

# Summary Budget

## OVERVIEW

The FY18 Adopted Operating Budget totals \$3.15 billion and represents an increase of \$148.4 million or 5.0% over FY17. The FY18 budget continues the City's record of strong fiscal management. Expanding on savings initiatives launched during Mayor Walsh's Administration to offset growth in fixed costs. The FY18 budget features data-driven investments in a thriving, healthy and innovative city.

Local sources continue to drive revenue growth in FY18, as property tax and local receipts make up 93% of revenue growth over FY17. While the City is expected to experience continued robust property tax growth in FY18, overall revenue growth is expected to be hampered by sluggish state revenue growth. State revenue, the City's second largest revenue source, never recovered following the last recession, and in FY18, Boston's state revenue is budgeted to grow at 2.5% over FY17. Net State Aid (state aid net of assessments) is budgeted to decline as continued increases in state assessments for charter school tuition surpass stagnant budgeted state revenue.

On the expenditure side, the FY18 budget reflects an increase of \$148.4 million or 5.0% over the FY17 budget. Of that growth, 39% is dedicated to education (including Boston Public Schools and Charter School Tuition Assessment), 38% will go to all other City Services (such as Police, Fire, and Public Works) and the Public Health Commission, and the remaining 23% of growth will be consumed by pension, debt service and other fixed cost expenditures.

This Summary Budget section lays out the FY18 budget and discusses trends in each category of the budget summary table on the following page. An overview of the City's revenues is followed by a detailed synopsis of appropriations and personnel trends and a

review of major externally funded services. An all-funds budget is also presented.

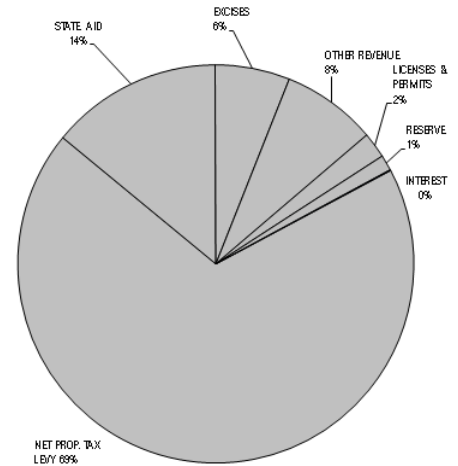


Figure 1 - FY18 Estimated Revenue

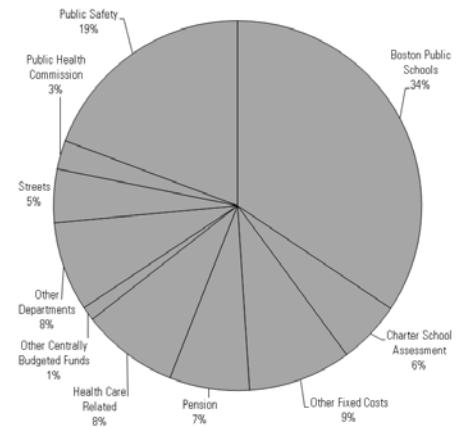


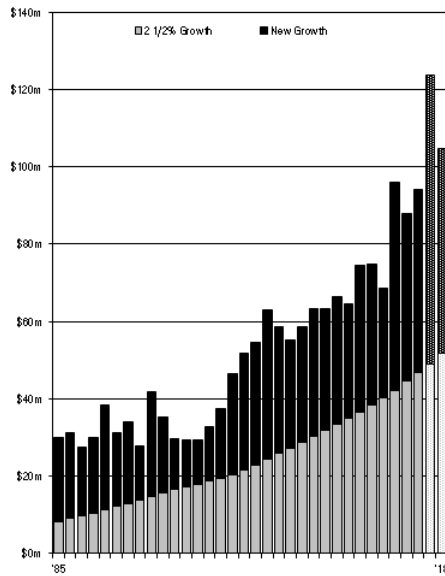
Figure 2 - FY18 Estimated Expenditures

## BUDGET SUMMARY

	FY15 Actual	FY16 Actual	FY17 Budget	FY18 Budget
<b>REVENUES</b>				
Property Tax	1,875.15	1,963.09	2,086.68	2,192.02
Property Tax Overlay	(35.87)	(38.05)	(38.74)	(30.36)
Excises	192.62	223.82	188.32	192.09
Fines	60.65	61.05	59.71	63.85
Interest On Investments	0.06	0.18	0.20	2.00
Payments in Lieu of Taxes	49.41	51.20	44.47	45.00
Urban Redev Chapter 121A	55.62	48.11	31.50	31.50
Department Revenue	64.73	63.09	55.70	65.37
Licenses & Permits	72.54	74.44	63.79	65.93
Penalties & Interest	13.08	14.48	8.51	14.46
Available Funds	19.00	0.00	23.45	23.45
State Aid	413.43	421.58	429.85	440.54
Total Recurring Revenue	2,780.42	2,883.01	2,953.43	3,105.84
Budgetary Fund Balance	0.00	0.00	40.00	40.00
Surplus Property Fund	0.00	0.00	4.00	0.00
<b>Total Revenues</b>	<b>2,780.42</b>	<b>2,883.01</b>	<b>2,997.43</b>	<b>3,145.84</b>
<b>EXPENDITURES</b>				
City Appropriations	1,141.30	1,158.96	1,208.57	1,242.97
Boston Public Health Commission	73.83	76.16	77.27	79.34
Boston School Department	974.93	1,016.28	1,031.68	1,060.93
Reserve for Collective Bargaining City	10.79	0.02	7.00	27.00
Reserve for Collective Bargaining BPS	0.00	0.00	9.00	20.00
Other Post Employment Benefits	40.00	40.00	40.00	40.00
Total Appropriations	2,240.84	2,291.41	2,373.52	2,470.24
Pensions	169.62	196.55	199.28	221.22
Debt Service	148.01	157.69	174.95	184.53
Charter School Tuition	125.81	142.79	156.83	174.37
MBTA	81.27	83.00	83.82	85.81
Other State Assessments	4.58	4.79	5.15	4.71
Suffolk County Sheriff Dept	3.87	3.87	3.87	3.97
Reserve	0.92	0.99	0.00	1.00
Total Fixed Costs	534.08	589.68	623.91	675.60
<b>Total Expenditures</b>	<b>2,774.92</b>	<b>2,881.09</b>	<b>2,997.43</b>	<b>3,145.84</b>
<b>Surplus (Deficit)</b>	<b>5.49</b>	<b>1.92</b>	<b>0.00</b>	<b>0.00</b>

Numbers may not add due to rounding

**Table 1**



**Figure 3 – Sources of Property Tax Growth FY85-FY18**

The City’s projected revenues provide the basis for planning FY18 appropriations to maintain a balanced budget. Selected FY18 budgeted City revenues compare with FY17 budgeted revenues as follows: the net property tax levy increases \$113.7 million or 5.6%; excises increase \$3.8 million or 2.0%; miscellaneous department revenues increase by \$9.7 million or 17.4%; licenses and permits increase by \$2.1 million or 3.4%, and state aid increases by \$10.7 million or 2.5%.

On the expenditure side of the budget, total appropriations increase by \$96.7 million or 4.1% and fixed costs increase by \$51.7 million or 8.3%. Selected FY18 budgeted appropriations compare with FY17 budgeted appropriations as follows: City Appropriations increase \$32.0 million or 2.7%; the Boston Public Health Commission increases by \$1.8 million or 2.3%; and the School Department increases \$29.2 million or 2.8%. In addition, collective bargaining reserves are set aside for the School Department at \$20 million and City Departments at \$27 million; when collective bargaining agreements are negotiated, these reserves will be used to cover those increased costs. Within City Appropriations, actual City Departments are increasing by \$25.6 million or 2.7% over FY17. These departmental increases are low relative to other years due to the expiration of nearly all collective bargaining

agreements, 11 central appropriations, including a large appropriation for Health Insurance totaling \$216.9 million which is increasing by \$10.6 million or 5.2% and is also included within City Appropriations.

FY18 budgeted fixed costs are increasing by \$51.7 million and compare with FY17 budgeted fixed costs as follows: Pensions increase \$21.9 million or 11%; Debt Service increases \$9.6 million or 5.5%; Charter School Tuition state assessment increases \$17.5 million or 11.2%; MBTA state assessment increases by \$2 million or 2.4%; and other state assessments increases \$44 thousand or 8.5%.

**REVENUE**

The FY18 budget is balanced on the following projections of revenue streams including the property tax, state aid and other local receipts. A more detailed discussion of City revenues is provided in the *Revenue Estimates and Analysis* chapter of this volume.

**Property Tax Levy**

The gross property tax levy has been the City’s most dependable source of revenue growth and is fundamental to the financial health of the City. Property taxes provide over two-thirds of all recurring City revenue. The gross property tax levy stands at \$2.087 billion in FY17, and is estimated to rise to \$2.192 billion in FY18.

In Massachusetts, Proposition 2 ½ constrains the amount of property tax revenue the City can raise each year from its existing tax base. This means that while total property value has grown 44% since FY14, property tax revenue has grown by only 17%. In each year since FY85, the City has increased its levy by the 2.5% allowable under the limits set forth in Proposition 2 ½.

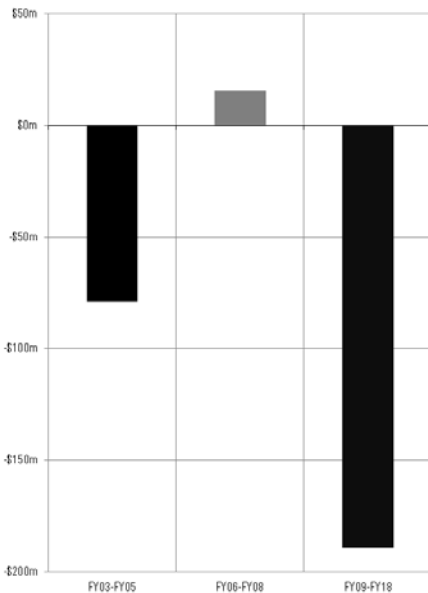
During these same years, the levy has also been positively impacted by taxable new value or “new growth” that is excluded from the levy limit. Due in part to efforts to attract business development to Boston and grow its housing stock, Boston experienced unprecedented new growth property tax revenue in FY17. New growth is expected to be approximately \$53.0 million in FY18, which is very high compared to historical levels of new growth seen prior to FY17.

## State Aid

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

State aid has been reduced substantially over the course of the last two recessions. Since FY02, net state aid (defined as state aid revenues less state assessments) to the City has been reduced by over \$252 million or 59%. The City lost approximately \$79 million between FY03 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$189 million between FY09 and budgeted FY18. For FY18, net state aid is expected to decline by \$8.4 million or 4.6% from FY17.

The City's FY18 state aid estimate is based on the Governor's proposed budget as the legislature released the final version of the state budget following release of the City's budget resubmission.



**Figure 4 – Change in Net State Aid**  
FY03-FY18, Grouped by Period of Loss or Gain  
Education Aid

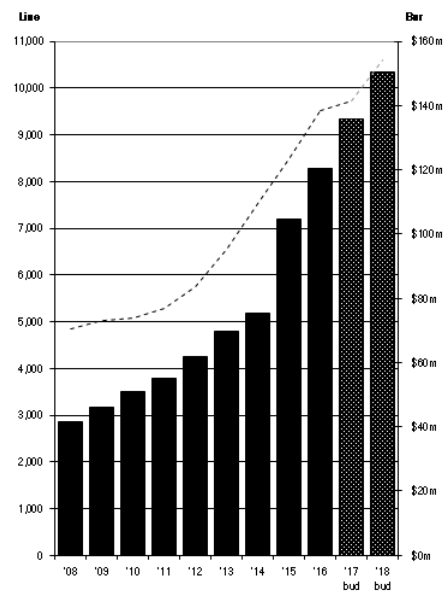
Boston's "Chapter 70" Education Aid continues to be flat, growing at 0.6% to \$217.4 million in FY18. The Chapter 70 Aid formula does not work for Boston. Despite the Commonwealth adding over \$994 million to Chapter 70 Aid since FY08,

Boston's Chapter 70 Aid has increased only \$1.6 million in the same period.

Charter schools are publicly-funded schools administered independently from local school districts and teachers' union rules and regulations. Their charters are granted by the State Board of Education.

Boston's Charter School Tuition Assessment is projected to increase by \$17.5 million (11.2%), as about 10,600 students are projected to attend a Commonwealth Charter School in FY18. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (155% or \$106 million between FY11 and th FY18 Budget). The Charter School Tuition Reimbursement is budgeted at \$23.6 million in FY18, \$2.9 million higher than FY17, but a projected \$25 million lower than the Commonwealth's obligation under the 2010 Achievement Gap Legislation.

The net cost to the City for charter schools (reimbursement from the Commonwealth less tuition assessment) has grown dramatically as Boston's Charter School Tuition Assessment has increased and the Charter School Tuition Reimbursement has been vastly underfunded. The City has budgeted for a \$136.2 million net impact in FY17, and a \$150.7 million impact in FY18. (Figure 5).



**Figure 5 – Charter Schools**  
Boston Enrollment and Net Cost  
FY08-FY18

## Unrestricted General Government Aid

Beginning in the FY10 budget and going forward, the Governor and the Legislature created general government aid from combining lottery aid and “additional assistance” into one account called Unrestricted General Government Aid. The City expects to receive \$182.2 million in FY17, and \$189.3 million in FY18, a 3.9% increase.

## Local Receipts

Approximately 16% of the City’s budgeted recurring revenue in FY18 is comprised of excise taxes, fines, payments-in-lieu-of-taxes (including Chapter 121A), investment income, departmental revenue, licenses and permits, penalties and interest, and available funds.

The FY17 Budget included \$475.6 million in local receipt revenue, and the FY18 budget budgets an increase to \$503.7 million.

Many of the City’s local receipts are sensitive to existing economic conditions and the City takes a cautious approach when estimating local receipts. The following is a brief description of selected local receipts and their expectations for FY18.

- Motor vehicle excise revenue began to recover in FY14 and has remained steady with the strengthening economy. Revenue is estimated at \$53.0 million in FY18.
- The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City expects to collect \$26.0 million from this tax in FY18.
- Hotel excise revenue has benefited from an FY10 rate increase from 4% to 6%. The City expects to receive \$87.1 million in FY18. The Massachusetts Senate budget called for the state to levy a 5% excise tax upon all short-term room rentals of any length. The proposal also allows Boston to impose a local option room occupancy tax of up to 6.5% in Boston on short-term rentals and allows the City to collect half of the 2.75% Convention Center Financing Fee on short-term rentals. The FY18 Adopted Budget includes an estimated \$3.2 million in additional Room Occupancy

Excise revenue for a partial year of revenue from the short-term room rental tax.

- Jet Fuel excise collections are expected to decline to \$22.0 million in FY18 due to lower fuel price forecasts.
- As result of 2016 state legislation to create a per-ride assessment collected from transportation network companies (TNCs), the City expects to receive \$2 million in FY18.
- In FY18 the City will reduce the amount required to maintain a compensating balance (due to the need to offset credit card fees becoming unnecessary), and instead invest this money. By standardizing practices and passing along the processing fees at point of sale transactions, revenue from Interest on Investments is estimated to increase to \$2 million in FY18.
- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to remain level. The FY18 budget estimates \$25.6 million in PILOT payments.
- License and permit revenues have been strong with the robust activity in the City’s development pipeline. Building permit revenue is conservatively budgeted in FY18 at \$45 million.
- Chapter 121A agreements are payments in lieu of tax for property under tax agreements. Those that qualify pay different taxes on income and property as determined under Chapter 121A of Massachusetts General Law. 121A payments are budgeted at \$31.5 million in FY18.
- The FY18 budget includes an additional \$9.7 million identified in departmental revenues.

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

## Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, more commonly referred to as “free cash,” is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY18 Budget uses \$40 million in budgetary fund balance to fund the appropriation for other post-employment benefits (OPEB).

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

## EXPENDITURES

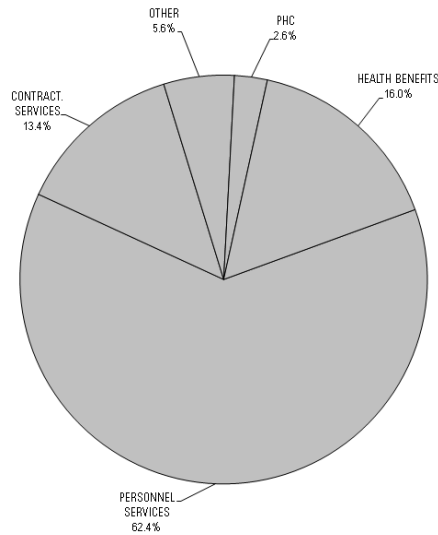
Expenditures are broken down into two primary groups: (1) appropriations directly related to departmental services and (2) fixed and mandated costs. FY18 appropriations are subdivided into three subgroups as follows:

City Appropriations, which includes all operating department appropriations, centrally budgeted costs such as health insurance and Medicare, a risk retention reserve and a set-aside for tax title and annual audit expenses;

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

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

Appropriations are also presented by expenditure category across the three subgroups. (Figure 6)



**Figure 6 - FY18 Appropriations by Category**

Personnel Services include salaries, overtime, unemployment compensation and workers' compensation, and collective bargaining reserves for estimated wage increases for union employees whose agreements are not settled. Most of the City's collective bargaining agreements expired in FY17. The City has settled agreements with several non-public safety unions and is currently in negotiations with the remaining unsettled unions. Avoiding arbitration, the City and the Boston Police Patrolmen's Association agreed to a new contract through June 30, 2020. The agreement includes annual general wage increases of 2%, other benefit enhancements, and full restoration of Quinn Bill benefits reduced by the State in 2009.

The Health Benefits category includes the cost of health, dental and life insurance for City, BPS and PHC employees and retirees, employer Medicare payroll taxes, and the appropriation for Other Post-Employment Benefits (OPEB).

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

Included in the "Other" category are supplies and materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police

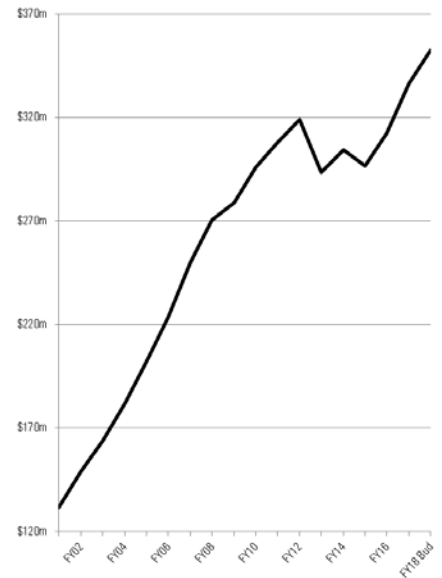
Departments, legal liabilities, and aid to veterans. Also included in the “Other” category are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title, and funding for the City’s outside audit.

### Health Benefits

The City continues to benefit from health care cost reforms achieved by the Walsh Administration in the 2015 - 2020 Public Employee Committee (PEC) Agreement, which is projected to save an additional \$45 million over five years. Based on savings included in this agreement, Boston will realize \$10 million in avoided health care costs in FY18, \$2.6 million of which are related to FY18 specific changes. Despite this success, health care costs have continued to increase, since FY16, at a rate higher than the overall budget, consistent with trends in the broader Massachusetts market.

The FY18 budget includes \$395 million for all health benefit related costs for the City’s employees and retirees, comprising 12.5% of total City expenditures – compared to 7.8% in 2001. \$42.25 million of these costs for future OPEB liabilities are discussed in more detail in the following section. \$352.4 million for current health, dental and life premiums and employer Medicare payroll taxes are addressed below.

As shown in Figure 7, annual costs for health, dental and life insurance and Medicare taxes grew from \$132 million in FY01 to \$352.4 million in FY18, an increase of \$221 million or 168%. Over the same period, all other City costs increased 80%. Figure 7 shows three distinct periods of annual cost increases. Steep increases averaged 15% per year from FY01 – FY08. Between FY09 – FY15 these cost increases dropped to an average increase of 1% per year due to multiple factors. These factors include: state health reform legislation, cooperative efforts by the City and its unions to reduce both the City’s share of costs and total costs, and lower nationwide health care cost trends. Beginning in FY16, higher health care claims costs led to higher premium increases, which were mitigated by PEC agreement savings, resulting in an average cost increase of 6.3%.



**Figure 7 - Health Care Costs (\$ Mil)**  
**Health, Dental, Life Premiums and Medicare Tax**

### Medicare

Municipal health care reform legislation, passed by the State legislature in 2011 provided municipalities more freedom in health plan design, and also mandated that all Medicare-eligible municipal retirees enroll in Medicare Part B and a City sponsored Medicare supplement plan. As a direct result of mandated Medicare enrollment, approximately 5,500 additional City retirees and their spouses have enrolled in Medicare supplement plans. Benefits for these plans are comparable to non-Medicare plans but costs are lower due to Medicare reimbursements. Over 70% of retirees and spouses are now enrolled in Medicare plans, compared to just 37% prior to the legislation. City savings from this mandate, beginning in FY13, have totaled approximately \$20 million annually – a major contributor to the total cost decrease in FY13.

City retirees and their beneficiaries are eligible for Medicare through payment of Medicare payroll taxes during their working career. Medicare taxes are paid for all City employees who were hired after March 1986. The City’s share of 50% Medicare taxes, totaling \$19.3 million in the FY18 budget, has increased an average 12% annually since FY01. This growth is due to increases in total payroll and also the increasing percentage of total employees who

were hired after March 1986 and are impacted by the tax. Because more Medicare eligible employees are now retiring, the percentage of all retirees enrolling into Medicare plans will continue to increase.

**Health Care Costs (\$ Mil)**

**Health, Life, Dental, Medicare Tax**

Fiscal Year	Total Cost	\$ Change	% Change
FY08	\$270.6	\$20.9	8%
FY09	\$278.8	\$8.1	3%
FY10	\$296.1	\$17.3	6%
FY11	\$308.0	\$11.9	4%
FY12	\$318.9	\$10.9	4%
FY13	\$293.3	-\$25.5	-8%
FY14	\$304.4	\$11.1	4%
FY15	\$296.5	-\$7.9	-3%
FY16	\$312.2	\$15.7	5%
FY17*	\$336.3	\$24.0	8%
FY18*	\$352.4	\$16.1	5%

\*Budget Estimates

**Table 2**

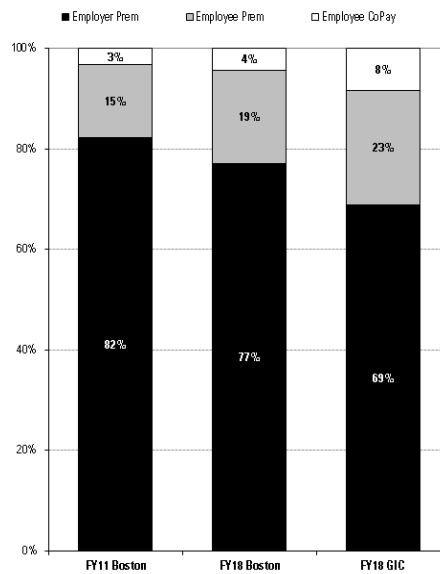
**Number Healthplan Subscribers Feb 2017**

Healthplan	Active	Retiree	Total
Indemnity	833	970	1,803
HMO	14,244	2,541	16,785
Medicare	1	11,270	11,271
<b>Total</b>	<b>15,078</b>	<b>14,781</b>	<b>29,859</b>

**Table 3**

City - Union Partnership

Assisted by 2011 Municipal Health Care Reform, the City adopted MGL Chapter 32B S.19 and began working closely with its thirty six unions, as represented through the Public Employee Committee (PEC), in making health care changes. Through the City and PEC's two coalition bargaining agreements signed in 2011 and 2015, City employees and retirees are now paying a higher share of total health care costs through increased premium share and higher co-pays for office visits and pharmaceutical costs. The City's share of total costs for its most popular non-Medicare health plan reduced from approximately 82% in FY11 to 77% in FY18. This is still higher than the estimated 69% employer share for a state employee enrolled in the Group Insurance Commission (GIC). Today, the City's total annual health care costs are estimated to be over \$26 million lower than they would have been if not for these changes.



**Figure 8 - FY18 Healthcare Cost Sharing**

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

- Competitive bidding and refinement of the City's health plan options. After the elimination of a costly indemnity plan in FY12 saving several million dollars annually, non-Medicare health plan options were further reduced in FY16 to three plans: one PPO (Indemnity) with an open provider network and two HMO managed plans with a local provider network. Savings of over \$1 million dollars per year in administrative fees were realized from this change which is shared by both employees and the City. Also, effective July 1, 2017 the City's most expensive Medicare Plan, Master Medical, will be closed to new enrollment and ultimately replaced with an alternative BCBS Medicare product.
- The FY15 PEC agreement continued to prioritize funding of health care costs through self-insurance wherever possible. In FY13 the City began self-insuring most of its health plans, reducing total costs by over \$10 million per year.



- In FY16, the City and the PEC began analyzing options for more cost effective management of the City's prescription benefits which now total roughly \$100 million per year for all plans. As a result, a new Medicare product will be offered that includes a lower cost Medicare prescription drug plan, which is projected to save the City \$2.7 million per year when implemented. The City and PEC will also continue to analyze options for carving out prescription drug management through a separate contract, as well as rebidding of the City's six Medicare plans.

#### Health Claims Trends

Nationally, lower health claims costs contributed to lower premium increases from FY11 – FY14, which were followed by higher premium increases in FY16 and FY17 largely due to higher pharmaceutical costs. The City is limited in its ability to influence the multiple causes behind health care cost swings, which can include increasing medical provider charges, an aging population, overuse of certain services, and high utilization of more expensive hospitals.

#### Other Post-Employment Benefits (OPEB)

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

While the City is required by law to make an annual contribution toward reducing its unfunded pension liability, there is no such requirement for retiree health and life insurance benefits. In FY08, the City followed new Governmental Accounting Standards Board (GASB) requirements to identify and disclose this estimated liability, and also began voluntary annual allocations to fund the

liability. Annual allocations are retained in an irrevocable Trust Fund, authorized through the City's acceptance of M.G.L. Chapter 32B section 20. As of December 31, 2016 the Fund had a balance of \$437 million.

The FY18 budget again dedicates \$40 million toward reducing the City's long term other post-employment benefits (OPEB) liability. These fiscally responsible actions are critical to the Walsh Administration's prudent financial management policies, which have contributed to the recent affirmation of Boston's triple A bond rating.

The Annual Required Contribution (ARC) for the City to significantly reduce the OPEB liability over a 30 year period is projected at \$184.9 million in FY18, as shown in Table 4. \$172.2 million (93%) of this amount will be funded through a combination of pay-as-you-go benefit payments for current retirees (included in health care costs discussed in previous section), a \$40 million FY18 allocation by the City to the Trust, and an additional \$2.25 million deposit by the BPHC into the Trust.

#### FY18 Annual Required Contribution (ARC) to Reduce OPEB Liability Over 30 Years

<b>Total ARC</b>	<b>\$184.9</b>		
Projected Benefit Payments	\$130.0		
FY18 Annual Allocation	\$42.3		%ARC
<b>Total FY18 Payments</b>	<b>\$172.2</b>	<b>93%</b>	
<b>Difference</b>	<b>(\$12.6)</b>		

*\$ in millions*

**Table 4**

As discussed later, the City is on track to fully fund its pension liability in 2025. The City then plans to redirect previous annual pension contributions to further reduce the unfunded OPEB liability, with a goal of fully funding the OPEB liability in 30 years.

#### Energy Management

In FY18, department energy budgets total \$49.1 million with electricity costs making up 53% of the budget, natural gas costs making up 26% of the budget and gasoline/diesel comprising 9% of the budget. The remaining 12% of the budget funds water and sewer, steam, and heating oil.

Since 2014, the City has performed 18,551 streetlight LED retrofits. The FY18 Budget reflects an avoidance of 33.6 mWh, or \$5.8 million in energy costs, directly attributable to this work.

In FY18, the Walsh Administration plans to make energy efficiency improvements to City buildings, under an initiative entitled “Renew Boston Trust”. This initiative aims to bundle municipal energy efficiency renovation projects and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable with the financial savings resulting from reduced energy consumption. The City expects to implement the program through contracts with energy service companies (ESCOs). The contracts will include performance guarantees to ensure the energy savings produced will sufficiently offset anticipated debt service costs.

The City utilizes a cloud-based Enterprise Energy Management System (“EEMS”) to track and control energy use. EEMS allows the City to monitor and report on the energy consumed by its 314 buildings, other fixed assets, and vehicle fleet. This enables the City to maximize energy savings from opportunities that require real-time feedback, such as electricity peak shaving. The City also utilizes EEMS to meet its public reporting obligations under the Building Energy Reporting and Disclosure Ordinance.

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

**Appropriations**

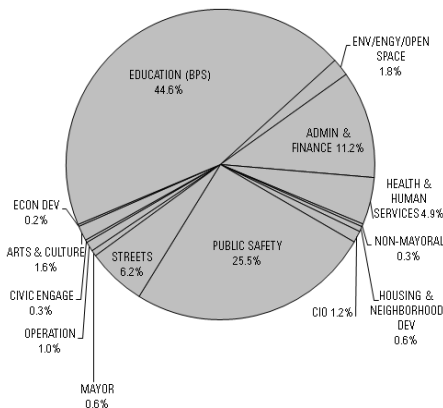
The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS), and non-departmental appropriations as shown in the FY18 Budget Summary have increased by 4.01 from the FY17 appropriations.

Of that growth, Boston Public Schools is increasing by \$40.3 million (4%) with a \$1.061

billion appropriation and \$20 million collective bargaining reserve. Boston’s total investment in education is growing by \$57.8 million (4.8%), including BPS and the City’s Charter School Assessment.

City Services such as Police, Fire, Public Works, Housing and Public Health are projected to increase by a total of \$56.5 million (4.4%), including funding reserved for collective bargaining. Public safety costs are rising by 3.5% in FY18. Streets cabinet departments, Public Health Commission and 38 other departments are increasing by an average of 2.1%. Seventeen of these departments will see a reduction in their appropriation in FY18. Funding for City collective bargaining costs are centralized in a \$27 million collective bargaining reserve. In addition, health insurance costs are projected to increase by \$10.6 million (5.2%), even after achieving health care cost containment savings.

The FY18 Recommended Budget continues and expands upon a number of savings initiatives launched under Mayor Walsh’s Administration such as health care cost containment reforms, reducing overtime, inactivating vacant positions, and reducing energy consumption. It is only through continued tightening within City departments that the City will be able to afford new and expanded investments after reserving for costs associated with collective bargaining, being assessed for its increasing charter school costs, funding its pension obligations, and paying its debt service.



**Figure 9 - FY18 Appropriations by Cabinet**

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

Departmental appropriations can also be viewed by cabinet, to better reflect the overall policy priorities and trends by service area.

In FY18 some programs have transferred between departments. Details of these changes are described below in each of the cabinet sections.

#### Mayor's Office

The overall FY18 budget for the Mayor's Office Cabinet will increase 4.6% over FY17. The cabinet is made up of the Mayor's Office, the Election Department, the Law Department, and the Office of Women's Advancement.

The Mayor's Office is increasing 2.9% in FY18 due to investments in the Diversity Office, the Mayor's Office of New Urban Mechanics, and Education Office. Additional resources for the Diversity Office will fund a proactive recruitment campaign that includes a series of job fairs and an enhanced matching tool for potential applicants and postings. The budget for the Diversity Office will also support an internal employee development program to help employees achieve an undergraduate degree tuition-free, by partnering with local universities.

The Election Department budget will decrease 1.9% in FY18. This decrease includes reductions related to early voting requirements, applicable in FY17 but not FY18, and some additional costs in FY18 related to municipal elections.

The Law Department budget is increasing by 10.9% with the addition of staff to the department as part of a budget neutral, multi-department consolidation of legal services. Legal staff will be transferring to Law from the Public Facilities and Police Departments.

#### Operations

The budget for the Operations Cabinet is declining by 5.3%, largely due to a change in the accounting for security personnel paid for with external resources and the tightening of utilities budgets.

The Public Facilities department budget will be decreasing by 2.7%. The departmental budget reduction is due to legal staff transferring to the Law Department as part of a larger legal services consolidation. The City's Public

Facilities Department will also create a new schools unit to take on school construction responsibilities from Boston Public Schools as part of the *BuildBPS* ten-year Educational and Facilities Master Plan. This reform will consolidate resources and expertise that are currently fragmented and allow Boston to modernize Boston's public school infrastructure. Because the move will occur partly through the fiscal year, the Boston Public School's budget includes the funding for the unit, which it will provide to the Public Facilities Department through a chargeback.

Due to a change in the accounting for security personnel charged to outside entities, the Property Management Department's budget will decrease by 6.4%. In addition, utilities budgets throughout City departments, including Property Management, tightened in FY18. Two additional graffiti buster positions were added in FY18 to respond to increased demand for graffiti removal as highlighted as part of CityScore program. The Property Management Department will also be responsible for the care and maintenance of the new trees on City Hall Plaza, as a result of an agreement with the MBTA.

#### Civic Engagement

The FY18 budget for the Civic Engagement Cabinet will increase by 0.9% to fund four additional full time call takers in the Boston311 call center. The FY18 investment will allow Boston311 to increase their level of service and maintain a high quality customer service experience for Boston residents. In addition, in FY18 Boston311 will continue implementing engagement efforts with non-English speaking residents of Boston and centralizing the translation and interpretation services within Boston311.

#### Arts & Culture

In FY18, funding for the Arts and Culture Cabinet will increase by 4.2%. The FY18 budget continues groundbreaking arts investments made in FY17 that are key to implementing *Boston Creates*, the City's cultural plan, through the planned use of \$1.7 million in Boston Planning and Development Agency funding over two years.

Funding continues for Boston AIR (Artists in Residence), with the goal of injecting creative problem solving into municipal processes. The City will support individual artists through direct grants to Boston artists, awarded through a competitive process. Finally, Boston will continue to fund an Artist Resource Desk dedicated to helping artists and arts sector employees find the resources and assistance they need for their creative projects.

The Boston Public Library (BPL) will see a 4.4% increase in FY18. The Library will be opening a Chinatown location as part of the City's continued effort to provide services, meeting places and learning centers to neighborhoods. The Library will also provide additional security and custodial services to improve the overall experience for patrons. Finally, the Library will achieve savings in FY18 through the elimination of long-term vacant positions.

In addition to the FY18 general fund budget, the BPL sees continued support from a variety of external funds. These sources include the Commonwealth of Massachusetts, Associates of the Boston Public Library, Norman B. Leventhal Map Center, the City-Wide Friends of the Boston Public Library, and each branch friends group. These sources are crucial to the operations of the Library, as they support a variety of different initiatives.

#### Economic Development

The Economic Development Cabinet includes the Office of Economic Development, Consumer Affairs & Licensing, and the Office of Tourism. Overall, the Cabinet will see a 2.4% decrease in FY18 compared to its FY17 appropriation, largely based on ongoing efficiencies at Consumer Affairs and Licensing following the absorption of the Licensing Board in FY17, and the elimination of long-term vacant positions in the cabinet.

With the transfer of the Neighborhood Business Services Program to the Office of Economic Development in FY17, the Office of Economic Development's budget has remained stable, with a 0.5% increase in its FY18 appropriation over FY17.

The Office of Economic Development continues to focus on increasing accessibility for all

Bostonians to share in and benefit from the economic expansion in Boston. As a result, in FY17, the City updated an ordinance to increase the percentage of Bostonians, residents of color, and women working in the construction industry. In an effort to extend Boston's reach and presence in the international community, the Office of Economic Development has created an international partnerships position that will work closely with the Tourism Office to forge, foster and maintain Boston's relationships with international cities.

In an effort to streamline government and ensure the most efficient delivery of services, two departments with similar missions the Consumer Affairs and Licensing Department and the Licensing Board were consolidated into a single department in FY17. Savings from this consolidation led to a 5.1% reduction for the department's budget.

The Office of Tourism's operating budget will decrease in FY18 by 5.3% with the transfer of resources to the Office of Economic Development to create the new international partnerships position.

#### Education

The FY18 Boston Public Schools (BPS) budget will increase by \$29.2 million, or 2.8%, from the FY17 appropriation. Additionally, a reserve for BPS collective bargaining units will increase by \$11 million. This will bring the total BPS increase to \$40 million, or 3.8%, once the next round of collective bargaining agreements are negotiated. Funding directed to schools will increase by almost 4%, even before the largest driver of BPS costs, employee collective bargaining increases, are negotiated.

In FY18, Boston Public Schools is proposing to make important research-backed investments to close the achievement gap. Boston is investing \$14 million to give 15,000 students, from kindergarten through 8th-grade, 120 additional hours of learning time — or the equivalent of 20 more school days a year. By strengthening BPS's commitment to Excellence For All, more students in the fourth and fifth grade will receive the same rigorous instruction and enriched learning opportunities as those in Advanced Work Class (AWC). Boston is also

making a strategic \$1.2 million investment to support 3,000 BPS students identified by the district as experiencing homelessness.

Finally, BPS will be providing lower performing schools with a wide-range of differentiated supports, with a total investment of over \$16 million. This includes a new \$1.25 million reserve focused on supporting low level 3, 4, and 5 schools with declining enrollment. (See the Education chapter of this volume for more details.)

#### Environment, Energy & Open Space

The Environment, Energy and Open Space Cabinet which, includes the Environment Department, the Inspectional Services Department, and the Parks and Recreation Department, will see a 4% increase in FY18.

In FY18, there is a 12.8% increase in the Environment Department's budget, which is due in part to a position transfer to support the Renew Boston Trust energy efficiency program, and the addition of funding for a natural gas leaks regulatory support services contract required to implement the recently enacted Ordinance Related to Management and Elimination of Natural Gas Leaks. In addition, the Environment Department will add a new preservation assistant to reduce wait times for processing of Landmark Commission permits.

In FY18 the Inspectional Services Department will see an increase of 1% with the addition of five additional building inspectors to meet growing demand for commercial and residential building inspections. This increased inspection capacity will reduce wait time for residents and developers. The budget also benefits from the completion of equipment lease payments and the removal of a number of one-time investments from FY17.

The Parks and Recreation Department will see a 5% increase in its FY18 budget with increased personnel costs related to collective bargaining. Also starting in FY18, Boston will invest in a rotation of small ball field renovations at neighborhood ball fields to keep them safe and playable. Between major ball field renovations, problems such as holes in batters' boxes and unleveled fields can build up due to consistent usage and this new program will reshape the

infields to the appropriate condition. This investment will allow the Parks Department to aerate, edge, top dress, seed, and level ballfields every 5-7 years on a rotating basis. In addition, the Parks Department will invest in pruning and maintaining large trees in parks throughout the city.

In FY18, the City will expand its initiative to reduce overtime to the Parks Department. To achieve \$200,000 in savings, the Parks Department will reduce their overtime hours by 14% from FY16 levels.

#### Administration & Finance

The Administration & Finance (A&F) Cabinet contains the central departments responsible for the City's administration and stability. Boston has been recognized for its strong financial policies and practices and sound management of both its human and financial capital. The cabinet will see a 4% increase in FY18, with the five city departments within the cabinet decreasing their budgets. Budget increases for two central appropriations in the cabinet, including Health Insurance and Medicare, account for most of the increase in the cabinet's budget.

The A&F cabinet has also budgeted resources in FY18 to continue the successful program of independent operational audits, and to pursue revenue maximization.

In FY18, the Office of Budget Management will initiate a citywide review of collections. The City will also work to maximize federal health insurance reimbursements and revenue recovery efforts.

#### Health & Human Services

Overall, the FY18 appropriation for the Health & Human Services Cabinet will increase by 2.3%. The cabinet's work to promote the health and well-being of the City's residents, particularly its most vulnerable, is essential to creating a thriving, healthy, and innovative Boston.

Boston Centers for Youth and Families' (BCYF) \$25.5 million FY18 budget, increasing 1.1% from FY17, supports the activities of 36 community centers. The FY18 budget includes \$50 thousand to upgrade telephone systems at 8 of these centers. Due to a FY17 cost-neutral

reform to expand community center hours, five community centers operate seven days per week and another 17 operate six days per week, providing sports, fitness, education, health, childcare, and senior recreation programs to residents of all of the City's neighborhoods. The Department's budget also provides grants to local nonprofits supporting after-school youth activities, sports, and academic study programs. In FY18, Health and Human Services will move forward on the design of the Boston OneCard to provide a source of identification for residents who may not hold a traditional form of ID, such as a driver's license. The Department's Office of Food Initiatives also plans to work with the State on the expanded Bounty Bucks program, which supplements the cost of fresh fruits and vegetable to low-income residents at local farmers markets.

The Boston Public Health Commission (BPHC) serves as the City's health department and provides:

- emergency medical services (EMS);
- substance abuse prevention and treatment programs;
- community health programming;
- infectious disease surveillance;
- shelter, food, and advocacy for homeless individuals; and
- home and school based health services for children and families.

In FY18, PHC's appropriation will increase by 2.7%, with investments targeting important areas of the city's public health system: emergency medical services (EMS), homelessness, and addiction services. Unlike most City departments, BPHC's appropriation includes health insurance, pension and other post-employment benefits (OPEB).

In FY18 PHC will double the capacity of the Mobile Sharps Team to pick up more improperly discarded hypodermic needles due to an increase of requests submitted through 311 program.

In FY18, the City will launch a Community Assistance Team, a data-driven initiative to pursue a more agile and proactive response to emergency services. Under this model, EMS will

deploy four additional EMTs in non-transport vehicles to triage inefficient ambulance call types in Downtown Boston as well as the Recovery Road area. The FY18 budget also includes additional resources for BPHC's PAATHS (Providing Access to Addictions Treatment, Hope and Support) Program to extend hours to evenings and weekends. This investment builds on the FY17 launch of 311 for Recovery Services, the City of Boston's new hotline support system designed to help people struggling with substance use and addiction to access recovery resources.

As a response to federal funding cuts, the City will provide additional resources to BPHC to ensure that their homeless shelters continue to operate 24/7. Moreover, in recognition of the U.S. Department of Housing and Urban Development's "Housing First" approach to ending chronic homelessness, the FY18 budget will support rapid rehousing programs that focus on helping households obtain permanent housing as quickly as possible.

The FY18 budget for the Boston Office of Veterans Engagement, Transition, and Services (Boston VETS) includes a \$30,273 increase over FY17 budget. In FY17, Boston VETS established and implemented Operation Thank a Vet, a monthly volunteer door-knocking campaign to reach every Veteran that calls Boston their home. Volunteers have knocked on over 3,000 doors and have personally engaged close to 1,000 Boston veterans, sharing information about resources and services available to them at the City. In FY18, the department plans to expand the campaign and reach all 22,000 Boston veterans.

The budget for Youth Engagement and Employment will increase by 4.5% in 2018 based on a full year of funding for the 2017 minimum wage increase for the summer and school year jobs. Funding will continue to support a successful partnership with community-based organizations and, when combined with anticipated state funds, provide an estimated 3,300 summer jobs. The department will also work year round to support youth through the Mayor's Youth Council and provide for 500 school-year jobs.

## Housing and Neighborhood Development

Excluding the one-time payment to the Boston Housing Authority in FY17, the FY18 budget for the Housing and Neighborhood Development Cabinet will increase by 1.3% reflecting Department of Neighborhood Development (DND) investments in *Boston's Way Home*, the City's plan to end chronic and veteran homelessness, and in the Office of Housing Stability.

Through *Boston's Way Home* and the Boston Homes for the Brave initiative, Boston has housed 842 homeless veterans since July 2014. Because of its commitment to ongoing investments in housing and services, Boston maintains the lowest rate of unsheltered people experiencing homelessness among all major US cities, and the lowest rate of unsheltered homelessness among individuals with chronic patterns of homelessness.

To support *Boston's Way Home*, the FY18 budget includes an increase of \$150,000 in federal funds to provide support services for veterans not eligible for VA programs. In addition, \$50,000 in federal funds will be used to modify the Homebuyer Financial Assistance Program to provide down payment assistance to veterans who may not be eligible for the City's programs under current rules.

In FY18, \$75,000 will be invested in the Office of Housing Stability to enhance initiatives, including offering training for both landlords and tenants, developing a tenant orientation guide, and funding families in need of emergency placement. Since July 2014 a total of 2,521 households have been able to retain their housing as a result of City services such as foreclosure and eviction prevention.

The FY18 budget continues Boston's annual \$7.25 million general fund investment in housing. This amount includes a line item used exclusively for elderly housing production. The elderly housing investment was first introduced by Mayor Walsh in FY16. Combining these general fund dollars with federal grants, state grants, and developer fees allows the City to leverage a wide variety of sources to invest in the creation and preservation of affordable housing citywide, a key to reaching targets

outlined in Mayor Walsh's *Housing a Changing City: Boston 2030*.

To solve the challenges of creating middle income housing in Boston, Mayor Walsh created the Housing Innovation Lab in 2015. The lab's work has led to the adoption of Boston's first density bonus program, which will yield hundreds of privately financed affordable housing units; the launch of a compact living development competition on City-owned vacant land; and support for an accessory dwelling units policy. As grant funding for this program is exhausted, the City will invest \$97,500 in general funds to maintain the operation in FY18.

The FY18 Budget projects that DND will receive over \$62 million in external funds from federal and state grants, as well as revenue from certain developer fees. Although proposed federal budget cuts raises questions about future levels of funding for Community Development Block Grant (CDBG) and HOME Investment Partnership, this budget assumes that DND will continue to receive these recurring federal entitlement grants, which provide funding for a variety of neighborhood development activities as well as competitive grants such as the Continuum of Care (CoC) program. The City will advocate that these critical programs are maintained in the federal budget. Additionally, the City uses the funding from the Inclusionary Development Fund to support the creation of affordable housing citywide.

## Information & Technology

The Department of Innovation and Technology (DoIT) will see a 1.3% increase over its FY17 appropriation. The FY18 budget invests in cybersecurity and technologies that will allow DoIT to work more efficiently. As part of the City's efforts to implement smart savings initiatives, DoIT will reduce contractor costs without reducing service.

In FY18, DoIT will launch a new Digital Equity Pilot Grant Program to explore ways to address digital equity gaps in the City of Boston. Roughly 15% of Bostonians lack internet access at home. This limits access to educational, employment, and civic engagement

opportunities. By providing seed funding for programs that help get more people online, the City hopes to identify promising strategies that can attract outside funding and help create a City where everyone has the tools and skills they need to succeed in the 21st century.

#### Public Safety

The Public Safety Cabinet, which includes the Police Department, the Fire Department, and the Office of Emergency Management, is growing by 3.5% in FY18 over FY17 appropriations. This is primarily driven by the shift of 75 firefighters from a SAFER grant onto the City's operating budget, contractual increases from collective bargaining agreements, and acceleration of the upcoming Police recruit class.

The Police Department's budget will increase by 2.6% increase over the FY17 appropriation. Due to a commitment by the Police Department to reduce overtime hours the department is projected to avoid over \$10 million in costs related to overtime. Included in the FY18 budget is a replacement class recruit police officers.

Building on the success of recruiting a diverse police cadet class in FY17, the FY18 budget adds another class, for a total of about 60 cadets. This addition of 20 cadets provides a stable pipeline of diverse young people for future police officer classes. The FY18 budget includes the first Detectives exam since 2011, allowing the department to fulfill its contractual obligations while refreshing the list of qualified candidates. The department will continue to focus on technological improvements: the body worn camera pilot will be extended, prior increases to existing camera maintenance have been continued, and the third year of the department wide, \$56 million radio replacement project will begin. In addition, the City will replace lost grant funding for a Domestic Violence Coordinator position in the FY18 budget. The department will also transfer 5 legal staff to the Law Department as a part of a multi-department consolidation of legal services.

The Fire Department budget will increase substantially by 5.1% in FY18 over FY17, largely

driven by moving 75 firefighters from the SAFER grant to the operating budget in the fall of 2017 as the grant expires. The FY18 operating budget also invests in five new fire apparatus, complemented by an additional eight on the capital plan, as part of the fire apparatus replacement plan launched in FY17. Also reflected is the Mayor's priority of firefighter health and safety: additional funds for sharps disposal boxes are included as well as \$500,000 for a pilot program to provide industrial cleaning to firehouses to eliminate potentially carcinogenic compounds. Similar to the Police Department, the Fire Department budget continues to aggressively manage their overtime, for a projected \$2.5 million in costs avoided in FY18. The budget contains a new firefighter recruit class, intended to replace retirees in order to ensure appropriate staffing levels.

The Office of Emergency Management budget represents decrease of 0.1%, which is the result of contractual savings.

#### Streets

The overall Streets Cabinet budget will increase by 2.6% in FY18. This increase reflects targeted investments in basic city services, continued cost avoidance from reduced overtime and long-term vacant position elimination, and contract escalation in line with inflation.

The Public Works Department's FY18 budget is 2.6% above FY17 with increased personnel costs related to collective bargaining. In an effort to enhance service levels for Boston's neighborhoods, the FY18 budget includes in additional resources for the hokey program, in which hokeys (street cleaners) patrol neighborhoods, empty out litter baskets and pick up trash around the City. This investment will fund an additional six full time hokeys, allowing the department to staff one hokey in each of Boston's ten Public Works Districts. The Public Works Department will also purchase two large street sweepers that will be operated by City staff and achieve savings by reducing reliance on outside street sweeping contractors. In FY18 two additional yard waste pickup days will be added to the collection calendar based on increased constituent need. The Public Works Department will also continue



savings from long-term vacant position elimination and its FY17 overtime reduction targets. The FY18 budget builds on past investments in basic city services that have improved quality of life in Boston.

In FY18, the Transportation Department will see an increase of 4.4% with increased personnel costs related to collective bargaining and additional engineering staffing to review Vision Zero traffic proposals. Through a combination of operating and capital funding, Boston is launching a citywide, multi-year campaign to bring all crosswalks, lane markings, and bike lanes into a state of good repair. This investment will support the recently released GoBoston 2030 action plan, aimed at creating a more sustainable, equitable and efficient transportation network. The Transportation budget also continues to support the Boston Bike program and community bicycle activities. The Department will continue to see savings in FY18 from reforms to reduce overtime and eliminate long-term vacant positions, as well as a tightened utility budget in FY18.

The Office of Streets will reduce by 0.2% in FY18 relative to FY17 largely based on turnover savings.

#### Reserves for Collective Bargaining

Most union contracts in City departments expired in FY17. Salary increases in these agreements will have a major direct impact on dollars available in FY18 and in the upcoming years. The FY18 collective bargaining reserves, a \$20 million reserve for Boston Public Schools and a \$27 million reserve for City departments including the Public Health Commission, contain funding for successor agreements. These reserves account for \$31 million of the growth in the FY18 Budget.

#### FIXED COSTS

Fixed costs make up a growing portion of the City's Budget. In FY18, fixed costs will increase by \$51.7 million or 8.3%. The City has very little control over this fixed costs growth, which is largely driven by the Charter School Tuition Assessment, which is directly deducted from Boston's state aid, and the City's Pension schedule, which requires a 11.0% increase in

FY18 to address generations of underfunding and a cost-of-living adjustment.

#### Pensions

Boston's Pension budget is based on the current pension schedule approved by Boston's Retirement Board. The City's Pension schedule requires an \$22 million or 11.0% increase in FY18 in part due to generations of underfunding the City's Pension obligations and in part due to a cost-of-living adjustment for its retirees.

The City of Boston participates in a contributory defined benefit retirement system that is administered by the Boston Retirement System (BRS). BRS is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. Boston's current pension schedule is based on an actuarial asset valuation as of January 1, 2016. The current pension schedule assumes a long term rate of return of 7.75%. The City's pension liability is currently 74.96% funded and is on track to reduce the unfunded liability to zero by 2025, fifteen years prior to the legally required funding date of 2040.

#### Debt Service

The Debt Service budget supports borrowing to finance the City's capital plan. In FY18 Debt Service is budgeted at \$184.5 million, a 5.5% increase over the previous year.

The City benefits from its strong financial policies and practices and has recently been affirmed with triple A bond ratings from Moody's and Standard and Poor's. Strong bond ratings are an assessment of the City's long-term financial stability and lower the cost of borrowing. As the City borrows more over ten years to support investments in its schools, debt service is projected to increase as well. In FY18 Debt Service is budgeted at \$184.5 million, a 5.5% increase over the previous year.

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

#### State Assessments

Accompanying the local aid distributions on the State's Cherry Sheet are charges to the City from the Commonwealth. The City expects to be assessed \$264.9 million by the Commonwealth in FY18, \$19.0 million over the previous year.

Boston's Charter School Tuition Assessment is projected to increase by \$17.5 million (11.2%) over the FY17 budget, as about 10,600 students are projected to attend a Commonwealth Charter School in FY18. This increase brings Boston's Charter School Tuition Assessment to \$174.4 million. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (155% or \$106.1 million between FY11 and FY18 Adopted Budget). Although the proposed charter school cap ballot initiative did not pass in 2016, the City anticipates that its assessment will continue to rise as tuition rates increase and the cap allows a moderate number of new seats each year.

Aside from the assessments for Charter School Tuition and the Massachusetts Bay Transportation Authority (MBTA) state assessment growth is relatively small. In accordance with Proposition 2 1/2, these charges, except for Charter School Tuition, cannot increase by more than 2.5% annually on a statewide basis.

#### Suffolk County

The Suffolk County budget is a fixed cost mandated by state legislation, budgeted at \$4.0

million in FY18. State legislation converted all existing and future Suffolk County Sheriff employees to state employees effective January 1, 2010. The State charges the City for Suffolk County through an assessment based on the residual unfunded pension liability for former Sherriff employees who retired prior to January 1, 2010. Once the unfunded pension liability is fully extinguished, the budget for Suffolk County will no longer be necessary.

#### Reserve

The Reserve budget is a fixed cost stipulated by state law and requires the City of Boston to maintain a reserve of 2.5% of the prior year appropriations, not including the School department, on its balance sheet. The current balance of this reserve is \$31.4 million, and the City is required to budget \$1 million in FY18 to meet reserve requirements. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval after June first of each fiscal year. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve.

## General Fund Appropriations by Cabinet

Cabinet	Department	FY 15 Expenditure	FY 16 Expenditure	FY17 Appropriation	FY18 Appropriation	18 vs 17	
Mayor's Office	Mayor's Office	2,500,499	3,233,711	4,042,280	4,159,940	117,660	
	Election Department	3,332,733	3,774,800	4,329,343	4,245,915	-83,428	
	Law Department	5,992,561	5,752,779	5,872,445	6,513,543	641,097	
	Public Information	1,190,249	0	0	0	0	
	Women's Advancement	190,982	212,106	233,614	225,519	-8,095	
	<b>Total</b>		<b>13,207,023</b>	<b>12,973,396</b>	<b>14,477,682</b>	<b>15,144,918</b>	<b>667,235</b>
Operations	Intergovernmental Relations	1,237,386	1,275,064	1,185,168	1,165,620	-19,548	
	Property Management Department	23,696,180	23,896,827	18,340,813	17,172,720	-1,168,092	
	Public Facilities Department	0	0	5,625,883	5,473,479	-152,404	
<b>Total</b>		<b>24,933,566</b>	<b>25,171,890</b>	<b>25,151,864</b>	<b>23,811,819</b>	<b>-1,340,044</b>	
Civic Engagement	Elderly Commission	3,095,092	3,071,889	3,255,247	3,220,234	-35,013	
	Neighborhood Services	1,421,969	2,524,900	3,194,730	3,287,613	92,883	
	<b>Total</b>	<b>4,517,062</b>	<b>5,596,789</b>	<b>6,449,977</b>	<b>6,507,847</b>	<b>57,870</b>	
Arts & Culture	Office of Arts & Culture	975,519	1,274,583	1,349,436	1,333,931	-15,505	
	Library Department	33,290,968	34,862,519	34,501,738	36,030,488	1,528,751	
	<b>Total</b>	<b>34,266,487</b>	<b>36,137,102</b>	<b>35,851,174</b>	<b>37,364,419</b>	<b>1,513,245</b>	
Economic Development	Office of Economic Development	1,552,693	1,559,781	2,460,614	2,473,392	12,778	
	Consumer Affairs & Licensing	459,931	379,274	1,177,027	1,116,728	-60,299	
	Licensing Board	704,752	637,734	0	0	0	
	Office of Tourism	1,011,559	1,092,949	1,399,710	1,326,163	-73,547	
<b>Total</b>	<b>3,728,935</b>	<b>3,669,738</b>	<b>5,037,351</b>	<b>4,916,283</b>	<b>-121,068</b>		
Education	Boston Public Schools	974,925,124	1,016,278,855	1,031,684,000	1,060,932,785	29,248,784	
<b>Total</b>		<b>974,925,124</b>	<b>1,016,278,855</b>	<b>1,031,684,000</b>	<b>1,060,932,785</b>	<b>29,248,784</b>	
Environment, Energy & Open Space	Environment Department	2,018,443	1,897,416	2,232,944	2,517,729	284,785	
	Inspectional Services Department	16,701,349	18,232,924	18,956,531	19,147,158	190,627	
	Parks & Recreation Department	18,397,999	23,648,127	21,127,204	22,350,132	1,222,928	
	<b>Total</b>	<b>37,117,791</b>	<b>43,778,467</b>	<b>42,316,679</b>	<b>44,015,019</b>	<b>1,698,340</b>	
Administration & Finance	Administration & Finance	934,781	888,236	1,071,275	1,065,310	-5,964	
	Assessing Department	6,346,438	7,103,484	7,232,783	7,261,326	28,543	
	Auditing Department	2,493,517	2,570,261	2,705,370	2,686,563	-18,806	
	Budget Management	2,585,056	2,722,787	3,199,976	3,404,758	204,781	
	Execution of Courts	9,698,309	10,454,319	5,000,000	5,000,000	0	
	Health Insurance	180,006,658	191,265,768	206,208,108	216,180,122	9,972,014	
	Human Resources	3,485,224	3,497,023	4,132,833	4,404,854	272,021	
	Medicare	8,577,221	7,989,395	10,000,000	11,000,000	1,000,000	
	Office of Labor Relations	1,364,176	1,310,608	1,424,077	1,439,006	14,929	
	Pensions & Annuities - City	3,336,691	4,063,355	5,289,000	4,100,000	-1,189,000	
	Pensions & Annuities - County	36,114	36,894	100,000	100,000	0	
	Purchasing Division	1,545,202	1,771,568	1,832,370	1,775,366	-57,004	
	Registry Division	995,449	968,056	1,031,501	1,018,464	-13,037	
	Treasury Department	4,524,802	4,744,790	4,385,635	4,334,178	-51,458	
	Unemployment Compensation	34,251	0	350,000	350,000	0	
	Workers' Compensation Fund	3,731,438	1,328,171	2,200,000	2,200,000	0	
	<b>Total</b>	<b>229,695,327</b>	<b>240,714,716</b>	<b>256,162,927</b>	<b>266,319,947</b>	<b>10,157,020</b>	
	Health & Human Services	Boston Center for Youth & Families	24,129,637	24,917,746	25,259,047	25,529,783	270,736
		Commission For Persons W/Disabilities	364,997	287,325	418,195	426,618	8,423
		Fair Housing & Equity	223,027	160,430	282,830	278,727	-4,103
Office of Immigrant Advancement		362,789	381,363	425,022	439,937	14,916	
Public Health Commission		73,827,152	76,155,435	77,267,200	79,341,731	2,074,531	
Boston VETS		4,442,074	3,948,302	4,677,730	4,708,453	30,723	
Youth Engagement & Employment		4,989,678	5,759,935	6,058,544	6,331,229	272,685	
<b>Total</b>		<b>108,339,356</b>	<b>111,610,537</b>	<b>114,388,568</b>	<b>117,056,479</b>	<b>2,667,911</b>	
Housing & Neighborhood Development	Boston Housing Authority	0	0	4,000,000	0	-4,000,000	
	Leading the Way	5,500,000	0	0	0	0	
	Neighborhood Development	4,968,260	11,544,054	12,963,182	13,125,614	162,433	
<b>Total</b>	<b>10,468,260</b>	<b>11,544,054</b>	<b>16,963,182</b>	<b>13,125,614</b>	<b>-3,837,567</b>		
Information & Technology	Department of Innovation and Technology	30,614,392	32,046,766	28,523,574	28,891,966	368,392	
<b>Total</b>	<b>30,614,392</b>	<b>32,046,766</b>	<b>28,523,574</b>	<b>28,891,966</b>	<b>368,392</b>		
Public Safety	Emergency Management	464,649	650,930	637,722	637,209	-512	
	Fire Department	211,234,480	216,917,856	221,044,567	232,299,071	11,254,504	
	Police Department	337,310,896	348,887,846	364,321,048	373,814,104	9,493,057	
<b>Total</b>	<b>549,010,025</b>	<b>566,456,632</b>	<b>586,003,336</b>	<b>606,750,385</b>	<b>20,747,049</b>		
Streets	Central Fleet Management	2,672,445	2,148,719	2,590,424	2,805,234	214,810	
	Office of Streets	1,360,423	1,649,755	1,978,821	1,975,089	-3,731	
	Public Works Department	82,178,496	85,054,750	82,358,512	84,462,265	2,103,753	
	Snow Removal	38,453,034	14,785,551	22,563,964	22,563,964	0	
	Transportation Department	31,257,048	32,792,030	33,511,658	34,981,540	1,469,883	
<b>Total</b>	<b>155,921,446</b>	<b>136,430,805</b>	<b>143,003,378</b>	<b>146,788,093</b>	<b>3,784,714</b>		
Non-Mayoral Departments	City Clerk	1,073,705	1,147,041	1,220,396	1,214,825	-5,571	
	City Council	5,061,273	5,206,449	5,340,777	5,340,777	0	
	Finance Commission	233,475	256,944	268,475	271,275	2,800	
<b>Total</b>	<b>6,368,453</b>	<b>6,610,435</b>	<b>6,829,647</b>	<b>6,826,877</b>	<b>-2,771</b>		
<b>Grand Total</b>		<b>2,183,113,247</b>	<b>2,249,020,183</b>	<b>2,312,843,339</b>	<b>2,378,452,451</b>	<b>65,609,112</b>	

Table 5

## Personnel Changes

The Personnel Summary table shows a four-year comparison of city-funded and filled full-time equivalent (FTE) positions. This includes both permanent and emergency employees. The projected FTE numbers used for FY18 are estimates based on the personnel funding levels contained in the FY18 budgets.

### FY16- FY17 FTE Changes

The total net increase in FTEs from January 1, 2016 to January 1, 2017 was 165.6. The majority of the growth was in priority areas of Education, Public Safety, and Public Health. The City's Position Review Committee continued to review all proposed job postings for vacant positions. All hiring was scrutinized and only critical positions were approved. Over 100 long-term vacant positions were eliminated in the FY17 budget.

The School Department increased by 35.6 FTEs. The overall number of teachers was fairly stable with a reduction in regular education teachers mostly offset by more inclusion, bilingual, and specialist teachers. The department also saw an increase of 59.6 special education aides in classrooms.

City funded FTEs in the Public Safety Cabinet increased by 45. The Police Department's increase of 40 is due to the renewed cadet program which started in November 2016. The Fire Department had an increase of 5, due to slightly lower attrition.

The Mayor's Office Cabinet increased by 5.4 FTEs between January 1, 2016 and January 1, 2017. The Mayor's Office increased with the transfer of a position supporting the Education Cabinet, additional support for the Resiliency Office, and Communications staff. The Office of Women's Advancement declined by 1 FTE with a vacancy, while the Elections Department had an increase of 1 FTE.

The Operations Cabinet had a net increase of 2 FTEs. Intergovernmental Relations decreased with the transfer of an education position to the Mayor's Office and a vacancy. In FY17, the newly restructured Public Facilities and Property Management Departments split into separate departments in order to better focus both functions. The net increase across the two

departments is due to Public Facilities filling vacancies.

The Arts & Culture Cabinet declined by 3.1 FTEs with regular attrition in the Library Department. The Economic Development Cabinet increased by 0.9 FTEs with regular vacancies and hiring. In FY17, the Cabinet also had the merger of the Licensing Board into Consumer Affairs and Licensing.

The Environment, Energy and Open Space Cabinet increased by 17 FTEs from January 2016 to January 2017. The Parks Department grew by 20 due to efforts to ensure parks are safe and clean and active hiring to fill vacancies, while Inspectional Services had a modest decrease of 3 FTEs due to attrition.

The Health & Human Services Cabinet shows a net increase of 63.5 FTEs due primarily to targeted investments in EMTs, Homelessness Services, and Addiction Services at the Public Health Commission (total increase of 50.5 FTEs). The FY16 to FY17 changes at Boston Center for Youth and Families (+6), Boston VETS, and the Commission for Persons with Disabilities related to the filling of vacancies. Fair Housing & Equity increased by 2 FTEs with the appointment of an additional Fair Housing Commission member and a position coming off of a grant to the operating fund.

Other cabinets had minor changes that are reflective of normal attrition and hiring patterns.

### FY18 Projected FTE Changes

The City projects a net increase in FTE levels of 276.9 from January 1, 2017 to January 1, 2018. The majority of the growth is targeted in the priority areas of education and public safety.

The City will continue to review the need for hiring into all vacant positions in FY18. Departments eliminated 23 long-term vacant positions in the current budget process.

A significant portion of the projected growth in filled FTEs from January 2017 to January 2018 is in the Education Cabinet. This continues the trend of the School Department accounting for the majority of position growth since 2014. In FY18, the School Department is projecting a net annual increase of 130.1 FTEs with higher

projections for inclusion teachers and aides, specialist teachers related to the extended learning time (ELT) initiative, and professional support. The department is expanding ELT to 39 additional schools and continues to increase the number of inclusion classrooms.

Historically, the number of Public Safety employees on the payroll as of January 1 of any year has fluctuated with the timing of retirements and new classes. In FY18 the Police Department is projected to remain fairly level assuming normal attrition and the hiring of a new class in the summer of 2017. However, 5 positions will transfer from Police to the Law Department as part of a multi-department consolidation of legal services. The projected increase in the Fire Department is due to 75 firefighters coming off of an expiring SAFER grant. The goal of the department is to have enough firefighters in the suppression force to cover the minimum manning level of 262 and to reduce overtime. A new fire class is planned for the late fall of 2017.

The Operations Cabinet has an increase of 14 primarily due to the BuildBPS transfer of school construction responsibilities from Boston Public Schools to a new school unit at the Public Facilities Department (PFD). The increase is partially offset with the transfer of 3 legal services positions from PFD to the Law Department. The Property Management Department is adding new security positions, which will be funded through 3rd party billing. Property Management will also grow with 2 graffiti busters positions to support existing efforts to keep neighborhoods clean.

Civic Engagement is projected to have a net increase of 1 FTE. The Elderly Commission has a slight reduction of 3 FTE due an administrative change for positions with funding split between the City and grants. Neighborhood Services is adding 4 full time call takers in the Boston311 call center to increase the level of service for Boston residents.

The Arts & Culture Cabinet will increase by 7 FTEs as the Library Department opens and staffs the newly re-established Chinatown location. The Library is also adding a custodian supervisor at the Copley branch.

The Environment, Energy and Open Space Cabinet will increase by 7 FTEs. The Environment Department is adding a position to support Renew Boston Trust and also a new preservation assistant to help reduce the wait times for Landmark Commission applications. Inspectional Services will grow building inspector staff to increase capacity to meet the growing demand for commercial and residential inspections. The Administration & Finance Cabinet projects an increase of 1 FTE with a new quality assurance loan management position in the Treasury Department.

The Health and Human Services Cabinet will increase by 22 FTEs primarily due to targeted investments in the Public Health Commission's Emergency Medical Services (EMS) and Recovery Services Bureau. EMS will add EMTs to a Community Assistance Team to respond to non-transport calls in Downtown Boston and the Recovery Road areas. The Public Health Commission will also add 4 FTEs to the PAATHS (Providing Access to Addictions Treatment, Hope and Support) Program to extend hours to evenings and weekends. The Commission's Mobile Sharps Team will double capacity to pick up improperly discarded hypodermic needles in response to an increase in requests submitted to 311. The Commission's Recovery Services Bureau will also add positions for a pilot low threshold engagement center. Additionally, the City will fund Homeless Services positions which were previously covered under federal grants.

The Information & Technology Cabinet is anticipated to grow by 4 FTE. The Department of Innovation and Technology has a capitolly funded identity management project that requires additional staff. A data analytics position will also transfer to the department from the Office of Administration & Finance.

The Streets Cabinet will increase by 8 FTEs. The Public Works Department is adding 6 additional full time hokeys (street cleaners) so that each of the 10 Public Works Districts will have regular service from the neighborhood-focused program. The Office of Streets plans to hire a Small Cell/DAS Approval Process Manager to better manage the Street Lighting division and the small cell program. An

additional transportation engineer in the  
Transportation Department will help ensure the  
City's Vision Zero priorities can be met.

## Personnel Summary

		1/1/15 FTE	1/1/16 FTE	1/1/17 FTE	1/1/18 Projected	Projected Inc/(Dec)
<b>Office of the Mayor</b>	Mayor's Office	30.6	37.6	43.0	43.0	-
	Election Department	27.0	27.0	28.0	28.0	-
	Law Department	46.0	44.0	44.0	52.0	8.0
	Public Information	19.6	-	-	-	-
	Women's Advancement	3.0	3.0	2.0	3.0	1.0
	<b>Total</b>	<b>126.2</b>	<b>111.6</b>	<b>117.0</b>	<b>126.0</b>	<b>9.0</b>
<b>Operations</b>	Intergovernmental Relations	10.0	10.0	8.0	9.0	1.0
	Property Management	203.0	181.0	130.0	135.0	5.0
	Public Facilities Department	-	-	55.0	63.0	8.0
	<b>Total</b>	<b>213.0</b>	<b>191.0</b>	<b>193.0</b>	<b>207.0</b>	<b>14.0</b>
<b>Civic Engagement</b>	Elderly Commission	57.0	56.0	53.0	50.0	(3.0)
	Neighborhood Services	26.0	43.0	44.0	48.0	4.0
	<b>Total</b>	<b>83.0</b>	<b>99.0</b>	<b>97.0</b>	<b>98.0</b>	<b>1.0</b>
<b>Arts &amp; Culture</b>	Office of Arts & Culture	9.0	10.0	10.0	10.0	-
	Library Department	403.1	392.0	388.5	395.5	7.0
	<b>Total</b>	<b>412.1</b>	<b>402.0</b>	<b>398.5</b>	<b>405.5</b>	<b>7.0</b>
<b>Economic Development</b>	Office of Economic Development	19.0	17.0	19.5	19.5	-
	Consumer Affairs & Licensing	6.0	5.0	13.0	13.0	-
	Licensing Board	9.6	8.6	-	-	-
	Office of Tourism	8.7	11.0	10.0	10.0	-
	<b>Total</b>	<b>43.3</b>	<b>41.6</b>	<b>42.5</b>	<b>42.5</b>	<b>-</b>
<b>Education</b>	School Department	8,788.9	8,746.0	8,781.6	8,911.7	130.1
	<b>Total</b>	<b>8,788.9</b>	<b>8,746.0</b>	<b>8,781.6</b>	<b>8,911.7</b>	<b>130.1</b>
<b>Environment, Energy &amp; Open Space</b>	Environment	20.0	22.0	22.0	24.0	2.0
	Inspectional Services	214.0	227.0	224.0	229.0	5.0
	Parks and Recreation	193.0	201.0	221.0	221.0	-
	<b>Total</b>	<b>427.0</b>	<b>450.0</b>	<b>467.0</b>	<b>474.0</b>	<b>7.0</b>
<b>Administration &amp; Finance</b>	Administration & Finance	7.0	7.0	5.0	5.0	-
	Assessing Department	81.0	82.0	82.0	82.0	-
	Auditing Department	35.0	35.0	31.0	31.0	-
	Budget Management	22.1	24.1	23.7	23.7	-
	Human Resources	43.5	43.5	44.8	44.8	-
	Labor Relations	9.0	8.0	10.0	10.0	-
	Purchasing Division	21.0	23.0	22.0	22.0	-
	Registry Division	19.0	18.0	18.0	18.0	-
	Treasury Department	50.0	48.0	49.0	50.0	1.0
	<b>Total</b>	<b>287.6</b>	<b>288.6</b>	<b>285.5</b>	<b>286.5</b>	<b>1.0</b>
<b>Health &amp; Human Services</b>	Boston Center for Youth & Families	363.2	356.3	362.3	364.3	2.0
	Commission for Persons with Disabilities	6.0	4.0	6.0	6.0	-
	Fair Housing & Equity	6.0	4.0	7.0	7.0	-
	Office of Immigrant Advancement	5.0	5.0	5.0	5.0	-
	Public Health Commission	769.6	776.9	827.4	849.4	22.0
	Boston VETS	13.0	11.0	15.0	15.0	-
Youth Engagement & Employment	8.7	8.0	6.0	6.0	-	
	<b>Total</b>	<b>1,171.5</b>	<b>1,165.2</b>	<b>1,228.7</b>	<b>1,252.7</b>	<b>24.0</b>
<b>Housing &amp; Neighborhood Development</b>	Neighborhood Development	37.5	36.7	38.5	38.5	-
	<b>Total</b>	<b>37.5</b>	<b>36.7</b>	<b>38.5</b>	<b>38.5</b>	<b>-</b>
<b>Information &amp; Technology</b>	Dept of Innovation & Technology (DoIT)	127.0	127.0	126.0	130.0	4.0
	<b>Total</b>	<b>127.0</b>	<b>127.0</b>	<b>126.0</b>	<b>130.0</b>	<b>4.0</b>
<b>Public Safety</b>	Emergency Management	1.4	1.4	1.4	1.4	-
	Fire Department	1,625.2	1,572.2	1,577.2	1,654.0	76.8
	Police Department	2,902.1	2,882.1	2,922.1	2,917.1	(5.0)
	<b>Total</b>	<b>4,528.7</b>	<b>4,455.7</b>	<b>4,500.7</b>	<b>4,572.5</b>	<b>71.8</b>
<b>Streets</b>	Office of Streets	17.0	17.0	18.0	19.0	1.0
	Central Fleet Management	41.0	44.0	43.0	43.0	-
	Public Works Department	353.0	333.0	330.0	336.0	6.0
	Transportation	351.9	347.9	348.9	349.9	1.0
	<b>Total</b>	<b>762.9</b>	<b>741.9</b>	<b>739.9</b>	<b>747.9</b>	<b>8.0</b>
<b>Non-Mayoral</b>	City Clerk	14.0	14.0	15.0	15.0	-
	City Council	88.7	82.0	87.0	87.0	-
	Finance Commission	4.0	4.0	4.0	4.0	-
	<b>Total</b>	<b>106.7</b>	<b>100.0</b>	<b>106.0</b>	<b>106.0</b>	<b>-</b>
<b>Grand Total</b>		<b>17,115.4</b>	<b>16,956.3</b>	<b>17,121.9</b>	<b>17,398.8</b>	<b>276.9</b>

Table 6

**External Funds**

The City’s \$3.14 billion operating budget is supplemented by approximately \$304.9 million in external funds. These funds consist mainly of federal, state, and private funding earmarked for specific purposes. Education, housing, economic development, public health and public safety are some of the largest areas for which these funds are targeted.

Twenty-seven departments and agencies expect to receive federal, state or other forms of external funding in FY18. Over 93% of the City’s external funds are found in eight of those twenty-six departments. These eight departments are Boston Public Schools, Neighborhood Development, Public Health Commission, Emergency Management, Police, Library, Elderly Commission and the Parks and Recreation Department. Other departments that also have significant grant funding are the Office of Economic Development and the Fire Department. Descriptions and amounts of grants by department can be found in Volumes II and III.

Federal grants have historically provided funding for key City priorities for education, community development, and services for seniors. Boston Public Schools, the Department of Neighborhood Development (DND), and the Elderly Commission have been the traditional recipients of recurring entitlement grants provided by the federal government.

Although proposed federal budget cuts open questions about future levels of funding for Community Development Block Grant (CDBG) and HOME Investment Partnership, this budget assumes that DND will continue to receive these recurring federal entitlement grants, which provide funding for a variety of neighborhood development activities. The City will advocate that these critical programs are maintained in the federal budget. Other sources of federal funding received by the City are used to address diverse needs and/or creative approaches for homeland security, community policing and housing support for the homeless.

**FY18 All Funds Budget**

The following table consolidates the projected FY18 expenditures from the General Fund, Special Revenue Funds (external grants for the most part) and the Capital Fund by department. More detail on the expenditures made from each of these funds is shown in Volumes II and III of the City of Boston’s FY18 budget document.

<b>External Funds</b>	<b>FY16 Expenditure</b>	<b>FY17 Estimated</b>	<b>FY18 Estimated</b>
Boston Public Schools	125,769,704	135,341,288	137,222,603
Neighborhood Development	65,510,635	72,392,049	62,022,708
Public Health Commission	48,003,626	49,051,487	41,717,478
Emergency Management	7,245,252	9,030,330	11,164,466
Police Department	9,562,321	10,498,017	11,506,922
Library Department	9,617,643	8,973,729	8,843,340
Elderly Commission	6,915,255	7,303,896	7,047,534
Parks & Recreation Department	7,592,067	6,001,283	5,798,788
Other	18,460,127	27,576,059	21,238,438
	<u>298,676,630</u>	<u>326,168,140</u>	<u>306,562,278</u>

**Table 7**



## All Funds Budgets - FY18

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Mayor's Office	4,159,940	1,100,400	100,000	5,360,340
	Election Department	4,245,915			4,245,915
	Law Department	6,513,543	500,000		7,013,543
	Women's Advancement	225,519			225,519
	<b>Total</b>	<b>15,144,918</b>	<b>1,600,400</b>	<b>100,000</b>	<b>16,845,317</b>
Operations	Intergovernmental Relations	1,165,620			1,165,620
	Property Management Department	17,172,720		9,387,575	26,560,295
	Public Facilities Department	5,473,479			5,473,479
	<b>Total</b>	<b>23,811,819</b>	<b>0</b>	<b>9,387,575</b>	<b>33,199,394</b>
Civic Engagement	Elderly Commission	3,220,234	7,047,534		10,267,768
	Neighborhood Services	3,287,613	75,000		3,362,613
	<b>Total</b>	<b>6,507,847</b>	<b>7,122,534</b>	<b>0</b>	<b>13,630,381</b>
Arts & Culture	Office of Arts & Culture	1,333,931	1,748,423	1,700,000	4,782,354
	Library Department	36,030,488	8,843,340	13,768,352	58,642,180
	<b>Total</b>	<b>37,364,419</b>	<b>10,591,763</b>	<b>15,468,352</b>	<b>63,424,534</b>
Economic Development	Office of Economic Development	2,473,392	4,434,473		6,907,865
	Boston Planning and Development Agency			1,500,000	1,500,000
	Consumer Affairs & Licensing	1,116,728	52,000		1,168,728
	Office of Tourism	1,326,163	60,000		1,386,163
	<b>Total</b>	<b>4,916,283</b>	<b>4,546,473</b>	<b>1,500,000</b>	<b>10,962,756</b>
Education	Boston Public Schools	1,060,932,785	137,222,603	110,704,285	1,308,859,673
<b>Total</b>	<b>1,060,932,785</b>	<b>137,222,603</b>	<b>110,704,285</b>	<b>1,308,859,673</b>	
Environment, Energy & Open Space	Environment Department	2,517,729	1,311,754	1,573,100	5,402,583
	Inspectional Services Department	19,147,158	404,882	0	19,552,040
	Parks & Recreation Department	22,350,132	5,798,788	31,660,933	59,809,853
	<b>Total</b>	<b>44,015,019</b>	<b>7,515,424</b>	<b>33,234,033</b>	<b>84,764,476</b>
Administration & Finance	Administration & Finance	1,065,310			1,065,310
	Assessing Department	7,261,326			7,261,326
	Auditing Department	2,686,563	175,679		2,862,242
	Budget Management	3,404,758			3,404,758
	Execution of Courts	5,000,000			5,000,000
	Health Insurance	216,180,122			216,180,122
	Human Resources	4,404,854			4,404,854
	Medicare	11,000,000			11,000,000
	Office of Labor Relations	1,439,006			1,439,006
	Pensions & Annuities - City	4,100,000			4,100,000
	Pensions & Annuities - County	100,000			100,000
	Purchasing Division	1,775,366			1,775,366
	Registry Division	1,018,464			1,018,464
	Treasury Department	4,334,178			4,334,178
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	<b>Total</b>	<b>266,319,947</b>	<b>175,679</b>	<b>0</b>	<b>266,495,626</b>
Health & Human Services	Boston Center for Youth & Families	25,529,783	2,012,783	10,483,248	38,025,814
	Commission For Persons W/Disabilities	426,618			426,618
	Fair Housing & Equity	278,727	690,273		968,999
	Office of Immigrant Advancement	439,937	346,663		786,600
	Public Health Commission	79,341,731	41,717,478	1,016,115	122,075,324
	Boston VETS	4,708,453			4,708,453
	Youth Engagement & Employment	6,331,229	1,171,155		7,502,384
	<b>Total</b>	<b>117,056,479</b>	<b>45,938,351</b>	<b>11,499,363</b>	<b>174,494,193</b>
Housing & Neighborhood Development	Neighborhood Development	13,125,614	62,022,708	2,334,940	77,483,263
<b>Total</b>	<b>13,125,614</b>	<b>62,022,708</b>	<b>2,334,940</b>	<b>77,483,263</b>	
Information & Technology	Department of Innovation and Technology	28,891,966	860,000	19,056,812	48,808,778
<b>Total</b>	<b>28,891,966</b>	<b>860,000</b>	<b>19,056,812</b>	<b>48,808,778</b>	
Public Safety	Emergency Management	637,209	11,164,466	50,000	11,851,676
	Fire Department	232,299,071	4,345,705	10,120,290	246,765,066
	Police Department	373,814,104	11,506,922	18,684,860	404,005,887
	<b>Total</b>	<b>606,750,385</b>	<b>27,017,094</b>	<b>28,855,150</b>	<b>662,622,629</b>
Streets	Central Fleet Management	2,805,234			2,805,234
	Office of Streets	1,975,089			1,975,089
	Public Works Department	84,462,265	20,000	53,876,783	138,359,048
	Snow Removal	22,563,964			22,563,964
	Transportation Department	34,981,540	1,929,250	21,557,711	58,468,501
	<b>Total</b>	<b>146,788,093</b>	<b>1,949,250</b>	<b>75,434,494</b>	<b>224,171,837</b>
Non-Mayoral Departments	City Clerk	1,214,825			1,214,825
	City Council	5,340,777			5,340,777
	Finance Commission	271,275			271,275
	<b>Total</b>	<b>6,826,877</b>	<b>0</b>	<b>0</b>	<b>6,826,877</b>
<b>Grand Total</b>	<b>2,378,452,451</b>	<b>306,562,278</b>	<b>307,575,004</b>	<b>2,992,589,733</b>	

Table 8

## Multi-Year Budget Plan

### Introduction

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

With City costs rising faster than its revenue, the City is projecting budget shortfalls in FY19 and FY20. In projecting the City's operating budget for FY19 and FY20, education cost growth, increasing annual pension schedule obligations, uncertain costs related to outstanding collective bargaining agreements and continued health insurance cost escalation continue to drive high rates of expenditure growth. The property tax levy is assumed to grow from its base by the allowable 2.5% and by new growth in the levy. In terms of state aid, continued pressure from rising state Charter Schools costs combined with underfunding of the Charter School Tuition Reimbursement obligation and stagnant education aid, will likely lead to the continuation of the negative growth trend in net state aid.

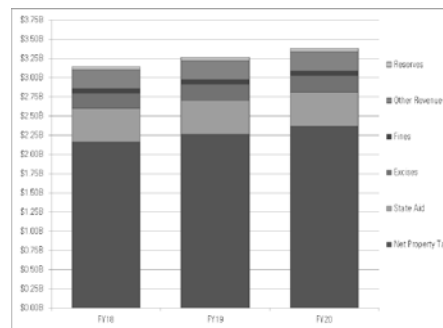
Most of the City's collective bargaining agreements expired in FY17. The City has settled agreements with several non-public safety unions and is currently in negotiations with the remaining unsettled unions. Avoiding arbitration, the City and the Boston Police Patrolmen's Association agreed to a new contract through June 30, 2020. The agreement includes annual general wage increases of 2%, other benefit enhancements, and full restoration of Quinn Bill benefits reduced by the State in 2009. Collective bargaining reserves were set up in FY18 with estimated funding for outstanding successor agreements, and this projection uses the same approach to forecast FY19 and FY20.

Another area of concern is the unfunded liability related to other post-employment benefits. The City currently provides post-employment health care and life insurance benefits to eligible retirees in accordance with state law and pays its share of the cost on a pay-as-you-go basis in the current year's operating budget. This method of financing understates the full obligation to provide these benefits

after retirement. The City, including the Boston Public Health Commission (BPHC), has an unfunded liability for these benefits of \$2.26 billion, as of the most recent independent actuarial valuation on June 30, 2015. The FY18 budget authorizes another payment of \$40 million to the City's OPEB Liability Trust Fund; the FY19 and FY20 projections also include \$40 million payments.

### Revenue Trends

The following chart displays the breakdown of revenue projected for FY19-FY20.



**Figure 10 – Recurring Revenue**  
*FY18 Budget, FY19 & FY20 Projected*

#### *Major revenue trends include:*

**Property Tax Levy:** The levy will grow by the allowable 2.5% increase, and new growth is projected to grow steadily in FY19, with lower new growth projected in FY20, as less certainty regarding markets exist over this time horizon. The net property tax assumes an overlay reserve set at 1.4%. A net total increase in the levy of over \$204 million is projected over the two years.

**State Aid:** Gross state aid is assumed to again be stagnant in FY19 and FY20, increasing by 0.2% in FY19 and increasing by 1.1% in FY20. The City is projecting that Chapter 70 education will increase by less than 1% based on a modest minimum aid increase from the State. The City is projecting that the Charter School Tuition Reimbursement will again be underfunded by the State. The State has not fulfilled its statutory obligation to fund the Charter School Tuition Reimbursement, creating an unsustainable funding challenge that the City projects will be exacerbated in FY19 and FY20 unless serious reforms to Charter School Finance are undertaken. Underfunding of Charter School Reimbursement will be

accompanied by a larger increase to the Charter School Tuition Assessment and thus represents a substantial decrease in total resources available for appropriations. Unrestricted General Government Aid is projected to grow at 3% in FY19 and FY20.

**Excises:** Excises are expected to continue to grow into FY19, but slow in FY20, with the potential of stabilization of the local economy given the maturity of the current recovery. The FY19 and FY20 forecast includes a conservative estimate for room occupancy excise tax on short-term room rentals.

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

**Interest on Investments:** Interest income is expected to remain level in FY19 and FY20 based on current interest rate assumptions, which are tied to action by the Federal Reserve.

**Payments in Lieu of Taxes (PILOT):** PILOT revenue is projected to increase in FY19 and FY20, consistent with the trends from the five year ramp up of PILOT payments, which ended in FY16. We expect the program to continue with support from the non-profit community.

**Miscellaneous Department Revenue:** In FY19 and FY20, the City is expecting a pensions and annuity revenue increase, which partially offsets an increase in the City's pension schedule. Additionally, the City estimates increases in federal health insurance reimbursements.

**Licenses and Permits:** Street and rental inspection permit is projected to increase in FY19 and FY20.

**Budgetary Fund Balance:** For FY19 and FY20 the use of Budgetary Fund Balance for OPEB expenses is projected to be level at \$40 million.

These estimates are based on conservative revenue assumptions reflecting that the local economy is growing and will stabilize at a reasonable level of growth from the beginning of FY18 to the end of FY20.

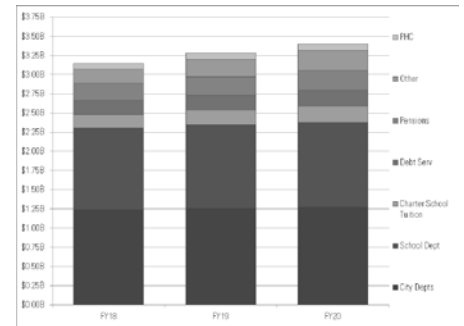
**Expenditure Trends**

The expenditure chart displays the allocation of expenditures projected for FY19-FY20.

As the City examines projected expenditures for FY19 and FY20, expenditures are anticipated to grow at a faster rate than the City's revenue growth, leading to projected shortfalls for FY19 and FY20. Fixed costs alone are projected to grow significantly due to increases in charter school costs under the existing cap and upward adjustments in the City's pension schedule following underperformance of Boston Retirement System investments in 2014 and 2015. In addition, the City continues to project considerable appropriations growth due to rising employee-related costs.

**Appropriations:** Inflationary and other increases have been estimated in FY19 and FY20 for expenditures such as health insurance and other personnel cost growth. At the School Department, estimated inflationary increases for health insurance and other personnel cost growth, student transportation services, and the cost of a new food and nutrition services contract have been projected for FY19 and FY20. The City has several settled contracts and the impact of those agreements is included in projections for City departments. Additionally collective bargaining reserves were set up in FY18 with estimated funding for the outstanding contracts, and this projection reflects the same approach in FY19 and FY20.

Due primarily to the factors referred to above, appropriations are estimated to increase by a total of \$87.9 million or 3.6% in FY19 and cumulatively increase by \$152.6 million or 6.2% in FY20.



**Figure 11 – Expenditures**  
*FY18 Budget, FY19 & FY20 Projected*

**Fixed Costs:** In FY19, fixed costs are expected to increase by about 7.5% and cumulatively increase by 15.1% in FY20. These increases can be attributed to several factors including: the continued expansion of charter schools, even

under the existing cap and the resulting increase in the tuition assessment, scheduled pension cost increases, and increased borrowing.

Under these revenue and expenditure assumptions, the FY19 and FY20 budgets are currently projected to have shortfalls of approximately \$18.2 million and \$18.1 million. For the most part, the projections are based on current operations and the roll out of approved initiatives in FY19 and FY20. As the FY19 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. The City will be monitoring external funding sources very closely, prioritizing service areas and reviewing policy decisions and options that could result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments dependent on federal external funds for the provision of essential services. In the event of grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide existing services.

Employee hiring must continue to be controlled, as the bulk of the projected increase in appropriations is employee-related. Collective bargaining agreements currently under negotiation will need to be affordable, given cost and revenue pressures outlined in this forecast. The City, in partnership with its unions, will continue to look at ways to mitigate the impacts of annual increases in the cost to provide health insurance to its employees and retirees. The City's policy regarding the use of its fund balance has been to limit the use of this source of revenue to offset certain fixed costs such as pension contributions and related post-retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor. The projections shown here assume that budgetary fund balance will be used only to support the OPEB appropriations for FY19 and FY20.

#### *Planning a Balanced Budget*

Multi-year planning is useful because it allows for time to make adjustments to relieve the cost pressures on certain services. It also promotes

cost-saving or new programming alternatives to improve the financial position projected in the out years, and helps monitoring changes in assumptions as new needs or innovations present themselves.

Much of the City's budget remains fairly stable during the year, but a variance of just 1% would equate to a \$30 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, for which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

It is important to note that the City's fiscal controls are effective in reducing the chances of an unmanageable deficit. The City manages position vacancies through a committee comprised of the Chief Financial Officer, the Human Resources Director, and the City's Budget Director. In place for over a decade, the committee serves to strictly control and monitor all hiring. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements. Similar BAIS systematic controls are in place to control non-personnel expenditures.

#### Conclusion

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

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

## MULTI-YEAR BUDGET SUMMARY

(Dollars in Millions)

	FY18 Adopted	FY19 Forecast	FY20 Forecast
<b>REVENUES</b>			
Property Tax	2,192.02	2,296.82	2,399.24
Property Tax Overlay	(30.36)	(31.71)	(33.13)
Excises	192.09	205.83	212.40
Fines	63.85	64.35	64.85
Interest On Investments	2.00	2.00	2.00
Payments in Lieu of Taxes	45.00	45.38	45.76
Urban Redev Chapter 121A	31.50	31.50	31.50
Department Revenue	65.37	65.81	67.23
Licenses & Permits	65.93	68.01	68.60
Penalties & Interest	14.46	13.74	14.13
Available Funds	23.45	23.45	23.45
State Aid	440.54	441.20	446.05
Total Recurring Revenue	3,105.84	3,226.38	3,342.09
Budgetary Fund Balance	40.00	40.00	40.00
<b>Total Revenues</b>	<b>3,145.84</b>	<b>3,266.38</b>	<b>3,382.09</b>
<b>EXPENDITURES</b>			
City Appropriations	1,242.97	1,263.54	1,276.48
Public Health Commission	79.34	81.58	84.00
School Department	1,060.93	1,080.55	1,098.88
Reserve for Collective Bargaining City	27.00	41.40	56.80
Reserve for Collective Bargaining BPS	20.00	51.10	66.70
Other Post Employment Benefits	40.00	40.00	40.00
Total Appropriations	2,470.24	2,558.16	2,622.86
Pensions	221.22	238.10	259.76
Debt Service	184.53	194.28	200.86
Charter School Tuition	174.37	196.10	216.44
MBTA	85.81	87.95	90.15
Other State Assessments	4.71	5.02	5.18
Suffolk County Sheriff Dept	3.97	3.97	3.97
Reserve	1.00	1.00	1.00
Total Fixed Costs	675.60	726.41	777.36
<b>Total Expenditures</b>	<b>3,145.84</b>	<b>3,284.58</b>	<b>3,400.21</b>
<b>Surplus (Deficit)</b>	<b>(0.00)</b>	<b>(18.19)</b>	<b>(18.12)</b>

Numbers may not add due to rounding

**Table 9**

### *Budget Document Structure*

The Operating Budget for FY18 and Five Year Capital Plan for FY18-22 are presented in three volumes. Volume I is an overview of the City's financial position and policy direction.

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

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

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

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

### *Technical Note*

The City of Boston's combined FY18 Budget and FY18-FY22 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Oracle - Hyperion Planning, SAP-Strategy Management and Microsoft Access were used for data management and analysis.

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