plan. It also provides property management and security services for many City buildings. The FY15 budget includes funding to cover wage increases for settled collective bargaining agreements as well as increases in utility costs.

Despite the increases in the departments, a significant decrease in the central Health Insurance appropriation (more fully discussed in the Employee Benefits section earlier in this chapter), will cause the Operations & Administration Cabinet overall to show a net decrease of 1.0% in FY15. The Health Insurance appropriation also includes the cost of dental and vision coverage for city employees (non-BPS and non-PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

Arts & Culture

The addition of the Arts & Culture Cabinet in FY15 fulfills Mayor Walsh's pledge to create a vehicle through which the City can work to increase diversity and inclusion in arts programming, seek grants and sponsorship opportunities, and secure funding and support for Boston's arts community.

The new Office of Arts & Culture will assume arts and cultural responsibilities formerly under the department known as the Mayor's Office of Arts, Tourism and Special Events (MOATSE). In addition to the arts and cultural responsibilities, the Office of Arts & Culture will partner with the Economic Development Cabinet in all creative, economic and tourism discussions and initiatives. Funding has been added for FY15 to allow the City to supplement funds provided by the Massachusetts Cultural Council and double the number of grants awarded to non-profit arts organizations. (It should be noted that most of the dollar increase shown in the creation of this office is offset by the decrease in the Office of Tourism.)

Included under the Arts & Culture cabinet is the Boston Public Library (BPL) Department which will see a 1.7% increase in its FY15 general fund appropriation. The increase will allow the BPL to expand Saturday hours in all of the branches and Sunday hours at the main branch in Copley Square. The BPL will also create two new librarian positions to address the expected increase in demand for services based on the improvements being made to the main branch library.

Economic Development

The Economic Development cabinet has been expanded and reimagined. It is now comprised of the Office of Economic Development, the Boston Redevelopment Authority (BRA), Consumer Affairs & Licensing and the Office of Tourism. The Boston Residents Jobs Policy and the Small and Local Business departments (both formerly under the Advocacy and Strategic Investment cabinet) have been consolidated into the Office of Economic Development as programs directly under the cabinet chief.

The mission of the Office of Economic Development is to increase accessibility for all Bostonians to share in and benefit from the economic boom in Boston. The Chief of Economic Development sits in this newly restructured City department. The mission includes increasing construction employment opportunities for Boston's residents, minorities and women as well as advocating on behalf of minority and women-owned business enterprises (MWBES) and small and Boston-based business enterprises (SLBES) to help them compete for city contracts. An additional construction monitor position was added to the FY15 budget.

The Boston Redevelopment Authority (BRA) continues to fully fund its operation as the City's central planning and economic development agency within the existing BRA revenue structure, without support from the City's general fund in FY15. The BRA does access the City's capital budget to make investments in economic development areas under its control.

The Office of Tourism is showing a substantial decrease as the arts & cultural responsibilities formerly in the Mayor's Office of Arts, Tourism and Special Events have been split off and elevated to a Cabinet level, leaving the tourism & special events responsibilities with the Economic Development cabinet. The budget for this cabinet will show a net decrease of just under 10% in FY15 due to the split.

Education

The FY15 Boston Public Schools (BPS) budget will increase by \$37.0 million, or 3.9%, from the FY15 appropriation. The FY15 budget includes funding for equipment and infrastructure to implement Common Core standards and the Partnership for Assessment of Readiness for College and Careers (PARCC) on-line assessments. BPS will also extend hiring autonomy to schools to hire qualified, diverse candidates. Over 100 K1 seats will be added and investments will be made in

extended learning time at turnaround schools and Acceleration Academies. (See the *Innovations in Education* chapter of this volume for more details.)

Environment, Energy & Open Space

The Environment, Energy & Open Space Cabinet, which includes the Environment, Inspectional Services (ISD) and Parks departments, will see a 1.7% decrease in FY15 due to the transfer of the Code Enforcement unit formerly in ISD to the Public Works Department. The Cabinet focuses on energy policy including renewable energy and green buildings and the enforcement of the City's building, housing, and environmental regulations. The cabinet helped facilitate a collective movement known as "Greenovate Boston" that seeks to ensure a greener, healthier and more prosperous future for the City by meeting the goal of reducing greenhouse gas emissions while encouraging continued sustainable growth within the City.

The Environment Department will see a 5% increase in its FY15 budget. Matching funds have been added to support an externally-funded position for the operation of the Enterprise Energy Management System (EEMS) application. The EEMS measures municipal energy use and helps city facility managers optimize energy use. In addition, the department will continue to implement the requirements set forth by the Building Energy Reporting and Disclosure Ordinance (BERDO) that was approved in Boston City Council in the Spring of 2013. BERDO requires large commercial and residential buildings to report energy use and greenhouse gas emissions to encourage energy efficiency and further the City's climate action goals. These two major initiatives will help guide the Mayor's Climate Action Plan.

The Inspectional Services Department (ISD) will see a decrease of 6.0% in FY15 due to the transfer of the Code Enforcement unit to Public Works and the elimination of some one-time startup costs related to the expanded rental housing inspection program in FY14. In FY15 ISD will continue to work with the Department of Innovation and Technology to streamline the City's licensing and permitting functions. ISD will also add a new position that will be focused on expediting plan reviews for small businesses and owner-occupied residential projects.

The Parks and Recreation Department budget will increase by 2% in FY15. The FY14 budget included funding for the Parks and Recreation Department to expand recycling in the Boston Common, Public Garden and Christopher Columbus Parks by installing solar

powered self-compacting trash receptacles with recycling sidecars. This funding will not be needed in FY15, however, funding for tree maintenance has been increased to help reduce the backlog of requests for tree trimming.

Finance and Budget

The Finance and Budget Cabinet oversees the financial management of city government. In addition to the finance departments the cabinet includes the central City appropriations for Execution of Courts, Medicare Payments, Pensions and Annuities, Unemployment and Workers' Compensation Fund.

The Office of Finance & Budget is responsible for the long-term growth and stability of the City through sound fiscal and results-driven management of the City's financial resources. Resources to support the citywide Boston About Results (BAR) performance management program are provided by the Office of Finance & Budget. The Office will see a 10.1% decrease in FY15. In FY14, the budget included staff and consulting resources related to economic development that will be assumed by the Law Department in FY15.

The Assessing Department will be essentially level funded in FY15. During FY15 the Assessing Department will be doing the groundwork for a comprehensive parcel-specific revaluation of the City's taxable property that will occur in FY16. The revaluation is legally required to be undertaken every three years.

The Auditing Department is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports and maintaining the financial records of the City. Auditing will also be essentially level funded in FY15.

The Office of Budget Management (OBM) manages the City's operating and capital budget development and resource planning processes and provides analytic support to the Boston About Results (BAR) performance management program that is centrally managed by the Office of Finance and Budget. The budget for OBM has been decreased by 1% for FY15.

The Purchasing Department's budget will increase by just under 1% in FY15. Purchasing is responsible for supporting City wide procurement including the City's eProcurement activities.

The Registry Division, which is responsible for birth, death and marriage records, will be essentially level-funded in FY15. Registry is actively participating in a

large scale capital-funded imaging and document management technology project with the Department of Innovation and Technology. The budget reduction in the Treasury Department's FY15 budget reflects the inclusion of a mandatory appropriation for tax title activities in FY14 that is not shown in FY15. Once tax title is added to the FY15 appropriation the department will show an increase due to a rise in postage costs.

Health & Human Services

Overall, the FY15 appropriation for the Health & Human Services Cabinet has increased by 2.0%. The Boston Centers for Youth and Families (BCYF) budget will increase by 4.7%. BCYF manages full service community centers that provide diverse quality programming, consistent hours of operation and quality facilities. BCYF offers diverse recreational activities such as rock climbing. Community friendly spaces, audio visual equipment and technology infrastructure are also available to support civic innovation and engagement.

BCYF continues to maintain its commitment to working with partner organizations and community stakeholders to provide the highest level of service in all neighborhoods of the City.

In FY15, BCYF will build on its successful initiative of renovating and upgrading spaces at community centers to be "Teen Friendly" spaces that include music studio elements, homework space, games, and technology. The FY15 budget includes funding to complete renovations at five more sites. This effort is part of a larger ongoing program to engage local teens and promote youth development at the centers.

The Fair Housing and Equity department will see a 15.7% increase to its general fund appropriation. While most departmental staff in the department are funded with external funds, a deputy director position was created within the general fund budget to more fully support the mission of the department. The FY15 budget provides full funding for this position. The Fair Housing and Equity department focuses on eliminating discrimination to ensure fair and equal access to housing, public services, accommodations and participation in activities. The department investigates and enforces cases of discrimination with regard to housing and monitors and investigates vendor compliance with the City's Criminal Offender Record Information (CORI) ordinance.

The Commission for Persons with Disabilities' budget will increase by 11.0% in FY15. The Commission is committed to reducing architectural, procedural, attitudinal, and

communication barriers that affect people with disabilities. New for FY15 will be the provision of Communication Access Real-time Translation (CART) and sign language services for board meetings and special events.

The Elderly Commission will see a 5.3% increase in its FY15 appropriation. The increase will allow the department to hire a staff assistant for special projects such as the Alzheimer's Blue Print as well as expand outreach to identify and engage new older adults not currently aware of the Commission's programs. In FY15 the Commission will also study the operations of the Senior Shuttle program that provides transportation for seniors.

The Office of New Bostonians seeks to strengthen the ability of diverse cultural and linguistic communities to play an active role in the economic, civic, social and cultural life of the City of Boston. The Office works to provide opportunity, access and equality for immigrants and to highlight the contributions and essential role immigrants have played and continue to play in making Boston a world class city. The FY15 increase covers scheduled salary increases for current positions.

The Boston Public Health Commission serves as the city's health department and provides community health programming; infectious disease surveillance; shelter, food, and advocacy for homeless individuals; substance abuse prevention and treatment programs; home and school based health services for children and families; and emergency medical services. The FY15 appropriation for the Public Health Commission will increase by 1.3%. The FY15 appropriation includes \$13.4 million for Emergency Medical Services (EMS). EMS will have a recruit class to keep staffing at an appropriate level.

In FY15 the Boston Public Health Commission will open the Mayor's Office of Recovery Services to improve access to treatment and recovery services for Boston residents with addiction disease. Violence prevention and trauma response also remain priorities. The department will establish trauma recovery centers in neighborhoods disproportionately affected by violence and support neighborhood based trauma teams.

NOTE: The Public Health Commission (PHC) budget previously included a \$10.75 million direct payment to the Boston Medical Center, called the Assistance Grant, which was required by the agreement reached when the City consolidated Boston City Hospital and Boston

University Medical Center Hospital in 1995. This payment was then used to reimburse the City for the Boston City Hospital special obligation bond's annual debt service. In FY12 the City refinanced the special obligation debt as general obligation bonds. The debt for these general obligation bonds is now included in the City's centralized debt service account eliminating the need for the \$10.75 annual appropriation for PHC.

The Veterans' Services department budget decreases by 1.9%. The department has restructured its approach to service delivery and has achieved some savings from employee retirements. The appropriation includes the Aid to Veteran's account that covers state-mandated veteran expenses paid by the City and reimbursed by the Commonwealth of Massachusetts at 75% of the actual costs.

The Women's Commission will see a 5.6% increase in FY15. A support position has been added to help the Commission meet its goals and to address issues of domestic violence, human trafficking and increasing numbers of women engaging in acts of violence.

In FY15 the Youth Fund has been rebranded as Youth Engagement and Employment and will see an increase of just under 1%. The budget will continue to support a successful partnership with community-based organizations and, when combined with anticipated state funds, is projected to provide an estimated 3,300 summer jobs. Together with all of its partners, the City's goal is to provide or leverage approximately 10,000 summer jobs. The department will also work year round to support youth via the Mayor's Youth Council and provide for school-year jobs.

Continuing an initiative begun in FY14, the department will provide resources to allow young people throughout the City to engage in a process of participatory budgeting which will help them learn about City government and capital budgeting. Through this process they will identify projects in their communities, vet those projects and make funding decisions to create a capital "Youth Budget" that will be included in the BCYF capital budget. The budget also includes an allocation for alternative education programming.

Housing and Neighborhood Development

The Housing and Neighborhood Development cabinet will increase by 3.9% in FY15. The Department of Neighborhood Development (DND) will see an increase of 9.2%. The FY15 DND budget includes increased

funding to support Main Street districts and new funding for a small business innovation program.

In FY15, DND will continue the "Million for the Middle" initiative that intends to make one million square feet of City-owned vacant land available for housing for middle class residents over two years.

Economic development and job creation will be supported with funding, technical assistance, and training for the Main Street Districts whose mission is to build vibrant neighborhood commercial districts throughout the City.

The Leading the Way appropriation has been level funded in FY15. Resources will be used for affordable housing development, HomeWorks HELP (Home Equity Loan Program) that provides qualified homeowners with loans for home repair projects, and the Triple Decker (3D) Initiative that helps preserve and support traditional ownership of Boston's triple deckers where the owner lives in one unit and rents the other two units.

Information & Technology

The Department of Innovation and Technology (DoIT) will see a 9.7% increase in its FY15 appropriation. This budget reflects the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. In FY15, positions have been added to support data analysis and to help streamline the permitting and licensing process through technology. Much of the budgetary growth for DoIT in FY15 relates to supporting new and existing enterprise-wide software applications, some of which need to be upgraded. Typically the various enterprise-wide technology systems, most often implemented through the City's capital budget, have their ongoing support and maintenance costs budgeted centrally in DoIT's operating budget. In FY15 DoIT will absorb the ongoing operating costs for the enterprise energy management software along with online email and hosted messaging systems.

Public Safety

The Public Safety Cabinet, that includes the Emergency Management, Fire and Police Departments, will see a 4.6% increase in FY15. Police and Fire along with Emergency Medical Services in the Public Health Commission, will be actively using an upgraded Computer Aided Dispatch (CAD) system that will greatly improve communication of information to all public safety departments.

The Office of Emergency Management, formerly in the Mayor's Cabinet, is now under the Public Safety Cabinet. The department gets the majority of its resources from external funds provided by the U.S. Department of Homeland Security, but the department also has a small operating budget. The department works with its regional partners to prevent, respond and recover from incidents of terrorism, natural disasters and other emergency conditions.

The FY15 budget for the Fire Department will increase by approximately \$4.2 million or 2.1%. The FY15 budget includes firefighter wage increases based on the current collective bargaining agreement. Additionally, the FY15 budget includes a new firefighter recruit class planned to start in fall of 2014. The recruit class is intended to replace retirees and to ensure that staffing levels in the fire suppression category are maintained at the appropriate operational level. In FY15 the department will continue to purchase replacement bunker gear to be in compliance with national standards.

The Police Department's FY15 budget will increase by \$19 million or 6.3%. The increase is driven in large part by an arbitration award approved by City Council in December 2013 that increased wages for police officers. Similar wage patterns were negotiated with superior officers and superior detective unions. In addition the new promotional exam for superior officers, originally planned to be implemented during FY13, started in FY14, but spending will largely occur in FY15.

The budget includes the impact of a new police officer recruit class planned to start in late fall 2014. With the roll out of the upgraded Computer Aided Dispatch (CAD) and police records management project in late FY14, the department should see large operational efficiencies in FY15 when police officers will be able write reports and access information from their vehicles.

Streets, Transportation & Sanitation

Individual budgets in this cabinet include Central Fleet Management, the Office of Streets, Transportation and Sanitation, Public Works, and Transportation, as well as the City's appropriation for snow removal. The Cabinet reflects a decrease of almost 1.0% with Snow Removal level funded.

The Central Fleet Management (CFM) Department provides vehicle-related services for departments throughout the enterprise. During FY14, CFM reorganized how it delivers service and manages its parts inventory. The unit has professionalized its staff

certifications to comply with the National Institute of Automotive Service Excellence (ASE) standards. Besides performing repairs and preventative maintenance to all non-public safety vehicles, CFM continues to play a critical role in the analysis of departmental vehicle inventories, including information about vehicle age, mileage, utilization and repair history so that departments can make informed decisions with regard to vehicle replacements. CFM also manages the City's popular vehicle-sharing program, FleetHub, that uses web-based technology that allows City employees to reserve vehicles online and access them with a CFM-issued FleetHub card. In FY15 two new vehicles will be purchased for the FleetHub motor pool in addition to some required central maintenance vehicles and equipment. The increase of 6.1% in CFM's budget will cover the projected costs of providing these citywide services.

The Office of Streets, Transportation and Sanitation provides the administrative support for the departments in the cabinet. This office will see an 11.5% increase to cover the cost of the cabinet level position which was not funded as a separate position in the FY14 budget.

The Public Works Department's FY15 appropriation has decreased by 1.9%, even with the transfer of 19 code enforcement employees from the Inspectional Services Department to the Public Work's Waste Reduction unit. This transfer was implemented to better manage compliance with the City's sanitary codes and ordinances and enforce any violations that would adversely impact the environment and the health and safety of the public. The bulk of the budget reduction in FY15 comes from savings associated with favorable waste disposal bids. The second largest budget savings comes from the department's continued energy reduction efforts with the installation of energy efficient street lights. Through a collaborative effort with the Environment and Energy Cabinet and NSTAR, the local electric distribution company, Public Works will continue to retrofit existing street light fixtures with energy efficient Light Emitting Diodes (LEDs). The cost of the ongoing LED project is funded with City resources and energy efficiency incentive dollars managed by NSTAR.

In FY15, the Transportation Department will see an increase of .7%. The budget includes funding for two traffic studies for neighborhood business districts. In addition, the department will manage the Boston Mobility Action Plan, funded in the capital budget, which will develop a long-term vision to guide transportation

policy and capital investments. The budget continues to support community bicycle programs such as Roll it Forward, the Youth Cycling Initiative, Bike Fridays and Boston Bike Week.

Reserve for Collective Bargaining

The FY15 collective bargaining reserve includes funding for collective bargaining agreements that are still outstanding.

Debt Service

The City had expenditures for debt service of \$130.6 million in FY12 and \$129.2 million in FY13. The City has a budget of \$144 million for debt service in FY14 and \$154.7 million in FY15. A history of balanced budgets, prudent fiscal policies and a conservatively structured debt profile serves the City well. In February 2014, Standard and Poor's upgraded Boston's rating from AA+ to AAA and Moody's Investors Service reaffirmed Boston's Aaa ratings. These bond ratings, the highest achievable, are a first for the City and speak well of the City's credit quality. A higher bond rating translates into lower interest rates and real dollar savings for the City.

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

State Assessments

Accompanying the local aid distributions on the State's cherry sheet are charges to the City from the Commonwealth. Aside from the assessments for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition, state assessments are relatively small. In accordance with Proposition 2 1/2, these charges, except for Charter School Tuition, cannot increase by more than 2.5% annually on a statewide basis. The City's state assessments (inclusive of Charter School Tuition) were \$156.6 million in FY12 and \$172.4 million in FY13. The City expects growth in assessments to \$192.4 million in FY14 and to \$215.6 million in FY15.

Suffolk County

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

During FY10, State legislation was passed that moved the Sheriff's department and its employees to the State effective January 1, 2010. The one residual liability that will continue to be a cost for the City is the unfunded pension liability of the current retirees of the Sheriff's department, who shall remain as members of the State-Boston Retirement System (SBRS). The FY15 annual cost will be slightly lower than what was provided in FY14 for Suffolk County. Once the unfunded liability is fully extinguished, funding by the City for Suffolk County will no longer be necessary.

Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$29.1 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.

State Assessments				
	FY12	FY13	FY14	FY15
	Actual	Actual	Budget	Budget
M.B.T.A.	\$ 77,760,210	\$ 78,301,126	\$ 79,150,549	\$ 81,269,504
Charter School Tuition	74,085,738	89,565,576	108,661,809	130,124,868
RMV Non-Renewal Surcharge	2,906,560	2,811,520	2,811,520	2,538,700
Other Assessments	1,870,381	1,697,597	1,763,220	1,632,064
	\$ 156,622,889	\$ 172,375,819	\$ 192,387,098	\$ 215,565,136

Table 7

General Fund Appropriations by Cabinet

Cabinet	Department	FY 12 Expenditure	FY 13 Expenditure	FY 14 Appropriation	FY 15 Appropriation	Inc./Dec. 15 vs 14
Mayor's Office	Mayor's Office	2,112,953	2,125,701	2,473,193	2,468,831	-4,362
	Election Department	3,253,480	4,248,670	3,815,293	3,638,754	-176,539
	Law Department	5,816,848	5,617,855	6,132,129	6,217,441	85,312
	Public Information	1,152,521	1,221,903	1,361,707	1,407,994	46,287
	Total	12,335,802	13,214,129	13,782,321	13,733,020	-49,301
Operations & Administration	Health Insurance	207,405,535	182,842,982	192,789,047	189,882,172	-2,906,875
	Human Resources	3,320,939	3,502,926	3,673,099	3,784,831	111,732
	Intergovernmental Relations	1,161,314	1,179,508	1,254,288	1,319,728	65,440
	Neighborhood Services	1,151,989	1,187,329	1,283,430	1,529,811	246,381
	Office of Labor Relations	1,091,723	1,627,829	1,437,514	1,423,153	-14,361
	Property & Construction Mgmt	21,669,051	24,104,775	21,340,680	21,650,853	310,173
	Total	235,800,552	214,445,349	221,778,058	219,590,547	-2,187,511
Arts & Culture	Office of Arts & Culture	0	0	0	1,063,837	1,063,837
	Library Department	30,152,019	31,069,333	32,872,934	33,416,126	543,193
Total	30,152,019	31,069,333	32,872,934	34,479,963	1,607,029	
Economic Development	Office of Economic Development	1,085,111	1,036,036	1,181,410	1,618,615	437,205
	Consumer Affairs & Licensing	417,524	446,788	434,167	440,828	6,661
	Office of Tourism	1,551,410	1,761,769	1,910,570	1,119,721	-790,849
Total	3,054,045	3,244,593	3,526,147	3,179,164	-346,984	
Education	Boston Public Schools	831,342,693	881,202,782	937,961,741	974,928,600	36,966,859
Total	831,342,693	881,202,782	937,961,741	974,928,600	36,966,859	
Environment, Energy & Open Space	Environment Department	1,499,489	1,961,655	2,067,089	2,170,248	103,159
	Inspectional Services Department	15,576,292	16,183,268	17,622,222	16,565,330	-1,056,892
	Parks & Recreation Department	15,621,888	17,339,456	17,126,480	17,469,217	342,737
Total	32,697,669	35,484,379	36,815,791	36,204,795	-610,996	
Finance & Budget	Office of Finance & Budget	795,224	2,176,639	1,104,812	993,338	-111,474
	Assessing Department	6,265,855	6,490,579	6,687,423	6,681,665	-5,758
	Auditing Department	2,229,469	2,444,875	2,605,501	2,607,286	1,785
	Budget Management	2,618,868	2,622,985	2,767,613	2,739,937	-27,677
	Execution of Courts	14,500,001	11,976,054	3,500,000	3,500,000	0
	Medicare	7,924,250	8,264,396	8,653,479	8,653,479	0
	Pensions & Annuities - City	4,099,939	4,099,517	4,100,000	4,100,000	0
	Pensions & Annuities - County	33,774	34,554	100,000	100,000	0
	Purchasing Division	1,519,184	1,486,004	1,761,700	1,773,821	12,112
	Registry Division	1,032,853	1,018,486	1,032,739	1,034,851	2,112
	Treasury Department	4,242,360	4,480,640	4,729,312	4,242,392	-486,920
	Unemployment Compensation	43,489	80,113	350,000	350,000	0
	Workers' Compensation Fund	2,596,646	2,085,234	2,200,000	2,200,000	0
	Total	47,901,912	47,260,077	39,592,580	38,976,769	-615,811
	Health & Human Services	Boston Center for Youth & Families	21,338,453	22,800,596	23,413,069	24,521,772
Civil Rights		125,080	115,732	197,875	228,844	30,969
Commission For Persons W/Disabilities		311,294	265,421	359,455	399,164	39,709
Elderly Commission		2,817,791	2,895,214	2,952,018	3,108,602	156,584
Office of New Bostonians		326,909	332,371	354,341	365,867	11,526
Public Health Commission		72,902,815	67,041,059	66,756,507	67,617,211	860,704
Veterans' Services Department		5,193,879	4,971,630	5,643,127	5,533,560	-109,567
Women's Commission		158,701	161,040	196,053	207,019	10,966
Youth Engagement & Employment		4,629,859	4,674,287	4,960,658	4,991,205	30,547
Total		107,804,782	103,257,349	104,833,103	106,973,245	2,140,142
Housing & Neighborhood Development	Leading the Way	5,000,000	5,000,000	5,500,000	5,500,000	0
	Neighborhood Development	3,632,723	3,875,848	4,123,194	4,501,493	378,299
Total	8,632,723	8,875,848	9,623,194	10,001,493	378,299	
Information & Technology	Department of Innovation and Technology	21,229,899	25,152,183	24,260,079	26,612,228	2,352,149
Total	21,229,899	25,152,183	24,260,079	26,612,228	2,352,149	
Public Safety	Emergency Management	285,756	323,652	461,554	465,583	4,030
	Fire Department	186,945,290	189,138,993	200,369,538	204,614,873	4,245,335
	Police Department	283,038,029	290,713,388	300,632,980	319,700,081	19,067,101
Total	470,269,075	480,176,033	501,464,071	524,780,537	23,316,466	
Streets, Transportation & Sanitation	Central Fleet Management	1,995,506	2,034,247	2,515,549	2,669,110	153,561
	Office of Streets, Transportation and Sanitation	1,318,619	1,302,201	1,426,434	1,590,044	163,610
	Public Works Department	83,471,677	81,459,014	84,720,338	83,099,816	-1,620,522
	Snow Removal	5,366,278	19,130,202	18,510,608	18,510,608	0
	Transportation Department	29,627,357	29,972,352	30,741,674	30,956,887	215,212
Total	121,779,438	133,898,016	137,914,604	136,826,465	-1,088,139	
Non-Mayoral Departments	City Clerk	984,276	1,006,629	1,062,939	1,081,664	18,725
	City Council	4,517,718	4,734,093	5,150,000	5,213,682	63,682
	Finance Commission	178,714	187,376	197,659	247,687	50,028
	Licensing Board	620,838	676,263	725,322	711,016	-14,306
Total	6,301,545	6,604,361	7,135,920	7,254,049	118,130	
Grand Total	1,929,302,154	1,983,884,432	2,071,560,542	2,133,540,875	61,980,333	

Table 8

		Personnel Summary				
		1/1/12 FTE	1/1/13 FTE	1/1/14 FTE	1/1/15 Projected	Projected Inc/(Dec)
Office of the Mayor	Mayor's Office	24.0	23.0	24.6	28.6	4.0
	Election Department	23.0	26.1	28.0	28.0	-
	Law Department	48.0	47.0	50.0	50.0	-
	Public Information	17.1	18.6	20.8	20.8	-
	Total	112.1	114.7	123.4	127.4	4.0
Operations & Administration	Human Resources	47.1	47.1	44.5	45.5	1.0
	Intergovernmental Relations	9.8	10.8	8.8	10.8	2.0
	Neighborhood Services	21.0	21.0	17.0	26.7	9.7
	Labor Relations	10.0	11.0	10.0	10.0	-
	Property & Construction Mgmt.	199.0	202.0	198.0	202.0	4.0
	Total	286.9	291.9	278.3	295.0	16.7
Arts & Culture	Office of Arts & Culture	-	-	-	10.0	10.0
	Library Department	376.1	390.7	393.8	401.0	7.2
	Total	376.1	390.7	393.8	411.0	17.2
Economic Development	Office of Economic Development	15.0	14.0	14.0	19.0	5.0
	Consumer Affairs & Licensing	6.8	6.8	6.8	6.8	-
	Office of Tourism	17.0	22.3	19.1	11.1	(8.0)
	Total	38.8	43.1	39.9	36.9	(3.0)
Education	School Department	8,052.3	8,381.0	8,663.8	8,595.1	(68.7)
	Total	8,052.3	8,381.0	8,663.8	8,595.1	(68.7)
Space	Environment	17.0	22.0	24.0	25.0	1.0
	Inspectional Services	212.0	217.0	223.0	207.0	(16.0)
	Parks and Recreation	200.0	204.0	204.0	204.0	-
	Total	429.0	443.0	451.0	436.0	(15.0)
Finance & Budget	Office of Finance & Budget	6.0	8.0	6.0	6.0	-
	Assessing Department	84.0	81.0	84.0	84.0	-
	Auditing Department	29.0	31.0	37.0	37.0	-
	Budget Management	23.1	23.1	24.1	24.1	-
	Purchasing Division	22.0	20.0	23.0	23.0	-
	Registry Division	19.0	19.0	19.0	19.0	-
	Treasury Department	50.0	51.0	52.0	52.0	-
	Total	233.1	233.1	245.1	245.1	-
Health & Human Services	Boston Center for Youth & Families	338.0	355.3	366.4	367.9	1.5
	Civil Rights	4.0	4.0	7.0	7.0	-
	Commission for Persons with Disabilities	7.0	5.0	5.0	7.0	2.0
	Elderly Commission	63.0	56.0	55.0	58.0	3.0
	Office of New Bostonians	5.0	5.0	5.0	5.0	-
	Public Health Commission	803.3	797.8	762.3	762.3	-
	Veterans Services	10.2	11.6	12.6	13.6	1.0
	Women's Commission	2.0	2.0	2.0	3.0	1.0
	Youth Engagement & Employment	7.0	7.0	6.0	8.0	2.0
	Total	1,239.5	1,243.7	1,221.3	1,231.8	10.5
Housing & Neighborhood Development	Neighborhood Development	29.3	30.4	38.9	38.9	-
	Total	29.3	30.4	38.9	38.9	-
Information & Technology	Dept of Innovation & Technology (DoIT)	112.0	124.0	122.0	127.0	5.0
	Total	112.0	124.0	122.0	127.0	5.0
Public Safety	Emergency Management	1.0	0.6	1.4	1.4	-
	Fire Department	1,571.2	1,560.2	1,619.2	1,632.0	12.8
	Police Department	2,875.1	2,853.1	2,921.7	2,928.0	6.3
	Total	4,447.3	4,413.9	4,542.3	4,561.4	19.1
Streets, Transportation & Sanitation	Office of Streets, Transp. & Sanitation	16.0	13.0	16.0	16.0	-
	Central Fleet Management	38.0	39.0	42.0	42.0	-
	Public Works Department	312.0	303.0	324.0	343.0	19.0
	Transportation	352.9	359.9	370.9	361.9	(9.0)
	Total	718.9	714.9	752.9	762.9	10.0
Non-Mayoral	City Clerk	13.0	13.0	13.0	14.0	1.0
	City Council	73.9	84.3	82.4	82.4	-
	Finance Commission	3.0	3.0	3.0	4.0	1.0
	Licensing Board	7.6	7.6	10.6	9.6	(1.0)
	Total	97.5	107.9	109.0	110.0	1.0
Grand Total		16,172.8	16,532.3	16,981.7	16,978.5	(3.2)

Table 9

PERSONNEL CHANGES

The Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. This includes both permanent and emergency employees. The projected FTE numbers used for FY15 are estimates based on the personnel funding levels contained in the FY15 budgets.

FY13- FY14 FTE Changes

The total net increase in FTEs from January 1, 2013 to January 1, 2014 was 449.4. The majority of the increase was in the priority areas of education and public safety. The City's Position Review Committee continued to review all proposed job postings for vacant positions. All hiring was scrutinized and only critical positions were approved.

Over half of the increase was in the School Department, which added 282.8 FTEs. This included growth in special education support and increased services for autistic students. The department also moved various support positions onto the operating budget following the expiration or reduction of grants. The number of bus monitors also increased.

Staffing levels in the Public Safety cabinet grew by 128.4 FTEs. The timing of new recruit classes impacts the annual FTE snapshot on the January 1st date. This year both the Police and Fire Departments had fall recruit classes.

The Mayor's Office Cabinet increased by 8.7 FTEs. The cabinet added 2 new "City Hall To Go" positions - a program manager in the Mayor's Office and a driver in Public Information. The Law Department filled attorney vacancies.

The departments in the new Operations & Administration Cabinet declined by a total of 13.6 FTEs due to attrition. The reduction in Neighborhood Services is related to the timing of the mayoral transition.

The new Arts & Culture Cabinet gained 3.1 FTEs as the Library Department shifted more FTEs to the operating budget in FY14. The new Economic Development Cabinet, contrastingly, declined by 3.2 FTEs. The new Office of Economic Development includes the former departments of Boston Residents Job Policy and Small/Local Business, which both had vacancies on January 1st.

The Environment, Energy & Open Space Cabinet increased by 8 FTEs. Inspectional Services went up by 6 FTEs due to new positions to support the

implementation of rental housing ordinance inspections. Similarly the Environment Department added a new position to assist with the implementation of the building energy reporting ordinance.

The Finance & Budget Cabinet increased by 12. The Auditing and Purchasing Departments filled existing positions to support the recently upgraded financial system. The Assessing, Budget and Treasury Departments increased with the filling of vacancies.

The Health & Human Services Cabinet shows a net decrease of 22.4 mainly due to the timing of the EMS class in PHC. BCYF and Civil Rights filled vacancies during the year.

The Housing & Neighborhood Development Cabinet grew by 8.5 FTEs as a result of the shifted allocation of more FTEs to the FY14 operating budget from grants.

The newly named Streets, Transportation & Sanitation Cabinet increased by 38 FTEs. Public Works (+21) and Central Fleet Management (+3) filled vacancies as planned. The Transportation Department's increase of 11 FTEs is due to a parking enforcement officer class in the fall as well as a decline in employees on leave.

FY14-FY15 Projected FTE Changes

The City projects that the net decrease in FTE levels will be 3.2 from January 1, 2014 to January 1, 2015. The cabinet structure and in some cases the departments have changed as part of the mayoral transition. While the January 1, 2015 FTEs reflect the new structure, the January 1, 2014 numbers are actual FTEs in the departments prior to the changes. As a result, many of the projected increases or decreases in individual departments are due to the organizational shifts.

Staffing in the Mayor's Office Cabinet is projected to increase by 4 positions between January 1, 2014 and January 1, 2015. To support the Mayor's Safety Initiative, the Mayor's Office added 2 positions to coordinate the City's cross-departmental efforts around violence prevention. The Mayor's Office also added a new Chief Diversity Officer and a position in the Mayor's Office of New Urban Mechanics.

The departments in the new Operations & Administration Cabinet are anticipated to increase by 16.7 FTEs. This growth is primarily due to the filling of vacancies and the transfer of 4 City Hall to Go positions to Neighborhood Services. Additionally Human Resources added a position to support expanded responsibilities in worker's compensation and Intergovernmental Relations

added a resource development position to assist in the coordination of external funding.

The new Arts & Culture Cabinet shows an increase of 17.2 FTEs. The new Office of Arts & Culture has 9 employees transferring from the Office of Tourism (previously Arts, Tourism & Special Events), which is now in the Economic Development Cabinet. The Office of Arts & Culture will also have a new Arts Cabinet Chief. The Library Department will increase with the filling of vacancies.

The new Economic Development Cabinet has a net decrease of 3 FTEs. The Office of Tourism will transfer 9 employees to the Office of Arts & Culture in its new Cabinet and fill a vacancy. The new Office of Economic Development includes the programs and staff of the Boston Residents Jobs Policy (BRJP) and the Small/Local Business Enterprise. The BRJP program is also adding a position to increase the department's ability to monitor construction projects. The Office will also have 4 new positions, including the new Cabinet chief, to support its expanded functions.

From FY14 to FY15 the School Department is projecting a net decrease of 68.7 FTEs as the system reorganizes, consolidates and realigns its work to best support schools.

The Environment, Energy and Open Space Cabinet has a projected decrease of 15 FTEs. The Inspectional Services Department has a net decrease of 16 FTEs with the transfer of code enforcement to the Public Works department and the filling of vacancies for rental housing ordinance inspections. The Environment Department is adding a position to administer the City's new enterprise energy management system. The Finance & Budget Cabinet is projected to remain constant in FY15.

The Health and Human Services Cabinet is expected to have an increase of 10.5 FTEs. Most of the growth is due to the filling of vacancies. The Elderly Commission will add a staff assistant to support special projects such as the Alzheimer's Blueprint. The Women's Commission is also adding a staff assistant as the department expands its programmatic and policy efforts. Overall staffing at the Public Health Commission (PHC) is projected to be level. In FY15 the Commission anticipates a reduction in positions, but the impact is not apparent in this projection due to the timing of filling vacancies and the EMS recruit class.

The FTE count in the Housing & Neighborhood Development Cabinet is expected to remain level. The Information & Technology Cabinet is projected to increase by 5 FTEs with the filling of key vacancies and the addition of 2 new positions to support the permitting system.

Historically, the number of Public Safety employees on the payroll as of January 1 of any year has fluctuated with the timing of retirements and new classes. Retirements, which are typically higher in January than other months, will cause the numbers to go down again. The Fire Department is projected to increase by 12.8 FTEs assuming normal attrition and the hiring of a new class in September. The goal of the department is to have enough firefighters in the suppression force to cover the minimum manning level of 262 and to reduce overtime. The projected increase of 6.3 FTEs in the Police Department is also based on normal attrition as well as a new police class in the fall of 2014.

The Streets, Transportation & Sanitation Cabinet is projected to have a net increase of 10 FTEs. Public Works will increase with the transfer of the code enforcement unit from Inspectional Services and the addition of a project manager for the Connect Historic Boston project. The Transportation Department has a projected decrease of 9 FTEs due to the timing of parking enforcement officer classes.

The Non-Mayoral group of departments will be fairly constant from January 1, 2014 to January 1, 2015 based on current and historical staffing levels. The Finance Commission will add an administrative position.

EXTERNAL FUNDS

The City's \$2.7 billion operating budget is supplemented by approximately \$294.7 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-five departments and agencies expect to receive federal, state or other forms of external funding in FY15. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 94% of the City's external funds are found in seven of those twenty-five departments. These seven departments are Boston Public Schools, Neighborhood Development, Public Health Commission, Office of Emergency Management, Police Department, Library Department and the Elderly Commission. Other departments that also have significant grant funding are the Parks and Recreation Department and the Transportation Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

Federal and State Grants

Federal grants have historically provided funding for key City priorities for education, community development and services for seniors. Boston Public Schools, the Department of Neighborhood Development and the Elderly Commission have been the traditional recipients of recurring entitlement grants provided by the federal government. However, new federal resources were provided via the American Recovery and Reinvestment Act (ARRA) that was approved in early 2009 to stimulate the economy and provide vital services in the midst of the great recession that began in 2008. ARRA expanded resources for entitlement programs and new programs in these traditional city departments to retain teachers and prevent housing destabilization, but also extended the reach of federal resources to departments like the Environment Department for energy efficiency programs, the Police Department to retain police officers, and Boston Centers for Youth and Families for adult education and career services. Virtually all of these ARRA programs have been expended with only Boston Public Schools using any ARRA dollars in FY15.

Some of the progress made with the ARRA programs may be reversed with traditional federal grant programs being reduced. The federal budget reductions can be traced back to the Federal Budget Control Act of 2011 that required a bipartisan congressional committee to agree to \$1.2 trillion in federal budget savings over ten years. Since the committee failed to approve these savings, the Budget Control Act then required across-the-board budget cuts in most federal programs. These across-the-board cuts became known as "sequestration". Congress has taken some actions to mitigate the impacts of sequestration, however lower levels of federal resources are expected over the longer term.

The City will continue to receive Community Development Block Grant (CDBG) and HOME funding for a variety of neighborhood development activities. Other sources of federal funding received by the City are used to address diverse needs and/or creative approaches such as homeland security, community policing and housing support for the homeless. Descriptions of the largest federal and state supported programs in the departments managing the bulk of the City's external fund resources are given below.

Boston Public Schools

The School Department's FY15 general fund budget of \$974.9 million is supplemented with approximately \$114.3 million in external funds, largely consisting of grants made directly to the Boston Public Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants.

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

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal

formula grant funding received. The School Department estimates spending levels for Title I to be \$35 million in FY14 and reduced to \$31.5 million in FY15.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$27.9 million in reimbursements in FY14 and \$28.3 million in FY15.

Individuals with Disabilities Education Act (SPED - IDEA) - This federal formula grant supports special education programs. The School Department expects to spend \$18 million in FY14 and \$17.5 million in FY15.

SPED Reimbursement "Circuit Breaker"- The state special education reimbursement program, commonly known as the Circuit Breaker program, was started in FY04 to provide additional state funding to districts for high-cost special education students. In cases where a student's special education costs are four times the state average foundation budget per pupil, the state reimburses a portion of those costs. In FY15, the School Department estimates that the State will reimburse at the rate of 60% of costs above average (down from a high of 75%). The School Department estimates spending levels for Circuit Breaker to be \$14.1 million in FY14 and FY15.

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

this grant in FY14 spending \$13.3 million.

Title II Teacher Quality – The School Department expects to spend \$5.9 million in FY14 and \$5.3 million in FY15 from this federal formula grant program to improve educator quality and effectiveness.

Title III Bilingual Language Acquisition Program – This federal grant provides for investments in English language learners (ELLs), including summer learning academies for ELLs, and professional development for teachers, and coaches and family liaisons. The department expects to spend \$2.6 million in FY14 and \$2.6 million in FY15.

Quality Full-Day Kindergarten – This grant from the Commonwealth of Massachusetts is used for extended time at the Early Learning Centers (ELCs) and Early Education Centers (EECs). The department expects to spend \$1.8 million in FY14 and \$1.8 million in FY15.

Summer Food Program – This Federal grant provides support to feed children in summer school and summer activities held in schools, community centers and community – based organizations. The department expects to spend \$1.7 million in FY14 and FY15.

Perkins Vocational Education- This Federal program supports career-technical education programs. Funds are used to develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career-technical education program. The department expects to spend \$1.4 million FY14 and FY15.

Community Partnerships for Children - The Community Partnership Program is a state program that creates comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers and family-based day care centers. The amount budgeted by the

External Funds			
	FY13	FY14	FY15
	Expenditure	Estimated	Estimated
Boston Public Schools	151,149,509	130,013,274	114,317,331
Neighborhood Development	64,421,675	67,990,417	70,381,328
Public Health Commission	43,507,006	42,914,488	40,172,987
Emergency Management	21,094,415	14,517,756	24,579,634
Police Department	10,236,423	11,313,615	11,517,200
Library Department	7,805,744	7,910,315	8,273,317
Elderly Commission	6,924,024	6,357,386	6,744,834
Other	24,707,027	15,966,938	18,722,780
	329,845,822	296,984,189	294,709,410

Table 10

School Department, which serves as the fiscal agent for this program, is \$1.1 million for FY14 and \$1.3 million in FY15.

Expanded Learning Time – This grant from the Commonwealth of Massachusetts provides funding for extended teaching time at the Edwards Middle School and Boston Arts Academy. The department expects to spend \$1.2 million in FY14 and FY15.

Neighborhood Development

The external funds budget for the Department of Neighborhood Development (DND) is projected to increase by 3.5% in FY15. The rise primarily comes from increases to the HOME, HOPWA, and Emergency Shelter awards for federal FY14, as well as the newly awarded HODAG Program Income from the BRA. The impact of sequestration on DND is still being determined, but given the continued uncertainty of federal funding sequestration remains a concern and will likely impact future fiscal years.

Continuum of Care - The Continuum of Care program combines the previously standalone Supportive Housing and Shelter Plus Care programs into one annual competitive grant program from the US Department of Housing and Urban Development. The purpose of the program is to assist individuals and families experiencing homelessness and to provide the services needed to help such individuals move into transitional and permanent housing, with the goal of long term stability. The City anticipates spending \$21.7 million in FY14 and \$23.9 million in FY15 on Continuum of Care activities.

Community Development Block Grant (CDBG) – CDBG is an annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston. The CDBG program funds a variety of neighborhood development activities. The City's Department of Neighborhood Development (DND), the Fair Housing Commission and the Mayor's Office of Jobs and Community Services expect to spend \$20.9 million in FY14 and \$22.1 million in FY15. At least 70% of CDBG funds must be used to benefit low- and moderate-income households. The City uses CDBG funds to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities, and assist non-profit organizations in the operation of emergency shelters,

health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cut from existing public service activities. CDBG funding is also used as security for Section 108 loans.

Choice Neighborhoods Implementation Grant and Community Challenge Planning Challenge Grant – In FY12 DND was awarded two competitive grants from the US Department of Housing and Urban Development (HUD). The Choice Neighborhoods Implementation Grant aims to link affordable housing with quality schools, public transportation, good jobs, and safe streets. Specifically, funds will be used to redevelop the Woodledge/Morrant Bay Apartments and revitalize Dorchester's Quincy Street Corridor. The City anticipates spending \$10.5 million on these programs in FY14 and an estimated \$7.2 million in FY15.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. The City estimates spending \$4.4 million in FY14 and \$5.1 million in FY15. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations. Up to five percent may be set aside for operating costs for Community Housing Development Organizations.

Section 108 Loan Guarantee Program - Section 108 funds are available to eligible cities from HUD on an application basis and can only be used for economic development projects. The City receives and administers Section 108 funds through a pledge of its current and future CDBG grant awards. DND will continue its Boston Invests in Growth II Program with \$5M in spending planned in FY14 and FY15.

Emergency Solutions Grant and Housing Opportunities for Persons With AIDS (HOPWA) - The City expects to spend \$3 million in FY14 and another \$3.6 million in FY15 from these two HUD entitlement grants that become available each July. The Emergency Solutions Grant supports the development and operation of emergency shelters for the homeless and the HOPWA program provides housing, rental assistance and support services for persons with AIDS.

HODAG Program Income – New in FY15, HODAG program income is income generated from a HODAG loan the BRA made to the Douglas Housing Plaza Phase I development. HODAG program income will be used to help fund the City's housing development pipeline. DND received a total of \$4.3 million in HODAG program income from the BRA and anticipates spending \$1.75 million in FY15.

Public Health Commission

Ryan White Care Act - This funding is intended to help communities increase the availability of culturally and linguistically competent primary health care and support services, increase access for underserved populations and improve the quality of life of those living with HIV/AIDS and their families. In FY14, contracts supported approximately 39 community agencies and 64 programs in the ten county regions of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$12.1 million for FY15.

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

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

services in the Public Health Commission budget for FY15 totals \$11.65 million.

Addictions Prevention, Treatment and Recovery Service - Programs provide an intensive outpatient substance abuse treatment that preserves and supports the family unit and provides a healthy and safe environment for women and their children. The Massachusetts Department of Public Health is expected to provide \$586,000 for FY15 in the support of BPHC's harm reduction activities, connection to treatment, and needle exchange for injecting drug users.

Early Childhood Mental Health -The Commission has leveraged \$1.3 million in funding from the Massachusetts Executive Office of Health and Human Services and \$144,000 in funding from the Massachusetts Department of Public Health (federal pass through from SAMHSA) to build a continuum of family centered care and support for children with mental health needs and their families. Other funding from the US Department of Justice, totaling \$2.2 million over 3 years, will allow the Commission to expand its work with partners to prevent and reduce the impact of children's exposure to violence in homes, communities and schools. Through collaboration with diverse organizations and agencies, a multi-year strategic plan will be developed to address children's exposures to violence.

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

Public Health Preparedness - The Commission manages a number of critical initiatives to ensure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those funded by state federal-pass-through grants totaling almost \$3 million to support public communication strategies, communicable disease control, and the public health preparedness program. Other state and federally funded programs support training EMTs, hospital clinicians, and health center workers in various medical emergency protocols and procedures; leading collaborative citywide disaster planning with other healthcare,

public safety, and emergency management officials; recruitment and training of a corps of medical and non-medical volunteers who can be mobilized as needed; and writing, translating, and disseminating educational materials to the City's most vulnerable populations.

Office of Emergency Management

The Office of Emergency Management (OEM) pursues funding opportunities and manages federal homeland security grants awarded to the Metro-Boston Homeland Security Region (MBHSR). The Urban Area Security Initiative (UASI) grant provides the bulk of the funding for this office. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the MBHSR. The region encompasses the cities of Boston, Cambridge, Chelsea, Everett, Quincy, Revere, Somerville and the towns of Brookline and Winthrop. OEM will spend an estimated \$12.3 million in UASI funds in FY14 and \$22.3 million in FY15, allowing the department to make a concentrated effort to purchase new equipment. UASI grants are awarded based on the Federal Fiscal Year and OEM is still spending down prior year UASI awards; therefore, the full impact from sequestration has not taken effect.

Additionally, OEM receives funding under the Regional Catastrophic Preparedness Grant Program (RCPGP). This federal grant is designed to enhance regional catastrophic planning efforts, with the goal of strengthening the Nation against risks associated with catastrophic events. The Region includes communities from Massachusetts, New Hampshire, and Rhode Island. Spending from RCPGP is expected to be \$2.2 million in FY14 and \$1.3 million in FY15.

The Emergency Operation Center Grant Program is another federal grant from which OEM receives funding. The federal EOC Grant Program serves to improve emergency management and preparedness capabilities by supporting flexible, sustainable, secure, strategically located, and fully interoperable EOCs with a focus on addressing identified deficiencies and needs. In FY15, OEM anticipates spending an estimated \$950,000 to assist in the renovation of the City's new Emergency Operations Center at 201 River Street in Mattapan.

Police Department

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

Public Safety Answering Point (PSAP) Emergency – Funds are awarded by the Executive Office of Public Safety and Security State 911 Department. Awards are based on a formula that weighs both 911 call volume and population served. 25% of the total telephone surcharge revenues of the previous fiscal year shall be allocated to support grant awards. The purpose of the State 911 Department PSAP Grant is to assist PSAP's in providing enhanced 911 services and to encourage development. The Boston Police Department, Emergency Management Services and Boston Fire Department will utilize funds to fund personnel costs, annual software maintenance fees and equipment purchases such as mobile data terminals. The department expects to spend \$2.5 million in FY14 and \$2.7 million in FY15.

Boston Reentry Initiative (BRI) - Through the BRI, the Boston Police Department continues its partnerships with the Suffolk County Sheriff's Department, the Suffolk County District Attorney's Office, the United States Attorney's Office, the Massachusetts Departments of Probation, Parole, and Revenue, Youth Options Unlimited, Whittier Street Health Center, and Dorchester Bay Economic Development Corporation. This program is now augmented by the Second Chance Act Adult Prisoner Reentry Initiative, a federal grant awarded by the Department of Justice, Bureau of Justice Assistance, for the purpose of supporting two City of Boston adult reentry initiatives: The continuation of the Boston Reentry Initiative, which targets male offenders, age 17-30 at the Suffolk County House of Correction, who are impact players in gang, gun, and violent crime in Boston, and therefore at a high risk for violent recidivism upon release; and Overcoming the Odds, a pilot initiative targeting male offenders released from state-level Massachusetts Correctional Institutes who are returning to Boston with comprehensive reintegration services and increased community-corrections supervision. The department expects to spend \$821 thousand in FY14 and \$1.6 million in FY15.

Shannon Community Safety Initiative – This state grant is awarded from the Commonwealth of Massachusetts, Executive Office of Public Safety to address gang and youth violence through the Senator

Charles E. Shannon, Jr. Community Safety Initiative. The award has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The department expects to spend an estimated \$1.8 million in FY14 and \$1.6 million in FY15.

Community Oriented Policing Services (COPS) Hiring Program – Funded by the U.S. Department of Justice, Office of Community Oriented Policing, supplements the cost of hiring 15 military veteran sworn police officers over three years to help support targeted community policy efforts. The department expects to spend an estimated \$1 million in FY14 and \$1.3 million in FY15.

Community Based Violence Prevention Demonstration Grant – This three-year federal grant is awarded by the Department of Justice, Office of Juvenile Justice Delinquency Prevention for the purpose of implementing a coordinated strategy for the prevention of gun violence in the Mattapan neighborhood of Boston. The Boston Police Department, in partnership with the Boston Public Health Commission, Boston Center for Youth and Families, and the Mayor's Office of Jobs and Community Services is working to establish a program that focuses on the goal of reducing the number of shootings and homicides in the Mattapan neighborhood of Boston. The department expects to spend \$1.2 million in FY14 and \$1.2 million in FY15.

Justice Assistance Grant (JAG) – This federal grant that is awarded by the Department of Justice, Bureau of Justice Assistance, for prevention, intervention and enforcement efforts aimed at reducing crime and violence. The Boston Police Department continues to utilize JAG funds to provide for the ongoing research, development and implementation of critical and successful programs and functions including: domestic violence advocacy at the District level; Youth Violence Strike Force – programming support and analysis; composition of innovative outreach, training, and investigative support materials; and police technology innovations. The department expects to spend \$1.2 million in FY14 and \$775 thousand in FY15.

Library Department

Projected external fund spending for Boston Public Library (BPL) is expected to increase in FY15 by \$363 thousand with small increases provided by the Library

for the Commonwealth grant and additional resources from Trust Funds.

Trust Fund Income and Other Sources – Annual income generated from assets held in trust can be used, based on the intentions of the donors, to support certain personnel costs and various non-personnel items. In addition, this group includes other sources of income such as revenue from private events at BPL facilities, royalties, commissions and smaller grants awarded to the Trustees of the Boston Public Library. BPL expects to spend an estimated \$4.6 million in FY14 and \$4.6 million in FY15.

Library for the Commonwealth (formerly Library of Last Recourse) - The Library for the Commonwealth grant provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personnel resources, expertise and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is approximately \$2.4 million for FY14 and \$2.5 million FY15.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. The Boston Public Library expects to receive \$486 thousand in FY14 and \$676 thousand in FY15.

Elderly Commission

The Elderly Commission's FY15 external fund spending is expected to increase by \$387 thousand or 6.1%.

Area Agency on Aging (AAA) – This federal Title III funding provided through the Massachusetts Executive Office for Elder Affairs is distributed by the Elderly Commission through service providers to provide direct services to elder citizens. The commission expects to spend an estimated \$4.2 million in FY14 and \$3.9 million in FY15.

State Elder Lunch Program – This annual grant provided by the Commonwealth of Massachusetts Executive Office of Elder Affairs is distributed by the

Commission to service providers to deliver nutritional services to elder citizens. The commission expects to spend an estimated \$832 thousand in FY14 and \$1.1 million in FY15.

Executive Office of Elder Affairs Council on Aging- This annual grant from the Commonwealth of Massachusetts is provided by formula to provide direct services including community service advocates. The grant also provides resources to provide referral and direct services to elder tenants and homeowners. The commission expects to spend an estimated \$616 thousand in FY14 and \$704 thousand in FY15.

Nutrition Services Incentive Program – This federal grant provided through the Executive Office of Elder Affairs is distributed by the Commission to service providers to deliver nutritional services to elder citizens. The Commission expects to spend an estimated \$306 thousand in FY14 and \$674 thousand in FY15.

FY15 ALL FUNDS BUDGET

The following table consolidates the projected FY15 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 FY15 budget document.

Budget Document Structure

The Operating Budget for FY15 and Five Year Capital Plan for FY15-19 are presented in three volumes. Volume I is an overview of the City's financial position and policy direction.

Volumes II and III, which are organized by cabinet, present the budget detail for each department's operating budget and capital projects. Please refer to the chapter on Budget Organization and Glossary in Volume I for an illustration of the City's organizational chart.

The City's budget is built at the program level for each department, which is the basis for budget planning. However, line item budget detail is only provided in this budget document at the department level. Program line item detail is available upon request.

In addition to program budgets, Volumes II and III provide a mission statement, key objectives, as well as past and projected performance levels for each

departmental program. For those departments with capital projects, a project profile is provided for every capital project. The project profile includes authorization information as well as planned spending levels.

Definitions of the terms used throughout the budget document are presented in the glossary, which can be found in Volume I in the chapter titled Budget Organization and Glossary.

All Funds Budgets - FY15

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Mayor's Office	2,468,831	90,247	1,000,000	3,559,079
	Election Department	3,638,754			3,638,754
	Law Department	6,217,441			6,217,441
	Public Information	1,407,994			1,407,994
	Total	13,733,020	90,247	1,000,000	14,823,267
Operations & Administration	Health Insurance	189,882,172			189,882,172
	Human Resources	3,784,831			3,784,831
	Intergovernmental Relations	1,319,728			1,319,728
	Neighborhood Services	1,529,811			1,529,811
	Office of Labor Relations	1,423,153			1,423,153
	Property & Construction Mgmt	21,650,853	186,576	24,936,477	46,773,906
Total	219,590,547	186,576	24,936,477	244,713,600	
Arts & Culture	Office of Arts & Culture	1,063,837	252,020		1,315,857
	Library Department	33,416,126	8,273,317	38,810,932	80,500,376
	Total	34,479,963	8,525,337	38,810,932	81,816,232
Economic Development	Office of Economic Development	1,618,615			1,618,615
	Boston Redevelopment Authority	0		3,009,891	3,009,891
	Consumer Affairs & Licensing	440,828	51,300		492,128
	Office of Tourism	1,119,721	100,000		1,219,721
Total	3,179,164	151,300	3,009,891	6,340,355	
Education	Boston Public Schools	974,928,600	114,317,331	62,055,000	1,151,300,931
Total	974,928,600	114,317,331	62,055,000	1,151,300,931	
Environment, Energy & Open Space	Environment Department	2,170,248	1,393,239	584,000	4,147,487
	Inspectional Services Department	16,565,330	301,850		16,867,181
	Parks & Recreation Department	17,469,217	5,884,897	21,587,141	44,941,255
	Total	36,204,795	7,579,987	22,171,141	65,955,923
Finance & Budget	Office of Finance & Budget	993,338			993,338
	Assessing Department	6,681,665			6,681,665
	Auditing Department	2,607,286	138,289		2,745,575
	Budget Management	2,739,937			2,739,937
	Execution of Courts	3,500,000			3,500,000
	Medicare	8,653,479			8,653,479
	Pensions & Annuities - City	4,100,000			4,100,000
	Pensions & Annuities - County	100,000			100,000
	Purchasing Division	1,773,821			1,773,821
	Registry Division	1,034,851			1,034,851
	Treasury Department	4,242,392			4,242,392
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	Total	38,976,769	138,289	0	39,115,058
Health & Human Services	Boston Center for Youth & Families	24,521,772	686,366	6,867,462	32,075,601
	Fair Housing & Equity	228,844	800,089		1,028,933
	Commission For Persons W/Disabilities	399,164			399,164
	Elderly Commission	3,108,602	6,744,834		9,853,436
	Office of New Bostonians	365,867	348,343		714,210
	Public Health Commission	67,617,211	40,172,987	8,334,279	116,124,477
	Veterans' Services Department	5,533,560			5,533,560
	Women's Advancement	207,019			207,019
	Youth Engagement & Employment	4,991,205	1,334,327		6,325,532
	Total	106,973,245	50,086,945	15,201,741	172,261,931
Housing & Neighborhood Development	Leading the Way	5,500,000			5,500,000
	Neighborhood Development	4,501,493	70,381,328	1,915,000	76,797,821
	Total	10,001,493	70,381,328	1,915,000	82,297,821
Information & Technology	Department of Innovation and Technology	26,612,228	2,085,053	23,275,000	51,972,280
	Total	26,612,228	2,085,053	23,275,000	51,972,280
Public Safety	Emergency Management	465,583	24,579,634	500,000	25,545,217
	Fire Department	204,614,873	2,091,500	6,440,004	213,146,377
	Police Department	319,700,081	11,517,200	2,780,000	333,997,281
	Total	524,780,537	38,188,334	9,720,004	572,688,875
Streets, Transportation & Sanitation	Central Fleet Management	2,669,110			2,669,110
	Office of Streets, Transportation and Sanitation	1,590,044			1,590,044
	Public Works Department	83,099,816	420,000	71,840,384	155,360,200
	Snow Removal	18,510,608			18,510,608
	Transportation Department	30,956,887	2,515,099	8,854,384	42,326,369
Total	136,826,465	2,935,099	80,694,768	220,456,332	
Non- Mayoral Departments	City Clerk	1,081,664	43,584		1,125,248
	City Council	5,213,682			5,213,682
	Finance Commission	247,687			247,687
	Licensing Board	711,016			711,016
	Total	7,254,049	43,584	0	7,297,634
Grand Total		2,133,540,875	294,709,410	282,789,954	2,711,040,239

Table 11

MULTI-YEAR BUDGET PLAN

Introduction

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

In projecting the City's operating budget for FY16 and FY17, the issues of health insurance cost growth and outstanding collective bargaining continue to be critical factors. With signs of a stabilizing and growing economy, revenue estimation becomes less difficult. The property tax levy is expected to grow from its base by the allowable 2.5% and new growth in the levy is expected to increase over the FY15 budgeted amount. In terms of state aid, continued pressure from rising state assessments, particularly from Charter Schools combined with a lack of sustained general government aid growth, will force the continuation of the negative growth trend in net state aid.

The projections for FY16 and FY17 are based on the most current revenue information available. The plan reflects the best estimates of revenues as well as the major components of projected expenditures.

The City has reached voluntary settlements with all of its civilian employees, including BPS teachers. Each agreement is six years in duration and contains the same general wage pattern, roughly 12% wage increases over the six years from FY11 through FY16. The City and the Boston Police Patrolmen's Association received an arbitration award in September 2013 which included an increase in annual salaries of approximately 25.4% over six years. The award was funded by the City Council in December 2013 and has since been executed. The City subsequently reached voluntary agreements with police superiors and superior detectives. The police award and agreements as well as the civilian settlements are in effect through 2016. The City and the fire union also agreed to a contract which will increase salaries by 18.8% over six years through 2017. The City is currently in negotiations with the detectives union. In addition the Boston Public Health Commission is in negotiations with its Emergency Medical Service union. The collective bargaining reserve contains funding based on estimates for successor agreements that would cover proposed wage increases and the retroactive impacts

of wage increases that are being negotiated for FY11 – FY16 or FY12 –FY17, as applicable. Any changes to the pattern will add additional pressure to the bottom line in FY16, FY17 and beyond. Departmental projections for FY17 include the impact of settled contracts but do not include any assumptions about the next round of contracts.

Another area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to other post-employment benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes standards for the measurement, recognition and display of Other Post-Employment Benefits (OPEB) liabilities. The City currently provides post-employment health care and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis in the current year's operating budget. This method of financing greatly understates the full obligation to provide these benefits after retirement. Although funding OPEB is currently not a legal requirement, the City has established an irrevocable OPEB Liability Trust Fund to which contributions of \$215 million have been made through appropriations approved in FY08 – FY14. An independent actuarial valuation estimates the City's total unfunded OPEB obligation at June 30, 2013 at \$2.1 billion. The City faces the challenge of addressing the funding needs of this liability while continuing to balance all of the other costs of running a major city. The FY15 budget authorizes another payment of \$40 million to the City's OPEB Liability Trust Fund; the FY16 and FY17 projections each also includes a \$40 million payment.

Revenue Trends

The following chart displays the breakdown of revenue projected for FY15-FY17 (Figure 11).

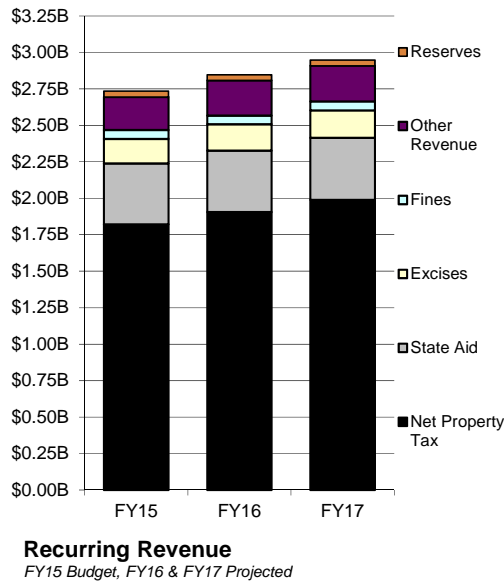


Figure 11

Major revenue trends include:

Property Tax Levy: The levy will grow by the allowed 2.5% increase and new growth is projected to grow at approximately \$75 million over FY16 and FY17 combined. The net property tax assumes an overlay reserve set at 2.0%. A net total increase in the levy of over \$165 million is projected over the two years.

State Aid: State aid is projected to increase marginally in FY16 and FY17. This increase is due to an increase in Chapter 70 education aid, which is projected to increase modestly each year based on a per pupil allotment, and the Charter School Tuition Reimbursement. The latter will be accompanied by a larger increase to the Charter School Tuition Assessment and thus represents a decrease in total resources available for appropriations. Unrestricted General Government Aid is projected to remain level in FY16 and FY17.

Excises: Excises are expected to continue to grow into FY16 with growth across all major taxes concurrent with a growing economy. Growth will continue, but slow somewhat in FY17 as the economy stabilizes. No new taxes or increases to tax rates have been assumed.

Fines: Fines are expected to increase marginally through FY17 due to an assumed increase in issuance of parking fines with a growing economy. No changes in fine rates or enforcement have been assumed.

Other Revenue:

Interest on Investments: Interest income is expected to increase in FY16 and FY17 based on statements by the Federal Reserve as to future action on interest rates.

Payments in Lieu of Taxes (PILOT): PILOT revenue is projected to increase as tax-exempt institutions finish a 5-year ramp up of payments in FY16 to meet the Mayor's PILOT taskforce goal of paying 25% of the property tax they would pay if they were not exempt.

Miscellaneous Department Revenue: Projected from historical trends and economic assumptions, these revenues are expected to increase slightly in FY16 and FY17.

Licenses and Permits: Building permits are projected to increase in FY16 and level off in FY17 after the recent building boom begins to slow.

Budgetary Fund Balance: For FY16 and FY17 the use of Budgetary Fund Balance for OPEB expenses is projected to be level at \$40 million.

These estimates are based on conservative revenue assumptions that the local economy is growing and will stabilize at a reasonable level of growth from the beginning of FY15 to the end of FY17.

Expenditure Trends

Figure 12 displays the allocation of expenditures projected for FY15-FY17.

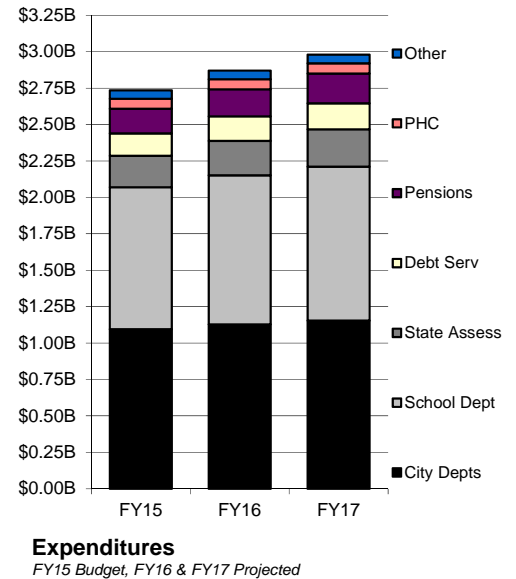


Figure 12

Multi-year projections assume continued financial support to meet the Mayor's goals including quality education, shared economic growth, safe

surroundings, healthy and stable neighborhoods with vibrant cultural climate. Early recognition of possible FY16 and FY17 shortfalls, caused by carrying forward the costs of current operations, allows the City's administration time to make the necessary adjustments and policy decisions to get back to a balanced budget that continues to support these goals.

Inflationary increases have been estimated in FY16 and FY17 for certain centrally budgeted expenditures such as health insurance and within departmental budgets for settled collective bargaining agreements, energy and residential trash collection. At the School Department, estimated inflationary increases for settled collective bargaining agreements, student transportation services and contracted educational services have been projected for FY16 and FY17.

Citywide the cumulative growth in the reserve for collective bargaining coupled with scheduled departmental salary step increases will result in increased personnel costs for FY16 and FY17. As the final set of union negotiations move forward, it will be important to quantify the impact of any material changes to the collective bargaining wage pattern that has been included in the forecast so that policy options and tradeoffs can be presented to accommodate those impacts. Additionally it should be noted that the FY17 projections only include the impact of settled contracts or currently proposed wages increases. The future round of contracts that in most cases would begin in 2017 do not have estimated impacts in this two-year forecast.

All of the factors referred to above are estimated to increase total appropriations by \$84.6 million or 3.9% in FY16 and cumulatively increase by \$148.7 million or 6.8% in FY17.

Fixed Costs: In FY16, fixed costs are expected to increase by about 9.3% and cumulatively increase by 17.9% in FY17. These increases can be attributed to several factors including: the continued expansion of Charter Schools and the resulting increase in the tuition assessment; increased borrowing; and scheduled pension cost increases.

Under these revenue and expenditure trend assumptions, the FY16 budget is currently projected to have a budget shortfall of approximately \$22.3 million and FY17 is projected to have a \$32.4 million shortfall. For the most part, the projections are based on current operations and any known changes that are

anticipated in FY16 and FY17. As the FY16 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. The City will be watching external funding sources very closely prioritizing service areas and reviewing policy decisions and options that may result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments where federal external funds play a crucial role in allowing them to provide essential services. In the event of further grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide those services.

Current hiring must continue to be scrutinized and controlled as the bulk of the projected increase in appropriations is employee-related. As noted previously, working in partnership with our unions, progress has been made in the area of health insurance. Despite this work and the positive impact it had on FY15, premiums are expected to increase substantially in FY16 and FY17. The City will continue to look at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees. A decision will need to be made on the level of budgetary fund balance that may be utilized prudently. The City's policy regarding the use of its fund balance has been to limit the use of this source of revenue to offset certain fixed costs such as pension contributions and related post-retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor. The projections shown here assume that budgetary fund balance will be used only to support the OPEB appropriations for FY16 and FY17.

Planning a Balanced Budget

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

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$27 million problem in the bottom line. Common areas of variance are snow removal, with

year-to-year swings of millions of dollars; legal settlements, for which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

It is important to note that the City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through a committee consisting of staff from the Office of Human Resources, the Office of Budget Management and the Office of Finance and Budget ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements. Similar BAIS systematic controls are in place to control non-personnel expenditures. (These non-personnel spending controls were used in FY09 to mitigate the impacts of mid-year State Aid reductions. At that time, the City was able to restrict access to any discretionary expenditure accounts and reduce other spending accounts centrally.)

Conclusion

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

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

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY15 Adopted	FY16 Forecast	FY17 Forecast
REVENUES			
Property Tax	1,858.43	1,942.51	2,029.05
Overlay Reserve	(36.44)	(38.09)	(39.79)
Excises	167.20	181.79	188.32
Fines	60.50	60.35	61.35
Interest On Investments	0.20	1.50	3.00
Payments in Lieu of Taxes	45.14	47.17	47.87
Urban Redev Chapter 121A	48.21	50.05	50.57
Department Revenue	57.63	57.77	59.25
Licenses & Permits	47.24	51.53	51.84
Penalties & Interest	8.68	9.86	10.11
Available Funds	19.77	21.45	21.45
State Aid	417.68	421.18	424.71
Total Recurring Revenue	2,694.23	2,807.06	2,907.72
Approp. Fund Balance	40.00	40.00	40.00
Approp. Surplus Property Fund	0.00	0.00	0.00
Total Revenues	2,734.23	2,847.06	2,947.72
EXPENDITURES			
City Departments	1,094.18	1,128.76	1,153.45
Public Health	67.62	69.45	71.38
School Department	974.93	1,022.00	1,057.93
Reserve for Collective Bargaining	13.00	14.12	15.66
OPEB	40.00	40.00	40.00
Total Appropriations	2,189.72	2,274.33	2,338.42
Pensions	169.62	185.94	203.76
Debt Service	154.74	169.38	178.40
State Assessments	215.57	235.79	255.70
Suffolk County Sheriff Dept	3.87	3.87	3.87
Reserve	0.70	-	-
Total Fixed Costs	544.51	594.99	641.72
Total Expenditures	2,734.23	2,869.32	2,980.15
Surplus (Deficit)	-	(22.26)	(32.42)

Numbers may not add due to rounding

Technical Note

The City of Boston's combined FY15 Budget and FY15-FY19 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Oracle - Hyperion Planning, Questica - Team Budget, SAP-Scorecard and Strategy Management and Microsoft Access were used for data management and analysis.

All production was done within the Office of Budget Management. Technical development and support was provided by Paul D. Parisi.

