

Summary Budget

OVERVIEW

The FY09 Budget of \$2.38 billion in recurring revenue represents a \$100.8 million, or 4.4% increase from the FY08 Budget supported by recurring revenues. Included in the total FY09 Budget is \$6.0 million in non-recurring revenue and \$35.0 million in revenue from budgetary fund balance. In total, FY09 budgeted revenues amount to \$2.42 billion, an increase of \$110.2 million or 4.8% from FY08.

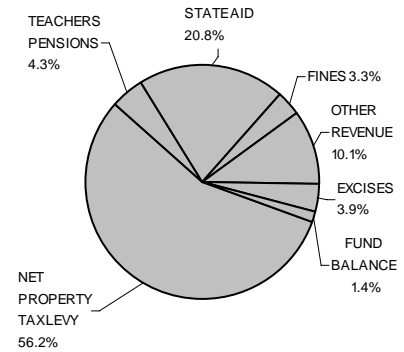
This Summary Budget section lays out the FY09 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends, a review of major externally funded services, and an all-funds budget is also presented.

The increase in the FY09 Budget's recurring revenue primarily results from a \$63.5 million projected increase in the net property tax. The FY09 Budget estimate of state aid is \$503.0 million. This figure amounts to 1.9% growth in aid for the City. Net state aid, state aid revenues minus state assessments, amounts to \$361.0 million, or a decrease of 0.4%.

The City again faces flat growth in state aid, its second largest source of revenue. As was the case last year the state began its budget planning with an estimated deficit of over \$1 billion and projects slower revenue growth for the upcoming fiscal year compared with the current fiscal year. The state's current revenue estimate may even prove to be optimistic as the economy slows further.

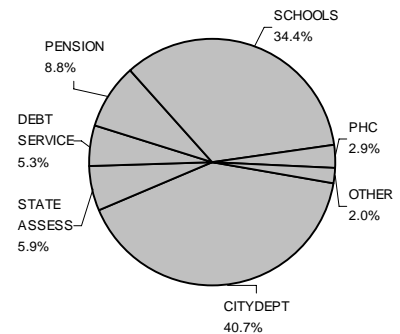
Both the Governor and the House Speaker are proposing new revenue sources in the FY09 budget. The Governor proposed increases from corporate taxes and casino licensing (which the House has voted down) and the Speaker from increased cigarette taxes and corporate taxes.

Both the Mayor and the Governor last year separately proposed new local revenue sources



FY09 Estimated Revenue

Figure 1



FY09 Estimated Expenditures

Figure 2

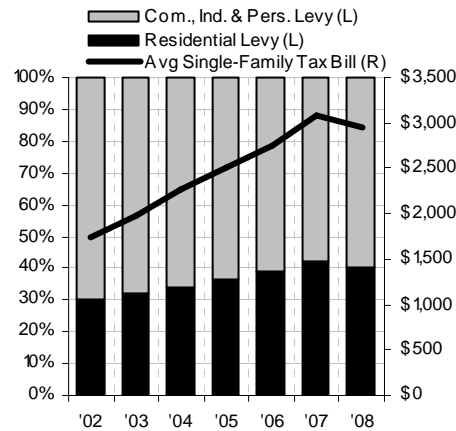
**CITY OF BOSTON
BUDGET SUMMARY**

(Dollars in Millions)

	FY06 Actual	FY07 Actual	FY08 Budget	FY09 Budget
REVENUES				
Property Tax Levy	1,208.18	1,270.78	1,334.28	1,392.64
Overlay Reserve	(40.84)	(46.60)	(39.13)	(33.97)
Excises	89.68	80.17	87.58	93.27
Fines	67.98	67.36	67.94	80.95
Interest on Investments	30.05	43.47	37.50	20.38
Payments In Lieu of Taxes	32.06	32.36	30.75	33.50
Urban Redevelopment Chapter 121A	65.05	63.85	59.21	64.25
Misc. Department Revenue	44.55	53.57	44.70	56.59
Licenses and Permits	38.76	41.43	42.33	41.09
Penalties & Interest	9.19	8.71	8.12	9.12
Available Funds	3.11	3.22	12.14	14.19
State Aid	464.61	483.04	493.74	502.98
Teachers Pension Reimbursement	85.16	93.33	98.00	103.00
Total Recurring Revenue	2,097.55	2,194.70	2,277.14	2,377.97
Budgetary Fund Balance	6.70	7.50	25.00	35.00
Non-Recurring Revenue	0.00	0.00	6.67	6.00
Total Revenues	2,104.25	2,202.20	2,308.81	2,418.97
EXPENDITURES				
City Departments	891.92	936.71	955.36	985.00
Public Health Commission	61.30	63.80	67.66	69.45
School Department	717.79	747.46	795.50	832.04
Reserve for Collective Bargaining	0.00	10.00	10.83	20.00
OPEB Stabilization Fund	0.00	0.00	20.00	25.00
Total Appropriations	1,671.01	1,757.97	1,849.34	1,931.48
Pensions	186.28	192.93	202.91	213.23
Debt Service	112.82	109.62	120.91	127.64
State Assessments	114.33	119.85	131.14	141.99
Suffolk County Sheriff Reserve	4.48	4.39	4.52	4.63
	1.46	2.23	0.00	0.00
Total Fixed Costs	419.38	429.02	459.47	487.49
Total Expenditures	2,090.39	2,186.99	2,308.81	2,418.97
Surplus (Deficit)	13.86	15.21	0.00	0.00

Numbers may not add due to rounding

to help with rapidly rising local property taxes and increasing local costs. But none have been acted on by the legislature. Furthermore, the Mayor has pledged any of those new revenue sources to property tax relief for Boston residents and businesses. See the *Revenue Estimates and Analysis* chapter of this volume for more detail.



Boston Property Tax Trends
FY02 - FY08

Figure 3

This revenue situation provides the basis for planning FY09 appropriations and fixed costs to maintain a balanced budget. Selected FY09 budgeted City revenues compare with FY08 budgeted revenues as follows: the net property tax levy increases \$63.5 million or 4.9%; excises increase \$5.7 million or 6.5%; fines increase \$13.0 million or 19.2%; interest on investments decreases by \$17.1 million or 46%; payments-in-lieu-of-taxes increase \$2.8 million or 8.9%; Chapter 121A revenues increase \$5.0 million or 8.5%, miscellaneous department revenues increase by \$11.9 million or 26.6%; licenses and permits decrease by \$1.2 million or 2.9%; and state aid increases \$9.2 million or 1.9%.

On the expenditure side of the budget, total departmental appropriations increase by \$82.1 million or 4.4% and fixed costs increase by \$28 million or 6.1%. Selected FY09 budgeted appropriations compare with FY08 budgeted appropriations as follows: City departments increase \$29.64 million or 3.1%, the Boston Public Health Commission increases by \$1.79 million or 2.6%, and the School Department increases \$36.5 million or 4.6%. FY09 budgeted fixed costs compare with FY08 budgeted fixed costs as follows: pensions increase \$10.3 million or 5.1%, debt service increases \$6.7 million or 5.6%, state

assessments increase \$10.9 million or 8.3% and Suffolk County Sheriff increases \$0.1 million or 2.5%.

Please note that the "Other" category on the FY09 Estimated Expenditures pie chart (Figure 2) is comprised of estimated expenditures for the Suffolk County Sheriff, collective bargaining reserve and Other Post-employment Benefits (OPEB) stabilization fund.

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. The appropriation for the City's County Pensions and Annuities expenses is included in the City Departments appropriation.

REVENUE

The FY09 Budget is balanced on the following revenue projections:

Property Tax Levy

Although the average single-family tax bill decreased by 4.6% in FY08 it has still increased 69.5% between FY02 and FY08, and the percentage of the total tax levy being borne by residents versus businesses increased from 30% to 40% during the same period (Figure 3).

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

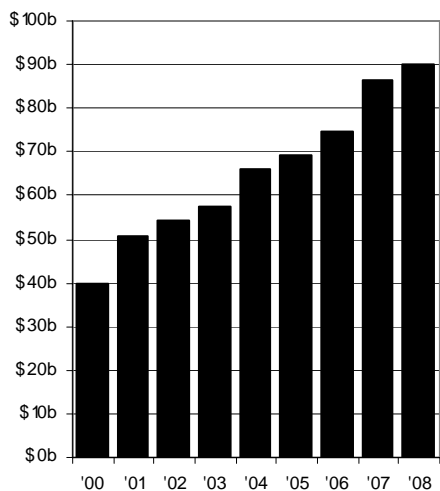
Just recently a change in telecommunications property taxation has occurred through a decision by the Appellate Tax Board (ATB) which has ruled that telephone poles and wires on the public way are not exempt from taxes. As a result, and in keeping with the Mayor's promise mentioned above, the City intends to lower FY09 property taxes for all other taxpayers by the amount of increase from this decision when it sets its tax rate with the state Department of Revenue this fall. This will mark the first time since the implementation of Proposition 2 ½ that the City has not taken the entire allowable annual increase in the levy.

Still, the gross property tax levy has been the City's most dependable source of revenue growth during the past twenty-four years. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City

revenue and will continue to do so for the immediate future.

In each year since FY85, the City has increased its levy by the allowable 2.5% under Proposition 2 ½. During these same years, the levy has also been positively impacted by taxable new value that is excluded from the levy limit. Taxable new value, without the expected new value resulting from the ATB decision, is expected to be approximately \$25.0 million in FY09. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 16 of the last 25 years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY98 through FY08 of \$55.2 million or 5.5%, and a projected increase in FY09 of \$58.4 million or 4.4%. The gross property tax levy surpassed \$1 billion in FY03, currently stands at \$1,334.3 million in FY08, and is estimated at \$1,392.6 million in FY09.



Total Assessed Property Value
FY00 - FY08

Figure 4

Property values in Boston have continued to rise even during the recent tough years. During FY07, the City conducted its ninth parcel-specific revaluation that established values as of January 1, 2006 at \$86.5 billion, an increase of 15.8% over the prior year's market-indexed valuation of \$74.7 billion. (Figure 4). In the FY08 market-indexed valuation as of January 1, 2007, values grew by \$3.6 billion, or 4.1%, to \$90.1 billion. This recent

growth is only slightly behind the annual average growth rate of the twenty years since 1989.

A detailed discussion of the property tax levy is provided in the *Revenue Estimates and Analysis* chapter of this volume.

STATE AID

A detailed discussion of state aid is provided in the *Revenue Estimates and Analysis* chapter of this volume. Below is a brief summary.

Net state aid, defined as state aid combined with the charter school tuition assessment and other assessments, is expected to decrease marginally for FY09 based on the recent local aid resolution agreed to by the House and Senate.

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

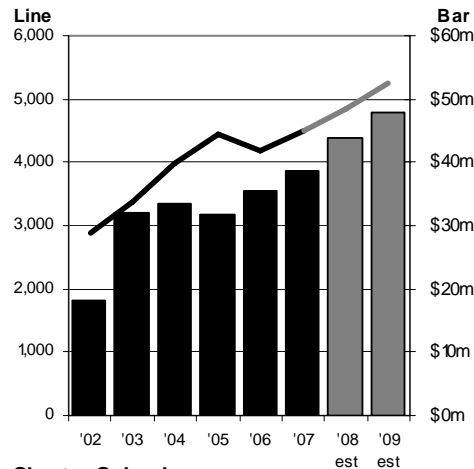
Education Aid

The House & Senate joint FY09 local aid resolution increases Boston's education aid over FY08. The City received Chapter 70 education aid totaling \$203.6 million in FY06, \$210.5 million in FY07, and has budgeted \$215.8 million for FY08. The FY09 resolution calls for Boston to receive a minimum of \$221.4 million.

FY00 was the last year of the statutorily established funding schedule for education reform designed in FY93. Increases in education aid in fiscal years since have been less reliable. In FY07, the legislature enacted changes to the Chapter 70 education aid formula. These changes weighted a municipality's median income more heavily versus property values than in the past. By most accounts this was an improvement to the existing formula. FY08 and FY09 education aid continues these changes with slight modifications.

Current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly-funded schools administered independently from local school committee and teacher union rules and regulations. Their charters are granted by the State Board of Education.

There are currently more than twenty Commonwealth charter schools and Horace Mann charter schools open to Boston resident students. There are approximately 4,841 Boston resident students attending Commonwealth charter schools in FY08 and the City expects that number to rise to approximately 5,254 in FY09.



Charter Schools
Boston Enrollment and Net Cost
 FY02 - FY09

Figure 5

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

The net cost to the City for charter schools (which now includes a reimbursement for capital facilities as well as tuition) was \$35.5 million and \$38.8 million in FY06 and FY07, respectively. The City has budgeted a \$43.8 million net cost in FY08. In FY09 the City has budgeted a \$48.0 million net cost.

The Governor's budget under-funded the full value of the Charter School Tuition reimbursement for FY09. It is not yet known whether the Legislature will fully fund this important reimbursement.

Lottery Aid

The expected amount of lottery revenue available to be distributed to cities and towns as local aid has been in excess of the actual amount available

for the past several years. This is due in part to slowing lottery sales and overzealous estimates by budget writers. The difference has been made up with general state revenues. In his FY09 budget, the Governor filled this gap with projected revenue from the sale of casino licenses not yet approved by the legislature. The House later voted the casino measure down and the revenue disappeared. Subsequently, the House and Senate joint resolution on local aid has again covered the gap with general state revenues.

For several years during and after the 2001-2002 recession the state diverted lottery proceeds meant for cities and towns to the state's general fund. The City received \$53.9 million in FY04 and FY05 and \$60.5 million in FY06 as the state continued to divert growth in lottery receipts away from cities and towns. In FY07, the cap on lottery was fully eliminated instead of a planned annual phase-out that would end in FY09. This increased the City's FY07 lottery aid to \$70.6 million. The City will receive \$71.6 million in lottery aid in FY08 and expects the same in FY09 due to the lack of growth mentioned above.

Additional Assistance

Additional Assistance had been level funded since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the governor vetoed \$31 million from the statewide appropriation and the legislature failed to override that veto. Subsequently, the governor reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, those reductions, as a proportion of all local aid reductions, fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year and \$164.2 million in FY04 after a further reduction. The City received additional assistance in FY05, FY06, and FY07 level with FY04 and expects FY08 and FY09 to be level-funded again. The Additional Assistance account was part of a "needs-based" aid package in the 1980's. Dollars of aid by community were determined through a formula that compared costs and revenues to statewide averages. Additional Assistance has

been important to Boston in supporting schools, public safety, and other basic city services.

LOCAL RECEIPTS

Approximately 21% of the City’s recurring revenue is comprised of excise taxes, fines, payments-in-lieu-of-taxes, investment income, departmental revenue, licenses and permits, penalties and interest and available funds.

Many of these revenue streams are extremely sensitive to current economic conditions. Excise, interest on investment, and license and permit revenues of the City that had fully recovered from their recessionary lows in FY03 and FY04 are now beginning to slow again.

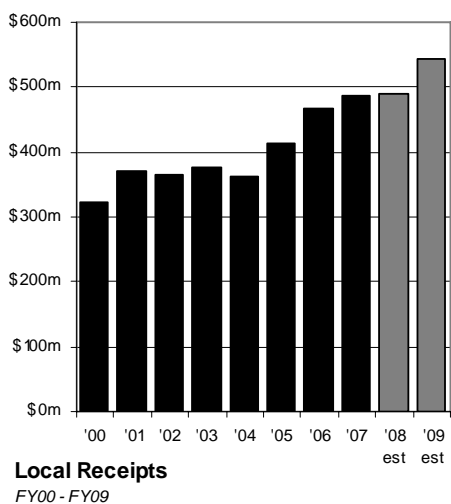


Figure 6

In FY05 the City collected \$412.9 million from these combined sources (some from one-time payments) and \$465.6 million in FY06. In FY07 the City collected \$487.5 million and the FY08 Budget assumes a conservative \$488.2 million. The FY09 Budget assumes growth to \$516.3 million (Figure 6). (See *Revenue Estimates & Analysis* section of Volume 1 for more detail on this revenue source.)

Much of the FY09 increase is due to projected increases in parking fine revenue from proposed increases in rates and added enforcement, as well as increases in parking meter revenue from proposed re-metering of previously metered spaces and other fee increases.

The motor vehicle excise has performed well in recent years due to cash-out refinancings of homes and zero percent financing from manufacturers on

new cars. Some “forward buying” is likely to have occurred in the recent past years. Due to this forward buying, weakness in the housing market and generally in the economy, the City expects the motor vehicle excise growth to slow considerably over the coming years.

Hotel and Jet Fuel excises started their recovery around the Democratic National Convention in the summer of 2004 (FY05). Hotel occupancy has also increased due to strong advance bookings at the City’s new convention center. The weak dollar has had the unexpected benefit of increasing bookings by foreign customers recently. Both of these situations will likely keep hotel revenues stable over the coming year at least. Jet Fuel excise has increased substantially in recent fiscal years due to high fuel prices that show no signs of abating.

Parking fine revenues have been steady since fine increases in FY04 but lagged moderately in FY07 due to redeployment of Parking Enforcement Officers during the temporary closing of the Ted Williams tunnel. As mentioned above, there is expected to be a substantial increase in fine revenue from proposed rate and enforcement increases

With decreasing Federal Funds rates, the City’s investment earnings are trending down even as cash balances have strengthened in recent years. FY08 earnings have slowed and FY09 earnings are expected to drop precipitously.

License and permit revenues, as a result of building permits, have continued to grow in recent years due to strong residential and commercial development in the City combined with low interest rates. Residential activity is expected to slow considerably in the current housing market but commercial activity should prevent revenues from falling off too much in the next fiscal year.

The remaining sources of other revenue to the City are based on payment-in-lieu-of-tax agreements with non-profit institutions (for example, the Massachusetts Port Authority renegotiated their agreement for FY06 through FY15), contracts with urban redevelopment corporations, or set rates of fees, fines, penalties or interest. These usually endure economic changes with small changes in activity or revenue.

Non-Recurring Revenue

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

In FY09, the City will appropriate \$6.0 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and the remaining \$5.0 million for the Mayor's "Leading the Way" affordable housing program.

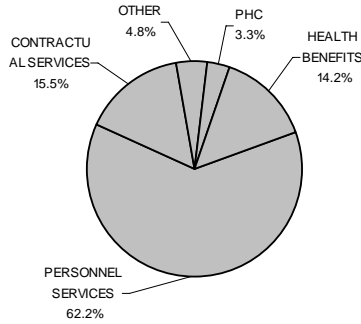
Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance is more commonly referred to as "free cash" when used this way and is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY09 Budget assumes the use of \$35 million of budgetary fund balance. Of that amount, \$10 million will be used as a one time allocation to support school department operations and \$25 million will be allocated to a stabilization fund for other post employment benefits (OPEB).

(See *Financial Management* section of Volume 1 for more detail on this revenue source.)

EXPENDITURES

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY09 appropriations are subdivided further as follows:



FY09 Appropriations by Category

Figure 7

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

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

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

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

Personnel Services include salaries, overtime, Medicare, unemployment compensation and workers' compensation for employees in City departments and BPS. It is important to note that a limited number of the City's collective bargaining contracts that expired at the end of FY06 or shortly thereafter are still under negotiation. Included in the Personnel Services category is a collective bargaining reserve to fund those contract settlements. The Health Benefits appropriation provides coverage for City and BPS employees and retirees as well as PHC employees. The Contractual Services category includes expenditures for communications, repairs and service of buildings, equipment and vehicles,

transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses. PHC is the City's appropriation to the Public Health Commission as noted above. Included in the Other category are supplies & materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in Other are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and the City's outside audit.

EMPLOYEE BENEFITS

Budgeting for Health Related Employee Benefits

The City provides health insurance as well as dental and life insurance. Provisions for these benefits are included in three different general fund appropriations. The table below shows the amounts appropriated for City departments, BPS, and the Public Health Commission to cover these benefits for general fund employees as well as retirees. It should be noted that of the total amount appropriated for health related benefits in FY09, approximately \$95 million is due to pay-as-you-go costs for retiree health benefits.

Health, Dental & Life		
Department	FY08*	FY09*
City	\$ 182.58	\$ 186.48
School	\$ 73.47	\$ 77.85
PHC	\$ 6.98	\$ 7.24
Total	\$ 263.03	\$ 271.57

Notes: (\$millions) *Appropriations

Health Insurance

Total health insurance costs for all employees (including those that are grant funded) and retirees are projected to increase by approximately \$8.29 million, or 3.1% in FY09. The table below shows total actual expenditures for health insurance in FY05 through FY07 and budgeted totals for FY08 and FY09. These totals include estimates for City departments, BPS and the Boston Public Health Commission.

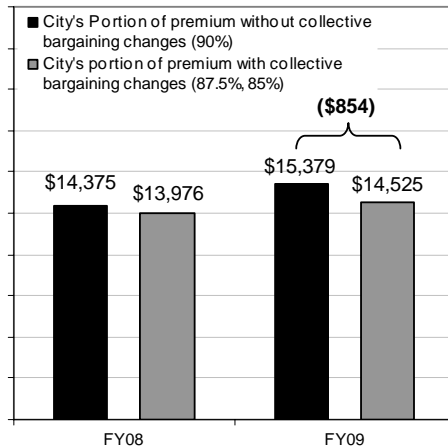
Health Insurance

Fiscal Year	Total Cost	Dollar Change	Percent Change
FY05	\$ 198.19		
FY06	\$ 220.04	\$ 21.85	11.0%
FY07	\$ 246.44	\$ 26.40	12.0%
FY08*	\$ 270.08	\$ 23.64	9.6%
FY09*	\$ 278.37	\$ 8.29	3.1%

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

Several factors contributed to containing the overall growth in FY09. First, HMO premiums increased at an average of 7% and Indemnity premiums decreased, on average, by 2%. Second, participation in Master Medical, a costly indemnity product, will be reduced through the introduction of a lower cost alternative plan, and employees in certain collective bargaining units will no longer have Master Medical as a health plan option. Also, negotiated changes in contribution rates continue to take effect in FY09. For most employees, contributions to HMO plans will rise from 11% or 12.5%, to 12% or 15%, in FY09.

Figure 8 demonstrates the impact of this contribution change for City costs in FY09. At the employer contribution rate of 90%, the City will



Employer Cost of Employee Health Insurance

Harvard Pilgrim HMO Family Plan

Figure 8

pay \$15,379 annually in FY09 for an employee enrolled in the Harvard Family HMO plan. For employees whose bargaining agreements include the two-year schedule for contribution changes, the City will instead pay \$14,525 per year (beginning January 1, 2009) – a savings of more than \$850. By 2010, it is projected that the City will save \$966 per employee in the Harvard Family

HMO by paying 85% of the premium, instead of 90%.

In all, the City estimates that the total savings from employee contribution changes, along with the reduction of enrollment in Master Medical, will be \$5.3 million in FY09.

Figure 9 shows a breakdown of employee participation in the City's health plans as of

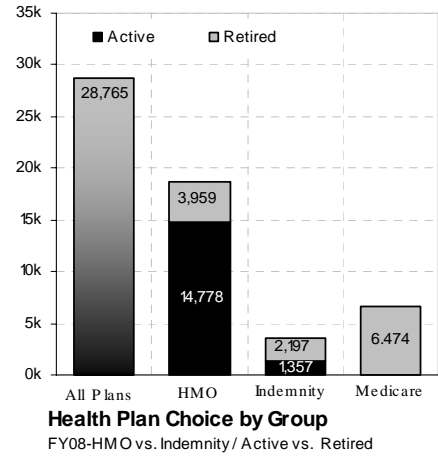


Figure 9

January, 2008. The first column shows total subscribers; the second and third columns show HMO participation vs. Indemnity participation as well as the breakdown between active employees and retiree subscribers. Finally, the fourth column shows those retirees enrolled in Medicare plans. One important trend in enrollment over time has been the dramatic decrease in subscribers to the City's indemnity products. More and more, Boston's active employees and retirees have opted for less expensive managed-care plans. Between FY06 and FY07, both active employee and retiree participation in indemnity plans dropped by more than 11%, and decreased again by nearly 6% in FY08. Over the past four years, participation in indemnity plans by City employees has decreased by more than 20%.

Other Post Employment Benefits (OPEB)

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for the cost of retiree healthcare and life insurance. Similar to pensions, employees earn these "non-pension," other post employment benefits (OPEB) over their years of service, but do not actually

receive them until retirement. The City currently pays for these benefits as the actual expense is paid out (pay-as-you-go basis), which greatly understates the full obligation taxpayers have incurred because it does not include any benefits to be paid in the future. In FY08, the City was required to implement new standards for financial statements established by the Governmental Accounting Standards Board (GASB), disclosing the full cost associated with these OPEB benefits for the first time.

The City's outside actuarial consultant provided a valuation of the City's OPEB obligation as of June 30, 2005. This obligation is estimated at \$2.8 billion as of January 2007 and reflects the future estimate of benefits to be paid to current and future retirees. The estimate assumes the City prefunds the liability over 30 years in a separate reserve fund where a higher rate of investment return is assumed to be earned. The City's annual actuarially required contribution toward its OPEB obligations is projected at approximately \$208 million in FY09.

In FY08, the City created a Stabilization Fund for Other Post Employment Benefits and appropriated \$20 million to begin to address this liability. The City will appropriate \$25 million in FY09. The City's appropriation in FY09 will only partially pre-fund the annual funding requirement, which includes the current year's estimated present value of benefits earned during the year ("normal cost") and the annual contribution toward reducing the unfunded liability to zero by 2037. The City is committed to the stability of its workforce and the importance of providing healthcare benefits to its retirees.

Pensions

The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System (SBRS). SBRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The City of Boston, including its teachers, constitutes approximately 85% of the payroll of the SBRS employee membership. The City is committed to funding based upon a schedule approved by the SBRS and the state actuary, which includes paying the normal cost and an annual

contribution toward reducing the unfunded liability to zero by the year 2023.

The City's annual pension funding requirement was \$186.3 million in FY06, 192.9 million in FY07, \$202.9 million in FY08 and will be \$213.2 million in FY09. These figures do not include pension costs allocated to the budgets of the Suffolk County Sheriff's Department or the Public Health Commission. After a significant jump in the City's annual pension funding cost in FY06, the growth in pension cost has subsequently moderated. As of 1/1/07, during the prior two calendar years, the SBRS actuarial value of assets increased by 15.4% as the SBRS pension liability increased by 9.9%. As of 1/1/07 the SBRS pension liability was 66.5% funded, as compared to the 63.3% two years ago. The SBRS rates of return, as calculated for the statewide annual report, for the prior two years (calendar 2005 and calendar 2006) were 8.6% and 15.1%.

Post-Employment Benefits
as of January 1, 2007
(\$billions)

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
Pension	\$ 4.1	\$ 6.2	\$ 2.1	66.5%
OPEB	\$ -	\$ 2.8	\$ 2.8	0.0%

APPROPRIATIONS

City Departments

The combined appropriations for City Departments as shown in the FY09 Summary Budget have increased by 3.1% from the FY08 appropriations. Approximately 72.9% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits. These four appropriations account for approximately 62% of the total increase in City Departments.

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

Some of the highlights of FY08/FY09 changes by cabinet are as follows:

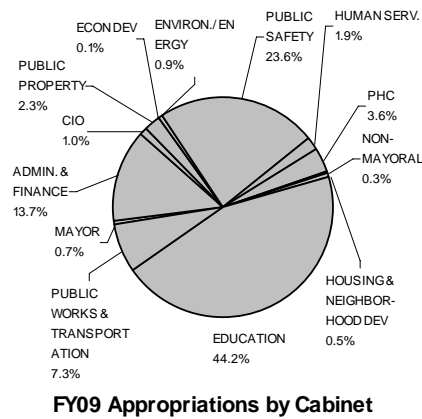


Figure 10

Mayor's Office

This cabinet will see a decrease of 1.3% in FY09. The decrease reflects a decrease in contracted services in the Law Department in FY09 related to projected outside legal counsel needs. Most of the mayoral departments reflect general wage increases with the exception of the Mayor's Office of Emergency Preparedness (MOEP) and the Office of Public Information. The increase in MOEP (which includes Homeland Security) is due to the allocation of some of the staffing costs formerly funded from the Urban Areas Security Initiative (UASI) grant to the operating budget reflecting the emergency preparedness duties localized to the City of Boston. MOEP is responsible for the coordination and direction of Boston's inter-departmental and multi-jurisdictional homeland security activities as well as the response to and recovery from incidents of terrorism, natural disasters and other emergency situations.

The Office of Public Information has increased staffing and costs related to the implementation of the Citizen Relationship Management (CRM) system. The CRM system will be a central repository to record citizen's service requests, dispatch work to the responsible city department, and track the final resolution. The costs related to new CRM technology including the Automated Call Dispatch (ACD) system and the proposed Work Order Management system will be covered in the Management and Information Services department. In FY09 the Public Information Department will be responsible for the ongoing operating costs related to the Mayor's Emergency

Alert Notification System (MEANS) that will also be utilized by the Office of Emergency Preparedness.

The Mayor's Office of Neighborhood Services (ONS) will continue to coordinate cross-departmental public/private strategies that will focus on keeping the City clean. As part of that strategy, "Boston Shines" kicks off its sixth year with a massive two-day spring cleanup and will continue working to educate Bostonians about keeping their city clean all year long. ONS is also an active government participant in the B-SMART (Boston Strategic Multi-Agency Response Teams) program which is led by the Human Service Cabinet.

Administration and Finance

The Administration and Finance Cabinet administers to the day-to-day management of the government of the City. Excluding the City's appropriations for Health Insurance and tax title, the consolidated cabinet will see a net increase of 3.2% in its FY09 appropriation.

The Office of Budget Management (OBM) manages the City's operating and capital budget development and resource planning processes as well as the Boston About Results (BAR) performance management program. OBM will see a 2% increase in its FY09 appropriation.

The Auditing Department is responsible for monitoring the City's internal controls, managing grant funds, providing financial reports and maintaining the financial records of the City. The department will continue to strengthen its internal audit processes to reduce risk and implement process improvements in FY09. The department's appropriation increase of 3.5% reflects general wage increases.

The Health Insurance appropriation will increase by 2.1% over the FY08 appropriation, requiring an additional \$3.9 million. The Health Insurance appropriation also includes the cost of dental and vision coverage for employees (non-BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Office of Human Resources (OHR) has taken a leading role in the City's new online Career Center and will see a 5.3% increase in its FY09 appropriation. The new Career Center will

streamline the City's hiring processes allowing OHR to step up its efforts to recruit a superior workforce. Part of this effort will involve recruiting qualified and motivated undergraduate and graduate students into the Boston Urban Mechanics Program (BUMP).

The Library department will see a 5.5% increase and will support the opening of two new branch libraries in Mattapan and the Grove Hall section of Dorchester. These two new facilities will become an integral part of the City's focus on Community Learning. It should be noted that the appropriation requirements to be eligible for state funding will be met with operating and external funding.

The Registry Division of Births, Deaths and Marriages will see a 3.8% increase in its FY09 appropriation to cover personnel costs related to collective bargaining and the increased cost of postage.

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

Chief Information Officer

The CIO is responsible for the Management and Information Services (MIS) department. The 8.5% increase in this department illustrates the Mayor's commitment to invest in technology to increase efficiencies and deliver improved city services. In FY09 MIS will continue to shape the City's Information Technology (IT) strategy and to manage the City's entire technology project portfolio including ongoing projects such as enterprise-wide permitting and licensing, the Citizen Relationship Management (CRM) system, expansion of Geographic Information Systems (GIS), imaging and workflow and the identity and access management project. In FY09 new technology investments will be made in public safety and to support the Community Learning Initiative involving the Boston Public Schools, Boston Public Library and the Boston Centers for Youth and Family.

Public Safety

The 3% increase in this cabinet is driven by several components. FY09 includes the full cost associated with laterally transferring 55 police officers from other municipalities into the Boston Police Department. The addition of these officers in FY08 was made possible by a state grant. The Police Department budget also includes collective bargaining increases for three of its four uniformed unions.

The Police Department's appropriation will increase by approximately \$11.2million or 4.2%. The FY09 Budget reflects the department's continuing efforts to focus its resources on the direct delivery of neighborhood policing services while playing a primary role in the Mayor's Comprehensive Anti-Crime Strategy. Planned hiring between now and the end of the calendar year will maintain the increased uniformed staffing level funded in FY08, a level that is its highest point since January of 2000. The appropriation provides for the annualized cost of a class of police recruits scheduled to start at the end of FY08 and a class scheduled to start in the Spring of FY09.

During FY08 the Boston Police created Safe Street Teams to engage Boston Police officers in community problem-oriented policing in 11 violent crime hot spot areas. Safe Street Team officers are assigned to these areas for a sustained period of time; this allows them to get to know local residents and business owners and form effective working partnerships to prevent and respond to crime and disorder. The Police Department is also an active participant in the B-SMART, (Boston Strategic Multi-Agency Response Teams), program which is led by the Human Service Cabinet.

The department has implemented a new gun shot detection technology that facilitates an enhanced response to gun shot incidents to reduce firearm violence. This acoustical technology can help locate where shots have been fired and provide an immediate notification of that location. On average, notifications arrive between 1 and 2 minutes prior to 911 calls, and in some instances they arrive without ever receiving a 911 call. The department also continues to make improvements in the area of forensics including crime scene analysis, a restructured latent finger print lab, and improvements to the ballistics unit.

The FY09 budget for the Fire Department will increase by approximately \$1.8 million or 1.1%. The union representing the uniformed members of the Fire Department, International Association of Firefighters, Local 718, has not yet reached a settlement with the City of Boston; the budget does not include any new negotiated wage increases for FY09. The appropriation provides for the annualized cost of a class of firefighter recruits scheduled to start at the end of FY08 and classes scheduled for the fall and spring of FY09. The FY09 Fire Department budget also includes safety equipment such as bunker gear, thermal imaging cameras and other rescue equipment. Management of overtime, including overtime related to sick and injured leave, and case management of injuries will continue to be priorities of the department.

Economic Development

The Small and Local Business Enterprise Office (S/LBE) is responsible for ensuring the equitable participation of small and local businesses, as well as minority and women businesses, in the City's contracting arena. The Office of Boston Residents Jobs Policy's mission is to increase construction opportunities for Boston's residents, minorities and women. Small and Local Business Enterprise will see a decrease related to some part-time working agreements.

The City's commitment to centralizing planning for the City of Boston within the Boston Redevelopment Authority will continue to be fully funded within the existing BRA revenue structure in FY09.

Public Property

The Public Property Cabinet will see a 1.4% net increase in FY09. The cabinet increase is mitigated by the decrease in the Department of Voter Mobilization as a result of fewer elections planned for in FY09 in comparison to FY08. The Property and Construction Management Department will see a 4.1% increase in FY09 related to standard salary increases and inflationary increases for utilities and snow removal. The department provides centralized operations and maintenance for multi-departmental city buildings such as Boston City Hall, 1010 Massachusetts Avenue, and the Rivermoor building in West Roxbury as well as

maintenance services for 26 Boston Centers for Youth & Families (BCYF) buildings.

Property and Construction Management is also responsible for all major renovations to City buildings and will lead the effort to consolidate the storage needs of the City Archives and the Boston Public Library at the Rivermoor building.

The Department of Voter Mobilization has begun to implement the recommendations resulting from a study conducted by Professor David King of Harvard University's John F. Kennedy School of Government. As mentioned above, the decrease in the FY09 appropriation relates to fewer scheduled elections. The department will continue its mission to mobilize new voters, remove physical and language barriers to voting and run fair and efficient elections. In FY09 the Election Advisory Committee will continue its monthly meetings; the department will work with Boston Public Schools to register 18 year-old students to vote and to continue to relocate polling places to address physical accessibility issues. The department will expand its effort to canvass all of Boston's neighborhoods during the annual listing to have a full and complete list of Boston residents over the age of 17 to provide to the State's Jury Commission. Expanded outreach to non-English speakers is also planned.

The Parks and Recreation Department budget will increase by 1.1% increase in FY09 and reflects the impacts of wages increases and inflationary increases in energy costs. There has been an important change in the personnel component of the department. In order to stabilize the staffing for the park ranger program, twelve park ranger positions were recently created. Prior to the decision to add these positions, park rangers were contracted employees. To supplement the year round positions, six seasonal park rangers will be hired for the summer and into the early fall of FY09. The park ranger program contributes to the overall public safety plan for the City.

Public Works & Transportation

The administrative, financial, technological, and public information resources in both the Public Works and Transportation were consolidated into the Chief of Public Works and Transportation department to facilitate the ongoing consolidation of functional overlaps. There will be a strengthened effort to identify efficiencies and

improve service delivery with an expansion of technology. Individual budgets in this cabinet include Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for snow removal. The Snow Removal budget is established using a multi-year annual cost averaging methodology. Excluding the budget for Snow Removal, the Cabinet reflects an increase of 4.8%.

The Public Works Department's FY09 appropriation is seeing an increase of 1.6% - a much lower increase than in the past. This is largely driven by waste removal savings realized through the department's renegotiation of current contracts. In FY09 Public Works will expand its Single Stream Recycling pilot to a total of 22,000 households citywide. This expansion will allow for the diversion of approximately 1,700 tons of trash resulting in a savings of \$133,000.

During FY08 the Public Works Department was successful in implementing Global Positions Systems (GPS) for both city vehicles and private contractors. In FY09 Public Works plans to add over 30 more solar powered trash compacting garbage cans known as "BigBellys" throughout the city. These machines allow for greater total repository space and the enclosed design keeps trash from falling to the streets. "BigBellys" are more efficient because they require less frequent pick-up than traditional trash receptacles. In conjunction with the Transportation Department's expanded enforcement initiatives discussed below, Public Works will expand its street sweeping program.

In FY09, the Transportation Department will see an increase of 14.7%. This is due to several initiatives. First, the department plans to replace 6,400 single space parking meters purchased in 1996 to improve parking meter operability specifically and parking management generally. Additionally, to provide expanded parking management services, the department plans to meter areas that have had meters removed due to construction projects such as the Big Dig. Building on the success of the Newbury Street multi-space meter program, the Transportation Department is purchasing and installing 63 new multi-space meters for deployment in the Back Bay. These combined efforts will increase short-term parking availability in the city.

In conjunction with these meter replacements the department plans to increase the number of enforcement officers to enforce current regulations, improve traffic flow and congestion and allow for an expansion of the day street sweeping program.

Environment and Energy

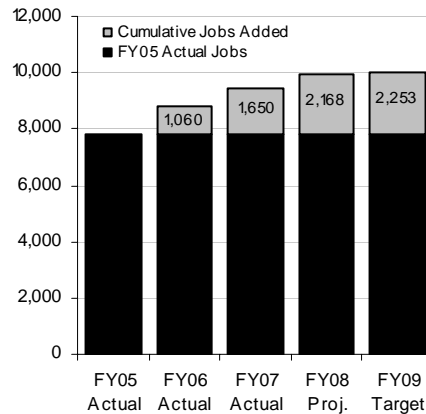
The Environment and Energy Cabinet, which includes the Environment and Inspectional Services (ISD) departments, will see a 3.6% increase in FY09. The Environment and Energy Cabinet focuses on energy policy including renewable energy, green buildings, and electricity deregulation in addition to enforcing the City's building, housing and environmental regulations. The collective efforts are generally referred to as the City's municipal sustainability program.

The Inspectional Services Department (ISD) will see an increase of 3.9%. ISD was the first City department to move their business processes to a new Automated Permitting and Inspection System (APIS) being implemented by the Management Information Services (MIS) Department. The goal of the enterprise permitting and licensing system is to move all City permitting to a central system to provide a consistent level of service and data across all city departments. The Environment Department's appropriation funds the Mayor's commitment to the Boston Groundwater Trust for the monitoring of groundwater in areas of the City where low groundwater levels put Boston's historic buildings at risk of being structurally compromised.

Human Services

Overall, the FY09 appropriation for the Human Services Cabinet shows an increase of 3.9% from the total FY08 appropriation. The Human Services Cabinet will continue its leadership role in the B-SMART, (Boston Strategic Multi-Agency Response Teams) initiative that aims to reduce crime and build community capacity by targeting hot spot crime areas through a collaborative government and community partnership. Government partners in the B-SMART program include Boston Centers for Youth & Families (BCYF), Boston Police Department and the Mayor's Office of Neighborhood Services.

The BCYF budget will increase by 3.9% in FY09 due to the impact of general salary increases plus the transfer of the Director of Recreation from the Mayor's Office to BCYF.



Summer Jobs for City Youth
FY05 - FY09

Figure 11

BCYF will continue to partner with the Family Nurturing Center and the Boston Housing Authority in FY09 to support the Smart from the Start initiative; a public-private collaboration to create, expand and strengthen neighborhood-based systems and programming that prepare Boston's lowest income children and their families for a successful academic experience at school. During FY08 BCYF and its partners launched the Smart from the Start program in three neighborhoods of Charlestown, Mattapan and Roslindale where BCYF Centers were located adjacent to Boston Housing Authority developments. Smart from the Start expects to reach 400 families in the first two years, including 700 children ages 0 through 5 years and 500 parents. This program is a component of the City's "Thrive in Five" initiative – a public/private partnership aimed at promoting school readiness.

The FY09 Youth Fund appropriation has been increased by 6.8% to cover the new minimum wage and is projected to provide an estimated 3,600 summer jobs. The Youth Fund will continue its successful partnering with community-based organizations. The City expects to receive funding from the Commonwealth of Massachusetts for the YouthWorks program to target summer jobs for at-risk and low income youth which will help achieve the jobs goal of 9,870 provided by the City and all of its partners. (See Figure 11.)

In FY09, the Elderly Commission will see a 4.7% increase related to general salary increases and inflationary increases for gasoline for the Senior Shuttle.

Housing and Neighborhood Development

This cabinet is showing a net decrease of 1.1%. The decreasing component relates to the completion of the Leading the Way II program in FY08. In FY09, an appropriation of \$5 million is being recommended to fund a third phase of Leading the Way.

Leading the Way III priorities will include workforce housing development, neighborhood stabilization and revitalization, and homelessness prevention efforts.

The Department of Neighborhood Development (DND) will increase by 18.1%. A large part of the increase is the result of steady decreases in the City's Community Development Block Grant (CDBG) allocation which impacts the amount of external funding available for programs and the administrative costs supporting those programs. In addition, federal grant eligibility decisions that were finalized this year will require the City to use non-federal funds for various property management activities once budgeted under CDBG. In FY09 the general fund will be needed to cover the costs of some of the department's key programs.

In FY09, DND will strengthen its efforts regarding foreclosure prevention. The department currently has a comprehensive package of prevention and intervention activities including education, one-on-one counseling through neighborhood non-profit agencies, and a refinancing loan pool to help prevent foreclosures. DND will promote investment in high-foreclosure neighborhoods to stabilize any growing foreclosure trend. The department will continue to partner with the Fireman Foundation with the Boston Homelessness Prevention Center to reduce family homelessness.

The Main Street Districts will continue to be supported in their mission to build vibrant neighborhood commercial districts. The private Boston Main Streets Foundation has undertaken a major capital campaign to enhance the sustainability of the Main Street districts and

contribute to continued economic development in these neighborhoods.

Public Health Commission

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network, which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY09 appropriation for the Public Health Commission shows an increase of 2.6% from the FY08 appropriation. In FY09 the Public Health Commission continues to build the Youth Development Network to support positive development among Boston youth. Youth Development Specialists are assigned to neighborhoods to support peace councils and provide case management services to youth. The Public Health Commission Budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital. The direct payment requirement is level funded with FY08.

The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$11.2 million. EMS will undergo a phased in expansion of ambulance units in FY09 to improve citywide response times.

The Public Health Commission plays a leading role in the Mayor's goal to narrow racial health disparities. The Disparities Project includes the implementation of new data collection regulations at 10 Boston hospitals. In FY09 the Commission will also award continuation grants to community-based organizations to integrate activities that address the social determinants of health.

School Department

The FY09 School Department budget will increase by \$36.5 million, or 4.6%, over the FY08

appropriation. Much of the increase in this budget will be used to cover rising costs of personnel, health insurance and contractual obligations. However, the budget also allocates resources to areas of high priority that will allow the Boston Public Schools to continue to make progress on its agenda to close the achievement and access gaps. The FY09 budget includes funding for the next phase of a multi-year plan to meet the goal of providing full-day kindergarten for all four-year-olds by 2010 by adding an additional seven Kindergarten 1 classrooms and converting three existing half-day special education Kindergarten 1 classes to full-day programs. In addition, the budget includes \$2.8 million to support students at risk through a Newcomers Academy for immigrant students, support for English Language Learners, credit recovery programs, and alternative education. The FY09 budget also includes funding for staffing and start-up costs for schools moving to a K-8 model.

(See the *Education* chapter of this volume for more details.)

Appropriations by Cabinet

Cabinet	Department	FY06 Expenditure	FY07 Expenditure	FY08 Appropriation	FY09 Appropriation	Inc/(Dec) 09 vs 08
Mayor's Office	Office of Emergency Preparedness	191,984	228,455	326,390	345,287	18,897
	Intergovernmental Relations	803,094	988,330	1,060,017	1,061,873	1,856
	Law Department	4,471,975	4,847,932	6,179,149	5,941,484	-237,665
	Mayor's Office	1,842,882	2,111,965	2,289,807	2,261,240	-28,567
	Neighborhood Services	1,089,450	1,169,525	1,268,337	1,307,365	39,028
	Office of New Bostonians	83,958	316,617	339,238	350,542	11,304
	Public Information	934,957	890,276	1,227,726	1,258,447	30,721
	Total	9,418,300	10,553,101	12,690,664	12,526,238	-164,426
Administration & Finance	Assessing Department	5,769,170	5,969,131	6,433,173	6,559,718	126,544
	Auditing Department	1,965,410	2,136,266	2,323,739	2,406,049	82,310
	Budget Management	2,893,440	3,166,815	2,604,562	2,656,347	51,786
	Execution of Courts	10,496,828	7,107,017	3,500,000	3,500,000	0
	Graphic Arts Department	1,452,422	1,459,991	1,578,621	1,601,751	23,130
	Health Insurance	151,575,199	168,525,433	182,583,083	186,480,708	3,897,625
	Human Resources	2,595,352	2,846,725	3,172,422	3,341,622	169,199
	Labor Relations	1,110,389	1,326,587	1,480,560	1,468,240	-12,320
	Library Department	27,711,939	28,550,479	29,602,802	31,230,179	1,627,377
	Medicare Payments	4,650,776	5,113,156	5,603,000	6,141,000	538,000
	Office of Administration & Finance	769,130	753,745	932,741	907,868	-24,873
	Pensions & Annuities	4,599,999	4,648,389	4,200,000	4,200,000	0
	Purchasing Division	1,282,620	1,364,157	1,400,941	1,399,710	-1,231
	Registry Division	801,976	870,865	935,135	970,440	35,305
	Treasury Department	4,192,106	4,201,792	4,582,042	3,877,467	-704,575
	Unemployment Compensation	13,999	31,800	50,000	50,000	0
	Workers' Compensation Fund	2,350,590	2,913,872	2,200,000	1,900,000	-300,000
	Total	224,231,345	240,986,220	253,182,822	258,691,099	5,508,277
Chief Information Officer	Management & Information Svcs	14,154,939	18,000,538	17,723,260	19,233,832	1,510,572
	Total	14,154,939	18,000,538	17,723,260	19,233,832	1,510,572
Public Safety	Fire Department	160,515,298	162,216,215	159,739,589	161,568,922	1,829,334
	Police Department	245,221,274	268,700,981	270,693,354	281,936,006	11,242,652
	Total	405,736,573	430,917,195	430,432,943	443,504,928	13,071,986
Education	Boston Public Schools	717,793,047	747,462,547	795,497,687	832,036,229	36,538,542
	Total	717,793,047	747,462,547	795,497,687	832,036,229	36,538,542
Economic Development	Boston Residents Job Policy	454,249	458,215	515,523	531,938	16,415
	Small/Local Business	550,408	575,130	611,118	598,271	-12,847
	Total	1,004,657	1,033,345	1,126,642	1,130,209	3,568
Public Property	Arts, Tourism & Special Events	1,617,322	1,633,997	1,694,410	1,698,274	3,864
	Consumer Affairs & Licensing	429,943	437,895	462,209	458,554	-3,655
	Department of Voter Mobilization	2,479,543	2,614,397	3,516,724	3,076,508	-440,216
	Parks & Recreation Department	14,458,799	15,412,377	15,864,744	16,040,156	175,411
	Property & Construction Mgmt.	25,946,633	24,546,743	20,496,965	21,340,669	843,704
	Total	44,932,240	44,645,409	42,035,053	42,614,160	579,108
Public Works & Transportation	Central Fleet Maintenance	2,257,559	2,182,036	2,282,491	2,412,041	129,550
	Office of Chief of PWD & Transportation	0	1,552,351	1,731,721	1,790,438	58,717
	Public Works Department	87,806,195	87,019,271	86,274,313	87,672,228	1,397,915
	Snow Removal	11,931,886	7,994,231	12,292,072	13,067,952	775,880
	Transportation Department	27,811,630	27,572,941	27,821,270	31,919,139	4,097,870
	Total	129,807,271	126,320,830	130,401,866	136,861,798	6,459,932
Environment & Energy	Environment Department	1,170,283	1,294,956	1,377,390	1,378,024	634
	Inspectional Services Dept	13,946,157	14,566,202	15,350,477	15,954,900	604,423
	Total	15,116,440	15,861,158	16,727,867	17,332,924	605,057
Human Services	Boston Centers for Youth & Families	18,496,752	19,284,307	21,316,439	22,152,400	835,961
	Civil Rights	300,710	314,047	338,178	327,511	-10,667
	Elderly Commission	2,556,397	2,732,289	2,890,925	3,025,585	134,660
	Emergency Shelter Commission	520,283	507,730	548,528	595,516	46,988
	Veterans Services Department	3,896,712	4,377,626	4,281,183	4,289,980	8,797
	Women's Commission	149,920	151,324	157,677	157,724	47
	Youth Fund	3,802,225	3,808,526	4,336,561	4,631,505	294,944
	Total	29,722,999	31,175,850	33,869,491	35,180,222	1,310,731
Neighborhood Development	Leading the Way	7,500,000	4,331,000	5,669,000	5,000,000	-669,000
	Neighborhood Development	2,778,291	2,962,952	3,161,963	3,734,273	572,310
	Total	10,278,291	7,293,951	8,830,963	8,734,273	-96,690
Public Health	Public Health Commission	61,299,999	63,797,647	67,655,226	69,445,774	1,790,548
	Total	61,299,999	63,797,647	67,655,226	69,445,774	1,790,548
Non-Mayoral Departments	Boston Housing Authority	0	2,150,000	-	-	-
	City Clerk	855,327	878,893	936,178	972,098	35,919
	City Council	4,125,850	4,417,227	4,632,449	4,714,370	81,922
	Finance Commission	180,679	182,473	191,936	196,986	5,050
	Licensing Board	508,098	501,820	647,713	724,771	77,058
	Total	5,669,955	8,130,412	6,408,276	6,608,225	199,949
	Grand Total	1,669,166,057	1,746,178,203	1,816,582,758	1,883,899,910	67,317,152

Debt Service

The City had expenditures for debt service of \$112.8 million in FY06 and \$109.6 million in FY07. The City has a budget of \$120.9 million for debt service in FY08 and expects to spend \$127.6 million on debt service in FY09. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in March 2008, Standard & Poor's Rating Services affirmed Boston's AA+ credit rating. Both Moody's Investors Service and Fitch Ratings affirmed the City's credit ratings of Aa1 and AA respectively. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

State Assessments

Accompanying the local aid distributions on the cherry sheet are charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid was added. Aside from the assessment 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 on a statewide basis, except for Charter School Tuition and the MBTA assessment, cannot increase by more than 2.5% annually. The City's state assessments (inclusive of Charter School Tuition) were \$114.3 million in FY06 and \$119.8 million in FY07. The City expects growth in assessments to \$131.1 million in FY08 and to \$142.0 million in FY09.

Suffolk County Sheriff

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary

In FY08, the City was responsible for funding 4% of

the Sheriff's Department budget with the Commonwealth funding the rest. The appropriation included in the FY09 budget is an estimate. The maintenance of effort requirement will be communicated to the City after the Sheriff's total budget is approved by the County Government Finance Review Board sometime in late summer or early fall.

Reserve

Tregor Reserve Fund				
Fiscal Year	Beginning Year		Ending Year	
	Balance	Funds In	Funds Out	Balance
FY02	19.989	1.000	0.000	20.989
FY03	20.989	0.151	0.000	21.140
FY04	21.140	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.644
FY06	22.644	1.457	0.000	24.101
FY07	24.101	2.230	0.000	26.330
*FY08	26.330	0.000	0.000	26.330
*FY09	26.330	0.000	0.000	26.330

Notes: (\$millions), *projected

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$26.3 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. (See *Financial Management* section of Volume 1 for detail.)

State Assessments				
	FY06 Actual	FY07 Actual	FY08 Budget	FY09 Budget
M.B.T.A.	\$ 65,185,386	\$ 66,210,888	\$ 67,531,540	\$ 71,436,756
Charter School Tuition	43,922,686	48,375,443	58,450,610	65,147,031
RMV Non-Renewal Surcharge	3,557,180	3,564,540	3,564,540	3,606,700
Other Assessments	1,668,374	1,702,854	1,594,852	1,799,797
	\$ 114,333,626	\$ 119,853,725	\$ 131,141,542	\$ 141,990,284

Personnel Summary

		1/1/06	1/1/07	1/1/08	1/1/09	Projected
		FTE	FTE	FTE	Projected	Inc/(Dec)
Office of the Mayor	Intergovernmental Relations	6.8	9.8	9.8	8.8	(1.0)
	Law Department	41.0	51.0	53.0	53.0	-
	Mayor's Office	23.4	24.0	27.0	26.0	(1.0)
	Neighborhood Services	23.0	23.0	24.0	24.0	-
	Office of Emergency Preparedness	-	1.0	1.0	1.0	-
	Office of New Bostonians	1.0	4.0	5.0	5.0	-
	Public Information	18.1	17.5	17.5	19.5	2.0
	Total	113.3	130.3	137.3	137.3	-
Administration & Finance	Office of Administration & Finance	7.0	7.0	6.0	6.0	-
	Assessing Department	87.0	88.0	88.0	88.0	-
	Auditing Department	33.0	33.0	34.0	34.0	-
	Budget Management	21.9	24.9	22.9	23.9	1.0
	Graphic Arts	28.0	29.0	29.0	29.0	-
	Human Resources	43.6	46.6	45.6	46.6	1.0
	Labor Relations	11.4	10.4	11.4	11.4	-
	Library Department	423.2	432.2	428.2	438.2	10.0
	Purchasing Division	20.0	20.0	20.0	20.0	-
	Registry Division	18.0	18.0	19.0	19.0	-
Treasury Department	56.0	53.0	52.0	53.0	1.0	
	Total	749.1	762.1	756.1	769.1	13.0
Chief Information Officer	Management Info Svcs	101.0	104.0	100.0	110.0	10.0
	Total	101.0	104.0	100.0	110.0	10.0
Public Safety	Fire Department	1,602.5	1,631.5	1,688.5	1,700.0	11.5
	Police Department	2,818.3	2,922.2	3,048.2	3,092.0	43.8
	Total	4,420.8	4,553.7	4,736.7	4,792.0	55.3
Education	School Department	8,087.1	8,282.5	8,451.4	8,437.0	(14.4)
	Total	8,087.1	8,282.5	8,451.4	8,437.0	(14.4)
Economic Development	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	8.0	8.0	8.0	8.0	-
	Total	16.0	16.0	16.0	16.0	-
Public Property	Arts, Tourism & Special Events	17.0	16.0	17.0	17.0	-
	Consumer Affairs & Licensing	7.4	7.4	5.6	5.6	-
	Department of Voter Mobilization	20.2	19.2	26.3	28.3	2.0
	Parks and Recreation	200.0	205.0	200.0	212.0	12.0
	Property & Construction Mgmt.	296.1	214.1	221.0	221.0	-
	Total	540.7	461.7	469.9	483.9	14.0
Public Works & Transportation	Chief of Public Works & Transportation	-	1.0	21.0	22.0	1.0
	Central Fleet Maintenance	44.0	43.0	42.0	42.0	-
	Public Works Department	371.0	375.0	362.0	362.0	-
	Transportation	369.6	363.9	352.9	382.9	30.0
	Total	784.6	782.9	777.9	808.9	31.0
Environment & Energy	Environment	19.0	17.0	18.0	18.0	-
	Inspectional Services	226.0	225.0	229.0	229.0	-
	Total	245.0	242.0	247.0	247.0	-
Human Services	Boston Center for Youth & Families	358.3	370.7	385.0	385.0	-
	Civil Rights	9.0	9.0	9.0	9.0	-
	Elderly Commission	54.5	67.6	65.6	65.6	-
	Emergency Shelter	4.0	4.0	5.0	6.0	1.0
	Veterans Services	15.2	15.2	14.2	14.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
Youth Fund	4.0	3.0	4.0	4.0	-	
	Total	447.0	471.5	484.8	485.8	1.0
Neighborhood Development	Neighborhood Development	51.8	49.8	44.8	44.8	-
	Total	51.8	49.8	44.8	44.8	-
Public Health	Public Health Commission	738.1	749.8	751.7	783.7	32.0
	Total	738.1	749.8	751.7	783.7	32.0
Non-Mayoral	City Clerk	13.0	13.0	13.8	13.8	-
	City Council	75.1	79.8	75.8	75.8	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	9.6	8.6	8.6	8.6	-
	Total	100.7	104.4	101.2	101.2	-
Grand Total		16,395.2	16,710.7	17,074.8	17,216.7	141.9

PERSONNEL CHANGES

The Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The projected FTE numbers used for FY09 are estimates based on the personnel funding levels contained in the FY09 budgets.

FY07- FY08 FTE Changes - The total net increase in FTEs from January 1, 2007 to January 1, 2008 was 364.1. Staffing in the majority of the departments remained at or near the levels in previous years. The City continues to utilize a Position Review Committee to review all proposed job postings for vacant positions. All hiring is scrutinized and approved only if it is critical and can be supported within the confines of a department's budget.

The largest change occurred within the School Department with an increase of 168.9 FTEs. There are many areas that contributed to this increase including both changes in the demographics of the student population and approved policies and interventions to improve student achievement. Increasing enrollment of English Language Learners and high incidence special education students required more intensive staffing models. Expansion of 23 K1 classrooms and the Grades K-8 school model, addition of 15 Family and Community Outreach Coordinators, introduction of Superintendent's Schools with lower class size and investments in alternative education all contributed to this increase.

Staffing levels in the Public Safety cabinet also increased. The Police Department increased by 126 FTEs between January 1, 2007 and January 1, 2008 mainly due to an increase in the levels of uniformed officers. The Fire department also contributed to the public safety increase by adding 57 FTEs, the majority of which were firefighters.

Another department with a material change in FTEs is the Chief of Public Works and Transportation which increased by 20 FTEs due to a planned operational change within the cabinet to increase the efficient delivery of services. These 20 FTEs were formerly in the Public Works or Transportation Departments where corresponding decreases can be seen. Overall, the

cabinet decreased by 5 FTEs as a result of vacancies not being filled.

In the Human Services Cabinet, the increase is mainly the result of the Boston Centers for Youth and Families which added new street worker positions and filled vacancies.

FY08-FY09 Projected FTE Changes – The City expects the net increase in FTE levels to be approximately 142 from January 1, 2008 to January 1, 2009.

The Mayor's Office Cabinet staffing as a whole is projected to remain stable from January 1, 2008 to January 1, 2009.

The increased number of FTEs in the Administration and Finance Cabinet relates mainly to the opening of new branch libraries in Mattapan and at the Burke High School that will require additional staff.

The Management Information Services (MIS) Department will include several new positions in FY09. The Department will be hiring a Public Safety Chief Information Officer (CIO) who will serve the information technology (IT) leadership needs of the Police and Fire departments under the direction of the City's CIO in order to better coordinate all technology initiatives. MIS will also hire a Director of Security and Risk Management and a Director of IT Strategy and Planning to address citywide issues of risk management and long term strategic planning. The department will embark on an aggressive recruiting effort to fill current vacancies.

The number of Public Safety employees on the payroll as of January 1 of any year fluctuates with the timing of classes and the timing of retirements. After considering the current number of filled positions, expected retirements, and the hiring of new recruits, the net increase projected for Public Safety FTEs is 55.3. Fire is projected to increase by 11.5 and Police is expected to increase by 43.8. Fire classes are being scheduled and sized to ensure that the department can cover its manning requirements. The FY09 budget for Fire also includes a new grant writer. It should be noted that planned hiring of Police Officers between now and the end of the calendar year is projected to bring the uniformed force to its highest level since FY00.

From FY2008 to FY2009 the School Department is projecting a decrease of 14.4 FTEs. This is the net impact of increases due to further expansion of K1 classrooms and the Grades K-8 school model, funding K1 paraprofessional and Family and Community Outreach Coordinators that have been previously funded through grants, and decreases in central administration positions and school positions as a result of declines in school enrollments.

The Public Property Cabinet is projected to have an increase of approximately 14 FTEs. The majority of that increase is in the Parks Department and is the result of converting former contract employees in the Park Ranger program to City employees. This required the creation of twelve new positions.

Staffing in the Public Works & Transportation Cabinet is projected to increase primarily in the Transportation Department. As part of its meter replacement plan the department will increase the number of enforcement officers to enforce current parking regulations. The additional officers will also help improve traffic flow and provide the enforcement needed for the expansion of the street sweeping program.

The Human Services Cabinet increase is due to the move of a current employee from the Office of Special Events and Tourism to the Emergency Shelter Commission

Staffing at the Public Health Commission (PHC) is expected to have a net increase of approximately 32 FTEs as of January 1, 2009. Although some areas will see a loss of positions, an increase in Emergency Medical Services will help improve response times for emergency calls..

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

EXTERNAL FUNDS

The City's \$2.4 billion operating budget is supplemented by approximately \$306.3 million in external funds. These funds consist mainly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, public safety and public health are

some of the largest areas for which these funds are targeted.

Twenty-one departments and agencies expect to receive federal, state or other forms of external funding in FY08. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 90% of the City's external funds are found in six of those twenty-one departments. These six departments are the School Department, Neighborhood Development, Office of Emergency Preparedness, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission, Boston Centers for Youth & Families and the Parks Department. Descriptions and amounts for grants by department can be found in Volumes 2 and 3.

Federal and State Grants

Federal grants provide funding for key City priorities. In FY09, the School Department is expected to receive \$32.4 million from Title I, a grant that the City has been receiving for a number of years. This funding has supplemented education programs in schools with significant populations of low-income students. The City has also received Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities for many years. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone.

The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is Chapter 70 educational reform aid in which the major requirement for receipt of the funds relates to a minimum general fund school budget. This funding is not included in the External Funds table as it is direct general fund revenue. (Further discussion on education aid can be found in the *Revenue Estimates and Analysis* Chapter). The Commonwealth of Massachusetts also provides state grant funding for library services.

A description of the largest federal and state supported programs in the six departments

managing the bulk of the City's external fund resources is given below.

Neighborhood Development

The Community Development Block Grant (CDBG) is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston. The CDBG program funds a variety of neighborhood development activities. The City's Department of Neighborhood Development (DND) and the Fair Housing Commission have expended approximately \$25.5 million in CDBG funding in FY07, and estimates spending \$28.3 million in FY08 and \$27.8 million in FY09. The FY09 amount becomes available in July 2008. At least 70% of CDBG funds must be used to benefit low and moderate-income households. The City uses CDBG funds to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cuts from existing public service activities. CDBG funding is also used as a security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - Section 108 funds are available to eligible cities from HUD on an application basis and can only be used for economic development projects. Through a pledge of its current and future CDBG grant awards, the City administers

Section 108 funds. The Economic Development Initiative (EDI) Program is a special HUD program that makes available grants to cities to spur economic opportunity. This initiative also promotes community development through a long-term strategy that encompasses establishing community-based partnerships; training residents for new job opportunities; and developing a plan for responding to community needs by integrating economic, physical, human and other strategies. The City previously received two multi-year grants of \$22 million each for these two programs for use within the Empowerment Zone. (Another \$3 million was reserved for social service activities in the Empowerment Zone.) The funds are used to assist new or existing smaller scale neighborhood commercial enterprises and larger scale commercial and/or industrial development projects. These funds must be used to lower the cost or lower the risk to the City on Section 108 loans made to eligible economic development projects. The expenditure of these funds has been spread over the past several years.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - The City expects to spend \$20.7 from these four HUD grants in FY08 and another \$20.3 in FY09. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available each July. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious

External Funds			
	FY07 Expenditure	FY08 Estimated	FY09 Estimated
Boston Public Schools	153,934,972	129,921,162	120,817,352
Neighborhood Development	65,613,525	84,499,635	82,283,920
Public Health Commission	43,790,751	39,587,068	43,846,185
Emergency Preparedness	20,527,348	20,556,775	17,139,321
Library Department	12,020,788	12,629,170	11,984,606
Police Department	7,446,523	13,627,145	10,606,858
Other	19,422,691	23,074,618	19,684,753
	322,756,598	323,895,573	306,362,995

mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants. FY09 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY09 funds will become available in July 2008. The City expended \$8.8 million in this program in FY07 and estimates spending \$8.9 million in FY08. Projected spending for FY09 is \$7.9 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations. Up to five percent may be set aside for operating costs for Community Housing Development Organizations.

School Department

The School Department's FY09 general fund budget of \$827.5 million is supplemented with approximately \$120.8 million in external funds, largely grants made directly to the Boston Public Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants. Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. Other significant sources of external funding include Title II (teacher quality grant), the special education

"circuit breaker" reimbursement, and the Community Partnership grant.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for this program in FY08 and FY09 of \$36.1 million and \$32.4 million, respectively.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$21.2 million in reimbursements for both FY08 and FY09.

Title II Teacher Quality – As it did in FY08, the School Department expects to receive \$6.9 million in FY09 from this federal formula grant program to improve the quality of staff in the classrooms.

Individuals with Disabilities Education Act (IDEA or SPED 94-142 Entitlement) - This federal formula grant supports special education programs. The amount budgeted by the School Department for FY09 is \$18.4 million, the same amount that was budgeted in FY08.

Community Partnerships for Children - The Community Partnerships Program is the largest competitive grant received by the School Department. The Community Partnership Program is a state program to create comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers and family-based day care centers. The amount budgeted by the School Department, which serves as the fiscal agent for this program, is \$9.2 million for FY09, the same amount that was received in FY08.

Public Health Commission

Boston Healthy Start - The purpose of this project is to develop a comprehensive needs assessment and carry out a service plan to address those factors most affecting infant mortality in the City of Boston. Three project areas consist of those census tracts found to have both the highest numbers of infant deaths and the highest infant mortality rates in the City. The Public Health

Commission projects to receive \$2.4 million for this program in FY09.

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. In FY08, contracts supported approximately sixty community agencies and 102 programs in the ten county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$13.8 million for FY09.

REACH CEED - In October 2007, the US Centers for Disease Control and Prevention designated the Boston Public Health Commission as one of 18 national Centers of Excellence in the Elimination of Disparities (CEED). The CEED grant will bring to scale the work of REACH and the Disparities Project, and facilitate regional efforts to eliminate disparities in breast and cervical cancer and cardiovascular disease in Black communities across New England. The Commission will receive \$4.5 million between 2007 and 2012 to work across six New England states: MA, Rhode Island, Vermont, Maine, Connecticut, New Hampshire. The budget for FY09 is \$868,172.

Long Island Shelter – Federal funding for this project provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 800 homeless adult men and women. The Shelter also provides training and support services to 1,140 homeless individuals annually. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. Overall, projected external funding for homeless services in the Public Health Commission budget for FY09 totals \$9.96 million.

Public Health Preparedness -The Commission is involved in a number of activities to insure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those that stem from a federal/state grant of \$704,645 for a Cities Readiness Initiative (CRI). This national effort requires Boston to plan for the provision of medicine to every city resident within a 48-hour period, if needed. Other state and federally funded efforts include training EMT's, hospital

clinicians and health center workers in various medical emergency protocols and procedures; developing a corps of volunteers who can be mobilized as needed; and writing, translating and printing educational materials and tool kits for all populations within the City. Total external funds spending on public health preparedness is expected to be \$2.5 million in FY09.

Office of Emergency Preparedness

One of the objectives of the Mayor's Office of Emergency Preparedness is to allocate and manage federal homeland security funds obtained by the City. The Urban Area Security Initiative (UASI) grant provides the bulk of the funding for this office. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the Boston urban area. Spending from UASI is expected to be \$20.6 million in FY08 and \$17.1 million in FY09. The Office of Emergency Preparedness was also responsible for coordinating spending from a federal grant approved to cover security costs for the 2004 Democratic National Convention. Final reimbursements of \$4.1 million from that grant were made in FY06. (The total expended for the DNC by all agencies was \$28.1 million.)

Police Department

The Police Department's grant funding on both the federal and state level has focused mostly upon community policing.

Same Cop, Same Neighborhood – This neighborhood policing program is based on the belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total costs of the program supported by this grant were \$2.7 million in FY07; estimated expenditures for FY08 are \$4.4 million. In FY09 the Department expects to have \$3.8 million available for this program.

Justice Assistance Grant (JAG) – This federal grant was awarded by the Department of Justice in FY07 for prevention, intervention and enforcement efforts aimed at reducing crime and violence. JAG replaced the Local Law Enforcement Block Grant program. These funds are used to support civilian analyst and advocacy personnel, as well as district social workers. This multi-year project is expected to run through September 2012. The department expects to spend \$1.1 million in FY08 and expects to utilize \$879,300 in FY09.

Shannon Community Safety Initiative – The department is expecting a \$3 million grant from the Commonwealth of Massachusetts' Executive Office of Public Safety to address gang and youth violence through the Senator Charles E. Shannon, Jr. Community Safety Initiative. The award has supported a number of prevention, intervention and enforcement initiatives and activities that focus on a comprehensive citywide strategy for youth gang and gun violence. The total cost of the program supported by this grant was \$1.3 million in FY07; estimated expenditures for FY08 are \$3.2 million. For FY09 the Department expects to have \$3.3 million available for this program.

Library Department

Total spending from state funding for the Library increased slightly from \$8.1 million in FY07 to an estimated \$8.64 million for FY08. In FY09, the Library expects that approximately \$8.65 million will be available from the state. The three state programs that relate to libraries are described below.

Library of Last Recourse - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personnel resources, expertise and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is expected to be fairly level between FY08 and FY09 at approximately \$7.1 million.

Boston Regional Library - The Boston Regional Library System Program (BRLS) is a cooperative

organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts Board of Library Commissioners. Funding for this program is expected to be approximately \$882,000 in FY08 and FY09.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. Approximately \$703,000 is budgeted for FY08 and FY09.

FY09 ALL FUNDS BUDGET

The following table consolidates the projected FY09 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 2 and 3 of the City of Boston's FY09 budget document.

Budget Document Structure

The Operating Budget for FY09 and Five Year Capital Plan for FY09-13 are presented in three volumes.

Volume 1 is an overview of the City's financial position and policy direction.

Volumes 2 and 3, which are organized by cabinet, present the budget detail for each department's operating budget and capital projects. Please refer to the chapter on Budget Organization and Glossary for an illustration of the City's organizational chart.

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

All Funds Budgets - FY09

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Office of Emergency Preparedness	345,287	17,139,321		17,484,608
	Intergovernmental Relations	1,061,873			1,061,873
	Law Department	5,941,484			5,941,484
	Mayor's Office	2,261,240	77,086		2,338,326
	Neighborhood Services	1,307,365			1,307,365
	Office of New Bostonians	350,542			350,542
	Public Information	1,258,447			1,258,447
	Total	12,526,238	17,216,407	0	29,742,644
Administration & Finance	Assessing Department	6,559,718			6,559,718
	Auditing Department	2,406,049			2,406,049
	Budget Management	2,656,347			2,656,347
	Execution of Courts	3,500,000			3,500,000
	Graphic Arts Department	1,601,751			1,601,751
	Health Insurance	186,480,708			186,480,708
	Human Resources	3,341,622			3,341,622
	Labor Relations	1,468,240			1,468,240
	Library Department	31,230,179	11,984,606	12,486,371	55,701,156
	Medicare Payments	6,141,000			6,141,000
	Office of Administration & Finance	907,868			907,868
	Pensions & Annuities	4,200,000			4,200,000
	Purchasing Division	1,399,710			1,399,710
	Registry Division	970,440			970,440
	Treasury Department	3,877,467			3,877,467
	Unemployment Compensation	50,000			50,000
	Workers' Compensation Fund	1,900,000			1,900,000
	Total	258,691,099	11,984,606	12,486,371	283,162,076
Chief Information Officer	Management & Information Svcs	19,233,832		12,950,000	32,183,832
	Total	19,233,832	0	12,950,000	32,183,832
Public Safety	Fire Department	161,568,922	446,202	5,685,069	167,700,193
	Police Department	281,936,006	10,606,858	4,765,000	297,307,864
	Total	443,504,928	11,053,060	10,450,069	465,008,058
Education	Boston Public Schools	832,036,229	120,817,352	50,930,067	1,003,783,648
	Total	832,036,229	120,817,352	50,930,067	1,003,783,648
Economic Development	Boston Redevelopment Authority	0	0	1,925,000	1,925,000
	Boston Residents Job Policy	531,938			531,938
	Small/Local Business	598,271			598,271
	Total	1,130,209	0	1,925,000	3,055,209
Public Property	Arts, Tourism & Special Events	1,698,274	159,450		1,857,724
	Consumer Affairs & Licensing	458,554	51,300		509,854
	Department of Voter Mobilization	3,076,508			3,076,508
	Parks & Recreation Department	16,040,156	6,375,000	14,643,203	37,058,359
	Property & Construction Mgmt.	21,340,669	159,999	18,997,190	40,497,858
	Total	42,614,160	6,745,749	33,640,393	83,000,302
Public Works & Transportation	Central Fleet Maintenance	2,412,041			2,412,041
	Office of Chief of PWD & Transportation	1,790,438			1,790,438
	Public Works Department	87,672,228		43,737,392	131,409,620
	Snow Removal	13,067,952			13,067,952
	Transportation Department	31,919,139	1,389,710	5,730,000	39,038,850
	Total	136,861,798	1,389,710	49,467,392	187,718,900
Environment & Energy	Environment Department	1,378,024	363,125	75,000	1,816,149
	Inspectional Services Dept	15,954,900	10,300		15,965,200
	Total	17,332,924	373,425	75,000	17,781,349
Human Services	Boston Centers for Youth & Families	22,152,400	2,080,157	12,496,483	36,729,041
	Civil Rights	327,511	1,076,905		1,404,417
	Elderly Commission	3,025,585	6,019,735		9,045,320
	Emergency Shelter Commission	595,516	70,875		666,391
	Veterans Services Department	4,289,980			4,289,980
	Women's Commission	157,724			157,724
	Youth Fund	4,631,505	1,312,066		5,943,571
	Total	35,180,222	10,559,738	12,496,483	58,236,443
Neighborhood Development	Leading the Way	5,000,000			5,000,000
	Neighborhood Development	3,734,273	82,283,920	4,100,000	90,118,193
	Total	8,734,273	82,283,920	4,100,000	95,118,193
Public Health	Public Health Commission	69,445,774	43,846,185	3,823,000	117,114,959
	Total	69,445,774	43,846,185	3,823,000	117,114,959
Non-Mayoral Departments	City Clerk	972,098	92,842		1,064,940
	City Council	4,714,370			4,714,370
	Finance Commission	196,986			196,986
	Licensing Board	724,771			724,771
	Total	6,608,225	92,842	0	6,701,067
Grand Total		1,883,899,910	306,362,995	192,343,775	2,382,606,680

available upon request.

In addition to program budgets, Volumes 2 and 3 provide a mission statement, key objectives, as well as past and promised performance levels for each departmental program. For those departments with capital projects, a project profile is provided for every capital project, which includes authorization information as well as planned spending levels.

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

FY09 – FY10 BUDGET PLAN

Introduction

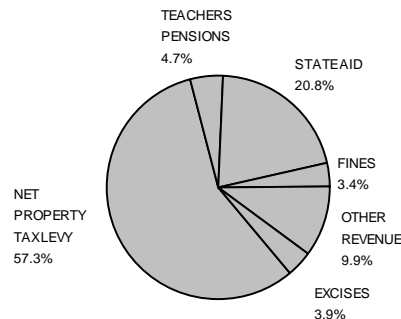
While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, a second year projection provides a useful context for decision making.

In projecting the City's operating budget for FY10, the issue of state aid continues to be the most critical. While the state had recovered from an economic downturn in the early 2000's and tax revenues returned to growth, restoration of state programs of all types – including aid to municipalities has lagged. As the state, along with the nation faces another economic slowdown and a large backlog of capital improvement projects along with the faltering finances of quasi-public agencies, state funding for local aid is certainly at risk.

The budget for FY09 is based on the most current revenue information available. The FY10 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. The increases associated with collective bargaining agreements settled as of June 30, 2008 have been included in FY10 projected expenditures for City Departments, the Public Health Commission and the School Department. The costs projected for those agreements that were not settled as of that date have been included in the collective bargaining reserve.

An area of concern that has not been fully illustrated in the Budget Summary table is the unfunded liability related to post-employment benefits. Beginning in FY08, the City was required to implement the provisions of GASB Statement No. 45. The statement establishes standards for the measurement, recognition and display of Other Post-employment Benefits (OPEB). The City currently provides post-employment healthcare and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis. The City's OPEB total obligation had been estimated by an outside actuarial consultant at \$5.2 billion as of June 30, 2005 if the City continued to provide for its OPEB obligation on a pay-as-you-go basis. (An updated

actuarial valuation is expected by late summer or early fall.) The City faces the challenge of beginning to address the funding needs of this liability while continuing to balance all of the other costs of running a major city. For FY08, the City created a \$20 million stabilization fund to begin to acknowledge this liability. The FY09 budget includes an additional \$25 million contribution to the stabilization fund and the FY10 plan includes an additional \$35 million.



FY10 Estimated Recurring Revenue

Figure 12

Revenue Trends

The following pie chart displays the breakdown of revenue projected for FY10. (Figure 12.)

Major revenue trends for FY10 include:

Property Tax Levy: The 2.5% increase and a projected \$27.0 million of new growth will result in \$62.1 million or 4.5% in additional gross tax levy. The net property tax assumes an overlay reserve set at 2.5%.

Excises: Hotel excise is expected to remain stable reflecting steady business and leisure travel associated with a weak dollar internationally and elevated fuel prices locally. Jet Fuel excise is expected to decline somewhat with fuel prices lower than those at the recent peak. Motor vehicle excise is expected to grow with stronger motor vehicle sales.

Fines: Fines overall are expected to grow with the full impact of the FY09 fine rate increases and additional enforcement officers deployed.

Other Revenue:

Interest on Investments: Interest income is expected to increase as short-term interest rates rise with growing inflation and a recovering economy in conjunction with strong cash balances.

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

Miscellaneous Department Revenue: Usually projected from historical trends and economic assumptions, these revenues are expected to remain stable.

Licenses and Permits: Building permits will likely hold steady or gain slightly with a recovering economy and historically low interest rates

State Aid: Projected to increase marginally from the FY09 Budget almost solely through Education Aid. State Aid growth will be slow until the state commits to funding local aid adequately through higher appropriations, improved distribution formulas, or both.

Teachers' Pension Reimbursement: An increase is expected in FY10 from this reasonably predictable reimbursement arrangement with the state.

Budgetary Fund Balance: In FY09, the City is using an allocation of reserves to support ongoing expenses and to continue funding for OPEB liabilities. For FY10, the use of Budgetary Fund Balance for non-OPEB expenses has not been factored into the financial projection. The City's planning process for FY10 will assess the need for further allocation of remaining City reserves.

Total recurring revenues in FY10 are projected to increase by \$98.5 million, or 4.1% over FY09 Budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will stabilize at a reasonable level of growth in the 24 months from the beginning of FY09 to the end of FY10.

Expenditure Trends

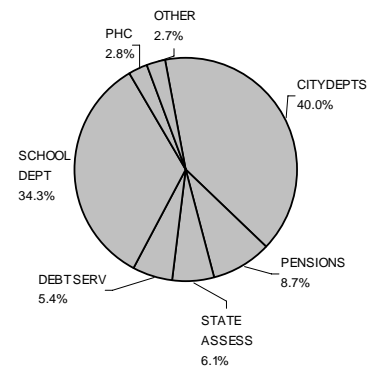
The following pie chart displays the allocation of expenditures projected for FY10. (Figure 13.)

Based on inflationary increases estimated for certain expenditures within departments such as

utilities, health insurance and trash collection and disposal, as well as current collective bargaining provisions that impact FY10, the total increase in appropriations is expected to be \$99.4 million or 5.1% in FY10.

Fixed Costs: Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY10 fixed costs will increase by \$32.3 million or 6.6%, led by a \$14 million or 9.8% increase in State Assessments and a \$9.7 million or 7.6% increase in Debt Service costs. Pension costs are projected to increase by \$8.5 million or 4%.

Under these revenue and expenditure trend assumptions, the City's Operating Budget would



FY10 Estimated Expenditures

Figure 13

have a projected deficit of \$33.1 million. For the most part, the projections are based on current operations and any known changes that are anticipated in FY10. As the FY10 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. Current year hiring must continue to be scrutinized and controlled as the bulk of the projected increase in appropriations is employee related. The City will also be looking at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees.

As noted previously, a decision will need to be made on the level of budgetary fund balance that may be utilized prudently. The City's policy regarding the use of its fund balance has been to

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY09 Budget	FY10 Projected
REVENUES		
Property Tax Levy	1,392.64	1,454.77
Overlay Reserve	(33.97)	(35.48)
Excises	93.27	97.64
Fines	80.95	84.50
Interest on Investments	20.38	25.50
Payments In Lieu of Taxes	33.50	34.51
Urban Redevelopment Chapter 121	64.25	65.99
Misc. Department Revenue	56.59	52.81
Licenses and Permits	41.09	43.94
Penalties & Interest	9.12	8.46
Available Funds	14.19	14.10
State Aid	502.98	514.47
Teachers Pension Reimbursement	103.00	115.28
Total Recurring Revenue	2,377.97	2,476.48
Non-Recurring Revenue	6.00	6.00
Budgetary Fund Balance	35.00	35.00
Total Revenues	2,418.97	2,517.48
 EXPENDITURES		
City Departments	985.00	1,020.85
Public Health Commission	69.45	71.53
School Department	832.04	873.64
Reserve for Collective Bargaining	20.00	29.82
OPEB Stabilization	25.00	35.00
Total Appropriations	1,931.48	2,030.83
Pensions	213.23	221.75
Debt Service	127.64	137.31
State Assessments	141.99	155.98
Suffolk County Sheriff	4.63	4.75
Reserve	0.00	0.00
Total Fixed Costs	487.49	519.78
Total Expenditures	2,418.97	2,550.61
Surplus (Deficit)	0.00	(33.13)

Numbers may not add due to rounding

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.

being built through an interactive forecast model. This approach allows for the development of multi-year scenarios based on various assumptions for City operations set within the financial constraints of the City's revenue and fixed cost budgets.

Planning a Balanced Budget

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

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$25 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

It is important to note that the City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through a committee consisting of staff from the Office of Human Resources, the Office of Budget Management and the Office of Administration and Finance ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements.

Conclusion

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

From a budget planning and management standpoint, the parameters summarized here are

Technical Note

The City of Boston's combined FY09 Budget and FY09-FY13 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Hyperion System 9 Planning and Scorecard and Microsoft Access were used for data management and analysis.

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