

Summary Budget

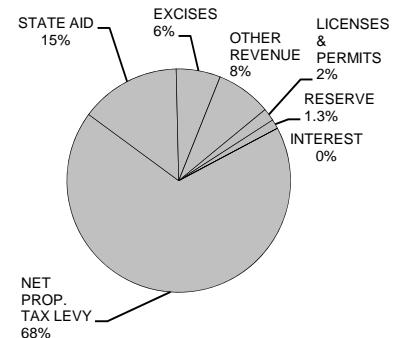
OVERVIEW

The FY17 Adopted Operating Budget totals \$2.98 billion and represents an increase of \$118 million or 4.1% over FY16. The FY17 budget continues the City's strong fiscal management record, implements thoughtful reforms that achieve savings and modernize processes, and reinvests those savings in targeted initiatives toward achieving a thriving, healthy and innovative City.

Local sources continue to drive revenue growth in FY17, as property tax and local receipts make up 92.3% of revenue growth over FY16. State revenue, the City's second largest revenue source, never recovered following the last recession, and in FY17, Boston's state revenue is budgeted to grow at 2.0% over FY16. Net State Aid (state aid net of assessments) is budgeted to decline as continued increases in state assessments for charter school tuition surpass stagnant budgeted state revenue.

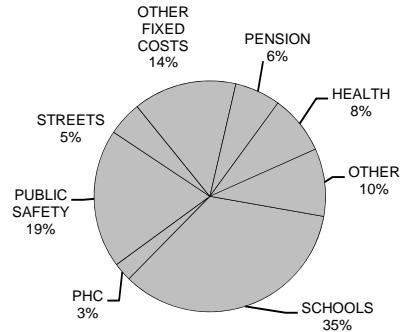
On the expenditure side, the FY17 budget reflects an increase of \$118 million or 4.1% over the FY16 budget and \$95.4 million (3.3%) over FY16 estimated expenditures. Of that growth, City Departments, Boston Public Schools (BPS) and the Public Health Commission (PHC) (net health insurance and pension costs) are growing by \$29.3 million or 1.5% over FY16 estimated expenditures. These departmental increases are low relative to other years due to the expiration of nearly all of collective bargaining agreements by early in the fiscal year.

This Summary Budget section lays out the FY17 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.



FY17 Estimated Revenue

Figure 1



FY17 Estimated Expenditures

Figure 2

CITY OF BOSTON
BUDGET SUMMARY
(Dollars in Millions)

	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Budget
REVENUES				
Property Tax	1,779.78	1,875.15	1,961.48	2,055.33
Property Tax Overlay	(34.88)	(35.87)	(38.05)	(38.32)
Excises	187.23	192.62	179.35	190.67
Fines	59.87	60.65	60.36	60.36
Interest On Investments	0.06	0.06	0.05	2.84
Payments in Lieu of Taxes	43.41	49.41	44.11	44.47
Urban Redevelopment Chapter 121A	62.06	55.62	47.55	43.80
Department Revenue	64.86	64.73	54.58	55.11
Licenses & Permits	59.16	72.54	52.33	54.71
Penalties & Interest	10.40	13.08	9.86	10.16
Available Funds	0.00	19.00	21.45	23.45
State Aid	422.40	413.43	424.03	432.57
Total Recurring Revenue	<u>2,654.35</u>	<u>2,780.42</u>	<u>2,817.10</u>	<u>2,935.13</u>
Budgetary Fund Balance	0.00	0.00	40.00	40.00
Total Revenues	<u>2,654.35</u>	<u>2,780.42</u>	<u>2,857.10</u>	<u>2,975.13</u>
EXPENDITURES				
City Appropriations	1,105.40	1,139.43	1,140.82	1,195.18
Public Health Commission	66.76	73.83	73.95	77.27
School Department	937.95	974.93	1,016.28	1,031.68
Reserve for Collective Bargaining	5.64	10.79	0.02	13.30
Other Post Employment Benefits	40.00	40.00	40.00	40.00
Total Appropriations	<u>2,155.75</u>	<u>2,238.97</u>	<u>2,271.07</u>	<u>2,357.43</u>
Pensions	152.91	169.62	184.55	189.88
Debt Service	137.84	148.01	162.87	177.85
Charter School Tuition	110.66	125.81	146.86	156.81
MBTA	79.15	81.27	83.00	83.82
Other State Assessments	4.25	4.58	4.65	4.72
Suffolk County Sheriff Dept	3.87	3.87	3.87	3.87
Reserve	0.43	0.92	0.21	0.74
Total Fixed Costs	<u>489.13</u>	<u>534.08</u>	<u>586.03</u>	<u>617.70</u>
Total Expenditures	<u>2,644.88</u>	<u>2,773.06</u>	<u>2,857.10</u>	<u>2,975.13</u>
Surplus (Deficit)	9.47	7.36	0.00	0.00

Numbers may not add due to rounding

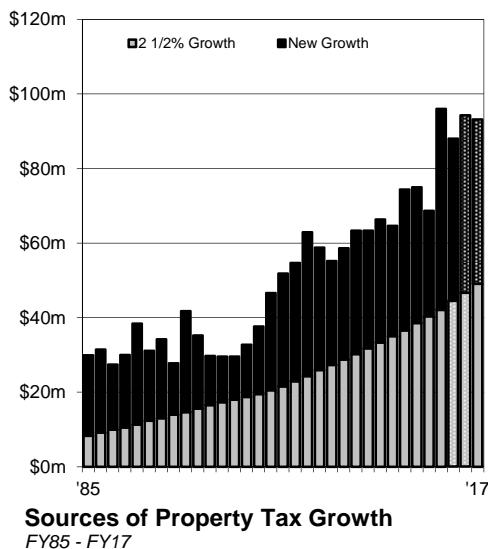


Figure 3

The City's projected revenues provide the basis for planning FY17 appropriations to maintain a balanced budget. Selected FY17 budgeted City revenues compare with FY16 budgeted revenues as follows: the net property tax levy increases \$93.8 million or 4.8%; excises increase \$11.3 million or 6.3%; miscellaneous department revenues increase by \$0.5 million or 1%; licenses and permits increase by \$2.4 million or 4.5%, and state aid increases by \$8.5 million or 2.0%.

On the expenditure side of the budget, total appropriations increase by \$83.2 million or 3.7% and fixed costs increase by \$31.5 million or 5.4%. Selected FY17 budgeted appropriations compare with FY16 budgeted appropriations as follows: City Appropriations increase \$55.2 million or 4.8%, the Boston Public Health Commission increases by \$3.3 million or 4.5%, and the School Department increases \$13.5 million or 1.3%. Within City Appropriations, actual City Departments are increasing by \$18.7 million or 2.0% over FY16 estimated spending. These departmental increases are low relative to other years due to the expiration of nearly all of collective bargaining agreements, except for the firefighters union, by early in the fiscal year. This recommendation fully budgets for public safety overtime accounting for \$20.6 million of the increase over FY16 budget, where public safety budget is underfunded. Also contained within City Appropriations are 11 central appropriations including large appropriations for Health Insurance of \$206.2 million and Medicare of \$10 million that collectively are increasing by \$15.9 million or 7.3%.

FY17 budgeted fixed costs compare with FY16 budgeted fixed costs as follows: Pensions increase \$5.3 million or 2.9%; Debt Service increases \$13.4 million or 8.1%; Charter School Tuition state assessment increases \$11.4 million or 7.8%; MBTA state assessment increases by \$0.8 million or 1.0%; and other state assessments increases \$69 thousand or 1.5%.

NOTE: The "Other" category on the FY17 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for other city departments and the collective bargaining reserve.

REVENUE

The FY17 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.

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.

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 \$44.0 million in FY17. New growth added to the property tax levy has exceeded growth from the allowable 2.5% increase in 20 of the last 33 years.

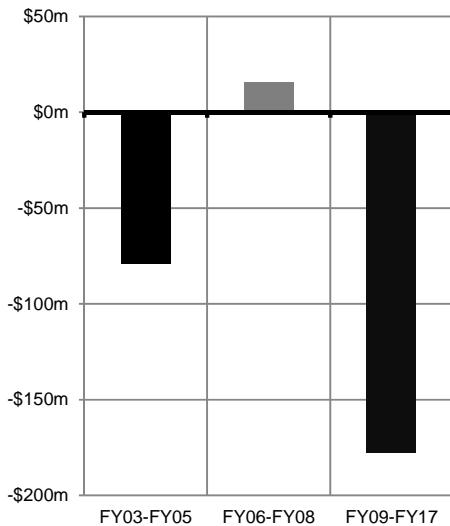
The gross property tax levy stands at \$1.961 billion in FY16, and is estimated to rise to \$2.055 billion in FY17.

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 state assessments) to the City has been reduced by over \$240 million or 56%. The City lost approximately \$79 million between FY03 and FY05, gained approximately

\$16 million between FY06 and FY08, and has again lost approximately \$180 million between FY09 and



Change in Net State Aid
FY03-FY17, Grouped by Period of Loss or Gain

Figure 4

budgeted FY17 (Figure 4.) For FY17, net state aid is expected to decline by \$2.3 million or 1.2% from FY16.

Education Aid

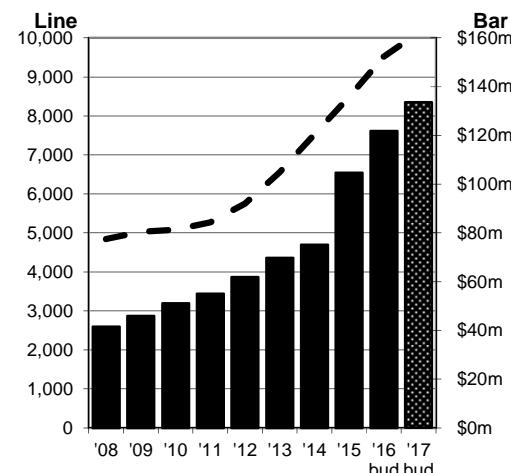
Boston's "Chapter 70" Education Aid is projected to increase slightly, growing at 1.7% to \$216.1 million in FY17. The Chapter 70 Education Aid formula does not work for Boston. Despite the Commonwealth adding over \$900 million to Chapter 70 Aid since FY08, Boston's Chapter 70 Aid is only \$300 thousand higher than it was in FY08.

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

Boston's Charter School Tuition Assessment is projected to increase by \$9.9 million (6.8%), as about 10,000 students are projected to attend a Commonwealth Charter School in FY17. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (130% or \$88.5 million between 2011 and 2017). Over the past two years, the State's underfunding of the Charter School Tuition Reimbursement led to a \$29 million revenue loss for Boston. During the FY17 budget process, Boston was

optimistic that the State may increase the statewide funding level, although still leave the total obligation underfunded. The Adopted Budget included \$23.2 million in Charter School Tuition Reimbursement based on funding levels in the Senate Budget. Following release of the City's budget resubmission, the legislature reduced the Charter School Tuition Reimbursement funding level; this change is a revenue exposure that Boston will have to track as it manages the FY17 Budget.

The net cost to the City for charter schools (reimbursement from the Commonwealth less tuition assessment) has grown dramatically as Boston's Charter School Tuition Assessment has increased and the Charter School Tuition Reimbursement has been underfunded. In FY16 the City has budgeted a \$121.9 million net impact, and in FY17, \$133.3 million (Figure 5).



Charter Schools Boston Enrollment and Net Cost
FY08- FY17

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 called Unrestricted General Government Aid. The total statewide aid amount is now covered completely by proceeds from the lottery. The City expects to receive \$174.7 million in FY16, and \$182.2 million in FY17, a 4.3% increase.

Local Receipts

Approximately 17% of the City's recurring revenue in FY17 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.

The FY16 Budget included \$469.6 million in local receipt revenue, and the FY17 budget budgets an increase to \$485.6 million.

Many of the City's local receipts are extremely sensitive to existing economic conditions and the City takes a cautious approach when estimating local receipts. The following is a brief description of selected local receipts, their expectations for the FY17 Budget.

- Motor vehicle excise revenue began to recover in FY14 and has remained steady with the strengthening economy. Revenue is estimated at \$53.0 million in FY17.
- The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City expects to collect \$26.0 million from this broad-based tax in FY17.
- The hotel excise has benefited from an FY10 rate increase from 4% to 6%. The City expects to receive \$80.0 million in FY17.
- Jet Fuel excise collections are expected to be level at \$30.0 million in FY17.
- With the federal funds rates near zero, the City's investment earnings have not been significant, even as cash balances have remained strong in recent years. In FY17 the City will reduce the amount required to maintain a compensating balance (due to the need to offset credit card fees becoming unnecessary), and instead invest this money. By standardizing practices and adding fees to the cost of point of sale transactions, revenue from Interest on Investments is estimated to increase by \$2.8 million.
- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to remain level. The FY17 budget estimates \$25.0 million in PILOT payments.

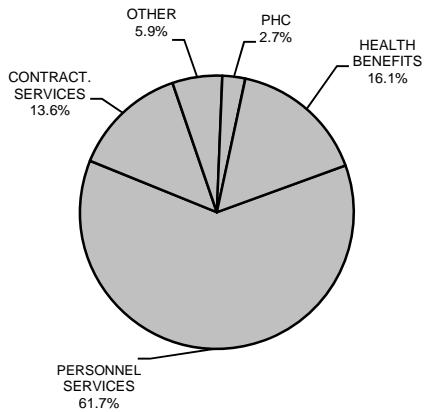
- License and permit revenues have been strong with the robust growth of the City's development pipeline. Building permit revenue is conservatively budgeted in FY17 at \$35 million.
- Chapter 121A agreements are payments in lieu of tax for property developed in blighted areas. Those that qualify pay different taxes on income and property as determined under Chapter 121A of Massachusetts General Law. 121A payments in FY17 are expected to decline as several large agreements have expired and moved to normal property taxation. 121A payments are budgeted at \$43.8 million in FY17.

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.

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 FY17 Budget uses \$40 million in budgetary fund balance to fund the appropriation for other post-employment benefits (OPEB).

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



FY17 Appropriations by Category

Figure 6

EXPENDITURES

Expenditures are broken down into two primary groups: (1) appropriations directly related to departmental services and (2) fixed and mandated costs. FY17 appropriations are subdivided into three subgroups as follows:

- City Appropriations, which includes all operating department appropriations, centrally budgeted costs such as health insurance and Medicare, 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 6)

Personnel Services include salaries, overtime, unemployment compensation and workers' compensation, and a collective bargaining reserve for estimated wage increases for union employees whose agreements are not settled. Almost all of the City's collective bargaining agreements will expire in FY17.

The Health Benefits category includes the cost of health, dental and life insurance for City, BPS and PHC employees and retirees, employer Medicare

payroll taxes, and 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

The Walsh Administration has continued the City's record of achieving health care cost containment reforms through the 2014 PEC agreement, which projected to save \$45 million over five years. Despite this success, in FY16 and FY17, health insurance costs are increasing at a higher rate than other City costs due to pharmaceutical cost drivers, consistent with trends in the broader Massachusetts market.

The FY17 budget includes \$378 million for all health benefit related costs for the City's employees and retirees, comprising 12.7% of total City expenditures -- compared to 7.6% in 2001. \$42.25 million of these costs for future OPEB liabilities are discussed in more detail in the following section. \$335.7 million for current health, dental and life premiums and employer Medicare payroll taxes are addressed below.

Annual costs for health, dental and life insurance and Medicare taxes have increased 155% since FY01, compared to a 66% increase for all other City costs. Figure 7 shows three distinct periods of annual cost increases. Steep cost increases averaged 15% per year from FY01 – FY08. A significant lowering of the City's baseline costs then occurred between FY09 – FY15 due to multiple factors including state health reform legislation, cooperative efforts by the City and its unions to reduce both the City's share of costs and total costs, and lower nationwide health care cost trends.

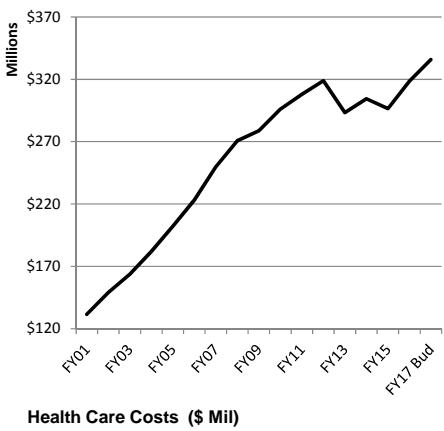


Figure 7

Mandatory Medicare Enrollment

Municipal health care reform legislation passed by the State legislature in 2011 provided municipalities more freedom in health plan design, and also mandated that all Medicare-eligible municipal retirees enroll in Medicare Part B and a City sponsored Medicare supplement plan. As a direct result of mandated Medicare enrollment, approximately 4,500 more City retirees and their spouses enrolled in Medicare supplement plans, for which benefits remain comparable to non-Medicare plans but costs are lower due to Medicare reimbursements. City premium savings from this mandate, beginning in FY13, have totaled approximately \$20 million annually – a major contributor to the total decrease in FY13 costs shown in Table 2.

City retirees and their beneficiaries are eligible for Medicare through payment of Medicare payroll taxes during their working career. Medicare taxes have been paid for all City employees who were hired after March 1986: 1.45% paid by the employee and 1.45% by the City. City Medicare taxes, totaling \$18.47 million in the FY17 budget, have increased an average 12% annually since FY01. This growth is due to increases in total payroll and also the increasing percentage of total employees who were hired after March 1986 and impacted by the tax.

Health Care Costs (\$ Mil)			
Health, Life, Dental, Medicare Tax			
Fiscal Yr	Total Cost	\$\$ Change	% Change
FY07	\$249.8	\$26.4	11.8%
FY08	\$270.6	\$20.9	8.4%
FY09	\$278.8	\$8.1	3.0%
FY10	\$296.1	\$17.3	6.2%
FY11	\$308.0	\$11.9	4.0%
FY12	\$318.9	\$10.9	3.5%
FY13	\$293.3	-\$25.5	-8.0%
FY14	\$304.4	\$11.1	3.8%
FY15	\$296.5	-\$7.9	-2.6%
FY16*	\$318.6	\$22.1	7.4%
FY17*	\$335.7	\$17.2	5.4%

*Budget estimates

Table 2

City - Union Partnership

Assisted by 2011 municipal health care reform, the City adopted MGL Chapter 32B S.19 and began working closely with its thirty six unions, as represented through the Public Employee Committee (PEC), in making health care changes. Through the City and PEC's two coalition bargaining agreements signed in 2011 and 2015, City employees and retirees are now paying a higher share of total health care costs through increased premium share and higher copays for office visits and pharmaceutical costs. Figure 8 shows the City's reduced share of total costs for its most popular non-Medicare health plan, from approximately 82% in FY11 to 78% in FY16. This is still higher than the estimated 68% employer share for a state employee enrolled in the Group Insurance Commission. Today, the City's total annual health care costs are estimated to be \$20 million lower than they would have been if not for these changes.

FY17 Est. Employee Share of Total Health Insurance Costs

Boston and GIC Premium shares for Harvard Pilgrim: co-pay est. using City HPHC utilization

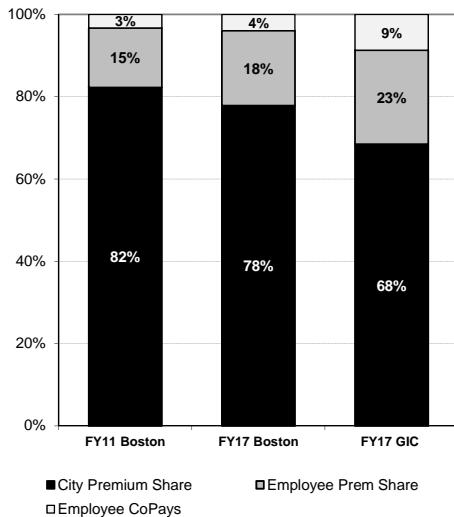


Figure 8

In FY15, the City and the PEC entered into their second agreement, which is projected to reduce projected costs by a total \$45 million over five years. This most recent agreement is unique because it includes not only a continued increase in member cost share, but also multiple other approaches to containing total costs for both the City and members.

- The Agreement includes competitive bidding and refinement of the City's health plan options. After the elimination of a costly indemnity plan in FY12 saving several million dollars annually, non-Medicare health plan options were further reduced in FY16 to three plans: one PPO (Indemnity) with an open provider network, and two HMO managed plans with a local provider network. Savings of over \$1 million dollars per year in administrative fees were realized from this change which is shared by both employees and the City. In FY18, Medicare plans offered by the City will also be reduced to three.
- The FY15 PEC agreement continued to prioritize funding of health care costs through self-insurance wherever possible. In FY13 the City began self-insuring most of its health plans, reducing total costs by over \$10 million per year.
- In FY16, also as part of the current PEC agreement, the City and the PEC will begin exploring alternatives for management of the City's prescription benefits, for possible future savings. This effort is timely with

pharmaceutical costs now the primary driver behind increasing claims trends.

Health Claims Trends

Nationally, health claims costs from FY11 - FY14 increased at a lower rate, contributing to lower premium increases. Claims costs, largely pharmaceutical, began increasing at higher rates in FY15, leading to premium increases of 7% in FY16 and FY17. The City is limited in its ability to influence the multiple causes behind health care cost increases, which can include increasing medical provider charges, an aging population, overuse of certain services, high utilization of more expensive hospitals, and unhealthy lifestyle choices of members. The most recent PEC agreement however, includes plans to address some of these issues through wellness and disease management programs.

Healthplan Subscribers Mar '16			
Healthplan	Active	Retiree	Total
Indemnity	868	1,030	1,898
HMO	14,204	2,605	16,809
Medicare	-	11,041	11,041
Total	15,072	14,676	29,748

Table 3

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Similar to pensions, employees earn post-employment health care and life insurance benefits (OPEB) over their years of active service, which are received during retirement. The City, including the Boston Public Health Commission (BPHC), has an unfunded liability for these benefits of \$2.26 billion, as of the most recent independent actuarial valuation on June 30, 2015. The size of this liability is largely influenced by changes to retiree health benefits, the City's annual additional contribution to fund the liability, and the discount rate used. The June 2015 estimate increased 5.6% over the previous valuation primarily due to a lower discount rate assumption.

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. This budget again dedicates \$40 million toward reducing the City's long term other post-employment benefits (OPEB) liability. These fiscally responsible actions are critical to the

Walsh Administration's prudent financial management policies, which have contributed to the recent affirmation of Boston's triple A bond rating.

In FY08, the City followed new Governmental Accounting Standards Board (GASB) requirements to identify and disclose this estimated liability, and also began voluntary annual allocations to fund the liability. Annual allocations are retained in an irrevocable Trust Fund, authorized through the City's acceptance of M.G.L. Chapter 32B section 20. As of December 31, 2015 the Fund had a balance of \$369 million.

The Annual Required Contribution (ARC) for the City to significantly reduce the OPEB liability over a 30 year period is projected at \$178.4 million in FY17, as shown in Table 4. \$163.8 million (92%) of this amount will be funded through a combination of pay-as-you-go benefit payments for current retirees (included in health care costs discussed in previous section), a \$40 million FY17 allocation by the City to the Trust, and an additional \$2.25 million deposit by the BPHC into the Trust.

FY17 Annual Required Contribution (ARC) to Reduce OPEB Liability Over 30 Years		
	Dollars in Millions	% ARC
Total ARC	\$178.4	
Projected Benefit Payments	\$121.5	
FY17 Annual Allocation	\$42.3	
Total FY17 Payments	\$163.8	92%
Difference	-\$14.62	

Table 4

As discussed further below, after the City fully funds its pension liability in 2025, annual contributions previously directed to reducing the pension liability will be redirected to reducing the unfunded OPEB liability. In 2026, total contributions to OPEB will exceed the annual required contribution, accelerating progress toward the goal of fully funding the OPEB liability in 30 years.

PENSIONS

Boston's Pensions budget is one of Boston's fixed costs based on the current pension schedule approved by Boston's Retirement Board. The City of Boston participates in a contributory defined benefit retirement system that is administered by the Boston

Retirement System (BRS). BRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. Boston's current pension schedule based on an actuarial asset valuation as of January 1, 2014 with updated mortality tables. The current pension schedule assumes a long term rate of return of 7.75%. The City's pension liability is currently 70.2% funded and is on track to reduce the unfunded liability to zero by 2025, fifteen years prior to the legally required funding date of 2040.

In FY17 Boston, working collaboratively with the Boston Water and Sewer Commission (BWSC), will restructure their pension schedules to more accurately reflect split service between the two entities. Now that the two entities have been separated for almost forty years, the number of retirees with split service in both entities continues to grow smaller over the years. It now makes sense for BWSC to directly support its own pension schedule and then seek reimbursement from Boston for the remaining retirees with split service. This will result in savings for the City of Boston in its main Pension budget included in fixed costs but will require an increase to its pay-as-you-go Pension and Annuities appropriation of \$1.2 million. This restructuring will achieve an overall net savings to the City of Boston an estimated \$4.7 million. The Pensions and Annuities budget is used to fund retiree split service payments and retirees that predate the BRS contributory retirement system and public safety retirees that have been granted line of duty death benefits or retirements based on special acts of the Massachusetts legislature due to extreme workplace injuries.

ENERGY MANAGEMENT

In FY17 department energy budgets total \$51.8 million with electricity costs making up 51% of the budget, natural gas costs making up 26% of the budget and gasoline/diesel comprising 11% of the budgets. The remaining 12% of the budget funds water and sewer, steam, and heating oil.

In FY17, the Walsh Administration plans to make energy efficiency improvements to City buildings, under an initiative entitled "Renew Boston Trust". This initiative aims to bundle municipal energy efficiency renovation projects and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable in part with the financial savings that resulted from

reduced energy consumption. The City expects to implement the program through contracts with Energy Service Companies (ESCOs) that will provide financial guarantees that the energy savings generated by the projects will be sufficient to cover anticipated debt service costs. To better track and control energy use, the City is re-procuring a cloud-based Enterprise Energy Management System ("EEMS"). The current EEMS enables the City to monitor and report on the energy consumed by its 314 buildings and other fixed assets, and its vehicle fleet, and is used by the City to meet its public reporting obligation under the Building Energy Reporting and Disclosure Ordinance.

The City's electricity requirements have been met by third-party commodity supply contractors since March 2005. To date, the amounts the City has paid to its third-party electricity suppliers have been less than the amounts it would have paid if it had continued to accept default electric service from its local distribution company, Eversource, formerly known as NSTAR – Boston Edison.

APPROPRIATIONS

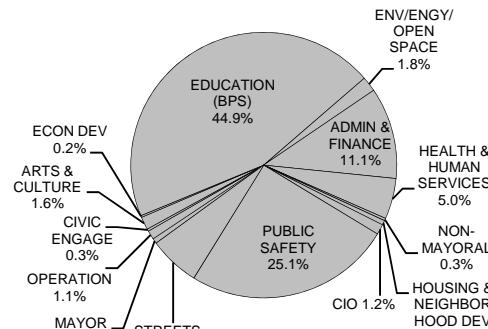
Appropriations

The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS), and non-departmental appropriations as shown in the FY17 Budget Summary have increased by 2% from FY16 estimated expenditures and 3.2% from the FY16 appropriations.

Of that growth, City Departments, Boston Public Schools (BPS) and the Public Health Commission (PHC) (net health insurance and pension costs) are growing by \$29.3 million or 1.5% over FY16 estimated expenditures. These departmental increases are low relative to most years because almost all of the collective bargaining agreements will expire early in the fiscal year. Only Fire and Emergency Medical Services (EMS) have negotiated wage increases set for FY17, and their budgets reflect that difference.

The FY17 Adopted Budget includes a number of savings initiatives such as reducing public safety and streets overtime, inactivating vacant positions, and achieving utilities and contracted services cost reductions. Through thoughtful reforms that achieve savings, and improved utilization of existing funds, the

FY17 Adopted Budget is able to make targeted investments toward achieving a thriving, healthy and innovative City.



FY17 Appropriations by Cabinet

Figure 9

The departmental appropriations are shown in the General Fund Appropriation by Cabinet table (Table 5).

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

In FY17 some departments have changed and programs have transferred between departments. Details of these changes are described below in each of the cabinet sections.

Mayor's Office

The Mayor's Office Cabinet is increasing by 2.2% in FY17. The cabinet is made up of the Mayor's Office, the Election Department, the Law Department, and the Office of Women's Advancement.

The Mayor's Office increase in FY17 is partially related to a position transfer from the Intergovernmental Relations Office to the Mayor's Office. This position provides ongoing support to the Chief of Education tasked with various education initiatives such as universal pre-kindergarten and other education priorities.

The Mayor's Office is also home to the Office of New Urban Mechanics. In FY17 the Urban Mechanics will receive additional support as they continue to create innovative and transformative ways to deliver city services. In FY17 a new Office of Returning Citizens

will be created within the Mayor's Office to support the 3,000 individuals who return to Boston after being released from state, federal and county correctional facilities each year, as well as others who were previously incarcerated. The decrease in the Election Department FY17 budget is based on managing two elections in FY17 as compared to three elections in FY16. However, the Election Department's FY17 budget does include funding to establish nine early voting sites throughout the City, more than required by the early voting law. The department will also benefit from new technology to better manage elections.

Operations

As part of the Walsh Administration's strategy to use available resources more effectively, the Property and Construction Management Department is being formally separated into two different departments: (1) Property Management & (2) Public Facilities. This realignment will allow each entity to focus its resources on its specific mission; for Property Management, to manage, maintain, repair and provide security for the City's municipal buildings; for Public Facilities, to plan, design and construct capital-funded projects. The formal restructuring, effective at the start of FY17, will provide better governance and structure and will enable each department to provide services more efficiently.

The Operations Cabinet, which in addition to Property Management and Public Facilities also includes the Intergovernmental Relations Department, will grow by 4.1% in FY17. This growth reflects an increase in Property Management's building portfolio as they take on management of the Bolling Building as well as personnel investments in Property Management and Public Facilities that will foster a more efficient pyramidal management structure. Other notable reforms taking place in FY17 include Property Management's use of electronic software to improve inventory and asset management and Public Facilities' procurement and implementation of project management software to more effectively manage capital projects.

Civic Engagement

The Civic Engagement Cabinet will see a \$558,000 increase in its FY17 budget, based on a transfer from another department and key investments in targeted for interpretation and translation services. With an estimated 97,000 Boston residents being limited-

English proficient, the need for a comprehensive way to interact with these citizens is an ongoing need. FY17 investments will allow for new methods of engagement with the non-English speaking residents of Boston. In FY17, Boston will launch new methods of engagement with the non-English speaking residents of Boston and centralize the translation and interpretation services within Boston 311. Starting in FY17, Boston 311 call takers will have the ability to interact with residents through interpreters. The City will also have new resources to translate newsletters, press releases, and other notices in a variety of languages. Through a new coordinator, the City will ensure that a high quality service is provided. The FY17 budget adds engagement capacity to support emerging populations from African Nations to ensure the City is responsive to the needs of all Bostonians.

In addition, small investments have been made to expand the City-Hall-To-Go services in Boston Center for Youth and Family (BCYF) sites with portable carts to deliver services typically provided at City Hall like requesting a birth certificate in the neighborhoods. A constituent engagement position has been transferred from the Inspectional Services Department (ISD) to Office of Neighborhood Services in FY17.

Arts & Culture

As highlighted in the Mayor's State of the City speech in January, the Office of Arts and Culture will launch several new programs that are dedicated to supporting local artists. The Office will receive \$1 million from external Boston Redevelopment Authority sources to fund these new initiatives.

Boston AIR (Artists in Residence) will scale up three to ten full residencies, in Boston Centers for Youth and Families, with the goal of injecting creative problem solving into municipal processes. This investment will allow for a thorough training program for participating city liaisons and artists, a materials budget for prototyping and innovation, and the evaluation of each project. The City will support individual artists through direct grants to Boston artists, awarded through a competitive process. Finally, Boston will create an Artist Resource Desk dedicated to helping artists and arts sector employees interact successfully with City Hall, and find the resources and assistance they need for their creative projects.

The Boston Public Library (BPL) which will see a 1.2% increase in FY17. Following their operational review, the Library identified a need to fund additional

positions in Special Collections to improve inventory management and rebalance stewardship responsibilities with acquisition efforts. The Library will work with the Associates of the Boston Public Library, a key affiliate organization focused on fundraising support for the conservation, preservation and organization of the special collections, to support this work with a goal of furthering the Library's work to improve stewardship of the special collections. In addition, the Library Department will be inactivating vacant positions to achieve savings.

In addition to the FY17 general fund budget, the BPL sees continued support from a variety of external funds. These sources include the Commonwealth of Massachusetts, Boston Public Library Foundation, Associates of the Boston Public Library, Norman B. Leventhal Map Center, The City-Wide Friends of the Boston Public Library, and each branch friends group. These sources are crucial to the operations of the Library as they support a variety of different initiatives.

Economic Development

The Economic Development Cabinet is comprised of the Office of Economic Development, the Boston Redevelopment Authority, Consumer Affairs & Licensing, and the Office of Tourism. Due to a transfer of the Neighborhood Business Services Program from Department of Neighborhood Development (DND) to the Economic Development cabinet, the appropriation will increase by 16.3% over FY16.

The Office of Economic Development focuses on increasing accessibility for all Bostonians to share in and benefit from the economic expansion in Boston. As a result, in FY17, the department is realigning resources and making targeted investments to promote a thriving, healthy, and innovative business ecosystem. The Neighborhood Business Services Program, formerly housed in DND, will move to consolidate all direct-to-small-business assistance under the Office of Economic Development. This transfer will streamline the delivery of small business services to constituents, while allowing the City to better align and coordinate related initiatives, such as neighborhood innovation districts, Main Streets investments, and transportation and mobility improvements. The Office of Economic Development will also leverage grant resources provided by the Economic Development and Industrial Corporation

(EDIC - a quasi-public entity that leads local economic development activities) to increase funding for small business technical assistance and to study the root causes of economic disparity in Boston.

In an effort to streamline government and ensure the most efficient delivery of services, two departments with similar missions- the Licensing Board and the Consumer Affairs and Licensing Department- will be consolidated into a single department in FY17. A more focused and integrated department will result in better services. In addition, efficiencies have been achieved through consolidated leadership and reductions in other administrative costs.

The Office of Tourism's operating budget will increase in FY17, as the department invests in the launch of the Boston Sports Commission, a newly created 501(c) (6) business league organization aimed at attracting major sporting events and championships to Boston. The funding will help spur economic development and generate local tax revenues, support thousands of jobs and benefit numerous regional constituents, including local hotels, restaurants, tourist destinations, and retail outlets.

Education

The FY17 Boston Public Schools (BPS) budget will increase by \$15.4 million, or 1.5%, from the FY16 appropriation, an amount that will increase when the next round of collective bargaining agreements are negotiated. The FY17 budget increases the number of K1 seats by over 200, invests in special education supports as well as professional development at approximately 40 schools as part of Extended Learning Time planning. The budget brings an enriched and rigorous 4th grade experience to a diverse set of students through the BPS Superintendent's Excellence for All program. (See the *Education* chapter of this volume for more details.)

Environment, Energy & Open Space

The Environment, Energy and Open Space Cabinet includes the Inspectional Services Department, the Environment Department, and the Parks and Recreation Department. In FY17 the cabinet will see a 5.1% increase, due in large part to a transfer of an environmental monitoring program from Public Works.

The increase in the Environment Department's budget reflects a recent change to the number of city parcels that fall within a floodplain. In FY17 investments have

been made to support environmental conservation, wetland protection and floodplain management.

In FY17 the Inspectional Services Department will see an increase of 2.6% to support its wide-ranging responsibilities. In FY17 much of the additional funding was provided to support ongoing training of inspectors on updated building codes, new environmental requirements, and on the new Federal floodplain maps.

The Parks and Recreation Department will see a 7.6% increase in its FY17 budget. A significant part of the increase relates to a transfer of responsibilities around environmental monitoring and slope maintenance at Millennium Park in West Roxbury and on Spectacle Island from the Public Works Department to Parks & Recreation.

With this budget, the City will launch Parks First, a comprehensive initiative ensuring that Boston's open spaces are among the nation's best when it comes to issues of access and equity. As part of that initiative, additional funding has been added to support more park rangers to ensure that Boston's green spaces are welcoming safe spaces for residents and visitors. These ambassadors will patrol the Emerald Necklace, including America's first park, Boston Common. Parks First will expand the department's seasonal maintenance workforce to ensure that Boston's neighborhood parks receive an increased level of care. Finally, the initiative will expand recycling into two to three signature parks, providing Bostonians with an opportunity to act as stewards of their environment and complement the City's Greenovate strategy.

Administration & Finance

The Administration & Finance (A&F) Cabinet contains the central departments responsible for the City's long-term growth and stability. Boston has been recognized for its strong financial policies and practices and sound management of both its human and financial capital. The cabinet will see a 6% increase in FY17, however the nine city departments within the cabinet will only see a 2.5% increase.

Budget increases for four central appropriations in the cabinet including appropriations for Health Insurance, Execution of Courts, Medicare and Pension & Annuities account for 95% of the total increase in the cabinet.

Investments have been made in the Office of Human Resources (OHR) to provide staffing to support the new Employee Connect platform that has been rolled

out as part of a significant upgrade to the City's enterprise Human Capital Management (HCM) software system. Employee Connect provides every city employee with self-service options to manage their time-off and employee health benefits. The HCM upgrade will also provide better accountability for time and attendance management. The A&F cabinet has also budgeted resources in FY17 to continue the successful program of independent operational audits. The Office of Budget Management (OBM) includes funding for the audits.

Health & Human Services

Overall, the FY17 appropriation for the Health & Human Services Cabinet has increased by 3.2%. The cabinet, committed to promoting the health and well-being of the City's residents, particularly the most vulnerable, is essential to ensuring a thriving, healthy, and innovative Boston.

Boston Centers for Youth and Families (BCYF) will redeploy their staff to dedicate the Grove Hall Community Center as a senior center, expand operating hours at all stand-alone sites, expand Saturday evening hours, enable 5 centers to operate 7-days per week, and allow 17 centers to operate 6-days per week. The changes in program hours and staffing redeployment planned for BCYF will result in centers that are better equipped to provide quality programming for all residents, especially seniors and youth. This expansion will come at no cost to the taxpayer, as BCYF will realign operations and focus its resources on sites with uninterrupted access and increased demand for more programs.

The Boston Public Health Commission (BPHC) 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. In FY17, the department's appropriation will increase by 4.5%, with investments targeting important areas of the city's public health system: emergency medical services (EMS), homelessness, and addiction services. Unlike most City departments, BPHC's appropriation includes health insurance, pension and other post-employment benefits (OPEB).

A funding increase for Boston EMS will add 20 uniform personnel and 10 replacement ambulances in order to facilitate faster response times, reduce overtime costs,

and increase surge capacity. This EMT investment is largely funded through additional health insurance claims revenue and reduced EMS overtime. EMS is also one of the few divisions with negotiated wage increases set for FY17.

The City will also invest in PHC's homeless shelters, which includes hiring a mix of coordinators, assistant coordinators, counselors, and security staff, will enable PHC to efficiently operate its two shelters on 24/7 basis and better assist Boston's most vulnerable population with career counseling, job training, substance abuse prevention, and transitional and permanent housing support services. The FY17 budget also includes additional resources for the PHC's PAATHS (Providing Access to Addictions Treatment, Hope and Support) Program. The investment enables the program to scale up its services through the Boston 311 service, the city's innovative and nationally recognized municipal service application, and therefore increase the amount of residents connected to vital recovery services. To support these investments, the Public Health Commission is saving \$1.4 million through a number of budget tightening measures.

In recognition of its efforts to increase engagement and outreach in the Veteran's community, in FY17 the Veterans Services department will formally become the Boston Office of Veterans Engagement, Transition, and Services (Boston VETS). The City's commitment to this endeavor will allow the department to hire two additional Veterans Service Officers in FY17 to help expand outreach and engagement services. The department's Aid to Veterans budget line item has been reduced based on a reduction in demand for Chapter 115 veterans' benefits and increases to alternative resources for veterans.

The budget for Youth Engagement and Employment will increase by 9.2% in 2017 in order to absorb the increase in the minimum wage for the summer and school year jobs funded by the city. Funding will continue to support a successful partnership with community-based organizations and, when combined with anticipated state funds, provide an estimated 3,000 summer jobs. Together with all of its partners, the city's goal is to provide or leverage approximately 11,000 summer jobs. The department will also work year round to support youth via the Mayor's Youth Council and provide for school-year jobs.

Housing and Neighborhood Development

The Housing and Neighborhood Development Cabinet will increase by 10.2%, reflecting an investment in the Mayor's Action Plan to End Chronic and Veteran Homelessness and the new Office of Housing Stability, as well as program transfers to better align DND's programs with its mission.

In 2015, Mayor Walsh released this Action Plan which calls for a single integrated homeless system using a "Housing First" model which moves homeless individuals from the streets into permanent housing quickly. Through the Boston Homes for the Brave initiative, Boston has housed 605 homeless veterans since in July 2014 and put an end to chronic veterans' homelessness in Boston. Boston has one of the lowest rates of urban, unsheltered street homelessness in the United States as a result of the commitment to new investments which has steadily increased the number of housing units for homeless individuals. However, the demand for services has recently increased, and the City has made a commitment to continue to care for the most vulnerable populations in our community.

To support the Action Plan, the FY17 budget includes an increase of \$1.3 million in general funds and \$2 million in federal funds to provide front door triage staff at Pine Street Inn Homeless Shelter, rapid rehousing rental assistance, additional emergency shelter to families, and low barrier permanent supportive housing for the homeless. In addition, the City is launching the Office of Housing Stability to help people stay in their communities. The new office will develop resources for tenants, incentives for landlords and partnerships with developers to keep more of the housing stock affordable.

In 2014, Mayor Walsh announced his "Housing a Changing City: Boston 2030," a plan for a new comprehensive approach to accommodating Boston's complex housing needs over the next 15 years. In FY16, the City began investing an additional \$1.75 million annually in general fund revenue to support the Elderly Housing Initiative and \$5.5 million annually in general fund revenue for the Housing 2030 Fund to fund affordable housing development. More than 30,000 affordable units are in the development process, which represents 57% of the City's 53,000 unit target. Of those, 16,651 units are permitted or completed, representing 125% of the target rate needed to create 53,000 new units by 2030.

Reforms implemented in FY17 will let DND better align their programs with their core mission, a critique identified in the independent operational audit conducted in 2015. DND is transferring the Office of Business Development to the Economic Development Cabinet's Small and Local Business Program. Additionally, the Emergency Shelter Commission will move from the Public Health Commission to DND as part of the new Office of Housing Stability and the Metrolist, a housing clearinghouse which provides a range of counseling services to facilitate housing access; will be transferred to DND from the Office of Fair Housing and Equity.

In FY17, Housing and Neighborhood Development Cabinet will receive over \$68 million in external funds from federal and state grants as well as revenue from certain developer fees. The City continues to receive recurring entitlement grants provided by the federal government such as the Community Development Block Grant (CDBG) and HOME Partnership Program funding for a variety of neighborhood development activities as well as competitive grants such as the Continuum of Care (CoC) program to assist the homeless population move into transitional and permanent housing. Additionally, the City uses the funding from the Inclusionary Development Fund to support the creation of affordable housing citywide. In 2015, Mayor Walsh announced changes to the City's Inclusionary Development Policy (IDP). Based on the location of new residential developments within the three new zones, IDP has been modified to increase the contribution amounts for developers wishing to make a cash-in-lieu payment instead of building affordable units on site. These increased payments will go into the City's Inclusionary Development Fund.

Information & Technology

The Department of Innovation and Technology (DoIT) will see a 2.5% increase over its FY16 appropriation. New positions, supported by Federal Communications Commission revenue, will be added to support the city-owned fiber network that provides high speed broadband connectivity to Boston Public Schools and libraries.

In FY17, DoIT will continue installing data dashboards throughout the City to allowing users to make decisions based on real time data. This will continue the City's effort to use big data to engage citizens and offer better city services. In addition, external funds will support the ongoing effort to practice Open Government. In partnership with the Boston Public

Library (BPL), DoIT is committed to make Open Data more useful and readily available to all by creating data-focused programs within the BPL.

Public Safety

The Public Safety Cabinet, which includes the Police Department, the Fire Department and the Office of Emergency Management, is growing by 1.5% over FY16 estimated expenditures and 5.7% over FY16 appropriations. This is primarily driven by changes in how overtime in the Police and Fire Departments is budgeted and managed. Overtime was previously budgeted significantly less than spending levels. Overtime budgets were not increased to keep pace with changing public safety demands or wage agreements. In FY17, the City will "true up" departmental overtime budgets, while at the same time challenging them to reduce overtime use.

The Police Department has a 7.2 % increase from the FY16 Adopted Budget to the FY17 Adopted Budget; however, due to how overtime was budgeted in FY16, the increase over FY16 Estimated Spending is only 1.1%, or \$3.9 million. Due to a commitment by the Police department to reduce overtime hours the department is projected to save over \$9 million related to overtime. This budget reflects the Mayor's commitment to reduce Human Trafficking by shifting existing resources to increase the personnel assigned to that unit. Included in the FY17 budget is a replacement class of approximately 50 recruit police officers. The budget also includes the annualized costs of the reconstituted Police Cadet Program budgeted to start again in FY16. Out of the independent operational audit conducted in FY16 came an itemized list of facility repairs; in order to ensure appropriate work environments, over \$540,000 will be added to fix specific facility problems in the district stations. The department will also focus on technological improvements: the 9-1-1 recording system will be upgraded, a body camera pilot will be continued, existing park safety phones will be replaced, and an increase in existing camera maintenance has been funded.

The Fire Department budget will increase by 3.4% in FY17 over Adopted FY16 (2.1% over FY16 Estimated Expenditures), which reflects the Mayor's commitment to an expanded fire apparatus replacement plan and that Fire is one of the only Departments with negotiated wage increases in FY17. The FY17 operating budget contains 10 new fire engines, complemented by an additional 5 on the

capital plan. Similar to the Police Department, the Fire Department budget also includes the updated management of overtime, for a projected FY17 savings of over \$2 million. The budget also contains a new firefighter recruit class, intended to replace retirees in order to ensure appropriate staffing levels. The SAFER grant will continue in FY17, supporting 75 firefighters which is 25 more than the replacement level of 50.

The Office of Emergency Management has a decrease of 9.7%, which is the result of a reduction in personnel costs in the department.

Streets

The Streets Cabinet will increase by 0.1% in FY17. The Office of Streets will grow by 8.3% as the Chief of Streets, newly appointed in FY16, works to strengthen coordination, innovation and strategy across the Public Works and Transportation departments. The FY17 budget includes funding for a plan to reform the moving permit process.

The Public Works Department's FY17 appropriation is level with FY16. The department has realized savings from reduced waste disposal tonnage, eliminated long-term vacant positions, and has committed to reducing overtime hours by 5%. In FY17 Public Works is looking for alternative uses for the latex paint collected at annual paint drops. An investment in GPS survey equipment will allow the engineering program to more efficiently measure survey points.

In FY17 the Transportation Department will see a decrease of 0.1%. The department eliminated long-term vacant positions and budgeted for a 5% reduction in overtime hours. In FY17 the department will release the GoBoston 2030 action plan which will specify next steps in creating a more sustainable, equitable and efficient transportation network. The budget continues to support the Boston Bike program and community bicycle activities.

Reserve for Collective Bargaining

Most union contracts in City departments expire at the end of FY16 or shortly thereafter. Salary increases in these agreements will have a direct impact on dollars available in FY17 and in the coming years. The FY17 collective bargaining reserve includes limited funding for successor agreements for those unions.

Debt Service

The Debt Service budget is a fixed cost in the operating budget that supports the borrowing to finance the City's capital plan. The City benefits from its strong financial policies and practices and have been recently affirmed with a triple A bond ratings issued by Moody's and Standard and Poor's. Strong bond ratings are an assessment of the City's long-term financial stability but also help by lowering the cost of borrowing. In FY17 the Debt Service is budgeted at \$177.8 million.

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 expects growth in assessments to \$234.5 million in FY16 and \$245.3 million in FY17.

Boston's Charter School Tuition Assessment is projected to increase by \$9.9 million (6.8%) over the FY16 budget, as about 10,000 students are projected to attend a Commonwealth Charter School in FY17. This increase brings Boston's Charter School Tuition Assessment to \$156.8 million. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (130% or \$88.5 million between 2011 and 2017). As Boston looks to the future, voter approval of the proposed charter school cap ballot initiative could have a shocking effect on the City's finances, as the new state cap allowing an additional 12 schools a year would nullify community caps in practice. Mayor Walsh has proposed a moderate cap lift growing at 0.5% a year paired with charter financing reform that would create a reliable transition funding mechanism for Boston.

Suffolk County

The Suffolk County budget is a fixed cost mandated by state legislation, budgeted at \$3.9 million in FY17. State legislation converted all existing and future Suffolk County Sheriff employees to state employees effective January 1, 2010. The State charges the City for Suffolk County through an assessment based on the residual unfunded pension liability for former Sheriff employees who retired prior to January 1, 2010. Once the unfunded pension liability is fully extinguished, the budget for Suffolk County will no longer be necessary.

Reserve

The Reserve budget is a fixed cost stipulated by state law and requires the City of Boston to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department. The current balance of this reserve is \$30.6 million and the City is required to budget \$740,000 in FY17 to

meet reserve requirements. 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 after June first of each fiscal year. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve.

General Fund Appropriations by Cabinet

Cabinet	Department	Expenditure	Expenditure	Appropriation	Expenditure	Appropriation	FY14		FY15		FY16		FY17		Inc./Dec.
							Estimated	Total	Estimated	Total	Estimated	Total	Estimated	Total	
Mayor's Office	Mayor's Office	2,608,167	2,500,499	3,408,671	3,408,671	4,042,280	633,609								
	Election Department	3,641,033	3,332,733	4,503,625	4,503,625	4,329,343	-174,282								
	Law Department	5,937,483	5,992,561	6,044,218	6,044,218	5,872,445	-171,773								
	Public Information	1,288,652	1,190,249	0	0	0	0								
	Women's Advancement	246,836	190,982	213,218	213,218	233,614	20,397								
	Total	13,722,171	13,207,023	14,169,732	14,169,732	14,477,682	307,951								
Operations	Intergovernmental Relations	1,145,145	1,237,386	1,319,897	1,319,897	1,185,168	-134,729								
	Property Management Department	24,265,217	23,696,180	22,843,968	22,843,968	18,340,813	-4,503,156								
	Public Facilities Department	0	0	0	0	5,625,883	5,625,883								
	Total	25,410,362	24,933,566	24,163,865	24,163,865	25,151,864	987,998								
Civic Engagement	Elderly Commission	2,904,937	3,095,092	3,128,251	3,128,251	3,233,749	105,498								
	Neighborhood Services	1,184,219	1,421,969	2,742,150	2,742,150	3,194,730	452,580								
	Total	4,089,156	4,517,062	5,870,401	5,870,401	6,428,479	558,078								
Arts & Culture	Office of Arts & Culture	0	975,519	1,401,087	1,401,087	1,349,436	-51,650								
	Library Department	33,075,831	33,290,968	34,092,573	34,092,573	34,501,738	409,165								
	Total	33,075,831	34,266,487	35,493,660	35,493,660	35,851,174	357,514								
Economic Development	Office of Economic Development	1,102,778	1,552,693	1,885,040	1,885,040	2,460,614	575,574								
	Consumer Affairs & Licensing	426,219	459,931	456,831	456,831	1,177,027	720,197								
	Licensing Board	661,275	704,752	833,629	833,629	0	-833,629								
	Office of Tourism	1,800,095	1,011,559	1,155,750	1,155,750	1,399,710	243,960								
	Total	3,992,367	3,728,935	4,331,250	4,331,250	5,037,351	706,101								
Education	Boston Public Schools	937,949,085	974,925,124	1,016,283,841	1,016,283,841	1,031,684,000	15,400,159								
	Total	937,949,085	974,925,124	1,016,283,841	1,016,283,841	1,031,684,000	15,400,159								
Environment, Energy & Open Space	Environment Department	1,945,342	2,018,443	2,139,759	2,139,759	2,232,944	93,185								
	Inspectional Services Department	17,199,298	16,701,349	18,337,721	18,337,721	18,812,691	474,970								
	Parks & Recreation Department	17,851,087	18,397,999	19,495,754	19,495,754	20,981,060	1,485,306								
	Total	36,995,727	37,117,791	39,973,234	39,973,234	42,026,695	2,053,461								
Administration & Finance	Administration & Finance	1,505,363	934,781	933,000	933,000	1,071,275	138,274								
	Assessing Department	6,572,031	6,346,438	7,108,093	7,108,093	7,199,877	91,784								
	Auditing Department	2,539,198	2,493,517	2,665,861	2,665,861	2,705,370	39,509								
	Budget Management	2,677,090	2,585,056	3,135,987	3,135,987	3,199,976	63,989								
	Execution of Courts	13,470,377	9,698,309	3,500,000	3,500,000	5,000,000	1,500,000								
	Health Insurance	190,870,372	180,006,658	195,756,613	195,756,613	206,208,108	10,451,495								
	Human Resources	3,352,701	3,485,224	3,806,731	3,806,731	4,132,833	326,103								
	Medicare	7,752,168	8,577,221	9,320,000	9,320,000	10,000,000	680,000								
	Office of Labor Relations	1,228,146	1,364,176	1,424,704	1,424,704	1,424,077	-627								
	Pensions & Annuities - City	164,247	3,336,691	4,100,000	4,100,000	5,289,000	1,189,000								
	Pensions & Annuities - County	35,334	36,114	100,000	100,000	100,000	0								
	Purchasing Division	1,697,084	1,545,202	1,863,465	1,863,465	1,832,370	-31,095								
	Registry Division	994,589	995,449	1,008,374	1,008,374	1,031,501	23,127								
	Treasury Department	4,368,304	4,524,802	4,316,741	4,316,741	4,385,635	68,894								
	Unemployment Compensation	34,736	34,251	350,000	350,000	350,000	0								
	Workers' Compensation Fund	1,558,012	1,865,719	2,200,000	2,200,000	2,200,000	0								
	Total	238,819,752	227,829,609	241,589,569	241,589,569	256,130,021	14,540,452								
Health & Human Services	Boston Center for Youth & Families	23,620,369	24,129,637	24,828,025	24,828,025	24,959,047	131,022								
	Commission For Persons W/Disabilities	349,408	364,997	411,250	411,250	418,195	6,945								
	Fair Housing & Equity	190,335	223,027	217,336	217,336	282,830	65,494								
	Office of Immigrant Advancement	341,647	362,789	376,521	376,521	425,022	48,500								
	Public Health Commission	66,756,507	73,827,152	73,950,274	73,950,274	77,267,200	3,316,926								
	Boston VETS	4,608,580	4,442,074	5,250,761	5,250,761	4,677,730	-573,031								
	Youth Engagement & Employment	5,048,549	4,989,678	5,548,119	5,548,119	6,058,544	510,425								
	Total	100,915,394	108,339,356	110,582,287	110,582,287	114,088,568	3,506,281								
Housing & Neighborhood Development	Leading the Way	5,500,000	5,500,000	0	0	0	0								
	Neighborhood Development	4,078,250	4,968,260	11,760,267	11,760,267	12,963,182	1,202,915								
	Total	9,578,250	10,468,260	11,760,267	11,760,267	12,963,182	1,202,915								
Information & Technology	Department of Innovation and Technology	26,227,117	30,614,392	27,828,305	27,828,305	28,523,574	695,269								
	Total	26,227,117	30,614,392	27,828,305	27,828,305	28,523,574	695,269								
Public Safety	Emergency Management	460,501	464,649	706,117	706,117	637,722	-68,396								
	Fire Department	200,877,965	211,234,480	213,722,812	213,722,812	220,990,371	4,501,882								
	Police Department	321,000,294	337,310,896	332,544,970	332,544,970	356,341,193	3,894,698								
	Total	522,338,761	549,010,025	546,973,900	546,973,900	577,969,285	8,328,184								
	Streets	Central Fleet Management	2,429,952	2,672,445	2,557,754	2,557,754	2,590,424	32,670							
Non-Mayoral Departments	Office of Streets	1,264,047	1,360,423	1,822,681	1,822,681	1,973,144	150,463								
	Public Works Department	85,820,856	82,178,496	81,989,744	81,989,744	81,989,711	-33								
	Snow Removal	23,100,164	38,453,034	22,563,964	22,563,964	22,563,964	0								
	Transportation Department	31,369,983	31,257,048	33,208,118	33,208,118	33,174,525	-33,593								
	Total	143,985,003	155,921,446	142,142,261	142,142,261	142,291,767	149,506								
Non-Mayoral Departments	City Clerk	1,054,987	1,073,705	1,152,496	1,152,496	1,220,396	67,900								
	City Council	4,948,747	5,061,273	5,289,879	5,289,879	5,340,777	50,897								
	Finance Commission	192,044	233,475	265,675	265,675	268,475	2,800								
	Total	6,195,779	6,368,453	6,708,050	6,708,050	6,829,647	121,597								
Grand Total		2,103,294,755	2,181,247,529	2,227,870,621	2,227,870,621	2,250,537,823	2,299,453,289								48,915,466

Table 5

Personnel Summary						
		1/1/14 FTE	1/1/15 FTE	1/1/16 FTE	1/1/17 Projected	Projected Inc/(Dec)
Office of the Mayor	Mayor's Office	24.6	30.6	37.6	42.6	5.0
	Election Department	28.0	27.0	27.0	28.0	1.0
	Law Department	50.0	46.0	44.0	44.0	-
	Public Information	20.8	19.6	-	-	-
	Women's Advancement	2.0	3.0	3.0	3.0	-
		Total	125.4	126.2	111.6	117.6
Operations	Intergovernmental Relations	8.8	10.0	10.0	9.0	(1.0)
	Property Management	198.0	203.0	181.0	131.0	(50.0)
	Public Facilities Department	-	-	-	52.0	52.0
		Total	206.8	213.0	191.0	192.0
Civic Engagement	Elderly Commission	55.0	57.0	56.0	56.0	-
	Neighborhood Services	17.0	26.0	43.0	46.5	3.5
			Total	72.0	83.0	99.0
Arts & Culture	Office of Arts & Culture	-	9.0	10.0	10.0	-
	Library Department	393.8	403.1	392.0	396.5	4.5
		Total	393.8	412.1	402.0	406.5
Economic Development	Office of Economic Development	14.0	19.0	17.0	19.1	2.1
	Consumer Affairs & Licensing	6.8	6.0	5.0	13.6	8.6
	Licensing Board	10.6	9.6	8.6	-	(8.6)
	Office of Tourism	19.1	8.7	11.0	11.0	-
		Total	50.5	43.3	41.6	43.7
Education	School Department	8,663.8	8,788.9	8,746.0	8,832.4	86.4
			Total	8,663.8	8,788.9	8,746.0
Environment, Energy & Open Space	Environment	24.0	20.0	22.0	23.0	1.0
	Inspectional Services	223.0	214.0	227.0	227.0	-
	Parks and Recreation	204.0	193.0	201.0	205.0	4.0
			Total	451.0	427.0	450.0
Administration & Finance	Administration & Finance	6.0	7.0	7.0	7.0	-
	Assessing Department	84.0	81.0	82.0	82.0	-
	Auditing Department	37.0	35.0	35.0	35.0	-
	Budget Management	24.1	22.1	24.1	23.1	(1.0)
	Human Resources	44.5	43.5	43.5	46.5	3.0
	Labor Relations	10.0	9.0	8.0	9.0	1.0
	Purchasing Division	23.0	21.0	23.0	21.0	(2.0)
	Registry Division	19.0	19.0	18.0	18.0	-
	Treasury Department	52.0	50.0	48.0	50.0	2.0
		Total	299.6	287.6	288.6	291.6
Health & Human Services	Boston Center for Youth & Families	366.4	363.2	356.3	356.3	-
	Commission for Persons with Disabilities	5.0	6.0	4.0	5.0	1.0
	Fair Housing & Equity	7.0	6.0	4.0	5.0	1.0
	Immigrant Advancement	5.0	5.0	5.0	5.0	-
	Public Health Commission	762.3	769.6	776.9	810.9	34.0
	Boston VETS	12.6	13.0	11.0	12.0	1.0
	Youth Engagement & Employment	6.0	8.7	8.0	8.0	-
			Total	1,164.3	1,171.5	1,165.2
						37.0
Housing & Neighborhood Development	Neighborhood Development	38.9	37.5	36.7	37.7	1.0
			Total	38.9	37.5	36.7
Information & Technology	Dept of Innovation & Technology (DoIT)	122.0	127.0	127.0	129.0	2.0
			Total	122.0	127.0	127.0
Public Safety	Emergency Management	1.4	1.4	1.4	1.4	-
	Fire Department	1,619.2	1,625.2	1,572.2	1,572.2	-
	Police Department	2,921.7	2,902.1	2,882.1	2,935.0	52.9
			Total	4,542.3	4,528.7	4,455.7
						4,508.6
Streets	Office of Streets	16.0	17.0	17.0	19.0	2.0
	Central Fleet Management	42.0	41.0	44.0	44.0	-
	Public Works Department	324.0	353.0	333.0	333.0	-
	Transportation	370.9	351.9	347.9	347.9	-
		Total	752.9	762.9	741.9	743.9
Non-Mayoral	City Clerk	13.0	14.0	14.0	15.0	1.0
	City Council	82.4	88.7	82.0	82.0	-
	Finance Commission	3.0	4.0	4.0	4.0	-
			Total	98.4	106.7	100.0
						101.0
						1.0
						207.4
Grand Total						
Summary Budget						

Table 6

PERSONNEL CHANGES

The Personnel Summary table shows a four-year comparison of city-funded and filled full-time equivalent (FTE) positions. This includes both permanent and emergency employees. The projected FTE numbers used for FY17 are estimates based on the personnel funding levels contained in the FY17 budgets.

FY15- FY16 FTE Changes

The total net decrease in FTEs from January 1, 2015 to January 1, 2016 was 159.1. The majority of the decrease was in Education and Public Safety Cabinets. 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.

The School Department decreased by 42.9 FTEs. The overall number of teachers was fairly stable (-17.9 or -0.4%) with a reduction in regular education teachers mostly offset by more bilingual and specialist teachers. The department also saw an increase of 50.3 special education aides in classrooms. The decline in central office FTEs on the general fund was primarily due to a reduction in long-term leaves (-53).

City funded FTEs in the Public Safety Cabinet decreased by 73.0. The Fire department received a new SAFER grant which allowed the fall recruit class of firefighters to be covered on the grant. The Police department's decline of 20.0 FTEs is due to civilian attrition.

The Mayor's Office Cabinet declined by 14.6 positions between January 1, 2015 and January 1, 2016. Public Information ceased to be an independent department in FY16 and its programs were transferred into other departments. The communication program was added to the Mayor's Office. The 24 hour constituent engagement program transferred to the Office of Neighborhood Services in the Civic Engagement Cabinet.

Similarly the Operations Cabinet decreased by 22 FTEs primarily due to the transfer of the Animal Control program from Property and Construction Management to Inspectional Services in the Environment Cabinet. The Arts & Culture Cabinet declined by 10.1 FTEs due to the timing of filling vacancies in the Library Department.

The Environment, Energy and Open Space Cabinet increased by 23 FTEs from January 2015 to January 2016. The transfer of the Animal Control program to Inspectional Services was partially offset by vacancies in the department. The Parks Department grew with the transfer of the Recreation program from BCYF.

The Health & Human Services Cabinet shows a net decrease of 7.3 FTEs due to the transfer of Recreation from BCYF to Parks and limited vacancies in other departments. The Public Health Commission increased by 7.3 FTEs, including staff for the Mobile Sharps program and the new Office of Recovery Services.

The Streets Cabinet decreased by 21 FTEs. Public Works' reduction of 20 FTEs was anticipated with transfer of the traffic signals program to Transportation (BTD) as well as the movement of HR positions to the Office of Streets to consolidate human resources functions for the entire cabinet. BTD does not show a corresponding increase in FTEs from the transfer of traffic signals program because of offsetting vacancies throughout the department.

FY17 Projected FTE Changes

The City projects a net increase in FTE levels of 207.3 from January 1, 2016 to January 1, 2017. The majority of the growth is targeted in the priority areas of education, public safety and public health.

The City will continue to review the need for hiring into all vacant positions in FY17. Departments eliminated over 100 long-term vacant positions in the current budget process, saving about \$4.7 million. There will be some department reorganizations and program transfers in FY17. While the January 1, 2017 projected FTEs reflect the new structure, the January 1, 2016 numbers are actual FTEs in the departments prior to the changes. As a result, some of the projected increases or decreases in individual departments are due to organizational shifts.

A significant portion of the growth in filled FTEs from January 2016 to January 2017 is in the Education Cabinet. The School Department is projecting a net increase of 86.4 FTEs with higher projections for inclusion and bilingual teachers, inclusion aides, and professional support. The department plans to increase the number of kindergarten and inclusion classrooms.

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. In FY17 the Fire Department is projected to remain level in City funded FTEs assuming normal attrition, the hiring of a new class in the summer of 2016 and the addition of 3 new fleet positions to address issues in the operational audit. The department will continue to benefit from the SAFER grant which will fund 75 firefighters in FY17. 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 52.9 FTEs in the Police Department is due to 15 police officers coming off an expiring COPS grant, the hiring of 40 cadets under the renewed program, as well as normal attrition. A new police class is planned for the fall of 2016.

The Health and Human Services Cabinet will increase by 37 FTEs primarily due to significant investments in the Public Health Commission's Homeless Services program and Emergency Medical Services (EMS). The Commission's homeless shelters will increase staffing levels to improve safety and services for clients. EMS will hire an extra class of 20 EMTs in order to increase the number of ambulances on daily shifts and reduce response times. The Public Health Commission will also add 2 positions to assist with 311 triage for addiction services. Other departments in the cabinet are projected to fill existing vacancies.

The Mayor's Office Cabinet has an increase of 6 FTEs with staff for the new Office of Returning Citizens in the Mayor's Office, the transfer of a position supporting the Education Cabinet from Intergovernmental Relations (IGR) to the Mayor's Office, and the anticipated filling of a vacancy in the Elections Department to assist with new voting requirements. The Operations Cabinet has a net increase of 1 FTE including the transfer of the education position from IGR to the Mayor's Office. The Cabinet also has the newly restructured Property Management and Public Facilities Departments, which were previously combined as the Property and Construction Management. The reform is intended to make both functions more effective.

The Civic Engagement and Economic Development Cabinets will see small increases related to transfers. Neighborhood Services in the Civic Engagement Cabinet will add a position transferring from Inspectional Services and will create a new part-time position to support the expansion of City Hall-To-Go

carts into community centers. The department also expands capacity by adding a coordinator for language access and an African Nations community liaison. The Office of Economic Development will increase by 2.1 City funded FTEs as small business development functions transfer from Neighborhood Development. That program transfer is also supported by grant funds. The Economic Development Cabinet will also have a FTE neutral merger of the Licensing Board into Consumer Affairs and Licensing.

The Arts & Culture Cabinet will increase by 4.5 FTEs as the Library Department adds 1.5 City funded FTEs for critical new collections, arts and preservation positions in collaboration with a robust fundraising support effort by Library Associates. The department is also anticipated to fill vacancies.

Environment, Energy and Open Space is projected to have a modest increase of 5 FTEs. The Inspectional Services Department (ISD) will transfer a position to Neighborhood Services and add new constituent services position. The Environment Department will add a Conservation Assistant. Parks and Recreation will hire a new contract manager as it takes on expanded contract management responsibilities including for Millennium Park and Spectacle Island. The Parks department is also anticipated to fill vacancies to support its Parks First initiatives.

The Administration & Finance Cabinet will grow by approximately 3 FTEs. Human Resources will increase by 3 FTEs as it takes on the residency compliance program and supports the recent upgrade of its Human Capital Management system to provide better services. Other projected FTE movement in the Cabinet is due to filling vacancies, regular attrition, and the elimination of a small number of vacant positions.

Small FTE count increases are anticipated in the following cabinets: Housing & Neighborhood Development, Information & Technology, Streets, and the Non-Mayoral group of departments. Neighborhood Development will have a net increase of 1 FTE with the staff for the new Office of Housing Stability, transferred in from the Public Health Commission emergency shelter program, offset by the transfer out of small business development staff to Economic Development. The Department of Innovation & Technology will grow in order to provide 24/7 network service to 27 BPS schools and libraries, an investment that is supported by additional Federal Communications Commission revenue. The

rejuvenated Office of Streets will add a permitting project manager and a chief of staff position to help support the cabinet's reform and planning efforts.

EXTERNAL FUNDS

The City's \$2.97 billion operating budget is supplemented by approximately \$327.2 million in external funds. These funds consist mainly of federal, state, and private funding earmarked for specific purposes. Education, housing, economic development, public health and public safety are some of the largest areas for which these funds are targeted.

Twenty-six departments and agencies expect to receive federal, state or other forms of external funding in FY17. Over 93% of the City's external funds are found in eight of those twenty-six departments. These eight departments are Boston Public Schools, Neighborhood Development, Public Health Commission, Police Department, Fire Department, Office of Emergency Management, Library Department, and the Elderly Commission. Other departments that also have significant grant funding are the Parks and Recreation Department, Office of Economic Development and the Transportation Department. Descriptions and amounts of grants by department can be found in Volumes II and III.

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.

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 for homeland security, community policing and housing support for the homeless.

<i>External Funds</i>			
	<i>FY15 Expenditure</i>	<i>FY16 Estimated</i>	<i>FY17 Estimated</i>
Boston Public Schools	130,369,402	135,411,785	142,169,497
Neighborhood Development	56,693,594	75,670,788	68,135,638
Public Health Commission	40,172,987	48,003,626	49,051,487
Police Department	8,937,175	6,755,292	10,077,375
Fire Department	1,470,119	6,922,537	9,128,960
Library Department	7,945,091	8,796,454	8,912,729
Emergency Management	22,193,236	12,477,096	9,030,330
Elderly Commission	6,646,927	7,385,582	6,968,272
Other	13,009,319	18,334,981	23,728,332
	287,437,850	319,758,140	327,202,622

Table 7

FY17 ALL FUNDS BUDGET

The following table consolidates the projected FY17 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 FY17 budget document.

All Funds Budgets - FY17					
Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Mayor's Office	4,042,280	927,137	100,000	5,069,417
	Election Department	4,329,343			4,329,343
	Law Department	5,872,445	500,000		6,372,445
	Women's Advancement	233,614			233,614
	<i>Total</i>	14,477,682	1,427,137	100,000	16,004,819
Operations	Intergovernmental Relations	1,185,168			1,185,168
	Property Management Department	18,340,813		5,735,000	24,075,813
	Public Facilities Department	5,625,883			5,625,883
	<i>Total</i>	25,151,864	0	5,735,000	30,886,864
Civic Engagement	Elderly Commission	3,233,749	6,968,272		10,202,021
	Neighborhood Services	3,194,730	80,000		3,274,730
	<i>Total</i>	6,428,479	7,048,272	0	13,476,751
Arts & Culture	Office of Arts & Culture	1,349,436	1,338,080		2,687,516
	Library Department	34,501,738	8,912,729	15,349,442	58,763,909
	<i>Total</i>	35,851,174	10,250,809	15,349,442	61,451,425
Economic Development	Office of Economic Development	2,460,614	4,597,382		7,057,996
	Boston Redevelopment Authority			5,823,576	5,823,576
	Consumer Affairs & Licensing	1,177,027	52,000		1,229,027
	Office of Tourism	1,399,710	140,000		1,539,710
	<i>Total</i>	5,037,351	4,789,382	5,823,576	15,650,309
Education	Boston Public Schools	1,031,684,000	142,169,497	65,676,408	1,239,529,906
	<i>Total</i>	1,031,684,000	142,169,497	65,676,408	1,239,529,906
Environment, Energy & Open Space	Environment Department	2,232,944	890,526	3,700,000	6,823,470
	Inspectional Services Department	18,812,691	373,325	42,000	19,228,016
	Parks & Recreation Department	20,981,060	5,876,467	26,737,195	53,594,723
	<i>Total</i>	42,026,695	7,140,318	30,479,195	79,646,208
Administration & Finance	Administration & Finance	1,071,275			1,071,275
	Assessing Department	7,199,877			7,199,877
	Auditing Department	2,705,370	155,037		2,860,407
	Budget Management	3,199,976			3,199,976
	Execution of Courts	5,000,000			5,000,000
	Health Insurance	206,208,108			206,208,108
	Human Resources	4,132,833			4,132,833
	Medicare	10,000,000			10,000,000
	Office of Labor Relations	1,424,077			1,424,077
	Pensions & Annuities - City	5,289,000			5,289,000
	Pensions & Annuities - County	100,000			100,000
	Purchasing Division	1,832,370			1,832,370
	Registry Division	1,031,501			1,031,501
	Treasury Department	4,385,635			4,385,635
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	<i>Total</i>	256,130,021	155,037	0	256,285,058
Health & Human Services	Boston Center for Youth & Families	24,959,047	2,271,636	8,360,000	35,590,684
	Commission For Persons W/Disabilities	418,195			418,195
	Fair Housing & Equity	282,830	638,160		920,990
	Office of Immigrant Advancement	425,022	340,476		765,498
	Public Health Commission	77,267,200	49,051,487	1,015,000	127,333,687
	Boston VETS	4,677,730			4,677,730
	Youth Engagement & Employment	6,058,544	1,206,780		7,265,324
	<i>Total</i>	114,088,568	53,508,540	9,375,000	176,972,107
Housing & Neighborhood Development	Neighborhood Development	12,963,182	68,135,638	1,855,038	82,953,858
	<i>Total</i>	12,963,182	68,135,638	1,855,038	82,953,858
Information & Technology	Department of Innovation and Technology	28,523,574	1,899,400	21,883,340	52,306,314
	<i>Total</i>	28,523,574	1,899,400	21,883,340	52,306,314
Public Safety	Emergency Management	637,722	9,030,330	500,000	10,168,052
	Fire Department	220,990,371	9,128,960	8,238,400	238,357,731
	Police Department	356,341,193	10,077,375	15,939,366	382,357,934
	<i>Total</i>	577,969,285	28,236,666	24,677,766	630,883,717
Streets	Central Fleet Management	2,590,424	350,000		2,940,424
	Office of Streets	1,973,144			1,973,144
	Public Works Department	81,989,711	20,000	69,118,056	151,127,767
	Snow Removal	22,563,964			22,563,964
	Transportation Department	33,174,525	2,071,925	15,599,834	50,846,283
	<i>Total</i>	142,291,767	2,441,925	84,717,890	229,451,582
Non-Mayoral Departments	City Clerk	1,220,396			1,220,396
	City Council	5,340,777			5,340,777
	Finance Commission	268,475			268,475
	<i>Total</i>	6,829,647	0	0	6,829,647
<i>Grand Total</i>		2,299,453,289	327,202,622	265,672,655	2,892,328,566

Table 8

MULTI-YEAR BUDGET PLAN

Introduction

While the City must maintain an annual budget process by statute, a two-year projection provides a useful context for current decision making and future planning purposes.

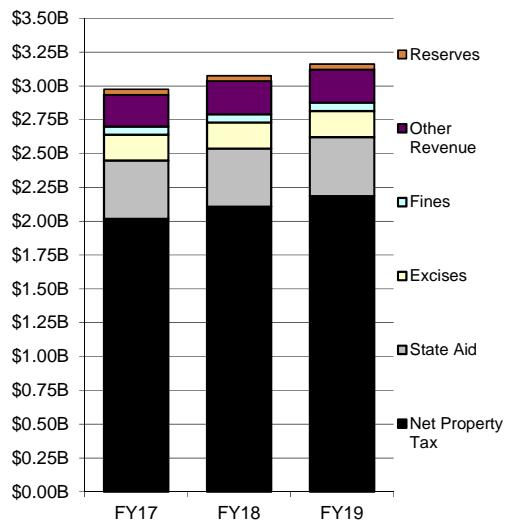
With City costs rising faster than its revenue, the City is projecting budget shortfalls in FY18 and FY19. In projecting the City's operating budget for FY18 and FY19, education cost growth, increasing annual pension schedule obligations, uncertain costs related to outstanding collective bargaining agreements and continued health insurance cost escalation continue to drive high rates of expenditure growth. The property tax levy is assumed to grow from its base by the allowable 2.5% and by new growth in the levy. In terms of state aid, continued pressure from rising state Charter Schools costs combined with underfunding of the Charter School Tuition Reimbursement obligation and stagnant education aid, will likely lead to the continuation of the negative growth trend in net state aid.

Almost all of the City's collective bargaining agreements have recently expired or are set to expire. Salary increases in the successor agreements will have a large and direct impact on dollars available in FY18 and FY19. No new contracts for FY17 have been agreed to, and thus a wage pattern has not been established for the period FY17 – FY19. However a collective bargaining reserve was set up in FY17 with limited funding for successor agreements, and this projection uses the same approach to forecast FY18 and FY19.

Another area of concern is the unfunded liability related to other post-employment benefits. 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 understates the full obligation to provide these benefits after retirement. The City, including the Boston Public Health Commission (BPHC), has an unfunded liability for these benefits of \$2.26 billion, as of the most recent independent actuarial valuation on June 30, 2015. The FY17 budget authorizes another payment of \$40 million to the City's OPEB Liability Trust Fund; the FY18 and FY19 projections also include \$40 million payments.

Revenue Trends

The following chart displays the breakdown of revenue projected for FY17-FY19 (Figure 10).



Recurring Revenue
FY17 Budget, FY18 & FY19 Projected

Figure 10

Major revenue trends include:

Property Tax Levy: The levy will grow by the allowable 2.5% increase, and new growth is projected to grow steadily in FY18, with lower new growth projected in FY19, as less certainty regarding markets exist over this time horizon. The net property tax assumes an overlay reserve set at 1.9%. A net total increase in the levy of over \$169 million is projected over the two years.

State Aid: Gross state aid is assumed to again be stagnant in FY18 and FY19, decreasing by 0.4% in FY18 and increasing by 0.7% in FY19. The City is projecting that Chapter 70 education will increase by less than 1% based on a modest minimum aid increase from the State. The City is projecting that the Charter School Tuition Reimbursement will again be underfunded by the State. The State has not fulfilled its statutory obligation to fund the Charter School Tuition Reimbursement, creating an unsustainable funding challenge that the City projects will be exacerbated in FY18 and FY19 unless serious reforms to Charter School Finance are undertaken. Underfunding of Charter School Reimbursement will be accompanied by a larger increase to the Charter School Tuition Assessment and thus represents a substantial decrease in total resources available for appropriations. Unrestricted

General Government Aid is projected to grow at 3% in FY18 and FY19.

Excises: Excises are expected to continue to grow into FY18, but slow in FY19, with the potential of stabilization of the local economy given the maturity of the current recovery. No new taxes or increases to rates have been assumed.

Fines: Fines are expected to be relatively flat given no changes in fine rates or enforcement.

Interest on Investments: Interest income is expected to remain level in FY18 and FY19 based on current interest rate assumptions, which are tied to action by The Federal Reserve.

Payments in Lieu of Taxes (PILOT): PILOT revenue is projected to increase in FY18, consistent with the trends from the five year ramp up of PILOT payments, which ended in FY16. We expect the program to continue with support from the non-profit community.

Miscellaneous Department Revenue: In FY18, the City is expecting a pensions and annuity revenue increase, which partially offsets an increase in the City's pension schedule. Aside from this change in FY18, departmental revenues are expected to remain level in FY19.

Licenses and Permits: Building permits revenue is projected to increase in FY18 and remain steady in FY19 as the recent building boom is assumed to have reached its height.

Budgetary Fund Balance: For FY18 and FY19 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 reflecting that the local economy is growing and will stabilize at a reasonable level of growth from the beginning of FY17 to the end of FY19.

Expenditure Trends

Figure 11 displays the allocation of expenditures projected for FY17-FY19.

As the City examines projected expenditures for FY18 and FY19, expenditures are projected to grow at a faster rate than the City's revenue growth, leading to projected shortfalls for FY18 and FY19. Fixed costs alone are projected to significantly grow due to increases in Charter School costs under the existing cap and upward adjustments in the City's pension

schedule following underperformance of Boston Retirement System investments in 2014 and 2015. In addition, the City continues to project considerable appropriations growth due to rising employee-related costs.

Appropriations: Inflationary and other increases have been estimated in FY18 and FY19 for expenditures such as health insurance and other personnel cost growth. At the School Department, estimated inflationary increases for health insurance and other personnel cost growth, student transportation services, and the cost of previously collectively bargained initiatives have been projected for FY18 and FY19. Although no new collective bargaining contracts have been agreed to for FY17-FY19, a reserve was set up in FY17 with limited funding for successor agreements, and this projection reflects the same approach in FY18 and FY19.

Due primarily to the factors referred to above, appropriations are estimated to increase by a total of \$91.0 million or 3.9% in FY18 and cumulatively increase by \$157.0 million or 6.7% in FY19.

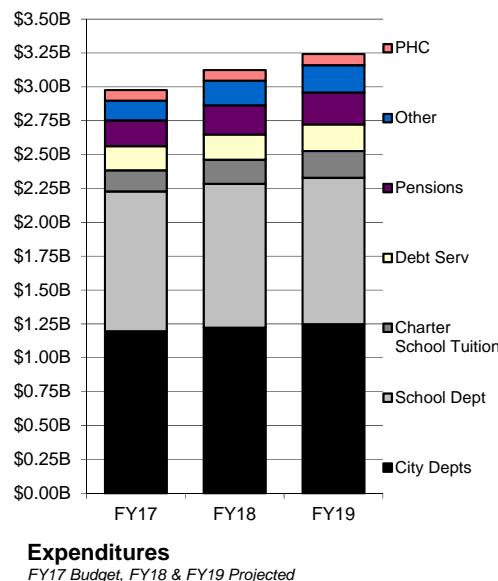


Figure 11

Fixed Costs: In FY18, fixed costs are expected to increase by about 9.3% and cumulatively increase by 17.5% in FY19. These increases can be attributed to several factors including: the continued expansion of Charter Schools, even under the existing cap and the resulting increase in the tuition assessment; scheduled pension cost increases; and increased borrowing.

Under these revenue and expenditure assumptions, the FY18 and FY19 budgets are currently projected to have shortfalls of approximately \$47.2 million and \$78.8 million. For the most part, the projections are based on current operations and the roll out of approved initiatives in FY18 and FY19. As the FY18 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 monitoring external funding sources very closely, prioritizing service areas and reviewing policy decisions and options that could result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments dependent on federal external funds for the provision of essential services. In the event of grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide existing services.

Employee hiring must continue to be controlled, as the bulk of the projected increase in appropriations is employee-related. Collective bargaining agreements currently under negotiation will need to be affordable, given cost and revenue pressures outlined in this forecast. The City, in partnership with its unions, 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. 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 FY18 and FY19.

Planning a Balanced Budget

Multi-year planning is useful because it allows for 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 monitoring changes in assumptions as new needs or innovations present themselves.

Much of the City's budget remains fairly stable during the year, but a variance of just 1% would equate to a \$30 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 chances of an unmanageable deficit. The City manages position vacancies through a committee comprised of the Chief Financial Officer, the Human Resources Director, and the City's Budget Director. In place for over a decade, the committee serves to strictly control and monitor all hiring. 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.

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 were 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)

	FY17 Adopted	FY18 Forecast	FY19 Forecast
REVENUES			
Property Tax	2,055.33	2,147.41	2,229.01
Property Tax Overlay	(38.32)	(40.27)	(42.17)
Excises	190.67	192.57	192.57
Fines	60.36	60.46	60.96
Interest On Investments	2.84	2.84	2.84
Payments in Lieu of Taxes	44.47	46.47	46.47
Urban Redevelopment Chapter 121A	43.80	43.80	43.80
Department Revenue	55.11	60.66	60.66
Licenses & Permits	54.71	57.91	57.91
Penalties & Interest	10.16	10.16	10.16
Available Funds	23.45	23.45	23.45
State Aid	432.57	430.91	435.72
Total Recurring Revenue	<u>2,935.13</u>	<u>3,036.36</u>	<u>3,121.37</u>
Budgetary Fund Balance	40.00	40.00	40.00
Total Revenues	<u>2,975.13</u>	<u>3,076.36</u>	<u>3,161.37</u>
EXPENDITURES			
City Appropriations	1,195.18	1,221.99	1,246.23
Public Health Commission	77.27	79.49	81.96
School Department	1,031.68	1,061.77	1,080.24
Reserve for Collective Bargaining	13.30	45.20	66.00
Other Post Employment Benefits	40.00	40.00	40.00
Total Appropriations	<u>2,357.43</u>	<u>2,448.45</u>	<u>2,514.42</u>
Pensions	189.88	216.92	236.11
Debt Service	177.85	185.58	194.16
Charter School Tuition	156.81	177.64	199.41
MBTA	83.82	84.65	85.48
Other State Assessments	4.72	4.72	4.72
Suffolk County Sheriff Dept	3.87	3.87	3.87
Reserve	0.74	1.75	1.95
Total Fixed Costs	<u>617.70</u>	<u>675.14</u>	<u>725.71</u>
Total Expenditures	<u>2,975.13</u>	<u>3,123.59</u>	<u>3,240.13</u>
Surplus (Deficit)	0.00	(47.23)	(78.76)

Numbers may not add due to rounding

Table 9

Budget Document Structure

The Operating Budget for FY17 and Five Year Capital Plan for FY17-21 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 promised 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.

Technical Note

The City of Boston's combined FY17 Budget and FY17-FY21 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Oracle - Hyperion Planning, Questica, SAP-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.

