



City of Boston

Martin J. Walsh, Mayor

Operating Budget Fiscal Year 2018
Capital Plan Fiscal Years 2017-2022

Volume I - Overview of the Budget

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*Distinguished
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**City of Boston
Massachusetts**

For the Fiscal Year Beginning

July 1, 2016

A handwritten signature in black ink, appearing to read "Jeffrey P. Evans".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Boston for its annual budget for the fiscal year beginning July 1, 2016.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Table of Contents

Volume I Overview of the Budget

Letter of Transmittal: Martin J. Walsh, Mayor	
Executive Summary	1
Summary Budget	19
Revenue Estimates and Analysis	45
Education	59
Capital Planning	69
Data Analytics	85
Boston's People and Economy	89
Financial Management	99
Statutes and Ordinances	109
Budget Organization and Glossary of Terms	119
City Council Orders	



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Fiscal Year 2018 Recommended Budget for the City of Boston, which balances sustainability, increased investment and fiscal responsibility. The Recommended Operating Budget totals \$3.14 billion and represents an increase of \$143.7 million or 4.8% over FY17.

I put forth these recommendations for an FY18 budget that continues my Administration's strong fiscal management record, maintains high levels of support for educating our students and keeping our city safe, expands upon strategic savings initiatives to avoid \$60 million in costs, and positions our City to manage through instability at the national level. Due to my Administration's proactive approach to containing costs, the FY18 Recommended Budget can afford to meet Boston's growing fixed costs obligations and make targeted, data-driven investments aimed at creating a thriving, healthy and innovative City.

It invests \$14 million more in extended learning time to allow more than 15,000 additional students in 39 schools to receive 120 more hours of learning time, or the equivalent of 20 added school days a year.

This budget makes numerous research-driven education investments and reforms, including expanding Excellence for All, adding pre-kindergarten (K1) seats, and providing supports to 3,000 students that have been identified as experiencing homelessness, in an effort to eliminate achievement gaps.

Building on early success from *Boston's Way Home*, our plan to end chronic and veteran homelessness, the budget adds support services for veterans not eligible for VA programs.

My Administration will continue ensuring that city streets are clean, with a full-time hokey in every Public Works District, and safe, with revitalized lane markings and crosswalks.

We will use data to change the way we deploy Emergency Medical Technicians (EMTs) to Boston Common and the Recovery Road area to improve patient outcomes and ambulance utilization;

This Budget builds on the success of the PAATHS (Providing Access to Addictions Treatment, Hope and Support) program and enables it to expand services to evenings and weekends.

We will continue efforts to diversify Boston's Police force by adding 20 police cadets.

This budget allows for a pilot program to provide industrial level cleaning for firehouses to reduce cancer risks for firefighters.

Consistent with previous investments in making Boston's open spaces among the nation's most equitable and accessible, this budget invests in a rotation of small renovations to neighborhood ball fields to keep them safe and playable.

The budget allows for library services to be restored to Chinatown after 54 years, providing easy access to a community gathering space, a place for teens and children to study and learn, and a location to access critical 21st century services, including internet and computers.

It also continues support for local artists through grantmaking and residencies.

I am concerned about the National context that we in Boston find ourselves in. The President's proposed budget threatens to eliminate programs critical to activating our neighborhoods and assisting our students most in need. We also face uncertainty due to proposed cuts to federal funding for cities across the country that aim to foster trusting relationships between their law enforcement and immigrant communities – that is irresponsible and destructive. And, I am concerned about the possibility of further federal divestment from Boston's Public Housing Authority. With instability at the federal government, it is even more important that we in Boston are disciplined in our financial practices.

This budget is a manifestation of my vision for a Thriving, Healthy, and Innovative Boston. A thriving Boston allows each resident to prosper economically, receive a world-class education, and have access to affordable housing. In a healthy Boston, residents feel safe, and care for their environment and the well-being of all of those within it. An innovative Boston improves citizen experiences with government operations and drives optimal service delivery through data and technology driven management.

I look forward to working with you during the budget process, and I respectfully request your favorable action on the FY18 Operating Budget and the Five Year Capital Plan for FY18 to FY22.

Sincerely,



Martin J. Walsh
Mayor of Boston

Executive Summary

INTRODUCTION

Mayor Martin J. Walsh's proposed \$3.14 billion Fiscal Year 2018 (FY18) budget balances sustainability, increased investment, and fiscal responsibility. Continuing trends seen in recent years, the Mayor's proposed FY18 budget relies on growth in property tax and other local receipt revenue, but requires control of growth in departmental spending to offset weak state aid revenue and high fixed cost growth. Budgetary growth is maintained at a responsible level given the need to maintain flexibility in the face of continuing uncertainty at other levels of government. Despite these challenges, the budget makes strong statements about the City's priorities, as is reflected in the proposed investments.

Even with strong growth in locally derived revenues, 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. The FY18 proposal builds off of past budgets by expanding savings initiatives, and allows for dollars to be used in high impact areas.

Mayor Walsh's FY18 budget stands in contrast to national efforts to dismantle the urban safety net, as seen in the proposed Federal budget. The President has proposed to eliminate critical federal programs that support the production of affordable housing, revitalize Boston's Main Streets, make heating bills affordable to 20,000 Boston residents, and provide Boston students with valuable after-school programs.

In contrast, Mayor Walsh is proposing data-driven investments that meet the core needs of Bostonians, including:

- targeting research-backed education investments - including extending the school day for 15,000 students - to close achievement and opportunity gaps;

- directing educational resources to students most in need, including 3,000 BPS students experiencing homelessness;
- building on early success from the Mayor's homeless action plan implementation;
- further extending access to addiction treatment services;
- using data to change the way Boston deploys emergency services to Boston Common and Recovery Road;
- making sure that city streets in every neighborhood are clean and safe with revitalized lane markings and crosswalks;
- continuing efforts to diversify Boston's Police force by adding police cadets;
- ensuring that Boston's open spaces are among the nation's most equitable and accessible;
- supporting local artists through grantmaking and residencies;
- launching infrastructure projects driven by *Imagine Boston 2030* and *Go Boston 2030*, moving from engagement and planning to action; and
- setting funding aside for future projects coming out of the *BuildBPS* engagement process and partnerships with the Massachusetts School Building Authority (MSBA).

The City's data-driven investment and spending reform approach to budgeting illustrates an alternative to the type of budget being contemplated at the Federal level. The City's spending approach continues to emphasize the preservation and expansion of offerings to our most vulnerable residents, made possible by the implementation of strategic reforms. In this budget, the City is avoiding \$60 million in costs through reforms implemented since Mayor Walsh's first budget. These strategic savings initiatives allow Boston to meet its fixed cost

obligations and make targeted investments in a thriving, healthy, and innovative city. Conversely, the President's proposed budget would eliminate valuable programs aiding some of our most vulnerable residents.

Boston faces increased uncertainty due to national and state level challenges. In addition to federal budget proposals to eliminate over \$24 million in Community Development Block Grant funds flowing through the City of Boston, the President has signed an executive order aimed at cutting funding for "Sanctuary Cities," and has supported health care legislation that would have created over a \$1 billion hole in the Commonwealth of Massachusetts' budget. Further federal divestment from its Public Housing Authority is also possible, and reduced federal education grants to serve students in poverty have been proposed. At the state level, Boston continues to struggle with the Commonwealth's underfunding of the Charter School Tuition Reimbursement, from which the City is projected to lose \$25 million in FY18 alone.

Cities cannot afford to replace this level of funding cuts, and Massachusetts communities, with revenue tightly constrained by state law, will be particularly challenged in the event of federal or state divestment. This instability from the federal and state level requires increased stability and strong fiscal management at the City level. By paying down the City's long-term pension and OBEB obligations, managing personnel and health costs, continuing savings initiatives, maintaining conservative fiscal management policies, and maximizing revenue from local receipt sources, Mayor Walsh's FY18 budget continues the fiscal discipline that was recently praised by rating agencies. In their credit rating affirming Boston's Aaa rating with a stable outlook, Moody's wrote: "The Aaa rating reflects the city's strong fiscal management and stable financial position." Disciplined financial practices have better positioned Boston to manage through changes in state and federal policy and funding levels.

REVENUE

Over the past decade, the City's revenue structure has shifted toward a growing reliance on property tax. Thus, while the City is

projected to experience robust property tax growth in FY18, that growth is offset by sluggish state revenue growth.

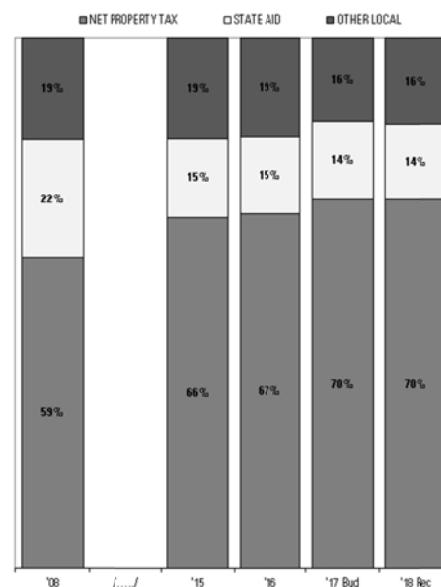


Figure 1 - Categories of Recurring Revenue

Mayor Walsh is filing a balanced budget that relies on \$3.14 billion in revenue, a \$143.7 million (4.8%) increase over FY17. Ninety-three percent of revenue growth comes from locally derived sources such as property tax and other local revenue. Due to the strength of Boston's property tax, growth exceeds the average annual growth of 3% that Boston has seen over the past decade and is able to support the growth in fixed costs and the City's investment in education. Property tax growth strength is expected to continue in FY18, primarily due to the unprecedented strength of Boston's development climate. Taxes paid by new construction is added onto Boston's property tax levy, which can otherwise increase by a maximum of 2 ½ percent, annually.

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 2017, Mayor Walsh and the Boston City Council expanded the residential property tax exemption, which lowered Boston property taxes for resident homeowners while still maximizing the City's property tax revenue under Proposition 2 ½. The change reduced the

average property tax bill for single-family, owner occupied homes by \$299.

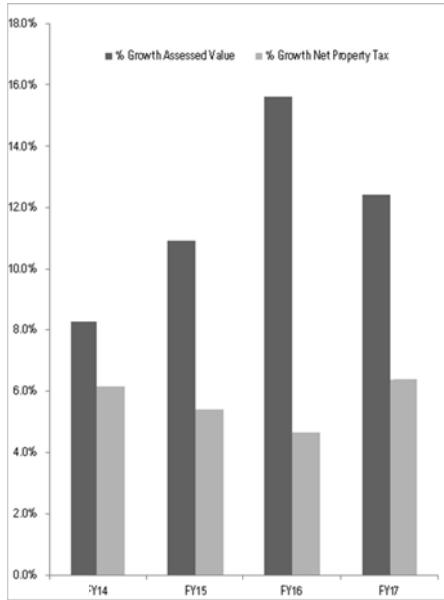


Figure 2 - Assessed Value and Net Property Tax Growth

Thanks 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 outside of the Proposition 2 ½ cap. Last year, the City saw notable construction projects in the Seaport District, the Longwood Medical Area, and Brighton Landing enter the tax base. Residential development, which is linked to Mayor Walsh's housing production goals, accounted for 60% of the new growth.

State aid has significantly lagged property tax growth. While Boston's spending on education has increased substantially in recent years, Boston's state education funding has not kept pace. The Chapter 70 education aid formula does not work for Boston, and Boston's Chapter 70 aid would grow by just 0.6% or \$1.3 million under the Governor's proposed budget, well short of the \$57.8 million more Boston expects to spend on education in FY18. While Boston's charter school assessment has risen by 155% since the enactment of the 2010 Achievement Gap Legislation, the State's statutory obligation to fund charter school reimbursement has not kept pace. As a result, the City of Boston is projected to lose \$25 million under the Governor's FY18 proposed budget, adding to the

total lost revenue of \$48 million over three years (FY15 – FY17).

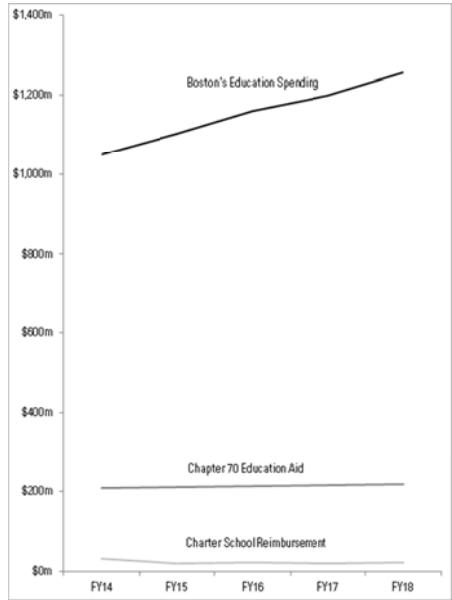


Figure 3 - Education Spending and Revenue FY14-FY18

In light of the growing chasm between education costs and state revenue, Mayor Walsh filed comprehensive education finance reform legislation that aims to invest equitably in public education and expand access to high-quality education for students of all ages. By proposing a creative revenue solution to provide every Boston 4-year old a high-quality seat, fixing the broken charter school transition funding model, and increasing BPS reimbursements for the highest-need students, the proposals would increase annual education funding to Boston by \$35 million in its first year of implementation. The proposal would also position Boston to receive \$150 million in additional annual Chapter 70 aid within a few years if the state identifies a new revenue source for education.

Local receipts, which include revenues such as excises, fees, fines, and permits, are projected to grow by \$26.3 million (5.5%). Boston is projecting strong room occupancy and meals excise revenue as well as continued permit revenue growth from commercial and residential real estate development, as well as increased revenue from parking fines. The FY18 Budget also includes \$2 million in new revenue as a result of the state legislation that passed in

2016 to create a per-ride assessment collected from transportation network companies (TNCs).

With uniquely limited revenue tools, the City is launching an initiative in FY18 to better maximize the local revenue tools it has. The FY18 budget includes an additional \$9.7 million identified in departmental revenues. In FY18, the Office of Budget Management will initiate revenue audits to verify the accuracy of information reported with certain fees. The City anticipates recovering \$2 million in unpaid revenue through these audits. The City will also work to maximize federal health insurance reimbursements and revenue recovery efforts.

EXPENDITURES

FY18 expenditures are increasing by \$143.7 million (4.8%) over FY17 budgeted expenditures. This reflects 4% appropriation growth and 8% fixed cost growth. Of that growth, 40% is dedicated to education 38% will go to all other City Services (such as Police, Fire, and Public Works) and the Public Health Commission, and the remaining 22% of growth will be consumed by pension, debt service and other fixed cost expenditures.

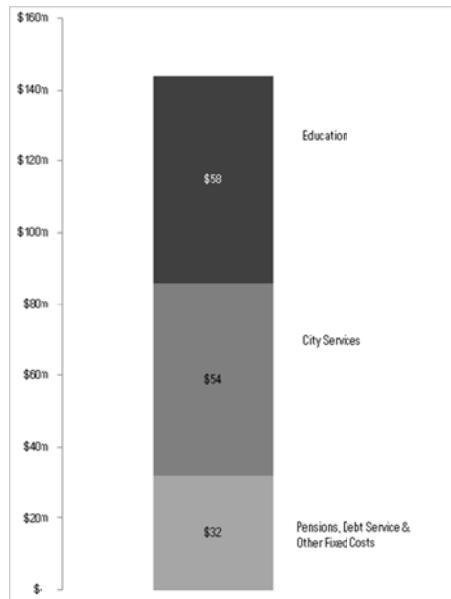


Figure 4 - Budgetary Growth by Category

Education

Boston's investment in education is growing by \$57.8 million (4.8%), with \$40.3 million more projected for Boston Public Schools and \$17.5 million more going towards charter schools through the state assessment. This increase is

in spite of a projected increase of just \$1.3 million in Chapter 70 Education Aid and a charter reimbursement that is projected to be \$25 million underfunded from the state.

At a \$1.061 billion appropriation plus a \$20 million collective bargaining reserve, this marks the largest Boston Public Schools budget in history. With this investment, Mayor Walsh has increased funding for the Boston Public Schools' annual budget by \$143 million since taking office. Funding directed to schools will increase by almost 4%, even before the largest driver of BPS costs, employee collective bargaining increases, are negotiated, a \$25 million increase over FY17.

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, which total over \$16 million. This includes a new \$1.25 million reserve focused on supporting low level 3, 4 and 5 schools with declining enrollment. (Learn more about investments in education below.)

This BPS budget is made possible due to Mayor Walsh's commitment to education funding as well as the Boston Public Schools' efforts to tighten their budget management and identify operational efficiencies in the central office. The BPS Long-Term Financial Plan has begun to pay off with efficiencies reflected in this budget including \$4.3 million of savings in the Central Office and continued efforts to achieve transportation efficiencies.

City Services

City Services such as Police, Fire, Public Works, Housing and Public Health are projected to increase by a total of \$54 million (4.0%), including funding reserved for collective bargaining. Public safety costs are rising by 3.5% in FY18, 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.

Public Works, Transportation, Housing, Public Health Commission and 38 other departments are increasing by an average of 1.5% due to basic city services contract escalation and targeted investments. Twenty-three of these departments will see a reduction in their appropriation in FY18. Because almost all of the City's union collective bargaining agreements are under negotiation, most departments' budgets do not include cost of living salary increases for employees. Instead, that funding is centralized in a \$27 million collective bargaining reserve. In addition, City and Public Health Commission health benefits are projected to increase by \$12.5 million (5.5%), even after achieving health care cost containment savings.

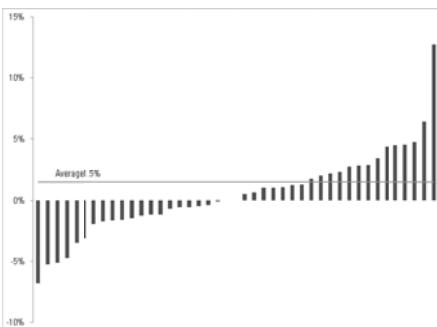


Figure 5 – 1.5% Average Growth for Other 42 Departments (Not Education or Public Safety)

To make targeted investments further detailed below, the City is pursuing smart savings initiatives in the FY18 Budget:

- The FY18 budget continues the public safety and streets overtime reforms launched last year and adds the Parks Department, achieving \$13.2 million in cost avoidance.

- The City eliminated 23 long-term vacant positions in FY18; cumulatively, we estimate the City will see \$5.3 million in costs avoided from inactivating long term vacants over two years.
- Based on health care cost containment reforms achieved in the 2015 PEC agreement, Boston will achieve \$10 million in savings in FY18, \$2.6 million of which are related to FY18 specific changes.
- 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.
- Thanks to Boston's investment in 20 EMTs in FY17, this year's budget achieves a 10% reduction in EMS overtime and 8% increase in third party billing revenue. These changes will generate a \$4.1 million in net savings for the City in FY18.
- Finally, City Departments and the Public Health Commission include a combined \$4 million in other budget tightening measures in FY18.

With the City's efforts to contain costs combined with Boston Public Schools' Transportation and Central Office savings, the FY18 budget avoids \$60 million in costs.

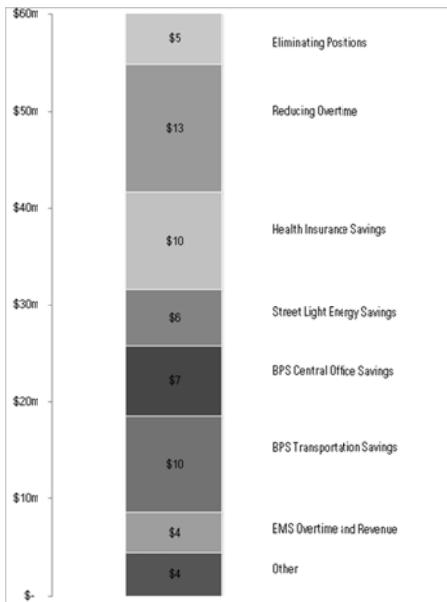


Figure 6 – FY18 Costs Avoided through Savings Initiatives

Pension, Debt Service and Other Fixed Costs

Finally, \$32 million (22%) of the budget growth is committed to addressing the City's long-term obligations and paying off debt taken on for school buildings, roads and bridges, police and fire stations, parks, and other public assets.

Due to generations of underfunding the City's pension obligations, the City's pension schedule requires a 0.5% increase this year. This budget again dedicates \$40 million toward reducing the City's long term other post-employment benefits (OPEB) liability. Actively addressing the City's long-term liabilities is not only fiscally responsible, it is critical to maintaining Boston's AAA bond rating, which unlocks additional capacity to fund more capital projects.

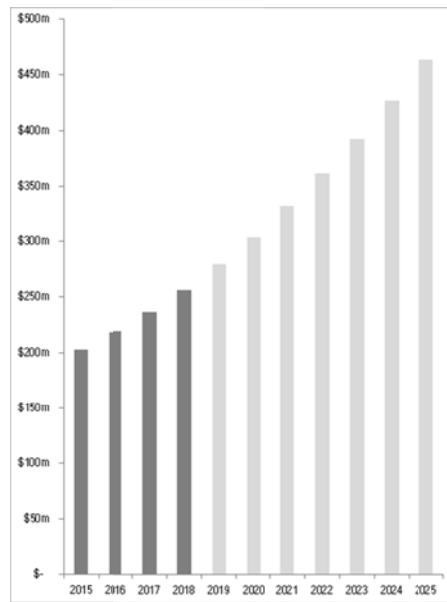


Figure 7 - Pension Funding Schedule

The City borrows every year to support investments in its roads, bridges, school buildings, parks and police and fire stations. Based on its AAA bond rating, the City has continued to benefit from favorable interest rates and its position as an attractive investment. This high bond rating will be integral to unlocking a \$1 billion investment in Boston schools over the next 10 years.

Even with the recent favorable borrowings, debt service costs are projected to increase by \$10.6 million (6.1%) in FY18.

IMAGINE BOSTON CAPITAL PLAN

Over 14,000 Boston voices shaped the Mayor's vision for Boston in 2030. They envisioned a city that will expand opportunity for all, support a dynamic economy, enhance quality of life, and prepare for climate change. *Imagine Boston 2030* identifies key areas where Boston can take action to enhance neighborhoods' vitality, encourage mixed-use job centers, provide spaces for new housing and jobs as we grow, create a waterfront for future generations, and connect historically underserved neighborhoods to more opportunities.

Mayor Walsh's \$2.08 billion FY18-FY22 Capital Plan moves Boston residents' priorities from idea to action, and invests in creating the city Bostonians imagine for the future. Under the *Imagine Boston 2030* umbrella, the City is investing deeply in the core goals of *BuildBPS*,

Go Boston 2030, Boston Creates, and Climate Ready Boston. An estimated 77% of projects in the FY18-22 Capital Plan are aligned with the City's planning efforts:

- Mayor Walsh committed \$1 billion over ten years to bring Boston's school buildings into the 21st Century, and this Capital Plan launches that investment with funding for 21st Century Classrooms, MSBA Accelerated Repair Program partnerships, completion of projects in the pipeline, and reserves for future projects coming out of *BuildBPS* community engagement.
- Boston, in collaboration with State and Federal sources, will invest \$709 million over the next five years in implementing the core initiatives outlined in *Go Boston 2030*: streets that are safer for all users of our roads and sidewalks, particularly pedestrians and cyclists; travel that is more reliable and predictable; and quality transportation choices that improve access to interconnect our neighborhoods for all modes of travel.
- Through the use of Winthrop Square proceeds, City capital dollars, and leveraging external funds, Mayor Walsh plans to carry out early actions to implement *Imagine Boston 2030*'s open space goals, including investing in Franklin Park as a keystone park for the city, completing the Emerald Necklace, and restoring Boston Common to its full vibrancy.
- Boston will prepare for climate change by investing City dollars and outside funding to develop more detailed climate plans for Boston neighborhoods, especially those most at risk for coastal flooding, as recommended in *Climate Ready Boston*.
- The Percent for Art Program, funded for the first time in this Capital Plan, demonstrates the City's leadership and commitment to sustainable

funding for the arts by setting aside one percent of the City's annual capital borrowing for the commissioning of public art.

With investments in roads, bridges, schools, libraries, parks, firehouses, and community centers, the *Imagine Boston Capital Plan* touches each neighborhood and shapes a City that over 14,000 voices told us they want to see.

FY18 BUDGET PRIORITIES: THRIVING, HEALTHY, INNOVATIVE

Building on Mayor Walsh's record of achieving improved outcomes across the City's services - from education to housing, basic city services to the arts - the Mayor is proposing data-driven investments that are aimed at creating a thriving, healthy and innovative city. Operating budget investments are made possible due to the smart savings initiatives the City has pursued since Mayor Walsh's first budget. Through the Imagine Boston Capital Plan, the Mayor is making new capital investments in Boston's schools, roads, bridges, parks, libraries, community centers, fire stations and other community assets to build the City that Bostonians imagined.

Education

Extending the School Day

A cornerstone of Mayor Walsh's FY18 budget, within which the City has increased funding for Boston Public Schools by \$40 million, is a groundbreaking \$14 million investment in extended learning time (ELT) to allow more than 15,000 additional students in 39 schools to benefit from extended learning time next school year, a strategy that is proven to close opportunity gaps. These students will receive 120 more hours of learning time, or the equivalent of 20 added school days a year. This expansion brings the total number of students receiving extended learning to over 23,000 at 57 schools throughout the District at a total investment of \$18.9 million.

"Above all, upward mobility today requires education. Public schools are the foundation of opportunity in our society. That's why, in the last three years, we have prioritized data-smart reforms that close opportunity gaps and elevate all students," Mayor Walsh, remarked at the Boston Municipal Research Bureau on March 1, 2017.

The extended time will help more students gain valuable learning and enrichment opportunities. Schools with extended learning showed a "statistically significant" positive effect in 5th grade science, 6th grade math, 8th grade science and 7th grade English Language Arts, according to a statewide study in

Massachusetts published in 2012. Students in ELT schools also outperformed their peers in non-ELT schools in growth measurements on all MCAS tests. Teachers in the Mass. ELT program reported that the extended day allowed them to accomplish their teaching goals and cover the instructional material their students need to learn.

Closing Opportunity and Achievement Gaps

Mayor Walsh and Superintendent Chang are committed to closing opportunity and achievement gaps. Boston has made numerous research-driven investments and reforms in an effort to eliminate the achievement gaps for students of color, English Language Learners, students with disabilities, and students in poverty.

In FY18, Mayor Walsh will continue his successful campaign to expand BPS pre-kindergarten (K1) seats and make an investment to establish a universal pre-k infrastructure. With an anticipated 100 additional K1 students to be served in FY18, Mayor Walsh will have added 422 K1 seats to BPS since he took office at a total investment of over \$4.3 million. Mayor Walsh has also filed early education finance legislation to close the "quality gap" in pre-kindergarten seats in Boston by investing in programs at BPS and in community based organizations. The Universal Pre-Kindergarten (UPK) taskforce estimates a 1,350 seat gap in Boston between the number of quality seats—roughly 4,000—and the current number of 4-year olds (5,350). To dedicate \$16.5 million to early education, this legislation would redirect the surplus amounts generated by two Convention Center Fund revenues that are produced exclusively in Boston.

BPS will strengthen its commitment to Superintendent Chang's Excellence for All initiative that expands access to rigorous curriculum and enrichment experiences for students, equipping them with new skills such as foreign languages and robotics. By increasing the annual investment to \$2 million, BPS will extend the program to 5th grade in the 13 schools already offering Excellence for All to 4th graders, reaching a total of 1569 students. In FY17, BPS found that Excellence for All was successful in reaching the demographics of

students that are currently underrepresented in the Advanced Work Class (AWC) program.

Boston will also continue successful education reforms initiated under Mayor Walsh's administration:

- In 2016, Mayor Walsh launched the Tuition-Free Community College Plan, which offers free tuition to low-income BPS students at Roxbury Community College, Bunker Hill Community College, and Mass Bay Community College. The Tuition-Free Community College Plan is funded by the Mayor's Office of Workforce Development (OWD) within the Boston Planning & Development Agency, and the Neighborhood Jobs Trust, a public charitable trust funded by linkage fees generated by large-scale commercial building projects in the city.
- The Boston Public Schools' early-hiring initiative provides school leaders with flexibility to put an effective teacher in every classroom. The initiative has also allowed BPS to hire candidates of color at disproportionately higher rates-- during the 2016 hiring season, Black and Latino educators were hired by schools at 2.2 and 1.9 times the rate of white educators respectively.

Supporting our Students Most in Need

In FY18, BPS will make a \$1.2 million targeted investment that will benefit 3,000 students that have been identified as experiencing homelessness. This investment will empower principals and headmasters to best serve the needs of these students with specialized services and resources that have been proven to be most impactful. In addition, BPS will provide enhanced training for teachers, aides, and administrators, and will assist at the school-site level to ensure that students experiencing homelessness have individualized resources and support to learn successfully in the classroom.

BPS's FY18 budget includes a series of substantial supports –including existing and proposed new investments totaling over \$16

million – that differentially serve the district's highest need students. These include the new proposed investment to support students experiencing homelessness, state grants for turnaround schools, Academic Response Teams, and a new \$1.25 million reserve specifically targeted at Level 3, 4, and 5 schools. These funds will support lower performing schools, and particularly those with declining in enrollment. BPS anticipates significant funds from this reserve will support Excel and Brighton, which are in the turnaround planning process and will see budget increases at the conclusion of that process.

BuildBPS

Mayor Walsh announced a \$1 billion investment to modernize Boston's public school infrastructure, and the *BuildBPS* plan will guide that process. Through a dedication of City capital funds and a strong working relationship with the Massachusetts School Building Authority (MSBA), the plan will more than double the capital spending on BPS facilities over the next decade. Mayor Walsh's FY18-22 Capital Plan begins to implement early action *BuildBPS* initiatives while reserving funding for projects coming out of the *BuildBPS* engagement process.

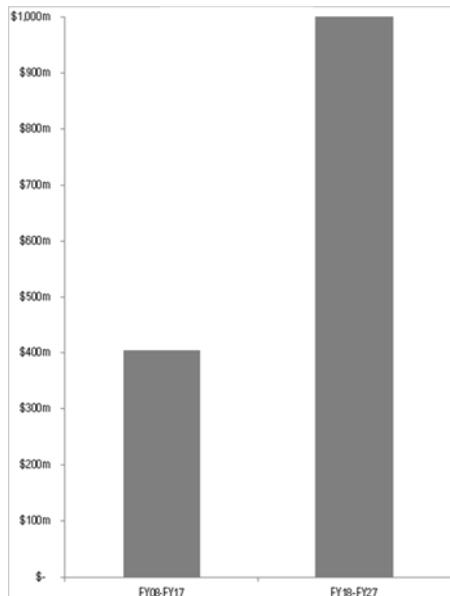


Figure 8 - Capital Investment in Schools

The \$13 million *BuildBPS* 21st Century Schools Fund will provide schools with 21st century tools, including new technology and comfortable, movable furniture to promote

learner-centric programs, benefit professional development, and provide greater flexibility in current and future learning spaces. Relative to larger-scale building renovations and repairs, these upgrades can be done at lower cost and on an accelerated timeline. BPS will create a menu of 21st century packages that schools will be able to select from depending on their needs. BPS will work with school leaders to complete these upgrades in the 2017-18 school year.

Boston has also successfully ramped up its efforts to leverage MSBA Accelerated Repair Program (ARP) dollars to provide much needed improvements to its schools. This summer, Boston will invest \$13.6 million to unlock a \$16.3 million grant from the MSBA to provide seven BPS schools with new windows. In addition, the MSBA has approved a \$6.4 million grant, with Boston providing \$3.4 million in matching funds, to replace roofs and boilers at five BPS schools. The Mayor's Capital Plan sets aside an additional \$24 million over five years to position Boston to further leverage MSBA ARP dollars in the future.

Finally, this Capital Plan allows Boston to invest in BPS projects already in the pipeline:

- Slated to be completed in winter of 2017/2018, the \$73 million Dearborn STEM Academy will open for students in September 2018. The project, which leverages a projected \$37 million match from the MSBA, is designed based upon a project-based learning curriculum, with an emphasis on STEM education.
- Over the next two years, the Eliot School construction projects will be completed. The new \$23 million North Bennet Street building will welcome 5th to 8th graders this fall into a 21st century learning environment while this summer, the final phase of construction will begin at the Commercial Street building.
- The Capital Plan provides for Boston's matching investment in the Josiah Quincy Upper School (JQUS) and Boston Arts Academy (BAA), which are collaborative projects with

the Massachusetts School Building Authority (MSBA).

In total, Boston will invest more than \$312 million in BPS capital projects over the next five years, with an additional \$418 million committed for the following five years. When combined with projected MSBA matching funds, Boston is committing the \$1 billion in BPS capital projects over ten years.

Housing

Implementing Boston's Homeless Action Plan

With the 2015 publication of *Boston's Way Home*, the City's plan to end chronic and veteran homelessness, Mayor Walsh reinforced the City's commitment to the most vulnerable populations in our community. *Boston's Way Home* calls for a single, integrated homeless system, which will not only quickly move homeless individuals from Boston's streets and shelters into permanent housing, but also provide them the support they need to remain stable.

As part of the *Boston's Way Home* and Boston Homes for the Brave initiatives, Boston has housed 842 homeless veterans since July 2014, and put an end to chronic veteran homelessness in Boston. In addition, of all major cities in the U.S., Boston has the second lowest rate of unsheltered homeless veterans. To support *Boston's Way Home*, Mayor Walsh's FY18 budget includes an increase of \$150,000 in general funds to provide support services for veterans not eligible for VA programs, and an investment of \$50,000 in federal funds to modify the City's Homebuyer Financial Assistance Program to provide down payment assistance to veterans.

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. Although the City, working with its partners, has been able to house more than 1,000 formerly homeless individuals in the last two years, Boston also serves as a regional hub for services, which continues to increase the need for homeless

housing supports. Mayor Walsh's FY18 budget includes more than \$25 million in both City and external resources to continue the City's efforts to end chronic homelessness and provide supportive housing services to formerly homeless individuals.

Improving Homeless Shelter Service and Safety

The Boston Public Health Commission (BPHC) provides food, shelter and other comprehensive services to over 650 homeless individuals each night at its Woods Mullen and Southampton Street shelters. In FY17, the City invested additional resources to enhance service levels at these locations. The investments, which included hiring a mix of coordinators, assistant coordinators, counselors, and security staff, allow BPHC to efficiently operate the shelters on a 24/7 basis and to better assist Boston's most vulnerable population with case management, medical and behavioral health services, career counseling, job training, substance abuse prevention, and housing support.

This funding also allowed for the full implementation of a front door triage system that enables shelter staff to meet with every new guest entering the shelters to conduct an in-depth assessment. This assessment leads to the development of a client-centered plan to exit the shelter system into safe, supported, and stable housing as quickly as possible.

The FY18 budget reflects Mayor Walsh's focus to end chronic homelessness in Boston. As a response to federal funding cuts, the City will provide additional resources to BPHC to ensure that the city's 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.

Housing a Changing City: Boston 2030

In 2014, Mayor Walsh released *Housing a Changing City: Boston 2030*, the Administration's comprehensive plan to accommodate Boston's rapid growth and stabilize the housing market over the next 15

years. Through the strategies outlined in the plan, more than 19,200 new housing units have already been completed or are currently in construction. This represents 36 percent of the City's 53,000-unit target for 2030.

To ensure all Bostonians benefit from Boston's strong real estate market, in December 2015 Mayor Walsh implemented an executive order to reform the Inclusionary Development Program (IDP). These changes increased the affordable housing contributions required of developers and led to the collection of more than \$21 million in IDP revenue to create affordable housing in the last fiscal year alone.

In addition, as Boston grows, it is important that it grows equitably and prevents the displacement of long term residents. The Office of Housing Stability was established in FY17 to assist Boston residents experiencing housing crises and to expand the array of anti-displacement services that the City offers. Since July 2014 a total of 2,521 households were able to retain their housing as a result of City services such as foreclosure and eviction prevention. 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.

To ensure that residents at all income levels are able to obtain housing that is affordable, the City set a goal of creating 6,500 new units of housing for low-income, non-elderly households. Currently, the City is running above or near target in both low-income and extremely low-income housing production. Low-income senior housing, currently running at 66 percent of target, is expected to increase substantially in the year ahead due in part to the annual \$7.25 million general fund investment in housing. This includes the City's first line item for elderly housing production, which Mayor Walsh introduced 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.

To solve the challenges of creating middle income housing in Boston, Mayor Walsh created

the Housing Innovation Lab in 2015, bringing design thinking and innovation to solving these issues. 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 Lab will continue to serve as an internal think tank to develop recommendations to address the City's housing crisis and implement Mayor Walsh's housing plan.

On November 8th, Boston's voters approved the adoption of the Community Preservation Act (CPA), a program created by the state of Massachusetts to enhance livability and quality of life in the cities and towns that vote to adopt it. A projected \$20 million per year will be used to create affordable housing, preserve open space and historic sites, and develop outdoor recreational opportunities. In FY18, a Community Preservation Committee will be established, and will be responsible for making recommendations on CPA projects to the City Council.

Prosperity and Equity

Advancing Racial Equity, Diversity and Economic Mobility

In 2015, Mayor Walsh appointed Boston's first Chief Resilience Officer to lead the City's efforts to develop an integrated Resilience Strategy that will help Boston thrive in both good and challenging times. While this strategy will address a wide range of issues, achieving racial equity has emerged at the very core of Boston's efforts to build resilience. Boston is bringing conversations about racism, healing and policy work into its neighborhoods. The FY18 budget replaces Rockefeller Foundation grant funding ending in FY18 and will allow the Mayor's Office of Resilience and Racial Equity to continue efforts in developing and implementing an integrated Resilience Strategy that will help Boston diversify its workforce, create shared prosperity by exploring ways to impact economic mobility, close achievement gaps, and

work to address systemic and generational challenges to racial equity.

Additional resources for the Mayor's 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 new Digital Equity Pilot Grant Program will 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.

Recruiting a Diverse Police Force

In November of 2016, Mayor Walsh and Police Commissioner Evans swore in the first class of police cadets since 2009, a training program for Boston's youth seeking a career in law enforcement. Building on the success of recruiting a diverse class of 42, which included 74% cadets of color and 36% female cadets, Mayor Walsh's 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. Once cadets have served for two years (and pass other requirements), they are eligible to join the next police recruit class. Up to 30% of a given recruit class can be made up of cadets, thus providing a route for local young people to join the force. The current class of cadets will be eligible to join the recruit classes of FY19 and FY20, while the FY18 cadet class of 20 will be eligible to join the recruit class of FY21.

Streets

Launching Go Boston 2030

Mayor Walsh's FY18-22 Capital Plan, drawing on City, State and Federal sources, will invest \$709 million over the next five years in implementing the core initiatives outlined in *Go Boston 2030*.

Pursuant to *Go Boston 2030*, Boston will strive for streets that are safer for all users of our roads and sidewalks, particularly pedestrians and cyclists; travel that is more reliable and predictable, and quality transportation choices that improve access, to interconnect our neighborhoods for all modes of travel. Driven by these core goals of safety, reliability, and access, the capital plan focuses on the following key investments:

- Launches a citywide, multi-year campaign to bring all crosswalks, lane markings, and bike lanes into a state of good repair.
- Continues the City's \$3.1 million annual investment in Vision Zero to make targeted safety improvements at corridors and intersections with known safety challenges, and to traffic-calm residential streets.
- Improves access and safety for those visiting our Main Street business districts on foot and on bicycles including Hyde Square, Central Square and Dudley Street.
- Starts the transformation of the City's upgrade to the next generation of traffic signal technology, with an initial focus on some of our busiest corridors and bus routes. This will mean fewer delays for everyone and better coordination across signals.
- Focuses on adding protected bicycle lanes on every "Great Streets" project, including Melnea Cass Boulevard and Commonwealth Avenue, and on Multi-Use Paths such as the Fenway-Roxbury Connector, all complemented by continuing the \$900,000 annual investment in the Strategic Bike Network.

- Funds a multi-year program to create improved and - in many cases - signalized intersections in some of the more challenging locations in the City. This includes the Father Hart Bridge/Wolcott Square area in Hyde Park.
- Puts the City on a sustainable capital program to maintain bridges, roads, sidewalks, off-street paths, street lighting, and building facilities essential to the high-quality delivery of services.

Keeping Boston Streets Clean and Safe

As part of the Mayor's focus on basic quality of life issues, the FY18 budget invests in making sure that city streets in every neighborhood are clean. To enhance service levels for all of Boston's neighborhoods, the FY18 budget includes additional resources for the hokey program, where City 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.

To improve safety and expand access to our streets, Boston is launching a citywide, multi-year campaign to bring all crosswalks, lane markings, and bike lanes into a state of good repair. As Boston works to expand access to make Boston's neighborhoods interconnected for all modes of travel, including driving, cycling, and walking, it is important to ensure that our roadways are designed to maximize the safety of such modes of travel. Clear lane markings including crosswalks, "Don't Block the Box" markings at key intersections, and well marked bike lanes with appropriate insignia all help to reduce collisions, making our roadways safer for all users.

This FY18 budget builds on past investments in basic city services that have improved quality of life in Boston. As a result of accelerated resurfacing and sidewalk repair in FY17, the percentage of requests for sidewalk repairs addressed on time (within 48 hours) increased

from 66% in December 2015 to 85% in December 2016.

Open Space

Implementing Imagine Boston 2030's Open Space Goals

Mayor Walsh has made commitments key to implementing *Imagine Boston 2030*'s open space goals. Franklin Park renovations are already underway with investments in its pathways. Renovation of its sister park, Harambee, for active recreation and commitment to caring for its tree canopy, is also underway. Mayor Walsh has also committed to a \$28 million investment from the sale of the Winthrop Square garage to fully renovate Boston's largest park, which borders multiple neighborhoods. Special emphasis will be made on access to, and activation of, arguably Boston's most important natural resource.

These improvements, combined with the current master planning of Moakley Park, serve as anchor projects to launch the city's efforts to complete the Emerald Necklace. Originally envisioned by the Olmsted Corporation in the 1890s, the completion will be a community-led modern interpretation of a green street, increasing connections in underserved areas of our city.

In addition, Mayor Walsh has committed \$28 million from the Winthrop garage sale to augment the current historic levels of investment in Boston Common to fully renovate America's First Park. Major tourist destination, cultural beacon, and neighborhood park, Boston Common is one of the most treasured green spaces in the world. This investment will ensure future generations will enjoy the park in its full vibrancy.

Ensuring Accessible and Equitable Parks

Last year, Mayor Walsh announced Parks First, a comprehensive initiative ensuring that Boston's open spaces are among the nation's most accessible and equitable. In FY18, Boston will continue its commitment to achieving these goals through investments in excellence in design and management. To date, the Walsh Administration has increased the Parks Department's operating funding by \$4.1 million

or 23% and dedicated over \$240 million in capital funds to Boston's parks.

The reconstruction of pathways at Franklin Park will continue this year and be completed by fall 2018. Mayor Walsh will extend his commitment to usage and safety of the Emerald Necklace with a \$4.8 million pathway improvement around Jamaica Pond. From the annual lantern parade, to the thousands of children who learn boating, to the endless parade of walkers and joggers enjoying the 1.5 mile loop for recreation, Jamaica Pond is a singular urban park experience. Across town, a renovation of Paul Revere Mall in the North End will ensure that this historic park is a welcoming and inviting place for residents and visitors. The Paul Revere monument, along the Freedom Trail, is one of the most photographed sculptures in Boston. This renovation will include restoration of the fountain and monument, accessible pathways, landscaping, and utility work.

Ninety-seven percent of Bostonians live within a ten-minute walk of a park, but those spaces are only truly equitable if they serve the diverse needs of all our residents. Mayor Walsh recognizes the need for inclusive design and has created robust budgets for park renovation projects at Martin's Park in the Seaport, Smith Playground in Allston, and McConnell and Garvey Parks in Dorchester. FY18 will bring the beginning of the renovation of the 45-acre Harambee Park. The investment will include environmental improvements, pedestrian pathways, field renovations and entrance improvements transforming Harambee into a premier example of community-led comprehensive planning.

Boston has routinely invested in its street trees. FY18 will see a renewed commitment with new funds allocated for the care of our park trees. Often Boston's largest and most mature, these trees are also our most active in urban cooling, CO₂ capture, promoting air and water quality and fighting topsoil erosion. This investment is critical to *Climate Ready Boston*.

Starting in FY18, Boston will invest in a rotation of small renovations to neighborhood ball fields to keep them safe and playable. Between major renovations, problems such as holes in batters'

boxes and unlevel fields can build up due to consistent usage. This investment will allow the Parks Department to aerate, edge, top dress, seed, and level ballfields every 5-7 years on a rotating basis.

This new investment builds on the Mayor's commitment to excellent parks. During his administration, he has improved park maintenance and safety and expanded the Parks Department's recycling program. This year, Boston will continue to expand recycling into three signature parks, providing Bostonians with an opportunity to act as stewards of their environment and complement the city's *Climate Ready Boston*. Mayor Walsh also returned the Recreation Division to the Parks Department. With that change the Parks Department has increased its free programming from 187 events to 820 in three years. Nearly all of these events are focused on engaging youth in Boston's open spaces.

Energy and Environment

Preparing for Climate Change

As part of Boston's implementation of *Imagine Boston 2030*, Mayor Walsh's FY18-22 Capital Plan includes investments to support a healthy environment, reduce energy consumption and greenhouse gas emissions, and prepare for climate change. Leveraging outside funding, the Capital Plan allows for development of more detailed climate plans for Boston neighborhoods, especially those most at risk for coastal flooding, as recommended in Climate Ready Boston. These plans are essential for protecting the safety and vitality of existing residents, businesses, and institutions, and for ensuring the implementation of continued growth and development, as envisioned in *Imagine Boston 2030*.

Through Renew Boston Trust, Boston will undertake renovation projects to reduce City buildings' energy consumption and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable in part with the financial savings resulting from reduced energy consumption. The City will implement the program through contracts with Energy Service Companies (ESCOs) that will provide financial guarantees

that the energy savings generated by the projects will be sufficient to cover anticipated debt service costs.

Arts and Culture

Investing in the Arts

The Mayor's Office of Arts and Culture released the City's first cultural plan, *Boston Creates*, in 2016, calling for increased support to Boston's arts and culture ecosystem. The Percent for Art Program, included for the first time in the FY18-22 Capital Plan, is a critical policy outcome of this planning process. The Percent for Art Program demonstrates the City's leadership and commitment to sustainable funding for the arts by setting aside one percent of the City's annual capital borrowing for the commissioning of public art. Thanks to this commitment, the City will invest \$1.7 million in public art projects in FY18.

The Mayor is continuing groundbreaking arts investments made in FY17 that are key to implementing *Boston Creates*.

The Boston Artists in Residence (AIR) program seeks to embed working artists in City departments and agencies to promote creative thought in municipal problem-solving and project implementation. By deeply integrating artists into City processes, both City staff and the public learn firsthand the multifaceted ways in which the arts engage complex problems and create new opportunities. In FY17, Boston AIR artists were placed in ten neighborhood-based community centers including: South Boston, Roslindale, Mattapan, Hyde Park, Jamaica Plain, South End, Dorchester, Mission Hill, Chinatown, and Roxbury.

In response to artists who felt disconnected from City Hall and sought clarity on how to access City resources, the Artist Resource Manager provides staff support for: permitting, zoning, and other regulatory requirements for arts and culture uses; communicating professional opportunities; and navigating other municipal services.

The Opportunity Fund is a pilot grant program that offers grants of up to \$1,000 to support individual artists in activities that help them share their work with the public, teach others, continue their professional development, and

hone their skills. To date in FY17, over 275 artists have applied for the fund, and 62 have been awarded.

This year, the City will launch an artist fellowship program in response to feedback in the *Boston Creates* process that we identify new funding streams for Boston artists. This fellowship will be aimed at supporting and elevating Boston creatives.

Preserving Boston Public Library's Special Collections

The City will launch a major capital project in FY18 to help preserve the Library's valuable and historic special collections in rare books and manuscripts. This \$15.7 million project will begin with the inventory of the Central Library in Copley Square's Rare Books & Manuscripts Department's nearly 250,000 rare books and one million manuscripts. Over the course of the next two years, the Rare Books Department will receive major environmental and mechanical improvements to better regulate temperature and humidity control of the department's collection storage areas, staff spaces, conservation lab, and public reading room. Ultimately, the project will increase accessibility to the Library's rare books and manuscripts and ensure the collections will be preserved for the future. The project continues the City and the Library's renewed commitment to improve intellectual control, custodianship, and security of its special collections.

Building Thriving Community Libraries

The FY18 Operating Budget and FY18-22 Capital Plan continue to demonstrate Mayor Walsh's strong commitment to revitalizing branches throughout Boston's neighborhoods. Since the Chinatown Branch was torn down in 1954, Chinatown has remained without its own library location. Reestablishing a branch in the neighborhood has been a high priority for members of this community, and under Mayor Walsh's FY18 budget, library services in the neighborhood will be restored to Chinatown after 54 years. With this reinstitution, the community will have easy access to many valuable services, including a community gathering space, a place for teens and children to study and learn, and a location to access

critical 21st century services, including internet and computers.

In FY18, the Mayor's Capital Plan launches projects for new or renovated spaces at the Uphams Corner and Fields Corner branches. It also includes funding for new smaller scale facilities improvement projects, including interior updates at the South End, Lower Mills, and West Roxbury branches, and landscaping and exterior space upgrades at the South Boston Branch.

In FY18, construction will begin at the Dudley Branch. This \$14.7 million project includes reorienting the entrance to reconnect it with the heart of Dudley Square, interior renovations to improve connections between the building's spaces, and enhanced community and programming space so the branch can better serve the many people who utilize this important resource.

The Capital Plan supports design activity at the Roslindale and Adams Street branches in the upcoming year as well. The recently completed programming study and community process for the Adams Street Branch resulted in recommendations for new construction that will expand the building footprint, add new meeting rooms, provide an enhanced teen space, and create redesigned outdoor spaces.

Health and Safety

Improving and Expanding Addiction Services

Throughout his Administration, Mayor Walsh has dedicated increased resources for helping those in need of substance use and addiction supports, including the addition of 55 clinicians, outreach workers, homeless caseworkers and coordinators and other recovery staff at the Boston Public Health Commission (BPHC). In August 2015, he created the Mayor's Office of Recovery Services (ORS), the first municipal office in the U.S. solely dedicated to addressing substance use and addiction. In the past year, ORS initiated a partnership with Boston Fire, Police, & Emergency Medical Services (EMS) to provide recovery resources to residents following overdoses and teamed up with UMass-Boston to support its Student Recovery Communities.

Last year, the Mayor launched 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. The investment linked 311 service with the PAATHS (Providing Access to Addictions Treatment, Hope and Support) Program, a one-stop shop for individuals, families, community partners, and other treatment providers looking for information about, or access to, addiction treatment services. Due to this investment, PAATHS has seen a 50% increase in calls and a 74% increase in walk-ins, while the number of new patients accessing services has doubled.

In FY18, the City will build on the success of the PAATHS program and enable it to expand services to evenings and weekends. This new investment, which includes funding for three Public Health Advocates, a Clinician, and a Program Director, allows the program to remain open until 7:00 pm on weekdays and from 9:00 am to 4:00 pm on weekends.

Promoting a Proactive and Agile Boston EMS through Data

In FY18, Mayor Walsh will launch a data-driven initiative to change the way Emergency Medical Technicians (EMTs) are deployed. Working with the Citywide Analytics Team, Boston EMS identified the particular 911 incident types that warranted the most ambulances responses that did not end up requiring a transport. These calls result in a twofold challenge for Boston: not only do these calls tie-up ambulances for a low-acuity patients, but they prevent ambulances from responding to other calls. Utilizing dispatch data, EMS also found that these call types are clustered in certain areas of the city. The clustering of these incidents suggests that they warrant a different type of emergency medical care. As a result, the FY18 budget includes funding for a Community Assistance Team to pursue a more agile and proactive response to emergency services.

FY18 funding enables EMS to hire EMTs that will be deployed on rotating schedules in non-transport vehicles to triage call types in Downtown Boston and the Recovery Road area. Working in coordination with the City's outreach street teams, the responding unit will

assess the acuity of the patient and the need for an ambulance transport to the hospital. If an ambulance transport is unnecessary, the Community Assistance Team will work with other existing City programs to ensure the patient is directed to the most appropriate services, when necessary. This approach will result in better patient outcomes in addition to improving ambulance utilization by only dispatching ambulances when a transport is required.

The Community Assistance teams build on the Administration's FY17 investment to reduce EMS response times by adding 20 EMTs and purchasing 10 replacement ambulances. Thanks to Boston's investment in 20 EMTs in FY17, this year's budget achieves a 10% reduction in EMS overtime and an 8% increase in EMS third party billing revenue. These changes generate a \$4.1 million net savings for the City in FY18.

Promoting Firefighter Health and Safety

As part of the *Imagine Boston 2030* initiative to reduce cancer risks for firefighters, the FY18 budget will include \$500,000 for a pilot program to provide industrial level cleaning for firehouses. These funds will pay to thoroughly clean ductwork, replace ceilings and/or repaint where necessary and replace fabric furniture that has become contaminated with potentially carcinogenic compounds. Combined with improvements to the Standard Operating Procedures for fire fighters regarding bunker gear and personal cleaning after responding to fires, the goal is to make the fire house a cleaner, safer place to be. The department is also offering comprehensive training in nutrition, physical education, and mental resiliency in order to further improve the health of its employees.

In addition, the Capital Plan will include other health and safety improvements to firehouse projects as a result of a recent programming study. In FY16 and FY17 the Fire Department, in conjunction with the Public Facilities Department, studied best practices for firehouse design and now have an enhanced set of building programs for new and renovated firehouses. Key changes include separating out different areas of the firehouse to keep fire contaminants away from living areas and

improved personal and gear cleaning facilities. The replacements of Engines 42 and 17 will be among of the first firehouses in the nation to reflect these enhancements.

Technology

Putting Data Analytics to Work

Since the creation of the Citywide Analytics Team in 2015, the team has worked with nearly every department to identify opportunities for improvement through the use of data. This work has led to:

- Using predictive modeling to prioritize inspections of food establishments based on risks to public health. Compared to previous years, this program increased the number of food safety violations that were identified and remedied by more than 20%, without increasing inspectors' workloads;
- Conducting analyses and developing maps and applications in support of Vision Zero and other transportation initiatives;
- Developing data collection and reporting tools with Boston Police Department to shine a spotlight on the sex trafficking industry in Boston;
- Creating a tool to deliver information about building hazards to firefighters before they arrive on the scene; and
- Identifying a more effective way to deploy EMTs to Boston Common and Recovery Road to reduce response times, leading to an investment in the FY18 budget.

In FY18, the Analytics team will provide more extensive training, licensing, and data access for department users so that they can more readily work with their own data and combine it with other resources. As departments become more self-sufficient for their own day-to-day analytics needs, the Citywide Analytics Team will focus a growing proportion of its work on more specialized data science and GIS projects in areas such as predictive modeling, automated text analysis, and interactive applications. In the future, these efforts will give the City new

resources to more efficiently process 311 requests and resident feedback, protect the health and safety of firefighters and police officers, help students at risk of failing or dropping out of school, and promote safe, affordable, and accessible housing for all residents.

Improving City Services through CityScore

Launched in 2016, CityScore is a tool designed to inform the Mayor, City managers, and the public about quality of life and the performance of City government by aggregating key performance metrics into one number.

Over the course of FY17, CityScore has contributed to a number of City achievements, including:

- A 10% increase in the number of traffic signals repaired, resulting in safer and more efficient streets;
- A 5% increase in the average number of calls answered within 30 seconds at the 311 Call Center, resulting in more expedient customer service for those interacting with the City; and
- A 6% increase in the speedy removal of graffiti, helping to beautify our neighborhoods.

In addition to assisting with improving services, the City launched a new, user-friendly website allowing the public to track the City's score. In FY18, the City will continue to develop and expand CityScore by incorporating additional metrics and identifying new opportunities to improve the quality of life for those in Boston.

Summary Budget

OVERVIEW

The FY18 Recommended Operating Budget totals \$3.14 billion and represents an increase of \$144 million or 4.8% 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 \$144 million or 4.8% over the FY17 budget. Of that growth, 40% 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 22% 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.

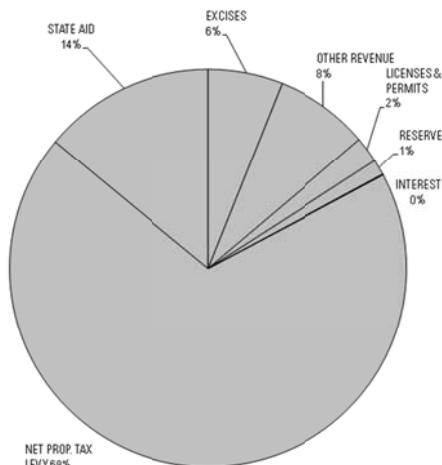


Figure 1 - FY18 Estimated Revenue

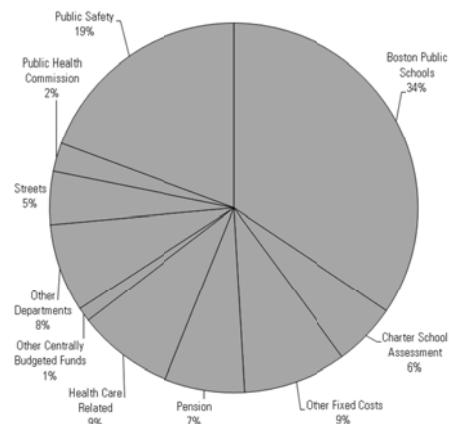


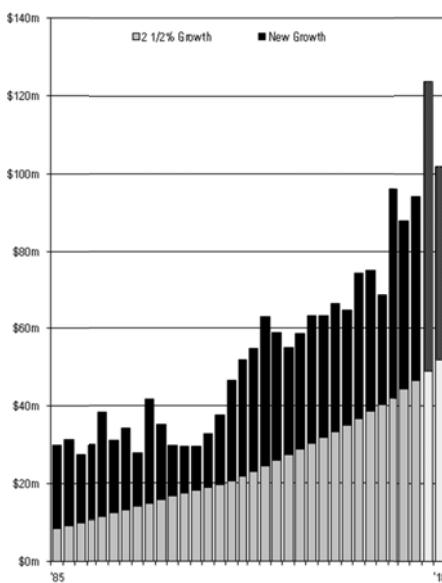
Figure 2 - FY18 Estimated Expenditures

BUDGET SUMMARY

	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Budget</i>	<i>FY18 Budget</i>
<i>REVENUES</i>				
Property Tax	1,875.15	1,963.09	2,086.68	2,189.02
Property Tax Overlay	(35.87)	(38.05)	(38.74)	(30.36)
Excises	192.62	223.82	188.32	189.04
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	62.44	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	2,952.09	3,099.79
Budgetary Fund Balance	0.00	0.00	40.00	40.00
Surplus Property Fund	0.00	0.00	4.00	4.00
<i>Total Revenues</i>	2,780.42	2,883.01	2,996.09	3,139.79
<i>EXPENDITURES</i>				
City Appropriations	1,139.43	1,158.96	1,207.23	1,239.23
Boston Public Health Commission	73.83	76.16	77.27	79.08
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	2,238.97	2,291.41	2,372.18	2,466.24
Pensions	169.62	196.55	199.28	218.21
Debt Service	148.01	157.69	174.95	185.58
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	3.87
Reserve	0.92	0.99	0.00	1.00
Total Fixed Costs	534.08	589.68	623.91	673.55
<i>Total Expenditures</i>	2,773.06	2,881.09	2,996.09	3,139.79
<i>Surplus (Deficit)</i>	7.36	1.92	0.00	0.00

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 \$110.7 million or 5.4%; excises increase \$720 thousand or 0.4%; miscellaneous department revenues increase by \$9.7 million or 17.4%; licenses and permits increase by \$3.5 million or 5.6%, and state aid increases by \$10.7 million or 2.5%.

On the expenditure side of the budget, total appropriations increase by \$94.1 million or 4.0% and fixed costs increase by \$49.6 million or 8.0%. 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 \$49.6 million and compare with FY17 budgeted fixed costs as follows: Pensions increase \$18.9 million or 9.5%; Debt Service increases \$10.6 million or 6.1%; Charter School Tuition state assessment increases \$17.5 million or 11.2%; MBTA state assessment increases by \$0.8 million or 1.0%; and other state assessments increases \$69 thousand or 1.5%.

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 \$2.189 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 \$50.0 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 released in January.

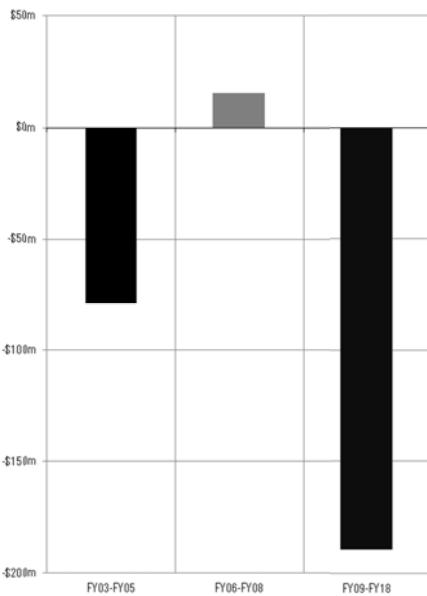


Figure 4—Change in Net State Aid
FY03-FY18, Grouped by Period of Loss or Gain

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 FY18). 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).

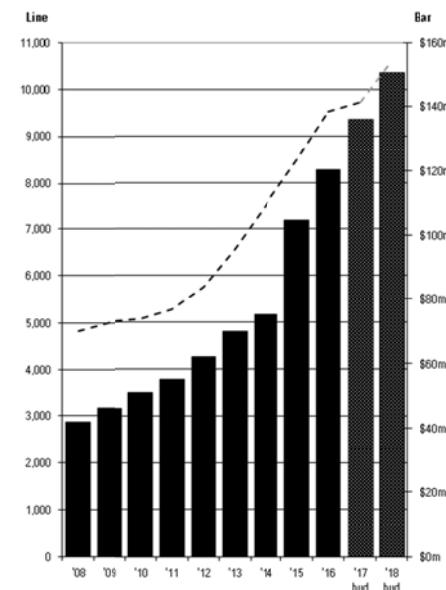


Figure 5—Charter Schools
Boston Enrollment and Net Cost
FY08-FY18

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 \$474.3 million in local receipt revenue, and the FY18 budget budgets an increase to \$500.6 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 \$84.0 million in FY18.
- 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. In FY18, the Office of Budget Management anticipates recovering \$2 million through new revenue audits verifying the accuracy of information reported for certain fees.

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)

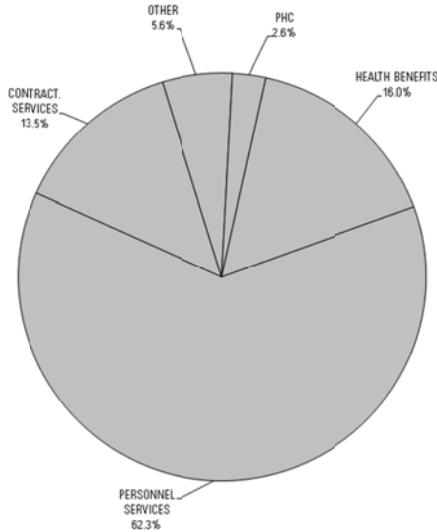


Figure 6 - FY18 Appropriations by Category

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. Negotiations for successor agreements are ongoing. 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 12.6% of total City expenditures – compared to 8% in 2001. \$42.25 million of these costs for future OPEB liabilities are discussed in more detail in the following section. \$353 million for current health, dental and life premiums and employer Medicare payroll taxes are addressed below.

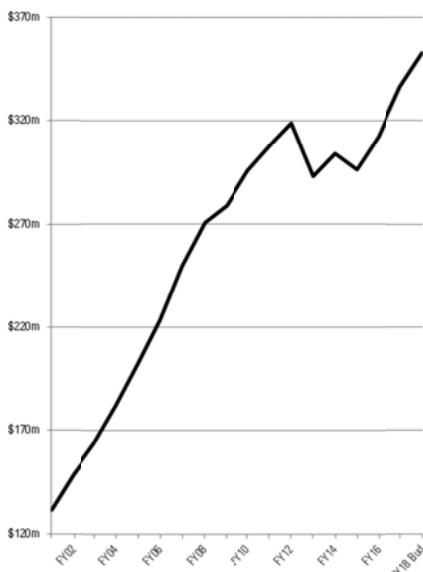


Figure 7 - Health Care Costs (\$ Mil)
Health, Dental, Life Premiums and Medicare Tax

As shown in Figure 7, annual costs for health, dental and life insurance and Medicare taxes grew from \$132 million in FY01 to \$353 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 6.4%.

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. City Medicare taxes, totaling \$19.3 million in the FY18 budget, have increased an average 12% annually since FY01. This growth is due to increases in total payroll and also the increasing percentage of total employees who were hired after March 1986 and are impacted by the tax. Also, more Medicare eligible employees are now beginning to retire, which will continue to increase the percentage of all retirees who will be enrolling into Medicare plans.

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*	\$353.1	\$16.8	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
Total	15,078	14,781	29,859

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.

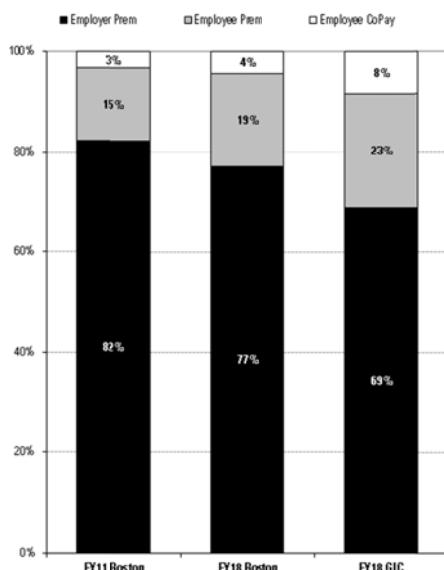


Figure 8 - FY18 Healthcare Cost Sharing

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 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, 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.

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

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

Total ARC	\$184.9
Projected Benefit Payments	\$130.0
FY18 Annual Allocation	\$42.3
Total FY18 Payments	\$172.2
Difference \$ in millions	93% (\$12.6)

Table 2

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 4.0% from the FY17 appropriations.

Of that growth, Boston Public Schools is increasing by \$40.3 million (3.9%) 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 \$54.0 million (4.3%), including funding reserved for collective bargaining. Public safety costs are rising by 3.5% in FY18. Streets cabinet departments, Public Health Commission and 37 other departments are increasing by an average of 1.5%. Twenty-three 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.

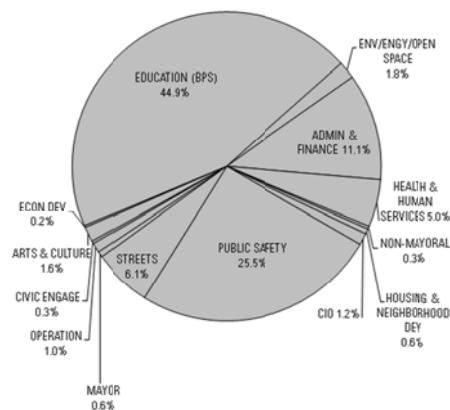


Figure 8 - FY18 Appropriations by Cabinet

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 is essentially unchanged from 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.

Operations

The budget for the Operations Cabinet is declining by 4.6%, 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 increasing by 1.8%. As part of the *BuildBPS* ten-year Educational and Facilities Master Plan for the Boston Public Schools, school construction responsibilities will be moved into a new schools unit in the City of Boston's Public Facilities department. 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 6.8%. In addition, utilities budgets throughout City departments, including Property Management, are tightened in FY18. 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 0.6% 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 2.3% 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 a decrease of 1.6% as a result of personnel turnover and limited position reorganization in FY17. 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 4.7% increase in its FY18 budget. 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 nine city departments within the cabinet decreasing 0.5%. Budget increases for two central appropriations in the cabinet, including Health Insurance and Medicare, account for 100% of 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 revenue audits to verify the accuracy of information reported with certain fees. The City anticipates recovering \$2 million in new revenue through these audits.

Health & Human Services

Overall, the FY18 appropriation for the Health & Human Services Cabinet will increase by 2.1%. 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 2.3%, 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, 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 general 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 of approximately 75 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 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 2.0% 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 2.2% above FY17. In an effort to enhance service levels for Boston's neighborhoods, the FY18 budget includes 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. 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 2.8%. 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 0.5% 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 \$49.6 million or 8.0%, which is double the 4.0% growth rate for appropriations. 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 9.5% increase in FY18 to address generations of underfunding.

Pensions

Boston's Pension budget is based on the current pension schedule approved by Boston's Retirement Board. Due to generations of underfunding the City's Pension obligations, the City's Pension schedule requires an \$18.9 million or 9.5% increase in FY18.

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 \$185.6 million, a 6.1% 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 \$185.6 million, a 6.1% 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). 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 \$3.9 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 Sheriff employees who retired prior to January 1, 2010. Once the unfunded pension liability is fully extinguished, the budget for Suffolk County will no longer be necessary.

Reserve

The Reserve budget is a fixed cost stipulated by state law and requires the City of Boston to maintain a reserve 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	5,849,901	-22,544
	Public Information	1,190,249	0	0	0	0
	Women's Advancement	190,982	212,106	233,614	225,519	-8,095
	<i>Total</i>	<i>13,207,023</i>	<i>12,973,396</i>	<i>14,477,682</i>	<i>14,481,276</i>	<i>3,594</i>
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	17,095,514	-1,245,299
	Public Facilities Department	0	0	5,625,883	5,724,456	98,573
	<i>Total</i>	<i>24,933,566</i>	<i>25,171,890</i>	<i>25,151,864</i>	<i>23,985,590</i>	<i>-1,166,274</i>
Civic Engagement	Elderly Commission	3,095,092	3,071,889	3,233,749	3,178,100	-55,649
	Neighborhood Services	1,421,969	2,524,900	3,194,730	3,287,613	92,883
	<i>Total</i>	<i>4,517,062</i>	<i>5,596,789</i>	<i>6,428,479</i>	<i>6,465,713</i>	<i>37,234</i>
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
	<i>Total</i>	<i>34,266,487</i>	<i>36,137,102</i>	<i>35,851,174</i>	<i>37,364,419</i>	<i>1,513,245</i>
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
	<i>Total</i>	<i>3,728,935</i>	<i>3,669,738</i>	<i>5,037,351</i>	<i>4,916,283</i>	<i>-121,068</i>
Education	Boston Public Schools	974,925,124	1,016,278,855	1,031,684,000	1,060,932,783	29,248,783
	<i>Total</i>	<i>974,925,124</i>	<i>1,016,278,855</i>	<i>1,031,684,000</i>	<i>1,060,932,783</i>	<i>29,248,783</i>
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	18,812,691	18,513,530	-299,161
	Parks & Recreation Department	18,397,999	23,648,127	20,981,060	21,976,548	995,488
	<i>Total</i>	<i>37,117,791</i>	<i>43,778,467</i>	<i>42,026,695</i>	<i>43,007,808</i>	<i>981,113</i>
Administration & Finance	Administration & Finance	934,781	888,236	1,071,275	1,065,310	-5,964
	Assessing Department	6,346,438	7,103,484	7,199,877	7,192,684	-7,193
	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	216,851,225	10,643,117
	Human Resources	3,485,224	3,497,023	4,132,833	3,936,932	-195,901
	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	1,865,719	1,328,171	2,200,000	2,200,000	0
	<i>Total</i>	<i>227,829,609</i>	<i>240,714,717</i>	<i>256,130,021</i>	<i>266,454,486</i>	<i>10,324,465</i>
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	79,077,172	1,809,972
	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
	<i>Total</i>	<i>108,339,356</i>	<i>111,610,537</i>	<i>114,388,568</i>	<i>116,791,920</i>	<i>2,403,352</i>
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
	<i>Total</i>	<i>10,468,260</i>	<i>11,544,054</i>	<i>16,963,182</i>	<i>13,125,614</i>	<i>-3,837,567</i>
Information & Technology	Department of Innovation and Technology	30,614,392	32,046,766	28,523,574	28,891,966	368,392
	<i>Total</i>	<i>30,614,392</i>	<i>32,046,766</i>	<i>28,523,574</i>	<i>28,891,966</i>	<i>368,392</i>
Public Safety	Emergency Management	464,649	650,930	637,722	637,209	-512
	Fire Department	211,234,480	216,917,856	220,990,371	232,186,186	11,195,815
	Police Department	337,310,896	348,887,846	364,087,493	373,380,191	9,292,698
	<i>Total</i>	<i>549,010,025</i>	<i>566,456,632</i>	<i>585,715,585</i>	<i>606,203,587</i>	<i>20,488,001</i>
Streets	Central Fleet Management	2,672,445	2,148,719	2,590,424	2,707,429	117,005
	Office of Streets	1,360,423	1,649,755	1,973,144	1,962,521	-10,622
	Public Works Department	82,178,496	85,054,750	81,989,711	83,775,845	1,786,134
	Snow Removal	38,453,034	14,785,551	22,563,964	22,563,964	0
	Transportation Department	31,257,048	32,792,030	33,174,525	34,104,959	930,434
	<i>Total</i>	<i>155,921,446</i>	<i>136,430,805</i>	<i>142,291,767</i>	<i>145,114,718</i>	<i>2,822,951</i>
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
	<i>Total</i>	<i>6,368,453</i>	<i>6,610,435</i>	<i>6,829,647</i>	<i>6,826,877</i>	<i>-2,771</i>
	<i>Grand Total</i>	<i>2,181,247,529</i>	<i>2,249,020,183</i>	<i>2,311,499,589</i>	<i>2,374,563,040</i>	<i>63,063,451</i>

Table 3

Table 4

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 256.9 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 level assuming normal attrition and the hiring of a new class in the summer of 2017. 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 15 primarily due to the *BuildBPS* transfer of school construction responsibilities from Boston Public Schools to a new school unit at the Public Facilities Department. The Property Management Department is adding new security positions, which will be funded through 3rd party billing.

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 see a slight increase with the addition of a position to support Renew Boston Trust and a new preservation assistant to help reduce the wait times for Landmark Commission applications. 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 12 FTEs primarily due to targeted investments in the Public Health Commission's Emergency Medical Services (EMS) and Addiction Services program. 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. 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 capitally 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 7 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.

Personnel Summary

		1/1/15 FTE	1/1/16 FTE	1/1/17 FTE	1/1/18 Projected	Projected Inc/(Dec)
<i>Office of the Mayor</i>	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	44.0	-
	Public Information	19.6	-	-	-	-
	Women's Advancement	3.0	3.0	2.0	3.0	1.0
	<i>Total</i>	<i>126.2</i>	<i>111.6</i>	<i>117.0</i>	<i>118.0</i>	<i>1.0</i>
<i>Operations</i>	Intergovernmental Relations	10.0	10.0	8.0	9.0	1.0
	Property Management	203.0	181.0	130.0	133.0	3.0
	Public Facilities Department	-	-	55.0	66.0	11.0
	<i>Total</i>	<i>213.0</i>	<i>191.0</i>	<i>193.0</i>	<i>208.0</i>	<i>15.0</i>
<i>Civic Engagement</i>	Elderly Commission	57.0	56.0	53.0	50.0	(3.0)
	Neighborhood Services	26.0	43.0	44.0	48.0	4.0
	<i>Total</i>	<i>83.0</i>	<i>99.0</i>	<i>97.0</i>	<i>98.0</i>	<i>1.0</i>
<i>Arts & Culture</i>	Office of Arts & Culture	9.0	10.0	10.0	10.0	-
	Library Department	403.1	392.0	388.5	395.5	7.0
	<i>Total</i>	<i>412.1</i>	<i>402.0</i>	<i>398.5</i>	<i>405.5</i>	<i>7.0</i>
<i>Economic Development</i>	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	-
	<i>Total</i>	<i>43.3</i>	<i>41.6</i>	<i>42.5</i>	<i>42.5</i>	<i>-</i>
<i>Education</i>	School Department	8,788.9	8,746.0	8,781.6	8,911.7	130.1
	<i>Total</i>	<i>8,788.9</i>	<i>8,746.0</i>	<i>8,781.6</i>	<i>8,911.7</i>	<i>130.1</i>
<i>Environment, Energy & Open Space</i>	Environment	20.0	22.0	22.0	24.0	2.0
	Inspectional Services	214.0	227.0	224.0	224.0	-
	Parks and Recreation	193.0	201.0	221.0	221.0	-
	<i>Total</i>	<i>427.0</i>	<i>450.0</i>	<i>467.0</i>	<i>469.0</i>	<i>2.0</i>
<i>Administration & Finance</i>	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
	<i>Total</i>	<i>287.6</i>	<i>288.6</i>	<i>285.5</i>	<i>286.5</i>	<i>1.0</i>
<i>Health & Human Services</i>	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	837.4	10.0
	Boston VETS	13.0	11.0	15.0	15.0	-
	Youth Engagement & Employment	8.7	8.0	6.0	6.0	-
	<i>Total</i>	<i>1,171.5</i>	<i>1,165.2</i>	<i>1,228.7</i>	<i>1,240.7</i>	<i>12.0</i>
<i>Housing & Neighborhood Development</i>	Neighborhood Development	37.5	36.7	38.5	38.5	-
	<i>Total</i>	<i>37.5</i>	<i>36.7</i>	<i>38.5</i>	<i>38.5</i>	<i>-</i>
<i>Information & Technology</i>	Dept of Innovation & Technology (DoIT)	127.0	127.0	126.0	130.0	4.0
	<i>Total</i>	<i>127.0</i>	<i>127.0</i>	<i>126.0</i>	<i>130.0</i>	<i>4.0</i>
<i>Public Safety</i>	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	2,922.1	-
	<i>Total</i>	<i>4,528.7</i>	<i>4,455.7</i>	<i>4,500.7</i>	<i>4,577.5</i>	<i>76.8</i>
<i>Streets</i>	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	348.9	-
	<i>Total</i>	<i>762.9</i>	<i>741.9</i>	<i>739.9</i>	<i>746.9</i>	<i>7.0</i>
<i>Non-Mayoral</i>	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	-
	<i>Total</i>	<i>106.7</i>	<i>100.0</i>	<i>106.0</i>	<i>106.0</i>	<i>-</i>
	<i>Grand Total</i>	<i>17,115.4</i>	<i>16,956.3</i>	<i>17,121.9</i>	<i>17,378.8</i>	<i>256.9</i>

Table 5

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.

External Funds

	<i>FY16 Expenditure</i>	<i>FY17 Estimated</i>	<i>FY18 Estimated</i>
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	9,706,922
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	21,377,598
	298,676,630	326,168,140	304,901,438

Table 6

All Funds Budgets - FY18

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Mayor's Office	4,042,280	1,100,400	100,000	5,242,679
	Election Department	4,329,343			4,245,915
	Law Department	5,872,445	500,000		6,372,445
	Women's Advancement	233,614			225,519
	<i>Total</i>	<i>14,481,276</i>	<i>1,600,400</i>	<i>100,000</i>	<i>16,086,559</i>
Operations	Intergovernmental Relations	1,185,168			1,165,620
	Property Management Department	18,340,813		9,387,575	27,728,388
	Public Facilities Department	5,625,883			5,724,456
	<i>Total</i>	<i>25,151,864</i>	<i>0</i>	<i>9,387,575</i>	<i>34,618,464</i>
Civic Engagement	Elderly Commission	3,233,749	7,047,534		10,281,283
	Neighborhood Services	3,194,730	75,000		3,269,730
	<i>Total</i>	<i>6,428,479</i>	<i>7,122,534</i>	<i>0</i>	<i>13,551,013</i>
Arts & Culture	Office of Arts & Culture	1,349,436	1,748,423	1,700,000	4,797,859
	Library Department	34,501,738	8,843,340	13,768,352	57,113,429
	<i>Total</i>	<i>35,851,174</i>	<i>10,591,763</i>	<i>15,468,352</i>	<i>61,911,289</i>
Economic Development	Office of Economic Development	2,460,614	4,434,473		6,895,086
	Boston Planning and Development Agency			1,500,000	1,500,000
	Consumer Affairs & Licensing	1,177,027	52,000		1,229,027
	Office of Tourism	1,399,710	60,000		1,459,710
	<i>Total</i>	<i>4,916,283</i>	<i>4,546,473</i>	<i>1,500,000</i>	<i>11,083,823</i>
Education	Boston Public Schools	1,031,684,000	137,222,603	110,104,285	1,279,010,888
	<i>Total</i>	<i>1,031,684,000</i>	<i>137,222,603</i>	<i>110,104,285</i>	<i>1,279,010,888</i>
Environment, Energy & Open Space	Environment Department	2,232,944	1,311,754	1,673,100	5,217,798
	Inspectional Services Department	18,812,691	404,882	0	19,217,573
	Parks & Recreation Department	20,981,060	5,798,788	31,285,933	58,065,781
	<i>Total</i>	<i>42,026,695</i>	<i>7,515,424</i>	<i>32,959,033</i>	<i>82,501,152</i>
Administration & Finance	Administration & Finance	1,071,275			1,065,310
	Assessing Department	7,199,877			7,192,684
	Auditing Department	2,705,370		175,679	2,881,049
	Budget Management	3,199,976			3,404,758
	Execution of Courts	5,000,000			5,000,000
	Health Insurance	206,208,108			216,851,225
	Human Resources	4,132,833			3,936,932
	Medicare	10,000,000			11,000,000
	Office of Labor Relations	1,424,077			1,439,006
	Pensions & Annuities - City	5,289,000			4,100,000
	Pensions & Annuities - County	100,000			100,000
	Purchasing Division	1,832,370			1,775,366
	Registry Division	1,031,501			1,018,464
	Treasury Department	4,385,635			4,334,178
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	<i>Total</i>	<i>256,130,021</i>	<i>175,679</i>	<i>0</i>	<i>266,648,971</i>
Health & Human Services	Boston Center for Youth & Families	24,959,047	2,012,783	10,483,248	37,455,078
	Commission For Persons W/Disabilities	418,195			426,618
	Fair Housing & Equity	282,830	690,273		973,102
	Office of Immigrant Advancement	425,022	485,823		910,845
	Public Health Commission	77,267,200	41,717,478	1,016,115	120,000,793
	Boston VETS	4,677,730			4,708,453
	Youth Engagement & Employment	6,058,544	1,171,155		7,229,699
	<i>Total</i>	<i>114,088,568</i>	<i>46,077,511</i>	<i>11,499,363</i>	<i>171,704,588</i>
Housing & Neighborhood Development	Neighborhood Development	12,963,182	62,022,708	2,334,940	77,320,830
	<i>Total</i>	<i>12,963,182</i>	<i>62,022,708</i>	<i>2,334,940</i>	<i>77,320,830</i>
Information & Technology	Department of Innovation and Technology	28,523,574	860,000	19,056,812	48,440,386
	<i>Total</i>	<i>28,523,574</i>	<i>860,000</i>	<i>19,056,812</i>	<i>48,440,386</i>
Public Safety	Emergency Management	637,722	11,164,466	50,000	11,852,188
	Fire Department	220,990,371	4,345,705	10,120,290	235,456,366
	Police Department	356,341,193	9,706,922	18,684,860	384,732,975
	<i>Total</i>	<i>577,969,285</i>	<i>25,217,094</i>	<i>28,855,150</i>	<i>632,041,529</i>
Streets	Central Fleet Management	2,590,424			2,590,424
	Office of Streets	1,973,144			1,962,521
	Public Works Department	81,989,711	20,000	47,976,783	129,986,494
	Snow Removal	22,563,964			22,563,964
	Transportation Department	33,174,525	1,929,250	21,157,711	56,261,486
	<i>Total</i>	<i>142,291,767</i>	<i>1,949,250</i>	<i>69,734,494</i>	<i>213,364,889</i>
Non-Mayoral Departments	City Clerk	1,220,396			1,214,825
	City Council	5,340,777			5,340,777
	Finance Commission	268,475			271,275
	<i>Total</i>	<i>6,829,647</i>	<i>0</i>	<i>0</i>	<i>6,826,877</i>
	<i>Grand Total</i>	<i>2,374,563,040</i>	<i>304,901,438</i>	<i>300,400,004</i>	<i>2,915,111,258</i>

Table 7

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, Questica, SAP-Strategy Management and Microsoft Access were used for data management and analysis.

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

Revenue Estimates and Analysis

OVERVIEW

The FY18 Recommended Budget is supported by \$3.14 billion in total revenue, an increase of \$143 million, or 4.8%, from budgeted FY17 total revenue. The FY18 Recommended Budget includes \$3.1 billion in recurring revenue and \$40.0 million in non-recurring revenue.

Over the past decade, the City's revenue structure has shifted toward a growing reliance on property tax. Property tax, excise taxes, and license and permit revenue lead local revenue growth and are driven by an expanding economy. Ninety-three percent of tax revenue growth is from locally derived sources such as property tax and other local revenue. Thus while the City is projected to experience robust property tax growth in FY18, that growth is offset by sluggish and unpredictable state revenue growth.

State revenue, the City's second largest revenue source, never recovered following the last recession. As Figure 1 illustrates, the share of net property tax has increased dramatically since FY08 as the share of state aid has steadily decreased.

In FY18, Boston's state revenue is still \$52.8 million, or 10.7%, lower than Boston's state aid in FY08. While Boston's spending on education has increased substantially, Boston's state education funding has not kept pace. The Chapter 70 education aid formula does not work for Boston, and thus Boston's Chapter 70 growing by 0.6% or \$1.3 million in the Governor's proposed budget, a stark contrast to the \$57.8 million more Boston expects to spend on education in FY18.

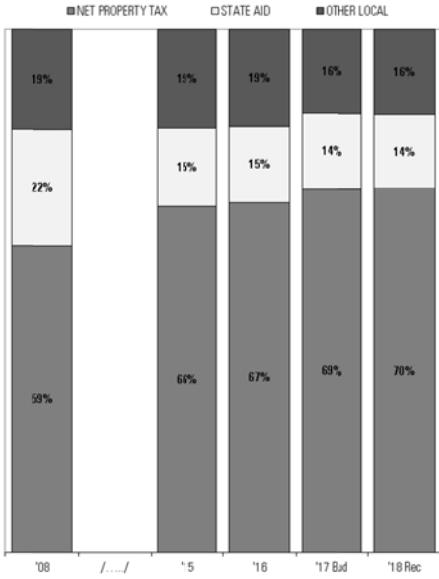
Additionally, while Boston's charter school assessment has risen by 155% since the enactment of the 2010 Achievement Gap Legislation, the State's statutory obligation to fund charter school reimbursement has not kept pace. As a result, the City of Boston is projected to lose \$25 million in the Governor's

FY18 budget, adding to the total lost revenue of \$48 million over three years (FY15 – FY17).

Mayor Walsh filed comprehensive education finance reform legislation that aims to invest equitably in public education and expand access to high-quality education for students of all ages.

Local receipts, which include revenues such as excises, fees, fines, and permits, are projected to grow at \$26.3 million (5.5%). Boston is projecting strong room occupancy and meals excise revenue as well as continued permit revenue growth from commercial and residential real estate development and increased revenue from parking fines. The FY18 Budget also includes \$2 million in new revenue as a result of the state legislation that passed in 2016 to create a per-ride assessment collected from transportation network companies (TNCs) such as Uber and Lyft.

With limited revenue tools, the City is expanding its efforts in FY18 to better maximize the available local revenue tools. In FY18, the Office of Budget Management will initiate revenue audits to verify the accuracy of information reported with certain fees. The City anticipates recovering \$2 million in additional revenue through these audits. This City will also work to maximize federal health insurance reimbursements.



Percentages may not add due to rounding

**Figure 1 - Categories of Recurring Revenue
FY08 & FY14-FY17**

This chapter begins with a review of national, state, and local economic trends that impact the Boston area economy and the City's revenue. That is followed by a discussion of recent state budget trends and development of the FY18 state budget. Following these sections is a discussion of the City's FY18 revenue estimates by major category including: the property tax levy -- the City's largest single revenue source, state aid, and local receipts. This is followed by a brief discussion of non-recurring revenue.

The National Economy

A city can control only so much of its economic condition in the near term. And a city's economic condition can positively or negatively affect its ability to raise revenue. As such, the state and national economies are of great importance to the City's well-being. The nation's economic recovery is gaining momentum from a deep recession that officially ended almost eight years ago in June 2009.

Since the recession, the U.S. economy has grown in fits and starts since June 2009 as evidenced by GDP growth. Accommodative monetary policy and extended unemployment insurance have back-stopped any slide back into recession. But recently, the housing sector has gained steam and other economic variables seem to be stabilizing and beginning to grow.

Overall economic value as measured by real Gross Domestic Product (GDP) has been positive, but growth has been relatively slow. For all but two of the thirty quarters after the recession's official end in the second quarter of 2009 through the fourth quarter of 2016, real GDP growth has been positive but only averaging 0.5%. The Federal Reserve reaffirmed estimates of moderate economic growth, with real GDP forecast to grow between 1.7% to 2.3% for the calendar year 2017 and 1.7% to 2.4% for 2018.

The seasonally adjusted unemployment rate in the U.S. has been steadily decreasing since the end of the recession. The unemployment rate was 4.7 percent in February, near its recent low. According to Federal Reserve estimates, the unemployment rate is expected to continue improving, falling to a range 4.4% to 4.7% in calendar year 2017 and to a range of 4.2% to 4.7% in 2018.

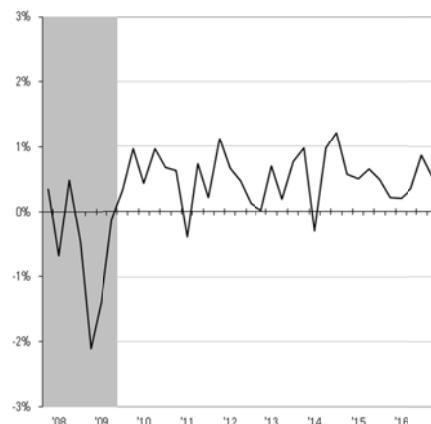


Figure 2 – Real Gross Domestic Product Growth (Chained 2009 dollars)
2007Q4-2016Q4 & NBER dated recession

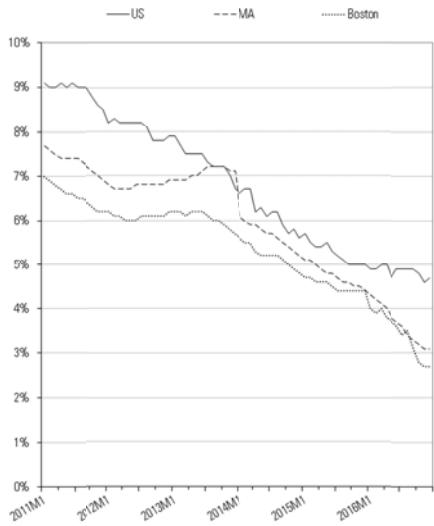


Figure 3 - Unemployment Rates
January 2011-December 2016 Seasonally Adjusted

Inflation has been below the Federal Reserve's target of 2%. The Federal Reserve projects that inflation will range from 1.7% to 2.1% in 2017 and range from 1.8% to 2.1% in 2018.

Despite the improvements in the labor market and the expectation that inflation would rise to its target of 2%, the Federal Reserve forecasts that economic conditions will evolve in a manner that will warrant only gradual increases to the federal funds rate. In December 2015, for the first time since 2008, the Federal Reserve increased the Federal Funds target rate by 0.25%, to a target range of 0.25% to 0.50%. The Federal Reserve increased the Federal Funds target rate in December 2016 by 0.25%, to a target range of 0.50% to 0.75% and again in March 2017 by 0.25%, to a target range of 0.75% to 1.0%. The Fed's benchmark rate, after these modest increases, is still quite low by historical standards.

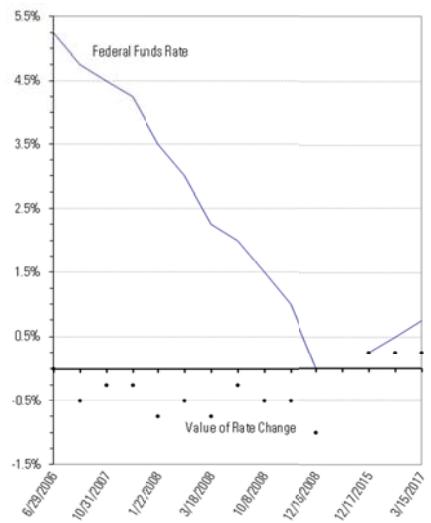


Figure 4 - Federal Funds Rate Changes
June 2006-March 2017

The State and City Economies

During the period of 2006 to 2015, Massachusetts' annualized growth rate of 1.3% in real Gross Domestic Product (GDP) by state ranked 13th out of all 50 states and DC, according to the Bureau of Economic Analysis (BEA). The state remains one of the richest in terms of its GDP per capita -- \$64,017 in 2015 – 4th in the nation and 128% of the national average.

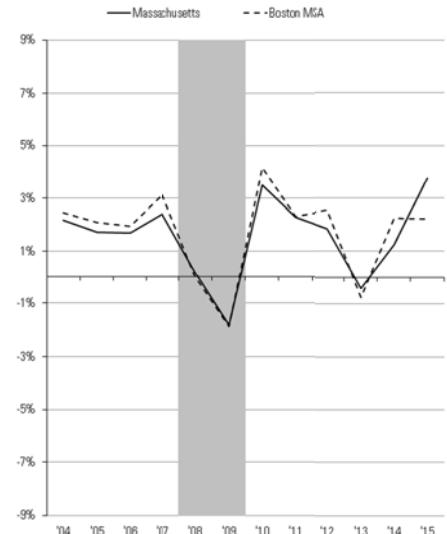


Figure 5 - Real Gross Product Growth
2004-2015

The unemployment rate had been decreasing for both the State and City. The rate in Massachusetts has since fallen to 3.1% as of

December 2016, which is still slightly higher than the 2.6% seen in the year 2000; however, this is due to growth in the labor force. The state and local economies have regained all jobs lost during the recent recessions and have reached peaks. The City of Boston's unemployment rate has steadily fallen to 2.7% as of December 2016.

Massachusetts wage and salary income in the fourth quarter of 2016 rose 4.3% over the same quarter 2016, continuing a trend of positive year-over-year quarterly growth rates since first quarter 2010. Earnings growth by industry grouping over the period of the last quarter in 2015 to 2016 was strongest in "Utilities" and "Durable Good and Manufacturing", while "Forestry, fishing, and related activities" and "State and Local" showed the weakest growth during the same period.

Massachusetts' seasonally adjusted total personal income rose 4.1% from 2015 to 2016, 12th out of the 50 states and DC in terms of growth and just above the national average of 3.5%.

(See *Boston's People & Economy* section of Volume I for more detail on Boston's population and labor force trends)

The Commonwealth Budget

State aid to the City represents its second largest single source of general fund revenue, although it has been declining as a share of recurring revenue. The State also provides many grants that support city programs and expenditures. Often, changes to law or policy recommendations that affect City expenditures and revenue generating capacity occur within or alongside budget language. As a result, the state budget is of great interest to the City.

Recent State Budget History

The State has faced several very difficult years of structural budget imbalance and is facing more difficult years ahead despite recent revenue increases. The State has made use of its stabilization or "rainy day" fund in addition to reductions in expenditures and increases in revenue to deal with its structural imbalance. At the close of FY08, the stabilization fund balance was approximately \$2.1 billion. The

State had drawn down the balance considerably by the close of FY10 to a low of about \$670 million before revenues began to increase again in FY11. The fund has since increased and stood at about \$1.29 billion at the close of FY16. The remaining balance at the end of FY17 is expected to be \$1.30 billion.

The FY18 State Budget

As the time of submitting Mayor Walsh's proposed FY18 Budget, the State is in the middle stage of development of its FY18 budget with only the Governor's budget having been submitted. The Governor's budget includes a modest increase in state aid 2.5%, or \$10.7 million. The Governor's budget (H.1) increased Unrestricted General Government Aid (UGGA) by 3.9%, or \$7 million. UGGA is the main driver in the increase in state aid in FY18, while Chapter 70 Education Aid only grew by 0.6%, or \$1.3 million and Charter School reimbursements grew by \$3 million, or 14%. While Boston's charter school assessment has risen by 155% since the enactment of the 2010 Achievement Gap Legislation, the State's statutory obligation to fund charter school reimbursement has not kept pace. As a result, the City of Boston lost \$48 million over three years (FY15 – FY17). Based on H.1, Boston is projected to lose another \$25 million in FY18. Without a change of course in how the state funds this critical local aid line item, the City of Boston will be left to make difficult budgetary decisions that will impact the quality of life for not only our residents but for the hundreds of thousands more who work and visit this City every day.

Given these challenges, Mayor Walsh is building on his commitment to Boston's students and proposed transformative education finance legislation to expand access to high-quality education for students of all ages. Mayor Walsh, partnering with Boston's State Legislators, proposed targeted state education finance reforms that will increase annual funding to Boston by \$35 million in its first year of implementation, and position Boston to receive \$150 million in additional annual Chapter 70 aid within a few years if the state identifies a new revenue source for investments in education. In concert with the Boston Public School Long-

Term Financial Plan, the additional revenue will allow for the continued expansion of investments necessary to support all of Boston's children. The package would unlock resources that would improve educational outcomes in Boston's district, charter, and non-profit settings. The proposals would:

- Grant charter schools access to the Massachusetts School Building Authority and relieve the State General Fund of the cost of charter facilities, creating additional capacity for state funding for charter transition costs;
- Streamline charter school transition funding in a way that limits state and City costs;
- Provide every Boston 4-year old with a high quality Pre-K seat;
- Increase districts' reimbursements for the highest-need and highest-cost students; and
- Make transformational education funding available for Boston if the State identifies a new education revenue source.

The following discussion details the three major local revenue streams to the City: Property Tax, State Aid, and Local Receipts. This is followed by a brief discussion of Non-recurring Revenue.

REVENUE ESTIMATES

The Property Tax

The property tax levy has always been the City's largest and most dependable source of revenue. In FY17 the net property tax levy (levy less a reserve for abatements) totals \$2.048 billion, providing 69.6% of recurring revenue. In FY18, the net property tax levy is estimated to total \$2.159 billion and accounts for 69.6% of budgeted recurring revenues.

Recently, property values in Boston have been increasing steadily. In FY16, property values increased by \$17.3 billion or 15.6%, and in FY17, property values increased by \$15.9 billion or 12.4% to \$143.9 billion. However, 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 the property values have

grown 44% since FY14, property tax revenue has only grown 17% due to proposition 2 ½.

While still maximizing the City's property tax revenue under Proposition 2 ½, Mayor Walsh expanded the residential exemption which lowered Boston homeowner's property tax in 2017. The change reduced the average property tax bill for single-family, owner occupied homes by \$299.

Proposition 2 ½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new construction. Finally, Proposition 2 ½ provides for local overrides of the levy limit and a local option to exclude certain debt from the limit by referendum. The City of Boston has never sought a vote to either override the levy limitations or exclude any debt from the limit. In each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown as the levy has grown, beginning in FY85 at \$8.4 million and reaching \$50 million in FY18.

During these same years, the levy has also been positively impacted by taxable new value or "new growth." New growth can arise from both real and personal property. Thanks to efforts to attract business development to Boston and grow its housing stock, Boston experienced unprecedented new growth property tax revenue in FY17, which is outside of Proposition 2 ½. Last year, the City saw construction projects in the Seaport District, the Longwood Medical Area and the New Balance headquarters in Brighton Landing enter the tax base. Residential development, which is linked to Mayor Walsh's housing production goals, accounted for 60 percent of the new growth. New growth is expected to be approximately \$50 million in FY18. Property tax growth from new growth has exceeded that from the allowable 2.5% increase in 21 of the last 34 years. However, as was evident during the last

recession – new growth revenue is volatile, and depends on the development cycle.

It is important for the financial health of the City that the property tax levy continues to grow, but efforts continue to reduce reliance on the property tax through increasing existing or establishing new local revenue sources as discussed in the previous section.

The percentage of the total tax levy being borne by residential taxpayers increased from 36.2% to 38.6% between FY09 and FY17. This shift is due to the larger increase in residential property values in the levy compared to commercial property values.

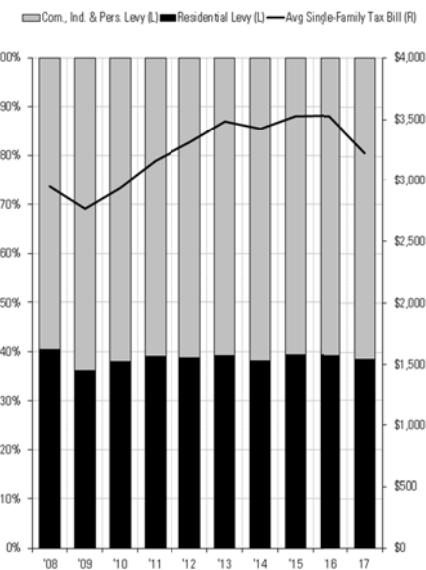


Figure 6 - Boston Property Tax Trends
FY08-FY17

Indicators of the property tax in the current economy are improving as well. Office vacancy rates, an indicator of commercial real estate value, are declining from their peak. According to the firm Colliers International, the City had a vacancy rate of 11.3% as of fourth quarter 2016. The median sales price, adjusted for inflation, for a single-family home in Boston increased by 1.5% per year between the fourth quarter 2006, \$421,450, and the fourth quarter of 2016 \$488,750, posting a 7.1% increase from the fourth quarter in 2015.

Any significant decline in property values can present a problem for cities as dependent on the property tax as Boston. As property values decreased in the early 1990's, and the City

continued each year to maximize the allowable levy increase under Proposition 2 ½, the levy rapidly approached the levy ceiling of 2.5% of total assessed value. Reaching the 2.5% ceiling would have further limited the City's capacity to increase the annual levy.

However, due to years of strong new growth increases, the City has some space between its FY17 net effective tax rate of 1.45% and the tax levy ceiling of 2.5%. If the real estate market were to depreciate, the City's lack of proximity to the 2.5% property tax rate threshold will insulate revenues from an immediate shock. However, if values were depressed long enough, future growth of the property tax would be impaired.

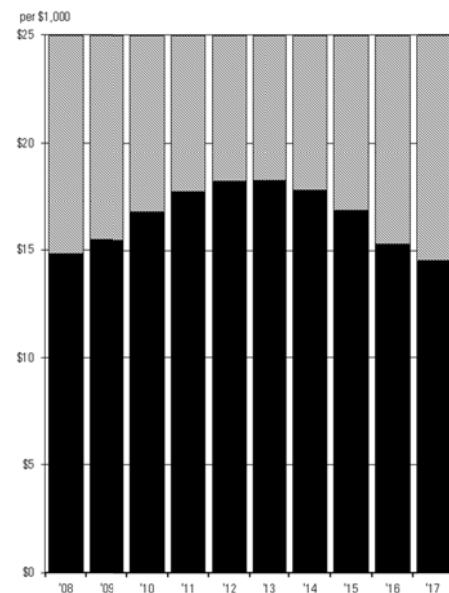


Figure 7 - Overall Property Tax Rate &
Space Below Levy Ceiling FY08-FY17

State Aid

State aid refers primarily to distributions from the Commonwealth to municipalities for Chapter 70 Education Aid, Unrestricted General Government Aid, Charter School Tuition Reimbursement along with other relatively small Commonwealth programs such as library aid and various reimbursements. State aid, as it is used here, excludes any grants to or offsets for direct expenditure by City departments. It also includes reimbursements from the Massachusetts School Building Authority (MSBA).

The City received general fund gross state aid totaling \$413.4 million in FY15 and \$421.6 million in FY16. The City expects to receive \$429.9 million in state aid in FY17 and has budgeted \$440.5 million in gross state aid in FY18, 2.5% over FY17.

"Municipal Charges", also known as, "State Assessments" are charged by the Commonwealth to municipalities for items such as Charter School Tuition Reimbursement and MBTA service. State aid distributions are reduced by the amount of assessments charged to a municipality. The City paid \$211.7 million in FY15 and \$230.6 million in FY16. The City expects to pay \$245.8 million in assessments in FY17 and is budgeting \$264.9 million in FY18. The largest assessments are those of the Charter School Tuition and MBTA. The former has rapidly increased since the enactment of the 2010 legislation that expanded the number of charter school seats.

Net state aid, which is gross state aid revenue minus state assessments, has been trending down steeply since FY02. The rapid annual increase in the Charter School Tuition Assessment, combined with reductions in education and general government aid, contributed to this trend. With a decrease in net state aid for FY18, Boston is \$189.4 million, or 52%, below its FY08 level of net state aid of \$365.1 million. This loss of resources has put extraordinary pressure on the property tax and other local revenue sources as well as levels of expenditures. To mitigate some of this loss, the state expanded local option taxing authority and created savings opportunities, but their combined value does not offset the aggregate losses in net state aid.

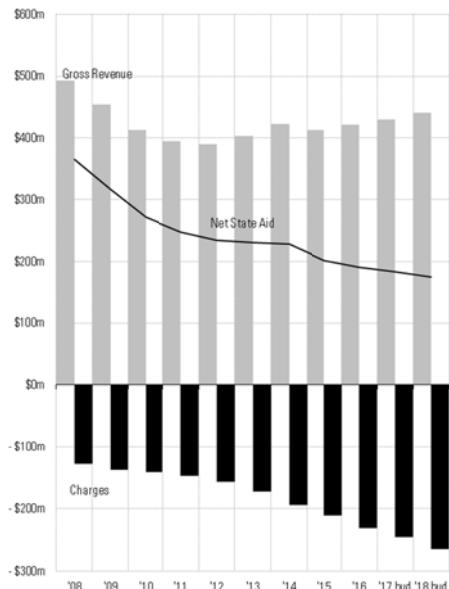


Figure 8 – Net State Aid

FY08-FY18

Net state aid amounted to \$201.8 million in FY15 and \$191.0 million in FY16. FY17 budgeted net state aid totals \$184.1 million and the FY18 Budget assumes a reduction to \$175.7 million.

Education Aid

In 1993, the Commonwealth began an effort to increase and equalize funding for local education. The Chapter 70 formula derived from that effort establishes a foundation budget, or a minimum level of education spending in each school district, which the state and district then share the cost of funding. The Chapter 70 Education Aid formula does not work for Boston. Despite the Commonwealth adding over \$994 million to Chapter 70 Aid since FY08, in FY18 Boston's Chapter 70 Aid is only \$1.6 million higher than it was in FY08. The City received Chapter 70 education aid totaling \$211.0 million in FY15 and \$212.6 million in FY16. The City expects to receive \$216.1 million from the state in FY17 and \$217.4 million in FY18, a 0.6% increase from FY17.

Boston's Charter School Tuition Assessment is projected to increase by \$17.5 million, or 11.2%, over the FY17 budget, as 10,599 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 2011 and 2018).

Unfortunately the Commonwealth has not fulfilled its obligation under the 2010 law to fund Charter School Tuition Reimbursement, totaling a projected \$73 million in lost revenue for Boston in FY15 and FY18.

In the 2010 law, when tuition payments increase for a given school district over the prior year, the state reimburses that district for 100% of the increased cost in the first year (when the formula is fully-funded). The state then reimburses 25% of this first year increase amount for each of the subsequent five years. Cities and towns are also reimbursed for the portion of the charter school assessment related to facilities. Because the Commonwealth has underfunded the appropriation, the Commonwealth has only funded a portion of the first year costs, and cities and towns have not been reimbursed for the subsequent five years.

The net cost of charter schools to the City has been increasing rapidly: in FY15 the cost was \$104.6 million and in FY16, \$120.3 million. In FY17 the City has budgeted a \$136.2 million net impact, and in FY17, \$150.7 million. The net cost has grown more rapidly since the Commonwealth stopped fully funding the charter school reimbursement which is meant to ease transition costs.

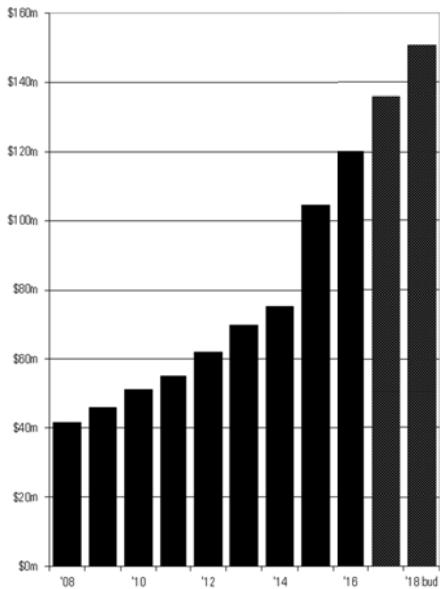


Figure 9 – Net Charter School Costs
FY08-FY18

Unrestricted General Government Aid (UGGA)

For the FY10 budget and going forward, the Governor and the Legislature combined general government aid from Additional Assistance and Lottery into one account - UGGA. Revenue derived from the State's lottery now accounts for nearly all funds dispersed through UGGA. The current distribution of UGGA is a weighted average of both Lottery and Additional Assistance distributions of the past.

For Boston, the combined accounts totaled \$168.6 million in FY15 and \$174.7 million in FY16. In FY17, the City will receive \$182.2 million and has budgeted for an increase to \$189.3 million for FY18, which is included in the Governor's FY18 Budget.

Local Receipts

The City annually collects a significant amount of recurring revenues other than Property Tax or State Aid. In sum, the City collected \$527.7 million in FY15 and \$536.4 million in FY16 from these sources. The City expects to exceed the mid-year budget estimate of \$474.3 million in FY17 and collect \$500.6 million in FY18 (Figure 10).

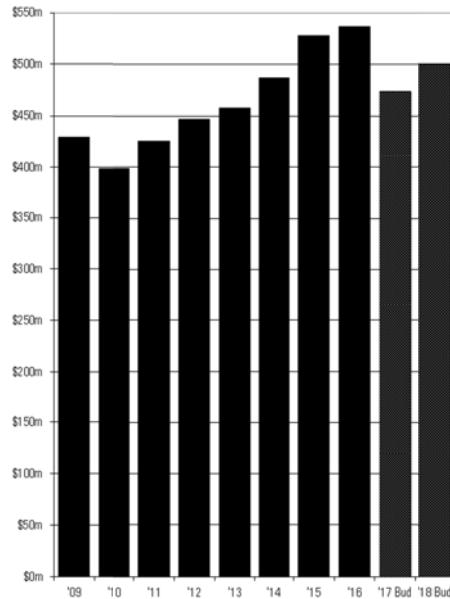


Figure 10 – Recurring Local Receipts
FY09-FY18, FY12 forward includes all hotel tax (non property tax/state aid)

Revenue from excise taxes, payments-in-lieu-of-taxes, licenses and permits, fees and fines, investment income and available funds are part

of this local receipts group. Forecasts of these revenue types are done by detailed econometric modeling or trending historical collections, depending on the specific revenue source and the availability of other data.

Excise Taxes

The Commonwealth imposes an excise in-lieu of property tax on motor vehicles, the proceeds of which are received by the municipality where the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutorily-defined depreciation schedule based on the manufacturer's list price and the year of manufacture.

Motor vehicle excise revenue totaled \$53.0 million in FY14, \$53.0 million in FY15 and \$67.6 million in FY16. The City budgeted \$53.0 million in FY17 and FY18 for motor vehicle excise revenue. Since the excise tax lags the sale of the vehicle, this revenue estimate is generated based on state projections of current year tax collections on motor vehicle sales in the Commonwealth.

The Commonwealth granted municipalities a new local option tax on restaurant meals beginning October 1, 2009. The City adopted this tax and collected \$25.9 million in FY15 and \$28.0 million in FY16. The City budgeted \$26.0 million in FY17 and FY18 for meals excise revenue. This revenue is estimated using the income of area residents, employment numbers for local restaurants, expected local room occupancy excise revenues (a driver of restaurant meals), and historical trends.

The local room occupancy excise amounts to 6.0% of the total amount of rent for each hotel or motel room occupied. This rate was increased in the fall of 2009 from 4.0%, along with the enactment of the new meals tax. Another 5.7% excise tax is directed to the state general fund and another 2.75% fee to the state's convention center fund, for a total tax from all sources on hotel rooms in the City of 14.45%. Room occupancy excise revenue to the City totaled \$83.5 million in FY15 and \$89.1 million in FY16. The City expects to exceed the \$80.0 million budgeted in FY17 due to very

strong hotel bookings. The FY18 budget estimates an increase to \$84.0 million.

Room occupancy excise receipts are estimated based on air travel statistics from Logan International Airport, leisure and hospitality employment numbers, and the consumer price index for recreation for Boston.

The vehicle rental surcharge is a revenue-sharing arrangement with the Commonwealth. Under this arrangement, all vehicle rental contracts originating in the City are subject to a \$10 surcharge. The City receives \$1 of this surcharge. The City received \$300,000 in FY15 and \$1.6 million in FY16. In FY17, the City expects to exceed the budgeted \$1.3 million and the FY18 budget assumes an increase to \$1.5 million.

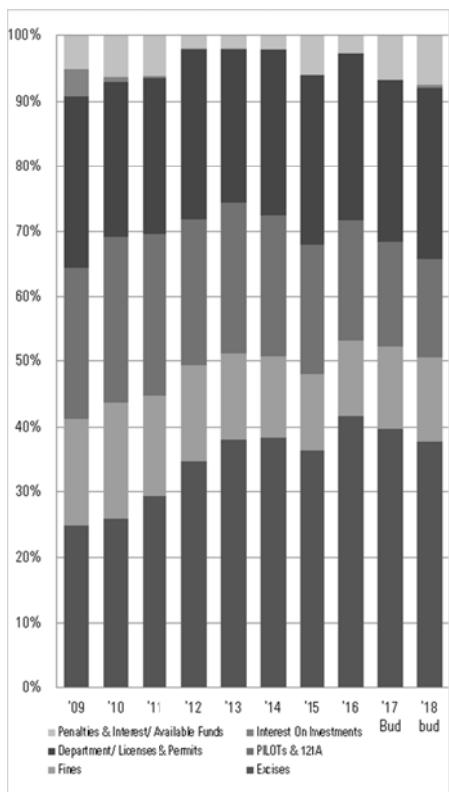


Figure 11 – Recurring Local Receipts
FY09-FY18 Non property tax/state aid

The excise on the sale of jet fuel is 5% of the average sales price of the previous quarter, but not less than five cents per gallon. Increases in fuel prices lead to increased jet fuel excise revenue. Jet fuel prices have decreased sharply from their peak in FY12. Jet fuel excise revenue totaled \$29.7 million in FY15 and \$36.8 million in FY16 due to a late payment from FY15. The

City budgeted \$27.7 million in FY17 and the FY18 budget estimates a decrease to \$22.0 million as low fuel prices are expected to continue. Estimates incorporate fuel price forecasts from the Energy Information Administration (EIA) and air traffic volume from Logan International Airport.

In August 2016, Governor Charlie Baker signed bipartisan legislation creating a statewide regulatory framework for transportation network companies (TNCs). In addition to creating regulations for the industry, the law creates a \$0.20 per-ride assessment collected from TNCs that by statute shall not be charged to a rider or driver and sunsets after ten years. The City of Boston will receive half of the per-ride assessment, or \$0.10, for each ride originating in Boston. The FY18 budget estimates \$2 million in new revenue from the per ride assessment.

Parking Fines

In FY16, the City issued over 1.3 million parking tickets and has maintained a 92% rate of collection on those tickets. The major factors contributing to the City's successful collection rate include non-renewal of violator's registration and license by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City also contracts with a third-party vendor to collect delinquent fines from out of state vehicles and other hard to reach offenders.

The City collected parking fine revenue of \$57.1 million in FY15 and \$57.8 in FY16. Parking fine revenue is expected to exceed the \$57.0 million budgeted in FY17 and reach \$61.3 million in FY18.

Interest on Investments

In general, the City's level of investment income is a function of prevailing short-term interest rates and daily cash balances. Since 2007, interest rates have been reduced in an effort to stimulate the economy. Given the very low interest earnings potential of recent years, the Treasury department had instead engaged in a compensating balance approach with banks,

having fees paid through depositing minimum balances. Investment income totaled \$61 thousand in FY15 and \$184.3 thousand in FY16. The City projects interest income will exceed the \$200 thousand budgeted in FY17.

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 adding fees to the cost of point of sale transactions, revenue from Interest on Investments is estimated to increase to \$2 million.

Payments in Lieu of Taxes

Payments in Lieu of Taxes (PILOTs) are payments made by property tax-exempt institutions located in the City, including hospitals, universities, and cultural institutions. These are voluntary contributions for municipal services such as police and fire protection, street cleaning, and snow removal.

Growth in PILOT revenue comes from new agreements, escalations that adjust the payments for inflation, and re-negotiation or expansion of current agreements. The Massachusetts Port Authority (MassPort) currently provides over 40% of the PILOT revenue the City receives annually.

In April 2010, a Mayoral appointed task force released a report suggesting more standardization of PILOT agreements. Specifically, each agreement should represent, in cash or in-kind, 25% of the amount of tax that would be due if properties were not tax exempt. This type of change would generate more revenue than what is currently collected while providing some equity across paying institutions. New agreements under this framework were adopted in FY12 and that year includes the first installment of a five-year phase-in period to the new amounts. FY17 is the first year after that phase-in period.

Payments in lieu of taxes totaled \$49.4 million in FY15 and \$51.2 million in FY16. The City expects this revenue source to exceed the \$44.5 million budgeted for FY17 and estimates \$45.0 million in FY18.

Urban Redevelopment Chapter 121A

Massachusetts General Law (MGL), Chapter 121A allows local governments to suspend the imposition of property taxes at their normal rates in order to encourage redevelopment. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise (Chapter 121A, section 10) is collected in-lieu-of-corporate income tax for which the Commonwealth acts as the collector and distributes the proceeds to municipalities. In most cases, the formula for the 121A, section 10 excise in-lieu-of-tax is \$10 per \$1,000 of the current cash value of property plus 5% of gross income. In FY15 and FY16, the City received Chapter 121A, section 10 distributions of \$26.2 million and \$10.4 million, respectively. Chapter 121A section 10 revenues are budgeted at \$10.5 million in FY17 and FY18. The decreases in this line in recent years is a result of the expiration of several Chapter 121A section 10 agreements and the properties transitioning back to regular property taxes. They contribute to the new growth portion of the property tax levy.

In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual agreements with the City that result in additional payments made directly to the City. These "Section 6A" agreements are complex, with actual amounts owed dependent on a formula that varies widely. The City collected Section 6A payments of \$26.3 million in FY15 and \$29.7 million in FY16. The City expects Section 6A collections to reach \$15 million in both FY17 and FY18.

Miscellaneous Department Revenue

With such limited revenue tools, the City is launching an initiative in the FY18 budget to better maximize the local revenue tools. The FY18 budget includes an additional \$9.7 million identified in departmental revenues. In FY18, the Office of Budget Management will initiate revenue audits to verify the accuracy of information reported with certain fees. The City anticipates recovering \$2 million in revenue through these audits. This City will also work to maximize federal health insurance

reimbursements and address past due bills to recover revenue.

The largest revenue source in this category is Municipal Medicaid reimbursements for school health services. This federal reimbursement, administered by the State, began in FY94. The City received \$7.1 million in FY15 and \$8.2 million in FY16. Municipal Medicaid reimbursement is expected to reach budget of \$7 million in FY17 and increase to \$7.25 million in FY18.

Licenses and Permits

This category is dominated by building permit revenue, from which the City received \$51.7 million and \$52.3 million in FY15 and FY16 respectively. Building permit revenue is expected to exceed the \$42.7 million budgeted in FY17, and is projected to increase to \$45.0 million in FY18. This estimate is a conservative estimate based on historical trends and analysis on real estate market and investment trends.

The next largest license and permit revenue is the cable television license fee from which the City received \$8.1 million in FY15 and \$7.1 million in FY16. The City has budgeted \$6.5 million in FY17 and FY18.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds \$4 million in annual revenue. Alcoholic beverage licenses are budgeted at \$4.2 million FY17 and \$4.5 million in FY18.

Penalties and Interest

Taxpayers are assessed both a penalty and interest for late payments of property tax bills, motor vehicle excise bills and other payments. The City collected \$13.1 million in such penalties and interest in FY15 and \$14.5 million in FY16. Actual penalty and interest collections for FY17 will exceed the budget of \$8.5 million and are projected to be \$14.5 million in FY18.

Available Funds

Most of the City's general fund budget is supported by the revenues that are estimated to come in during the course of the fiscal year, including property tax, excises, state aid, and the various other categories of revenues described above. Available funds are linked to a separate category of expenditure appropriation

- those supported by immediately available fund transfers.

The only two significant available funds that the City generally budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which are used to support the City's maintenance of its public cemeteries. Both special funds have fees collected during the course of the year. By transferring out less than what is collected over the years, the City has built up the balances in these funds. Trust fund balances, such as the cemetery trust, also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments.

The City transferred \$19.0 million from the parking meter fund to the general fund in FY15 and did not transfer any funds in FY16. The City expects to transfer \$22.5 million from the parking meter fund to the general fund in FY17 and FY18. The City also plans to transfer \$950,000 from the cemetery trust fund to the General Fund in FY17 and in FY18.

(See *Financial Management* section of Volume I for detail)

Non-Recurring Revenue

Surplus Property

The surplus property disposition fund contains the proceeds from the sale of various City land or buildings. The use of these funds is usually restricted to one-time expenditures. The FY17 budget included a one-time transfer of \$4 million from the surplus property disposition fund to the Boston Housing Authority. No funds are included in the FY18 Budget from this revenue source.

Budgetary Fund Balance

Budgetary Fund Balance can be appropriated for use during the fiscal year after certification by the DOR. Budgetary Fund Balance is more commonly referred to as "Free Cash" when used this way. This item is most simply 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 FY15 and FY16 budget did not use any fund balance, instead using recurring revenue to support the appropriation for Other Post-employment Benefits (OPEB), the liability associated with retiree health insurance costs. The FY17 and FY18 budget assume the use of \$40.0 million to support OPEB.

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

Revenue Summary

	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Approp</i>	<i>FY18 Recom</i>
<i>PROPERTY TAX</i>	1,875,145,255	1,963,090,945	2,086,675,511	2,189,017,912
<i>OVERLAY RESERVE</i>	-35,866,506	-38,045,747	-38,739,551	-30,361,194
<i>Subtotal</i>	1,839,278,749	1,925,045,198	2,047,935,960	2,158,656,718
<i>EXCISES</i>				
Motor Vehicle Excise	52,922,322	67,646,832	53,000,000	53,000,000
40129 Room Occupancy Excise	83,451,278	89,102,297	80,000,000	84,000,000
40130 Aircraft Fuel Excise	29,707,187	36,806,170	27,680,122	22,000,000
40140 Condominium Conversion Excise	352,000	646,000	350,000	500,000
40601 Meals Excise Tax	25,870,183	27,967,166	26,000,000	26,000,000
41122 TNC Assessment	--	--	--	2,000,000
41113 Vehicle Rental Surcharge	251,532	1,617,402	1,250,000	1,500,000
Boat Excise	65,885	38,923	40,000	40,000
<i>Subtotal</i>	192,620,387	223,824,790	188,320,122	189,040,000
<i>FINES</i>				
Total Parking Fines	57,126,503	57,763,621	57,000,000	61,295,000
45104 Code Enforcement - Trash	1,033,300	1,220,564	700,000	1,000,000
Other Fines	2,494,265	2,067,425	2,010,000	1,555,751
<i>Subtotal</i>	60,654,068	61,051,610	59,710,000	63,850,751
<i>47151 Interest On Investments</i>	60,998	184,305	200,000	2,000,000
40167 PILOTs	29,140,414	31,265,462	25,000,000	25,635,603
40168 Other PILOTs	1,183,162	1,104,965	500,000	500,000
40169 Massport/DOT	19,089,784	18,829,960	18,970,031	18,865,411
<i>Subtotal</i>	49,413,360	51,200,387	44,470,031	45,001,014
<i>URBAN REDEVELOPMENT CHAPTER 121A</i>				
121B Section 16	3,148,808	8,005,061	6,000,000	6,000,000
121A Section 6A	26,268,387	29,685,848	15,000,000	15,000,000
41013 Chapter 121A Section 10	26,197,951	10,421,981	10,500,000	10,500,000
<i>Subtotal</i>	55,615,146	48,112,890	31,500,000	31,500,000
<i>MISC DEPARTMENT REVENUE</i>				
43105 Registry Division Fees	1,578,952	1,528,751	1,500,000	1,525,000
43109 Liens	633,775	680,675	625,000	625,000
43120 City Clerk Fees	599,856	636,147	600,000	605,000
43137 Municipal Medicaid Reimbursement	7,132,251	8,171,549	7,000,000	7,250,000
43138 Medicare Part D	5,181,890	5,111,138	4,000,000	4,300,000
43202 Police Services	325,588	416,086	400,000	500,000
43211 Fire Services	5,695,540	5,649,952	6,500,000	6,500,000
43301 Parking Facilities	1,536,557	1,284,656	1,000,000	1,900,000
43311 PWD - Street Occupancy.	5,223,407	5,500,190	4,850,000	8,500,000
43425 St. Furniture Prgm Fixed Fees	1,500,000	1,500,000	1,500,000	1,500,000
43426 St. Furniture Prgm Ad. Fees	1,170,575	1,492,392	1,100,000	1,100,000
43796 DOIT E-Rate	--	--	--	1,163,520
43797 Fiber Optic Access Fees	249,640	318,296	300,000	300,000
44002 Tuition & Transportation	859,818	1,272,879	1,000,000	1,318,678
47119 Affirmative Recovery Unit	542,143	393,348	400,000	400,000
47121 Revenue Recovery	--	--	--	2,000,000
47131 Pensions & Annuities	7,369,951	4,385,556	4,385,556	4,570,000
47132 Indirect Costs Reimbursement	528,608	661,500	525,000	660,000
47133 3rd Party Fringe	--	--	--	471,462
48000 Detail Admin Fee	3,227,308	4,640,055	3,000,000	4,600,000
Other Misc Department Revenue	21,372,874	19,446,293	17,014,749	15,581,244
<i>Subtotal</i>	64,728,733	63,089,463	55,700,305	65,369,904

Table 1

Revenue Summary

	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Approp</i>	<i>FY18 Recom</i>
LICENSES & PERMITS				
40211 Building Permits	51,741,661	52,285,385	42,746,300	45,000,000
40213 Weights & Measures	288,500	288,766	285,000	288,500
40215 BTD - Street & Sidewlk Permits	3,057,166	4,033,548	3,100,000	3,500,000
40221 Health Inspections	1,768,864	1,811,191	1,700,000	1,800,000
40222 Alcoholic Beverage Licenses	4,133,952	4,337,107	4,200,000	4,449,463
40224 Entertainment Licenses	1,835,274	1,842,754	1,900,000	1,700,000
40229 Other Business Lic. & Permits	1,375	171,810	170,000	170,000
40235 Cable Television	8,109,980	7,132,311	6,500,000	6,500,000
Other Licenses & Permits	1,599,234	2,539,503	1,840,000	2,525,000
<i>Subtotal</i>	72,536,006	74,442,375	62,441,300	65,932,963
PENALTIES & INTEREST				
40133 Pen & Int - Property Tax	5,533,035	6,012,167	3,000,000	5,400,000
40134 Pen & Int - MV Excise	3,171,835	3,162,688	2,500,000	2,800,000
40136 Pen & Int - Tax Title	4,373,260	5,303,407	3,000,000	6,250,000
Other Penalties & Interest	3,964	221	5,000	5,000
<i>Subtotal</i>	13,082,094	14,478,483	8,505,000	14,455,000
AVAILABLE FUNDS				
42502 Approp. Cemetery Trust Fund	--	--	950,000	950,000
42503 Approp. Parking Meters	19,000,000	--	22,500,000	22,500,000
<i>Subtotal</i>	19,000,000	0	23,450,000	23,450,000
STATE AID				
41015 State Owned Land	294,886	294,886	291,377	291,377
41104 Exemptions - Elderly	1,069,468	386,038	1,040,644	769,716
41114 Veterans Benefits	2,765,369	3,410,101	2,546,909	2,108,090
41118 Unrestricted General Government Aid	168,584,213	174,653,245	182,163,335	189,267,705
41119 Local Share Of Racing Taxes	373,076	376,473	293,300	314,391
41301 School Construction	8,175,513	7,344,337	6,720,152	6,720,147
41305 Charter Tuition Asses. Reimb.	21,176,214	22,514,613	20,670,575	23,643,118
41306 Chapter 70 Education Aid	210,991,435	212,596,335	216,128,435	217,420,475
<i>Subtotal</i>	413,430,174	421,576,028	429,854,727	440,535,019
RECURRING REVENUE TOTAL	2,780,419,715	2,883,005,529	2,952,087,445	3,099,791,369
NON-RECURRING REVENUE				
42501 Approp. Surplus Property Fund	--	--	4,000,000	0
42504 Approp. Fund Balance	--	--	40,000,000	40,000,000
TOTAL REVENUE	2,780,419,715	2,883,005,529	2,996,087,445	3,139,791,369

Education

OVERVIEW

The City of Boston is investing in its students to invest in its future. Education comprises 40% of the FY18 budget with a projected \$1.081 billion to support Boston Public Schools and \$174.3 million to support approximately 10,600 Boston students in charter schools. Education also comprises 40% of the growth in the budget, with an increase of \$57.8 million (4.8%) over FY17. This increase is in spite of a projected increase of just \$1 million in Chapter 70 Education Aid and a charter reimbursement that is projected to be underfunded by \$25 million by the state. Over the last 4 years, Boston has increased its annual spending on education by \$207 million despite a reduction in education funding from the state.

This spring, the School Committee approved a \$1.061 billion budget for the Boston Public Schools. With a \$1.061 billion appropriation and \$20 million reserved for collective bargaining, this marks the largest Boston Public Schools budget in history. With this investment, Mayor Walsh has increased funding for the Boston Public Schools' annual budget by \$143 million, and BPS staff levels will have increased by approximately 250 since he took office. Funding directed to schools will increase by almost 4% in FY18, even before the largest driver of BPS costs, employee collective bargaining increases, are negotiated, a \$25 million increase over FY17.

BPS Budget Summary

	FY17 Approp	FY18 Recom	\$ Change
Direct School Expenses	\$667M	\$692M	\$25M
School Services Budgeted Centrally	\$300M	\$308M	\$8M
Central Administration	\$65M	\$62M	-\$3M
<i>Total BPS Appropriation</i>	<i>\$1.03B</i>	<i>\$1.06B</i>	<i>\$29M</i>
BPS Collective Bargaining Reserve	\$9M	\$20M	\$11M
<i>Projected Total Budget</i>	<i>\$1.04B</i>	<i>\$1.08B</i>	<i>\$40M</i>

Table 1

In FY18, Boston Public Schools is proposing to make important research-backed investments to close the opportunity and achievement gap. Boston is investing \$14 million more 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. In addition, by strengthening BPS's commitment to Excellence For All, more students in 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.

BPS will also be providing lower performing schools with a wide-range of differentiated supports, which total over \$16 million. This includes a new \$1.25 million reserve focused on supporting low level 3, 4 and 5 schools with declining enrollment.

Stemming out progress in the District's Long-Term Financial Planning project, the FY18 budget also includes several central office and transportation efficiencies. Efforts to tighten budget management and identify efficiencies, along with Mayor Walsh's commitment to education funding, make possible \$20 million in new BPS investments. While the School Committee approved a balanced budget for FY18, the District still has underlying challenges that require structural changes to allow Boston to continue to effectively invest in its students in future years.

LONG TERM FINANCIAL PLAN

In the Fall of 2015, representatives from BPS, the City of Boston, Boston School Committee, Boston Teachers Union, parent groups and community organizations began a yearlong effort that culminated with the release of the first report in the BPS Long Term Financial Planning effort in November 2016.

The plan aims to unlock resources for future investment, as the District's costs are outpacing future revenue growth. The plan describes five main drivers that contribute BPS's yearly fiscal challenges: transportation, district footprint, salaries and benefits, student need, and federal and state revenue. To address these issues, ten big ideas were outlined within the report. The ideas include ways to decrease costs as well as increase revenue.

- Reduce long-distance BPS transportation by adjusting student assignment policies
- Adopt State-Mandated Transportation-Eligibility Distances
- Maximize Efficiencies in Transportation
- Reconfigure the District's Footprint
- Examine Teacher Wages and School Day Length
- Advocate for legislative changes related to teachers in Suitable Professional Capacity roles
- Ensure Special Education Identification and Administration Support Students Appropriately
- Streamline Central Office
- Advocate to Realign State Education Formulas
- Advocate to Give Boston More Flexibility to Modify its Revenue Structure

BPS and the City have already commenced implementation of operational efficiencies and advocacy for state education formula changes based on the findings outlined in the Long Term Financial Plan report. These will be highlighted later in the chapter. The District continues to engage with the community and conduct additional analysis on the other ideas under discussion, which have broader policy implications. No significant potential policy changes outlined in the first Long Term report are in the FY18 proposal.

BPS Spending Pressures

The current administration at BPS inherited an expensive cost structure built up over several decades. As mentioned previously, four of the five main drivers that contribute to yearly

budgetary challenges at BPS are cost related. BPS spends 45% more per pupil than comparable districts. This amounts to about \$6,400 more per pupil than comparison districts after adjusting for Boston's higher cost of living. This cost can be directly linked to the following occurrences:

- BPS spends more per pupil on transportation than nearly all of the 200 largest districts in the country - an amount nearly five times more than the average.
- Boston spends 3.1 times more on transportation costs per Special Education student than comparison districts. BPS has seen an increased number of students assigned to door-to-door pick-up versus corner bus stop pick-up.
- Due to the size of Boston's school buildings, BPS' elementary schools are 140 students smaller and secondary schools are 220 students smaller than peer districts. This causes BPS to spend 35% more per-pupil on school-based administration services.
- 20% of BPS students receive special education services compared to the national average of 13%. BPS spends nearly one fourth of its budget on special education, which is 53% greater than the comparison average.
- BPS also pays teachers more than comparison districts on average (adjusted for cost of living). BPS total compensation is 29% higher than the comparison average, and the average teacher salary is over \$90,000 even before healthcare and pension costs.

Not only is BPS spending a large portion of its budget in areas such as transportation and special education, but these areas also see the fastest rate of cost growth. Curbing costs where the district benchmarks unfavorably to other districts without negatively impacting service delivery would allow the District to invest more heavily in other areas.

Net State Education Revenue

The Long-Term Financial Plan also identified that stagnant state education revenue,

combined with the City's steeply growing charter school assessments, will continue to contribute to the district's fiscal challenges. Over the past ten years, Boston's net education aid has dramatically declined, while education costs have rapidly climbed. While Boston is projected to spend \$206.7 million more on education in FY18 than it did when Mayor Walsh took office, Boston's two major state education revenue sources have declined by \$3.8 million since that time.

Chapter 70 Education Aid, the City's main source of state education aid, does not work for Boston. Despite the Commonwealth adding over \$994 million to its Statewide Chapter 70 appropriation since FY08, Boston's Chapter 70 Aid has increased by just \$1.6 million during this period, or an average annual growth of 0.2%. Boston's Chapter 70 aid would grow by just 0.6% or \$1.3 million under the Governor's proposed budget, well short of the \$57.8 million more Boston expects to spend on education in FY18.

Charter school tuition reimbursement was an important part of the 2010 Achievement Gap law, meant to assist communities with the transition years' costs as their Commonwealth charter school costs increased. Effectively, the legislation doubled the City's charter school spending limit, while increasing the state's financial commitment to sharing in the associated increased costs. However, the state's charter school tuition reimbursement is subject to legislative appropriation, and has been underfunded between FY15 and FY17, leading Boston to lose a projected \$48 million in revenue from the state in these three years combined. Under the Governor's H.2 budget, Boston is projected to lose an additional \$25 million in FY18 due to underfunding of this appropriation by the Commonwealth. Charter School Reimbursement is a critical revenue source for Boston, which has seen its charter school tuition costs grow rapidly; Boston's charter school assessment has risen by \$106.1 million or 155% since the enactment of the 2010 Achievement Gap Legislation. In FY18, Boston's Charter School tuition makes up a greater percentage of the City's net school spending than any other community in the state.

Education Legislation

In light of the growing chasm between education costs and state revenue, Mayor Walsh filed comprehensive education finance reform legislation that aims to invest equitably in public education and expand access to high-quality education for students of all ages. In addition to the internal changes recommended to be explored at BPS, the Long-Term Financial Plan's 10 Big Ideas included a call to "Advocate to Realign State Education Formulas" and to "Advocate to Give Boston More Flexibility to Modify its Revenue Structure." Based on these findings, the Mayor has filed comprehensive education finance reform legislation that would increase annual available funding for Boston by about \$35 million for increased investment in education in its first year of implementation. The package would fix the broken charter school finance model, more fully fund the cost of the Commonwealth's highest need students, and redirect existing tax revenue produced in Boston back to its residents. In addition, if more state revenue becomes available for education, the Mayor's Chapter 70 Education Aid proposal would fundamentally change Boston's stagnant state education aid and provide an additional \$150 million per year to Boston students within several years.

To fix the broken Charter School Transition Funding Model, the Mayor's proposed legislation would relieve the State General Fund of the cost of charter facilities, creating additional capacity for state funding for charter transition costs. The proposal also streamlines charter school transition funding in a way that limits state and city costs by committing the Commonwealth's support for additional charter school seats by providing 3 years of transitional funding directly to the charter schools (100% of the tuition in year 1, 50% in year 2, and 25% in year 3, with the municipality responsible for the balance in Years 2 and 3 and thereafter). The legislation also addresses a flaw in the current charter assessment formula that directly penalizes communities that have had their charter reimbursement appropriations underfunded. Finally, it grants charter schools access to the Massachusetts School Building Authority.

To provide every Boston 4-year old with a high quality Pre-Kindergarten seat, the Mayor proposed legislation dedicating \$16.5 million to early education. The Universal Pre-Kindergarten Taskforce gained important insight into the supply and demand of pre-K seats in Boston. It found that Boston had solved the overall access challenge, but continued to face a significant shortage of quality seats. The taskforce estimates a 1,350 seat gap in Boston between the number of quality seats—roughly 4,000—and the current number of 4-year olds (5,350). Mayor Walsh is proposing to close the “quality gap” in pre-kindergarten seats in Boston by investing in programs at public schools and community based organizations with surplus revenue raised in Boston from the Convention Center Fund. The proposed legislation redirects the surplus amounts generated from two Convention Center Fund revenues that are produced exclusively in Boston, the Boston Sightseeing Surcharge and the Boston Vehicular Rental Transaction Surcharge.

Boston Public School students face more significant and more numerous disabilities than students in other districts. BPS's students in out of district educational programs cost an average of \$84,000 per pupil. Currently, the state reimburses districts for 75% of costs above 4 times the statewide average foundation per pupil rate, subject to appropriation. To increase districts' reimbursements for the highest-need and highest-cost students, the Mayor has proposed legislation that would change this threshold to 3 times the average pupil cost.

The Mayor has also proposed legislation to make transformational education funding available for Boston if the State identifies a new education revenue source. The proposal fixes the Chapter 70 Education Aid formula for communities like Boston that serve the Commonwealth's most economically disadvantaged students, are investing more in their students than is required, but are receiving stagnant education aid each year. If new state revenue is identified for education aid, the proposal caps the municipal revenue growth factor at 2 ½% for communities like Boston, and implements needed foundation budget updates for economically disadvantaged,

special education, and English Language Learning students. If adopted, Boston could fundamentally change its State Education Aid picture and invest an additional \$150 million per year in its students within the next several years.

Additionally, the City and BPS are advocating for restoration of funding for Kindergarten Expansion Grants that was cut in the FY17 state budget. This line item was a critical source of revenue assisting BPS in providing access to full day kindergarten to all five-year olds in Boston. This year, BPS had to divert funding to minimize the impact of this \$1.8 million cut on students, funding that could have been used to expand learning hours or K1 seats, and for many other purposes.

BPS OPERATING BUDGET

At a \$1.061 billion appropriation plus a \$20 million collective bargaining reserve, this marks the largest Boston Public Schools budget in history. The FY18 allocation makes targeted investments in programs that increase academic rigor and enrichment, pre-kindergarten, extended learning time, vocational programming, and resources for students experiencing homelessness.

Funding directed to schools will increase by almost 4%, even before the largest driver of BPS costs, employee collective bargaining increases, are negotiated. When taking into account total spending at schools, funding directed to schools is projected to increase at 96 schools, even with flat overall district enrollment. This includes additional funding for lengthening the school day at 39 schools, new homeless resources, weighted student funding (WSF) allocations, a projected allotment from the collective bargaining reserve, supports added to schools after WSF, and other new investments.

In addition to school budgets, schools receive significant support from services that are budgeted centrally. This includes items such as transportation, certain special education services, and facility maintenance. This portion of the budget will increase 2.5% to \$308 million. With these support funds added to funds budgeted at the school level, a full billion dollars is expected to be spent on school

services. This increase is driven primarily by transportation costs, which are expected to rise to \$116 million. While transportation costs have risen, BPS expects the \$10 million in transportation efficiencies identified for FY17 to be realized over two years.

As BPS looked to achieve efficiencies to fund strategic investments and approve a balanced budget, they were able to focus the majority of their savings initiatives on central office departments. Overall, the Central Administration budget will decrease by 5.5% to \$62 million. The FY18 budget assumes reductions to central office budgets in areas such as stipends, travel, and food, making way for strategic investments such as extended learning time.

To close opportunity and achievement gaps and support students most in need, the FY18 BPS budget includes the following new investments:

- \$14.2 million to support an extended day for 15,000 more, from kindergarten through 8th-grade, 120 additional hours of learning time — or the equivalent of 20 more school days a year;
- \$1.25 million to support Level 3, 4 and 5 schools, particularly those with declining enrollment;
- \$1.2 million to support more than 3,000 students BPS has identified as experiencing homelessness;
- \$700 thousand to expand the Excellence for All initiative that increases academic rigor and enrichment to 5th graders in 18 schools, reaching a total of 1,569 students with this program;
- \$1.3 million for new vocational programming at The English High School and Edward M. Kennedy Academy for Health Careers;
- \$500 thousand for an additional 100 K1 students to be served;
- \$340 thousand to support the District's water policy;
- \$275 thousand for additional substitute custodians;

- \$81 thousand to open new dual language classrooms;

Like most City departments, Boston Public Schools has not yet negotiated their collective bargaining agreements effective in FY18. Consequently, this budget does not include general wage increase for FY18. The City will reserve \$20 million for BPS's FY18 collective bargaining costs to be used when agreements are negotiated.

BPS Enrollment

Student enrollment is the foundation of the BPS budget. The preliminary stage of the budget process involves enrollment projections for each program, grade, and school, which are based on historic trends and current data. The projected enrollment at each school for the upcoming school year determines the allocation of resources at the school level through the weighted student funding formula. The FY18 budget development process included a more rigorous use of data, and collaboration between school leaders and BPS Finance to develop accurate enrollment projections. In FY18, the BPS projected budgeted enrollment is approximately 57,200, including an additional 100 prekindergarten seats. Overall enrollment has remained consistent over the past 5 years, ranging from a high of 56,959 students in 2014-15, to a low of 56,404 in the 2016-2017 school year.

At the school level, BPS has seen some shifts in enrollment. BPS gives parents a voice in where their child attends schools, which causes shifts from year to year. The BPS School Committee has also supported school communities that have requested to expand grades in recent years, which has led to shifts in enrollment. It is projected that 600 more students will be enrolled in the District's highest performing schools next year.

Weighted Student Funding

Weighted Student Funding (WSF) ensures resource equity for all students no matter the school they attend. The weighted student funding model creates a baseline per-student funding amount and then adjusts the amount depending on individual student need. For example, students whose family income is at or

below the poverty level will receive additional funding in the formula. Other need-based weights include students with disabilities, English Language Learners (ELL), and vocational education students. A school's budget is calculated by adding the individual funding amounts for every student projected to attend that school in the fall. Additionally, each school also receives a foundation budget to support essential staff. In FY18, the district increased the total direct appropriations to schools by approximately \$2.8 million to \$483.3 million through WSF. WSF is only one component of schools' funding; total school funding is expected to rise by almost 4% or \$25 million in FY18.

For FY18, the seventh year using the WSF formula, BPS continues to refine this need-based method of funding. Student-based allocation models are the standard for transparent and equitable school budgeting. Such models allow dollars to follow students, and those dollars are weighted based on student needs. BPS's highest-need students receive more resources through the weighted student funding structure.

When enrollment declines at a school, central office works closely with that school to appropriately adjust staffing. Particular care was made through this process to make classrooms full so that they are affordable to schools. There are safeguards in place to assist schools with declines in enrollment, including sustainability allocations and soft landings, as well as other reserves that are used throughout the budgeting process.

BPS's FY18 budget includes a series of substantial supports on top of WSF—including existing and proposed new investments totaling over \$16 million—that differentially serve the district's highest need students. These include the new proposed investment to support students experiencing homelessness, state grants for turnaround schools, Academic Response Teams, and a new \$1.25 million reserve specifically targeted at Level 3, 4, and 5 schools. These funds will support lower performing schools, particularly those with declining in enrollment. BPS anticipates significant funds from this reserve will support

Excel High School and Brighton High School, which are in the turnaround planning process and will see budget increases at the conclusion of that process.

Early Childhood Education

Research confirms that pre-kindergarten has a positive impact on student achievement in the Boston Public Schools. BPS currently serves approximately 2,500 children in pre-kindergarten classrooms, and demand increases every year. Those students are part of the 90% of Boston's 5,350 four-year-olds who are enrolled in a pre-kindergarten program, in either a school or community-based setting. BPS early education programs have been recognized as among the most effective in the nation at closing achievement gaps. They are content-rich in science, literacy, arts and math. Data shows BPS prekindergarten attendees outperform their peers in third and fifth grade MCAS, both in ELA and in Math.

In FY18, Mayor Walsh will continue his successful campaign to expand BPS pre-kindergarten (K1) seats and make an investment to establish a universal pre-k infrastructure. With more than 100 additional K1 students to be served in FY18, Mayor Walsh will have added 422 K1 seats to BPS since he took office at a total investment of over \$4.3 million. Mayor Walsh has also filed early education finance legislation to close the "quality gap" in pre-kindergarten seats in Boston by investing in programs at BPS and in community based organizations. The Universal Pre-Kindergarten (UPK) taskforce estimates a 1,350 seat gap in Boston between the number of quality seats—roughly 4,000—and the current number of 4-year olds (5,350). To dedicate \$16.5 million to early education, this legislation would redirect the surplus amounts generated by two Convention Center Fund revenues that are produced exclusively in Boston.

BPS will continue to strengthen and expand programs, including full-day K1 classrooms for four-year-olds. More than half of BPS early childhood classrooms have earned accreditation from the National Association for the Education of Young Children (NAEYC), affirming that these programs offer high-quality, state-of-the-

art education to help get children off to successful starts.

Special Education

The special education budget totals \$267.6 million in FY18, an increase of \$8.5 million or 3.3% from FY17 levels. The special education budget accounts for approximately 22% of the total BPS budget and supports the almost 12,000 students with disabilities, or 20% of the BPS population.

In FY18, the District will continue implementation of a special education data management system. This data system will allow BPS to better manage and monitor Individualized Education Programs (IEPs) and ensure students are getting the services they need.

In addition to mainstream or substantially separate placements in the District, BPS is responsible for the educational services of approximately 498 students in out-of-district placements. BPS has seen an increase in the number of high need students and DCF involved students placed in group homes who require private placement. BPS is fully or partly responsible for paying for services for most of these students at an average cost of \$84,000 per year in FY16. Tuition rates are established by the Commonwealth of Massachusetts Rate Setting Commission.

Bilingual Education

The Bilingual/SEI budget totals \$75.6 million in FY18, an increase of \$800 thousand or 1.1% from FY17 levels. Approximately 30% of BPS students have an ELL designation. Currently, English Learning students within the District speak more than 71 different languages. In FY18, the City will make an \$81 thousand investment to open new dual language classrooms.

Additionally, BPS continues to make investments to expand ELL academic programs and teacher training. The number of Sheltered English Immersion programs in the district will be increased, as will the number of teachers with English as a Second Language (ESL) licenses.

Extended School Day

In 2015, Mayor Walsh launched a reform to extend the school day for kindergarten through 8th grade schools over three years. In the 2017-2018 school year, Boston is investing \$14.2 million to allow 39 more schools and 15,000 more students to receive 40 minutes more each school day through the implementation of Extended Learning Time (ELT). This expansion brings the total number of students receiving extended learning to over 23,000 at 57 schools throughout the District at a total investment of \$18.9 million. This investment will add 120 more hours, or the equivalent of 20 additional school days a year, to kindergarten through 8th grade students. Prior to this reform, students in traditional BPS elementary and middle schools were in class for six hours and six hours and ten minutes, respectively, well below the national average.

The extended time will help more students gain valuable learning and enrichment opportunities. Schools with extended learning showed a “statistically significant” positive effect in 5th grade science, 6th grade math, 8th grade science and 7th grade English Language Arts, according to a statewide study. Students in ELT schools also outperformed their peers in non-ELT schools in growth measurements on all MCAS tests. Teachers in the Massachusetts ELT program reported that the extended day allowed them to accomplish their teaching goals and cover the instructional material their students need to learn.

EXTERNAL FUNDS

External funds are provided directly to BPS through formula grants (entitlements), competitive grants, reimbursement accounts, and other grants, primarily from state and federal sources. These external funds are critical to the success of the district, but have decreased to 11% of total funding in FY18 from 17% in FY12 (Figure 3). Decreased external funding was identified as a challenge to BPS’s long-term financial stability in the Long-Term Financial Plan. In recent years, the BPS budget has relied on the increased City appropriation to help absorb these decreases. Overall, BPS is expecting a decrease of \$1.8 million, or 1.4%, compared to FY17.

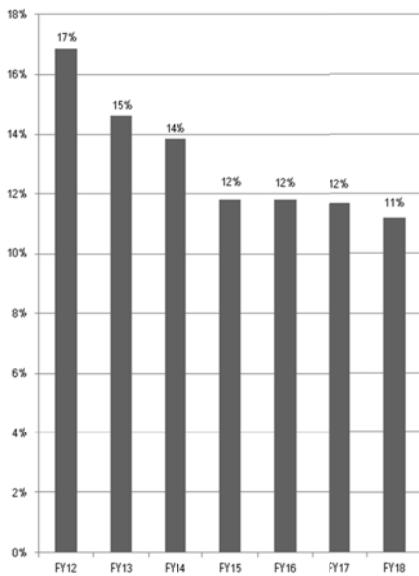


Figure 2

External Funds as % of Total Funds

FY12-15 Actuals, FY16 Budget, FY17 Projected

One of the largest sources of federal revenue for BPS is the Title I entitlement grant. BPS is projecting \$36.2 million in Title I revenue in FY18. The grant's purpose is to improve the academic achievement of disadvantaged students by ensuring that all students have an equal opportunity to obtain a high-quality education. The grant provides direct funds to schools with higher levels of poverty.

BPS receives two external revenue sources to fund the district's comprehensive special education program. Through Circuit Breaker reimbursements, the Commonwealth shares the cost of educating students with disabilities once the cost to educate those students exceeds a threshold amount. BPS is projected to receive approximately \$15 million in Circuit Breaker revenue in FY18. Additionally, funds provided through the federal Individuals with Disabilities Education Act (IDEA) grant enable the district to provide special education in the least restrictive environment possible for children with disabilities ages 3 through 21, and to provide early intervention services for children from birth through age two. BPS is projecting to receive \$17.9 million, or a 3.7% increase in IDEA funds in FY18.

School Improvement Grants

BPS anticipates \$2.09 million in School Improvement Grants from the Commonwealth

in FY18. This funding is provided to the lowest performing schools in BPS, also known as turnaround schools, to extend the instructional day by at least 30 minutes, hold an additional 100 professional development hours for teachers, and provide other school based support, such as after school tutors and literacy coaches. In FY18, the district has applied for funding for Grew Elementary, Dorchester Academy, Madison Park Technical Vocational High School, Excel High School, and Brighton High School. Although previous School Improvement Grants have expired, the district has shifted these activities to the operating budget to continue the work of turning around low performing schools. The FY18 budget includes an additional \$750 thousand in funding to transition the Dearborn and the Mattapan Early Elementary School where previous School Improvement Grants have ended. Also, as mentioned previously, an additional \$1.25 million reserve will be set up for Level 3, 4, and 5 schools that are experiencing declining enrollment.

PERFORMANCE

The creation of a Performance Meter comprised of 14 key performance indicators (KPIs) associated with school improvement was an initiative that was developed as part of Superintendent Chang's 100 Day Plan. The Performance Meter is a critical step in establishing a performance management culture within the District, and will allow BPS to identify the most effective supports for schools. The Performance Meter tracks KPIs concentrated on the achievement gap, early literacy, proficiency of certain age groups in specific subjects, and college and career readiness. The use of authentic evidence and data will allow BPS to continue to close opportunity and achievement gaps.

Graduation Rates

BPS has been evaluating its progress towards academic goals using measurable outcomes for several years. The District has seen positive gains in several performance metrics, including increases in graduation rates. The overall four-year graduation rate for the BPS class of 2016 was 72.4%. This represents a 1.7% increase over the 2015 rate. The BPS high school graduation

rate has increased each year since the 2006-2007 school year, when the graduation rate was 57.9%. The 2016 graduation rate is the highest ever recorded by BPS.

Additionally, twelve Boston high schools achieved graduation rates of 80% or above, meeting the state's accountability target. They include: New Mission High School; Boston Latin School; Boston Latin Academy; Boston Another Course to College; John D. O'Bryant School of Mathematics and Science; Boston Arts Academy; Boston Community Leadership Academy; Mary K. Lyon High School; Fenway High School; Josiah Quincy Upper School; Edward M. Kennedy Academy for Health Careers; and TechBoston Academy.

Dropout Rate

BPS's annual dropout rate for students in grades 9-12 increased slightly from 4.4% to 4.5% in the 2015-16 school year. Previously, BPS had two consecutive years that it achieved its lowest dropout rate on record.

In 2014, Boston's dropout rate, a significant indicator of a school's effectiveness, dropped below 4% for the first time in history. According to state guidelines, students in grades 6-12 are counted as dropouts if they leave school during the year for any reason other than transfer, graduation, death or expulsion with an option to return.

Accountability Results

The Massachusetts Department of Elementary and Secondary Education (DESE) classifies all Massachusetts districts and schools into one of five accountability and assistance levels, with the highest performing in Level 1 and lowest performing in Level 5. Boston has a track record of leading struggling schools to success.

Twelve schools increased in level between the 2015 and 2016 accountability reports, with six schools rising two levels from Level 3 to Level 1, including Boston Arts Academy, Boston International Newcomers Academy, Harvard/Kent Elementary School, Mildred Avenue Middle School, and Mozart Elementary School. Fenway High School, James Otis Elementary School, Josiah Quincy Elementary School, Manassah E. Bradley Elementary

School, and New Mission High School rose from Level 2 to Level 1, while the Boston Community Leadership Academy rose from Level 3 to Level 2. The City will continue to work with state and community partners to make more improvements in our schools across the board.

BUILDBPS

The FY18-22 Capital Plan funds facility and technology projects that support education and youth achievement in all neighborhoods across the City. Mayor Walsh announced a \$1 billion investment to modernize Boston's public school infrastructure, and the *BuildBPS* plan will guide that process. Through a dedication of City capital funds and a strong working relationship with the Massachusetts School Building Authority (MSBA), the plan will more than double the capital spending on BPS facilities over the next decade. Mayor Walsh's FY18-22 Capital Plan begins to implement early action *BuildBPS* initiatives while reserving funding for projects coming out of the *BuildBPS* engagement process.

A robust community process will commence in FY18 and continue each year. The planning principles, data, and analysis outlined during the *BuildBPS* planning process will guide community workshops across the City. These workshops will be the vehicle through which the community can propose new projects and investments. The City and BPS will further analyze the proposed projects that will become the foundation of each year's capital plan.

The \$13 million *BuildBPS* 21st Century Schools Fund will provide schools with 21st century tools, including new technology and comfortable, movable furniture. This initiative will promote learner-centric programs, benefit professional development, and provide greater flexibility in both current and future learning spaces. Relative to larger-scale building renovations and repairs, these upgrades can be done at lower cost and on an accelerated timeline. BPS will create a menu of 21st century packages that schools will be able to select from, depending on their needs. BPS will work with school leaders to complete these upgrades in the 2017-18 school year.

Boston has also successfully ramped up its efforts to leverage MSBA Accelerated Repair Program (ARP) dollars to provide much needed improvements to its schools. This summer, Boston will invest \$13.6 million to unlock a \$16.3 million grant from the MSBA to provide seven BPS schools with new windows. In addition, the MSBA has approved a \$6.4 million grant, with Boston providing \$3.4 million in matching funds, to replace roofs and boilers at five BPS schools. The Mayor's Capital Plan sets aside an additional \$24 million over five years to position Boston to further leverage MSBA ARP dollars in the future.

Finally, this Capital Plan allows Boston to invest in BPS projects already in the pipeline:

- Slated to be completed in winter of 2017/2018, the \$73 million Dearborn STEM Academy will open for students in September 2018. The project, which leverages a projected \$37 million match from the MSBA, is designed based upon a project-based learning curriculum, with an emphasis on STEM education.
- Over the next two years, the Eliot School construction projects will be completed. The new \$23 million North Bennet Street building will welcome 5th to 8th graders this fall into a 21st century learning environment while this summer, the final phase of construction will begin at the Commercial Street building.
- Renovations will occur at the Mattahunt Elementary School as it transitions to the Mattapan Early Elementary School.
- The Capital Plan provides for Boston's matching investment in the Josiah Quincy Upper School (JQUS) and Boston Arts Academy (BAA), which are collaborative projects with the Massachusetts School Building Authority (MSBA). BPS will continue the 5 year plan to upgrade technology infrastructure across the district in support of 21st century learning.

In total, Boston will invest \$312 million in BPS capital projects over the next five years, with an additional \$418 million committed for the following five years. When combined with projected MSBA matching funds, Boston is

committing \$1 billion to BPS capital projects over ten years.

CHARTER SCHOOL TUITION

Commonwealth charter schools, which are granted charters by the State Board of Education, are publicly funded schools administered independently from local school committee and district bargaining rules and regulations. Commonwealth charter schools are primarily financed by the home districts of their students through a per pupil based charge.

Commonwealth charter schools are projected to educate 10,660 Boston students in FY18. Boston is assessed by the Commonwealth to fund charter schools on a per pupil basis, and Boston's charter school tuition assessment is projected to increase by \$17.5 million over the FY17 budget due to growing attendance and a higher per pupil tuition rate. Boston's charter school assessment has risen by 155% since the enactment of the 2010 Achievement Gap Legislation.

In total, the City of Boston will spend \$1.235 billion in operating dollars to support education-related programs in FY18 – from prekindergarten to high school in the Boston Public School system, as well as Commonwealth Charter Schools. Boston will also dedicate \$312 million from City borrowing over five years to provide Boston's students with 21st century learning environments.

Capital Planning

INTRODUCTION

Mayor Walsh's \$2.08 billion FY18-22 Capital Plan will make critical investments in the City's infrastructure in every Boston neighborhood, guided by *Imagine Boston 2030* and the schools, streets, arts, climate and resilience plans under its umbrella. More than 14,000 residents have shaped *Imagine Boston 2030* by articulating the challenges Boston faces, setting goals for the city in 2030, and generating ideas about policies and investments to help achieve these goals. An ambitious set of initiatives form the foundation of the *Imagine Boston 2030* plan. Taken together, these initiatives will support Boston's dynamic economy and improve quality of life for residents by encouraging affordability, increasing access to opportunity, promoting a healthy environment, and guiding investment in the public realm. In order to more expeditiously address the City's investment aspirations, Mayor Walsh has increased planned borrowings by 22.5% over last year's plan, leveraged one-time funding sources including Winthrop Square Garage sale proceeds and the Parking Meter Fund surplus balance, and advanced the City's usage of the Massachusetts School Building Authority Accelerated Repair Program.

In FY18, Mayor Walsh is launching the *Imagine Boston Capital Plan* to move Boston residents' priorities from idea to action, and invest in creating the city Bostonians imagine for the future. Under the *Imagine Boston 2030* umbrella, the City is investing deeply in the core goals of *BuildBPS*, *Go Boston 2030*, *Boston Creates*, and *Climate Ready Boston*. An estimated 77% of the investment in the FY18-22 Capital Plan is aligned with the City's planning efforts:

- Mayor Walsh committed \$1 billion over ten years to bring Boston's school buildings into the 21st century, and this Capital Plan launches that investment with funding for 21st century classrooms, MSBA Accelerated Repair Program partnerships,

completion of projects in the pipeline, and reserves for future projects identified by *BuildBPS* community engagement.

- Boston, in collaboration with State and Federal sources, will invest \$709 million over the next five years in implementing the core initiatives outlined in *Go Boston 2030*: streets that are safer for all users of our roads and sidewalks, particularly pedestrians and cyclists; travel that is more reliable and predictable; and quality transportation choices that improve access to interconnect our neighborhoods for all modes of travel.
- Through the use of Winthrop Square proceeds, City capital dollars, and leveraging external funds, Mayor Walsh plans to carry out early actions to implement *Imagine Boston 2030*'s Open Space goals, including investing in Franklin Park as a keystone park for the city, completing the Emerald Necklace, and restoring Boston Common to its full vibrancy.
- Boston will prepare for climate change by investing City dollars and outside funding to develop more detailed climate plans for Boston neighborhoods, especially those most at risk for coastal flooding, as recommended in *Climate Ready Boston*.
- The Percent for Art Program, funded for the first time in this Capital Plan, demonstrates the City's leadership and commitment to sustainable funding for the arts by setting aside one percent of the City's annual capital borrowing for the commissioning of public art.

FY18-FY22 EXPENDITURES

The City is responsible for maintaining a large inventory of capital assets, including roads, bridges, schools, parks, libraries, public safety equipment, city buildings and more. The City's capital investments enhance our

neighborhoods, improve mobility, support the academic agenda of our schools and reinforce public safety with quality emergency response tools.

With *Imagine Boston 2030* and other City Planning efforts guiding many of the investments in this plan, projects in the FY18-22 Capital Plan are categorized within the *Imagine Boston 2030* initiatives below.

These capital investments are planned and funded through the City's Capital Plan, which is separate and distinct from the annual operating budget. The Capital Plan is primarily funded by borrowing through the issuance of bonds within the City's fiscally responsible debt affordability limits.

Education

Mayor Walsh announced a \$1 billion investment to modernize Boston's public school infrastructure, and the BuildBPS plan will guide that process. Through a dedication of City capital funds and a strong working relationship with the Massachusetts School Building Authority (MSBA), the plan will more than double the capital spending on BPS facilities over the next decade. In total, Boston will invest \$312 million in City Capital funds in BPS capital projects over the next five years, with an additional \$418 million committed for the following five years. Mayor Walsh's FY18-22 Capital Plan implements early action BuildBPS initiatives and reserves funding for projects identified by the BuildBPS engagement process.

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- The Capital Plan provides for Boston's matching investment in the Josiah Quincy Upper School (JQUS) and Boston Arts Academy (BAA), which are collaborative projects with the Massachusetts School Building Authority (MSBA).

Transportation

Mayor Walsh's FY18-22 Capital Plan, drawing on City, State and Federal sources, will invest \$709 million over the next five years in implementing the core initiatives outlined in *Go Boston 2030*. Pursuant to *Go Boston 2030*, Boston will strive for streets that are safer for all users of our roads and sidewalks, particularly pedestrians and cyclists; travel that is more reliable and predictable, and quality transportation choices that improve access, to interconnect our

neighborhoods for all modes of travel. Driven by these core goals of safety, reliability, and access, the Capital Plan focuses on key investments.

The Capital Plan makes critical investments to improve safety for Boston's most vulnerable street users with a focus on roadway corridors, safe crossings, and traffic calming on residential streets and in small-business districts. Vision Zero, funded annually at \$3.1 million, will make targeted safety improvements at corridors and intersections with known safety challenges, and to traffic-calm residential streets. This Capital Plan notably invests in the transformation of Hyde Square, North Square, Central Square, Dudley Street, and Boylston Street. It also sets aside funding for long term investment in other Main Street business districts across the city.

To improve safety and expand access to Boston's streets, Boston is launching a citywide, multi-year campaign to bring all crosswalks, lane markings, and bike lanes into a state of good repair, using a combination of operating and capital resources. As Boston works to expand access to make neighborhoods interconnected for all modes of travel, including driving, cycling, and walking, it is important to ensure that our roadways are designed to maximize the safety of such modes of travel. Clear lane markings including crosswalks, "Don't Block the Box" markings at key intersections, and well-marked bike lanes with appropriate insignia, all help reduce collisions, making our roadways safer for all users.

The Capital Plan invests in design and provides matching funds to unlock hundreds of millions of additional federal and state investment to transform key corridors in the city. The designs will focus primarily on stress-free walking, protected bicycling, and better accommodating public transportation. It also puts an additional emphasis on improving the street infrastructure in parallel with new housing investment in some of our neighborhoods. Key corridors include Melnea Cass Boulevard, Commonwealth Avenue, Boylston Street (Fenway), Columbia Road, the Sullivan Square - Rutherford Avenue - North Washington Street corridor, and street designs for the Boston Planning and

Development Agency's PLAN initiatives in Jamaica Plain/ Roxbury and on Dorchester Avenue. The Capital Plan focuses on adding protected bicycle lanes on every "Great Streets" project, and on off-street paths such as the Fenway-Roxbury Connector, South Bay Harbor Trail, and Connect Historic Boston, all complemented by continuing the \$900,000 annual investment in the Strategic Bicycle Network.

Through the FY18-22 Capital Plan, the City will also make investments to maintain bridges, roads, sidewalks, off-street paths, street lighting, and building facilities that are essential to the high-quality delivery of services. In addition to the transformation of the North Washington Street Bridge, this Capital Plan invests in upgrades to a series of other bridges in an effort to bring all bridges to a state of good repair by 2030. Using City Capital and Chapter 90 funding from the Commonwealth, Boston will continue necessary road and sidewalk resurfacing and reconstruction projects. Finally, Boston will continue to invest in ADA ramps and signals, and well-lit streets.

Technology

Consistent with *Imagine Boston 2030* and *Go Boston 2030*, Boston will invest in intelligent traffic signals to improve safety and reduce congestion. Through funding in the Capital Plan, the City will begin a transformation to the next generation of traffic signal technology, with an initial focus on some of the City's busiest corridors and bus routes. This innovation will minimize delay and maximize coordination across signals. The Capital Plan also funds a multi-year program to create improved and - in many cases - signalized intersections in some of the more challenging locations in the City. This includes the Father Hart Bridge area in Hyde Park, where the City aims to install new traffic signals at each end of the bridge as well as at the interconnected signals in Wolcott Square.

The City will invest \$10 million in Boston Fiber Network (BoNet) to improve Boston's fiber backbone and infrastructure. The project will provide broadband services to 73 Boston Public Schools, 24 family public housing developments and more than 100 City buildings, while also

strengthening public safety communications. Expanding Boston's Fiber Optic Network to these schools will deliver gigabit (1 Gbps) bandwidth capacity for PARCC online testing, online learning, administrative and video services, and in-campus Wi-Fi, along with additional services. Additionally, this investment will help the City to expand and improve public safety services across the City and present opportunities to deploy Wicked Free Wi-Fi to a broader geography.

To continue to make City services responsive to real time data, the Capital Plan also allows for the investment in Boston311 to deliver a more personalized experience for many services and better understand how customers interact with the City across departments. Building on the launch of Boston.gov in July of 2016, Boston will bring new services online, update existing services to improve user experience, and adapt to shifting technology trends and customer expectations.

Open Space

Imagine Boston 2030 calls for the City to strengthen Boston's existing park system and invest in new open spaces. Through the use of Winthrop Square proceeds, City capital dollars, and leveraging external funds, Mayor Walsh plans to carry out early actions to implement *Imagine Boston 2030*'s Open Space goals, including investing in Franklin Park as a keystone park for the city, completing the Emerald Necklace, and restoring Boston Common to its full vibrancy.

Franklin Park renovations are already underway with investments in its pathways and a commitment to caring for its tree canopy. Mayor Walsh has also committed to a \$28 million investment funded by the sale of the Winthrop Square garage to fully renovate Boston's largest park, which borders multiple neighborhoods. These improvements, combined with the current master planning of Moakley Park, serve as anchor projects to launch the city's efforts to complete the Emerald Necklace. Originally envisioned by the Olmsted Corporation in the 1890s, the completion will be a community-led and modern interpretation of a green street, which increases connections in underserved areas of our city. Mayor Walsh has also

committed \$28 million from the Winthrop garage sale to augment the current historic levels of investment in Boston Common to fully renovate America's First Park. This investment will ensure future generations will enjoy the park in its full vibrancy.

In addition to the major initiatives outlined in *Imagine Boston 2030*, Mayor Walsh's FY18-22 Capital Plan continues investments to ensure Boston's open spaces are among the nation's most accessible and equitable. With the reconstruction of Franklin Park pathways underway, Mayor Walsh will extend his commitment to usage and safety of the Emerald Necklace with a \$4.8 million pathway improvement around Jamaica Pond. From the annual lantern parade, to the thousands of children who learn boating, to the endless parade of walkers and joggers enjoying the 1.5 mile loop for recreation, Jamaica Pond is a singular urban park experience. Across town, a renovation of Paul Revere Mall in the North End will ensure this historic park is a welcoming and inviting place for residents and visitors. The Paul Revere monument, along the Freedom Trail, is one of the most photographed sculptures in Boston. This renovation will include restoration of the fountain and monument, accessible pathways, landscaping, and utility work.

Ninety-seven percent of Bostonians live within a ten-minute walk of a park, but those spaces are only truly equitable if they serve the diverse needs of all our residents. Mayor Walsh recognizes the need for inclusive design and has created robust budgets for park renovation projects at Martin's Park in the Seaport, Smith Playground in Allston, and McConnell Playground and Garvey Playground in Dorchester. FY18 will bring the beginning of the renovation of the 45-acre Harambee Park. The investment will include environmental improvements, pedestrian pathways, field renovations and entrance improvements to transform Harambee into a premier example of community-led comprehensive planning.

Energy and Environment

As part of Boston's implementation of *Imagine Boston 2030*, Mayor Walsh's FY18-22 Capital Plan includes investments to support a healthy

environment, reduce energy consumption and greenhouse gas emissions, and prepare for climate change. Leveraging outside funding, the Capital Plan allows for development of more detailed climate plans for Boston neighborhoods, especially those most at risk for coastal flooding, as recommended in *Climate Ready Boston*. These plans are essential for protecting the safety and vitality of existing residents, businesses, and institutions, and for ensuring the implementation of continued growth and development, as envisioned in *Imagine Boston 2030*.

Through Renew Boston Trust, Boston will undertake renovation projects to reduce City buildings' energy consumption and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable in part with the financial savings resulting from reduced energy consumption. The City will implement the program through contracts with Energy Service Companies (ESCOs) that guarantee the energy savings generated by the projects sufficiently offset anticipated debt service costs.

Health

To encourage a healthy environment, including safe streets and communities, Boston is renovating several neighborhood community centers to better serve residents' needs. In FY18, Mayor Walsh is launching a major renovation to the BCYF Curley Community Center, an asset of the South Boston community. The heavily used building, which spans nearly a quarter mile on the South Boston beachfront, has an outdated layout for today's usage, and is in need of a major renovation. Currently under construction, the BCYF Paris Street Community Center is undergoing a major renovation to better meet the East Boston community's needs by providing additional programming space, a Teen Center, a new gym floor, a rock climbing wall, and a new fitness area. Construction will begin in FY18 on renovations to the BCYF Vine Street Community Center in Roxbury and the BCYF Gallivan Community Center in Mattapan.

Housing

In 2014, Mayor Walsh released *Housing a Changing City: Boston 2030*, the Administration's comprehensive plan to accommodate Boston's rapid growth and stabilize the housing market over the next 15 years. Through the strategies outlined in the plan, more than 19,200 new housing units have already been completed or are currently in construction. This represents 36% of the City's 53,000-unit target for 2030. The City combines General Fund dollars with federal grants, state grants, and developer fees to leverage a wide variety of sources to invest in the creation and preservation of affordable housing citywide.

Municipal finance law does not allow the City to use city capital dollars to support private housing, but public infrastructure projects can enable housing development. Investments in this Capital Plan serve as critical component to several public and private residential projects. Mayor Walsh's Capital Plan invests in reconstruction of roads and sidewalks in the Whittier Street housing development in conjunction with a \$30 million Housing and Urban Development grant to revitalize the development and surrounding neighborhood. Known as Whittier Choice, the project will ultimately create a total of 387 mixed-income rental units.

The City is also in design of various street reconstructions in the Madison Park Village of Roxbury, bounded by Melnea Cass Boulevard and Tremont Street, enhancing the area ahead of new housing development along Melnea Cass in Lower Roxbury. The Madison Park Infill project will be comprised of a four-story building with 16 units and a five-story building with 60 units located just southwest of the Ruggles MBTA Orange Line station.

Boston will also be renovating the second floor of the Woods Mullen Shelter to increase the programming space, including housing search services and front door triage that enables shelter staff to meet with every new guest entering the shelters to conduct an in-depth assessment. This assessment leads to the development of a client-centered plan to exit the shelter system into safe, supported, and stable housing as quickly as possible.

Arts and Culture

The Mayor's Office of Arts and Culture released the City's first cultural plan, *Boston Creates*, in 2016, which calls for increased support to Boston's arts and culture ecosystem. The Percent for Art Program, included for the first time in the FY18-22 Capital Plan, is a critical policy outcome of this planning process. The City projects to borrow \$170 million in FY18 to support the Capital Plan, and will invest one percent, or \$1.7 million, in public art projects in FY18.

In advance of the implementation of this program, the City has launched pilot art projects in ongoing major infrastructure projects. In January 2017, an artist was selected to create a public art project in conjunction with the reconstruction of Hyde Square at the intersection of Centre Street, Perkins Street, and Day Street. The City also plans to include a public art project within the Jamaica Plain Branch Library project.

In FY18, a \$15.7 million project will be launched to preserve the Library's valuable and historic special collections in rare books and manuscripts. This project will begin with the inventory of the Central Library in Copley Square's Rare Books & Manuscripts Department's nearly 250,000 rare books and one million manuscripts. Over the course of the next two years, the Rare Books Department will receive major environmental and mechanical improvements to better regulate temperature and humidity control of the department's collection storage areas, staff spaces, conservation lab, and public reading room. Ultimately, the project will increase accessibility to the Library's rare books and manuscripts and ensure the collections will be preserved for the future. The project continues the City's and the Library's renewed commitment to improve intellectual control, custodianship, and security of its special collections.

The FY18-22 Capital Plan continues to demonstrate Mayor Walsh's strong commitment to revitalizing library branches throughout Boston's neighborhoods. In FY18, the Mayor's Capital Plan launches projects for new or renovated spaces at the Uphams Corner and

Fields Corner branches. It also includes funding for new, smaller scale facility improvement projects, including interior updates at the South End, Lower Mills, and West Roxbury branches, as well as landscaping and exterior space upgrades at the South Boston Branch.

Construction will begin at the Dudley Branch, a \$14.7 million project that will reorient the entrance to reconnect it with the heart of Dudley Square. The Capital Plan supports design activity at the Roslindale and Adams Street branches in the upcoming year as well. The recently completed programming study and community process for the Adams Street Branch resulted in recommendations for new construction that will expand the building footprint, add new meeting rooms, provide an enhanced teen space, and create redesigned outdoor spaces.

Economy

As a \$2 billion investment in the City's assets, the Capital Plan supports economic growth in Boston by creating construction jobs and investing in infrastructure that unlocks economic activity. The Capital Plan also supports targeted investments to strengthen Boston's core and small businesses, as called for in *Imagine Boston 2030*. For example, roadway improvements in the Dudley Square Main Street district, with geometric changes, new traffic signal equipment and timing, bike lanes, and streetscape improvements, will improve access and safety. This project also begins implementation of the *Go Boston 2030* goal to make public realm improvements in every Main Streets district in Boston by 2030.

The City will also collaborate with developers to improve roads and sidewalks along Harrison Avenue between East Berkeley Street and Herald Street. These infrastructure improvements are critical to economic development activity along the corridor with the recent development of InkBlock, which includes 471 housing units.

Public Safety

As part of the *Imagine Boston 2030* initiative to reduce cancer risks for firefighters, the Capital Plan will include health and safety improvements to firehouse projects. In FY16

and FY17 the Fire Department, in conjunction with the Public Facilities Department, studied best practices for firehouse design and will now utilize an enhanced set of building programs for new and renovated firehouses. Key changes include separating out different areas of the firehouse to keep fire contaminants away from living areas, and improved personal and gear cleaning facilities. The new Engines 42 and 17 will be among of the first firehouses in the nation to reflect these enhancements. The City is also renovating neighborhood police stations. Design is underway on the new East Boston Police Station, a \$25.5 million project that will replace the existing A-7 station, which has passed its useful life, and will take advantage of underutilized land in East Boston.

In 2016, the City launched an accelerated fire apparatus replacement plan, which will replace nearly 50 percent of the fleet by the end of 2019. In FY17, the department purchased 16 new fire trucks to replace a series of apparatus with known mechanical issues and improve public safety by increasing the number of apparatus in the reserve fleet. The plan will continue with the purchase of fire engine trucks, ladders and a tower ladder in FY18.

The Police Department is upgrading and replacing its radio system to serve our Police Officers, as it had outlived its useful life. The project will include \$56 million in operating and capital investments over four years. Looking toward future radio needs for other public safety and civilian departments, DoIT will conduct a feasibility study to determine the most cost effective and efficient way to expand and sustain the infrastructure that supports the radio systems of multiple City departments.

Government Effectiveness

Mayor Walsh launched the City Hall Master Plan to allow Boston to rethink the way the public interacts with government in City Hall and to enliven the plaza. The City has successfully launched pilot projects, including “Boston Winter” on the plaza and the exterior lighting installation to enhance the building’s original design while livening up City Hall plaza. The City has also begun lobby renovations to provide a new visitor entrance, information desk and signage, and coffee kiosk to make the building

more user-friendly. With funding through the FY18-FY22 Capital Plan, the City will renovate the plaza to provide a more inviting space to the public while making needed infrastructure and accessibility improvements. The City will improve transactional spaces in City Hall to enhance interactions between residents and City departments, and address deferred capital maintenance.

Mayor Walsh’s Capital Plan includes funding for Youth Lead the Change, a participatory budgeting process where young Bostonians make decisions about how to spend the \$1 million each year. Projects funded to date include providing laptops in schools, park renovations, adding trash cans and recycling bins, and installing Wi-Fi in schools and community centers.

FY18-22 PROJECT HIGHLIGHTS AND SEQUENCING

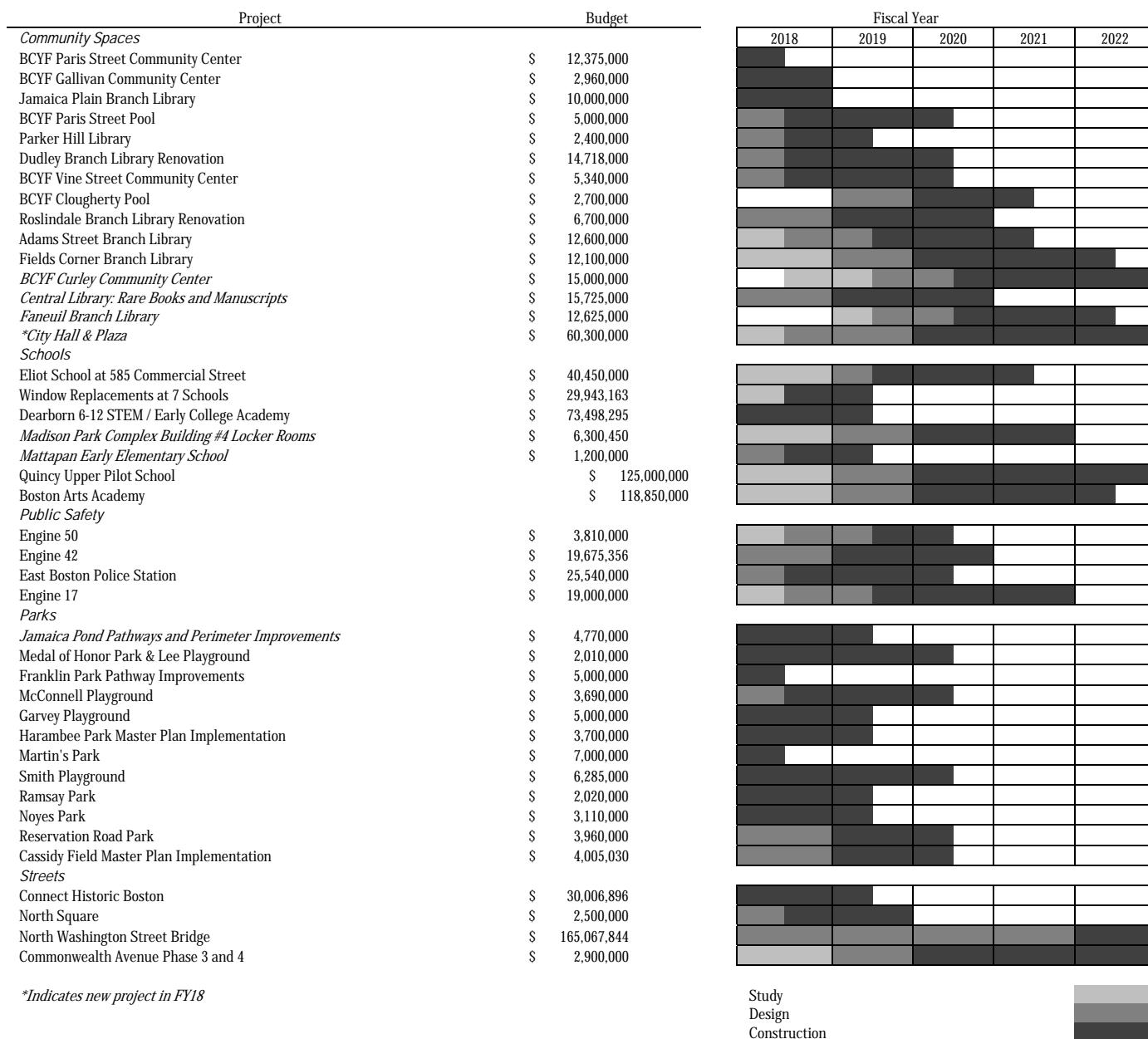


Table 1

FY18 Expenditure Allocation

The City estimates FY18 capital expenditures from all sources will total \$301 million (see Figure 2).

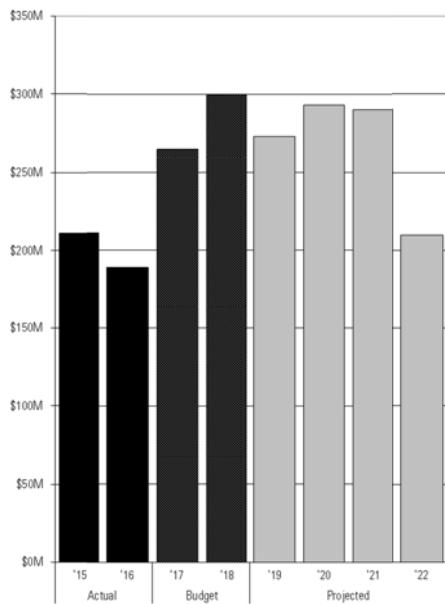


Figure 2 – Capital Expenditures

FY15-FY22

All projects in the Capital Plan are categorized as Upkeep, Upgrade, New/Major Renovation, Planning or Matching Funds. OBM tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the expansion or introduction of new ones.

Upkeep represents projects that maintain the City's assets, a fundamental priority of the Capital Plan. In FY18, 21% of projected spending supports Upkeep projects. These include roof and masonry repairs, the replacement of play equipment in parks, HVAC and boiler replacement, and critical repair funds for departments to address relatively small but vital repair projects not covered by routine maintenance. A substantial portion of the Upkeep category supports on-going bridge, street, sidewalk, and street lighting repairs that ensure the City's roads and sidewalks are safe and in good condition.

Upgrade represents projects that improve existing assets by adding new capacity or innovations. This year's upgrade allocations account for 51% of projected spending, and includes projects such as Connect Historic Boston – the redesign of several Downtown

streets with support from a Federal grant – and new equipment for the police radio system.

New/Major Renovations represents 26% of FY18 allocations. New facilities and rehabilitation projects for schools, libraries, parks and community centers enable the City's facilities to adapt to fit the needs of today's programs, improve the 'green' performance of facilities, and extend the useful life of older assets. Highlights in this category include a new fire house at Engine 42 in Roxbury and the BCYF Curley Community Center in South Boston.

FY18-FY22 Project Highlights

Education

BuildBPS: 21st Century Schools Fund

Dearborn STEM Academy

Transportation

Boylston Street Sidewalks

Vision Zero

Hyde Square

Technology

Digital Engagement Upgrades

Father Hart Bridge Traffic Improvements

Open Space

Jamaica Pond Pathways & Perimeter

Martin's Park

Energy and Environment

Climate Ready Boston

Renew Boston Trust

Health

BCYF Curley Community Center

BCYF Gallivan Community Center

Housing

Whittier Street Roadways

Madison Park Village

Arts and Culture

Percent for Arts

Central Library: Rare Books Dept.

Economy

Harrison Avenue / Washington Street

Dudley Street

Public Safety

New East Boston Police Station

New Engine 42 Fire Station

Government Effectiveness

City Hall and Plaza Master Plan

Youth Fund

About 2% of the FY18 budget is assigned to matching fund requirements and planning projects. Comprehensive planning projects, which analyze a group of buildings or program needs, provide the groundwork for targeted investments in the categories of Upgrade and New/Major Renovations. Projects in this category include funds for a master plan of the Frog Pond at Boston Common and a transportation study of the Bowdoin Street/Geneva Avenue area of Dorchester. The Matching fund category includes projects in which the City covers the costs of design and engineering services. These expenditures are able to leverage state and federal construction funds on projects such as the new North Washington Street Bridge and the South Bay Harbor Trail.

FINANCING THE FY18-FY22 CAPITAL PLAN

The Capital Plan is financed with general obligation bonds issued by the City, other City funds, state grants, federal grants, and private grants.

General Obligation (G.O.) Bonds

General obligation bonds represent 60.2% of all project funding. This year's plan assumes \$950 million in new general obligation borrowings over the next five years, a 22.5% increase over last year's plan. This borrowing level remains sustainable within the City's debt affordability policy.

State and Federal Funds

State and federal financing represent 32.8% of all project funding. Programs, such as the School Building Assistance program, Chapter 90 and the Transportation Improvement Program, provide key resources for Boston's Capital Plan. Funds for capital financing are currently estimated at \$379.0 million from state programs and \$301.4 million from federal programs.

School Building Assistance Program

The School Building Assistance (SBA) program, administered by the Massachusetts School Building Authority (MSBA), is an important revenue source for school renovation and construction. Annually, the MSBA accepts new project requests from cities, towns, and school districts, and if a project is ultimately approved, the MSBA pays 40% to 80% of eligible project costs.

The MSBA operates two major programs – the Core Program and the Accelerated Repair Program (ARP). Major renovation and new construction projects are funded through the Core Program. The ARP funds roof, boiler, and window replacement projects in school buildings that are otherwise sound.

The City currently has three projects in the Core Program -- the Dearborn STEM Academy, the Boston Arts Academy, and the Josiah Quincy Upper Pilot School.

Construction of the new Dearborn STEM Academy is underway and will open for students in September 2018. The MSBA has approved a maximum project grant totaling \$37.4 million, which covers 50.8% of the current project budget.

Feasibility studies are underway for the Boston Arts Academy and the Josiah Quincy Upper School. The City expects to select a preferred option for each of these projects in the first half of fiscal 2018.

The City has two projects underway through the Accelerated Repair Program. The City entered into a Project Funding Agreement last year for a window and door replacement project at seven schools. The MSBA's maximum grant totals nearly \$16.4 million. The total project cost is over \$29 million. Construction will begin on the

window project in June and is expected to be completed before the end of the calendar year.

The City expects to complete roof and boiler projects at five schools later this year. The MSBA's grant covers up to \$6.4 million of these \$9.8 million in projects.

For the period FY18-22, total payments from the MSBA for legacy projects are estimated at \$14.3 million. The state payments offset debt service costs for school building assistance projects approved by the Department of Education prior to the creation of the MSBA in 2004.

Chapter 90 Funds

Administered by the Massachusetts Highway Department, Chapter 90 funds are allocated by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. The City uses Chapter 90 funds to support its roadway resurfacing and reconstruction programs as well as its sidewalk reconstruction programs. The City anticipates an allocation of approximately \$14.4 million in FY18.

Transportation Improvement Program (TIP)

The Transportation Improvement Program is a statewide road and bridge construction advertisement program developed under the management of the Massachusetts Department of Transportation (MassDOT). It includes both local and state owned roads and bridges. The TIP's funding sources include state-issued general obligation bonds and federal funds made available through the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Other Funds

Other Funds is a revenue category that includes both City and non-City sources.

City sources of Other Funds include the Street Opening Account which funds the permanent repair of utility cuts and pavement restoration. Transfers from the Surplus Property Fund, Parking Meter Fund, and the General Fund are also categorized as Other Funds.

In FY18, the City proposes transferring \$45.4 million from the Parking Meter Fund to the Capital Grants Fund and appropriating it for 16

one-time capital projects, including the reconstruction of pathways around Jamaica Pond, a Crosswalk and Lane Marking Revitalization initiative, and the reconstruction of Beach Street. Using the Parking Meter Fund revenue in this way allows the City to make increased investments in infrastructure while increased investment in the BuildBPS program is supported by additional debt issuance. The constraints of the City's debt affordability policies, designed to limit pressure on debt service costs in the operating budget, limit the City's capacity to address both needs through debt issuance alone. This is an opportunity to use available Parking Meter Fund balances for investments in one-time projects aligned with *Go Boston 2030*, the City's transportation master plan. Through this appropriation, the City will address important transportation capital needs.

Non-City sources of Other Funds include grants from the Boston Planning and Development Agency for roadway construction or other capital projects, as is the case with Harrison Avenue and Connect Historic Boston. Other Funds also include incentive rebates provided by utilities to carry out energy efficiency projects. Altogether, these City and non-City sources of capital funds are estimated at \$145.8 million.

CAPITAL PLANNING PROCESS

Capital needs and resource availability are assessed annually through a capital planning process that results in a five-year Capital Plan. The first year of the spending plan constitutes the City's capital budget. Expenditures against this budget are closely monitored throughout the year. To emphasize the balance between needs and resource availability, the budget document (in Volumes II and III) includes both capital authorizations and expenditure projections for each project.

The annual capital planning process begins with a capital improvement project request period during which all departments have an opportunity to identify their facility, equipment, infrastructure, and planning needs in a systematic manner, and to submit their proposals to OBM for funding consideration. The development of department project

requests may involve both internal assessments of current needs and a review of external constituent requests.

All capital improvement projects requesting funding consideration must meet at least one of the following minimum criteria:

- Complies with Americans with Disabilities Act;
- Improves health and safety;
- Supports economic development;
- Enhances general government effectiveness;
- Mitigates an environmental hazard;
- Responds to a legal, legislative or administrative mandate; or
- Preserves existing municipal facilities.

A project request includes a cost estimate, a description of the proposed scope of work, and additional descriptive information to help OBM evaluate it.

Proposed projects must account for short-term and long-term effects on the City's operating budget. Accordingly, project requests that OBM determines may impact the City's operating budget are subject to additional review to determine the anticipated effect on personnel, utilities, maintenance, and supply costs, as well as expected changes in service demand or delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation and energy efficiency projects (e.g. heating system upgrades or roof and window replacements) provide operating budget savings. OBM works with departments to measure these savings.

OBM reviews project proposals to determine the extent to which private purposes or benefits may exist; this review allows the City of Boston to maintain its tax-exempt financing status.

New capital requests that are recommended for funding are placed into a multi-year spending plan along with previously authorized projects. The Mayor submits the Capital Plan to the City Council each year. The City Council, in turn, holds public hearings to consider project

authorizations. This year's Capital Plan identifies 231 new and continuing projects and proposes \$256.5 million in new bond authorization and a \$45.4 million appropriation supported by the Parking Meter Fund.

Descriptions of all 231 projects can be found in Volumes II and III of the Budget. Project descriptions include authorizations and funding sources, projected expenditures, scope of work summary, and an indication of whether or not the project generates a near-term operating budget impact.

Operating Budget Impacts

Determining the impact that proposed capital investments will have on the City's operating budget (personnel, contracted services, equipment and utilities) is essential to the capital budgeting process. Many capital projects, such as those that replace mechanical equipment with modern, more efficient versions, save the City money in future operating costs; others, such as those that allow the City to expand programming or establish a stronger presence in different neighborhoods, may entail future operating costs.

Understanding the balance between future savings and future costs resulting from these capital projects is vital to maintaining the City's long-term financial health.

In Volumes II and III of this document, each capital project summary indicates whether or not there is an operating impact associated with the project.

While most capital projects can be assumed to have a marginal impact on energy savings or personnel demands, only those projects that will likely result in an increase or decrease in a budget appropriation are included here.

Savings

The Capital Plan supports investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems, and energy inefficiency. A substantial portion of the Capital Plan is focused on these types of basic facility improvements.

Through an Executive Order relative to climate action, the City has committed to designing new

buildings and selected major renovations to the standards required to attain U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) certification.

By far the largest operational savings comes from the conversion of street lights to newer fixtures using Light Emitting Diode (LED) technology. 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.

The Renew Boston Trust initiative aims to bundle municipal energy efficiency renovation projects and capture the resulting financial savings. The City plans to finance the program with general obligation bonds payable in part with the financial savings resulting from reduced energy consumption. The City expects to implement the program through contracts with Energy Service Companies (ESCOs) that will provide financial guarantees that the energy savings generated by the projects will be sufficient to cover anticipated debt service costs. The City anticipates moving forward on a pilot program in FY18.

The Property Management Department is updating the City Hall heating system. An assessment is underway that will determine the most cost effective and energy efficient solution. The Boston Public Schools and Fire Department are both pursuing capital projects to save energy and reduce operating costs, primarily by replacing boilers and updating HVAC and associated systems.

Costs

Increases in operating expenses expected as a result of capital projects are primarily driven by two areas: an expansion of the City's IT infrastructure and the addition of buildings to the City's portfolio.

Although many of the projects identified in the Department of Innovation and Technology (DoIT)'s capital budget are replacing legacy systems, in many cases they involve an expansion of that infrastructure as well. This entails annual licensing fees to support the ongoing maintenance and upgrades of the new software solutions, and often the addition of

personnel to support the customizations and integrations that allow the new software to meet the City's needs. Although it is expected that most of this new software will result in operational efficiencies, those efficiencies have been difficult to quantify in a way that can be accurately reflected in the City's budget projections.

DEBT MANAGEMENT POLICIES AND DEBT IMPLICATIONS OF THE PLAN

Effective debt management ensures that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes and structure of debt issuance. Long-term debt related to capital investment has two main purposes:

- (1) It finances acquisition, construction, repair, and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) It finances infrastructure improvements to ensure the City's continued growth and safe roadway conditions.

The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goals are to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs do not exceed 7% of general fund expenditures;
- variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt (the City has no variable debt).

For further discussion of the City's financial policies and management controls, refer to the chapter on Financial Management.

The City's debt service forecast assumes general obligation borrowing of \$173 million in FY18, \$177 million in FY19, \$200 million in FY20, \$200 million in FY21, and \$200 million in FY22. On March 7, 2017, the City sold \$150 million in general obligation bonds to fund its capital improvement projects. The debt tables at the end of this chapter detail the City's outstanding debt service obligations and demonstrate the City's rapid retirement of its debt.

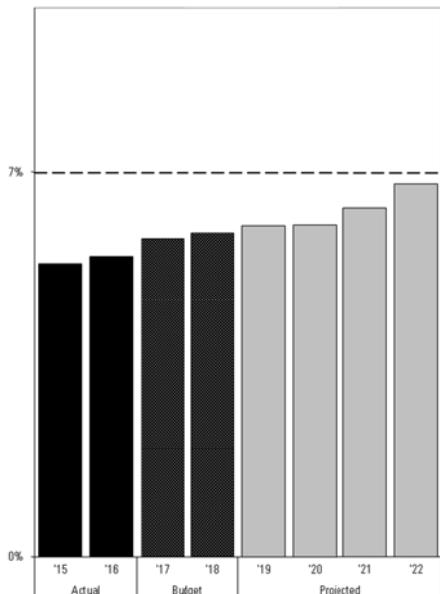


Figure 3 – Gross Debt Service as a Percent of Total General Fund Expenditures
FY15-FY22

The City's gross debt service requirement will remain under 7% of total General Fund expenditures through FY22 (See Figure 3).

The ratio of debt service to the City's primary revenue source, the property tax levy, is projected to increase through FY22 (See Figure 4). Even with the increase, the ratio is not expected to exceed the City's policy ceiling.

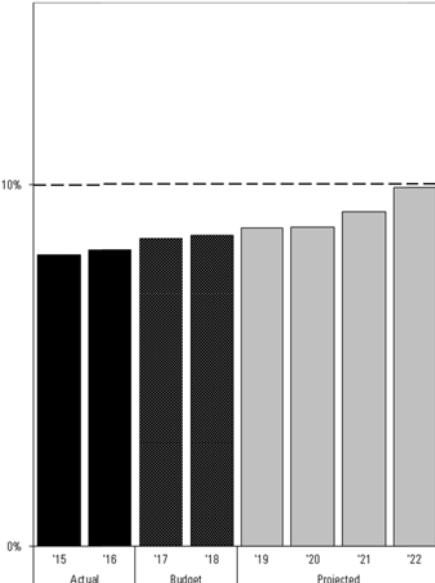


Figure 4 – Gross Debt Service as a Percent of the Net Property Tax Levy

FY15-FY22

The City's current overall debt burden (net direct debt to assessed property value of \$143.58 billion) is approximately 0.91% as of April 30, 2017. The City's net direct debt per capita currently stands at approximately \$1,942 as of April 30, 2017.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt expeditiously. As of April 30, 2017, the City's debt retirement schedule shows that 42.7% of its principal will be retired five years out, before the end of FY22 (See the Debt Retirement table at the end of this chapter).

In February of 2017, Moody's Investors Service and Standard & Poor's reaffirmed Boston's credit rating at Aaa, and AAA, respectively. A bond rating is a statement of credit quality and is analyzed when determining the interest rate that should be paid for a municipality's bonds. A higher bond rating translates into lower interest rates and real dollar savings for the City.

Capital Project Financing

Fiscal Years 2018 - 2022

	Existing Authorization	FY18 Authorization	FY19-22 Authorization	State	Federal	Other	Trust	Total
Boston Center for Youth and Families	33,514,033	17,900,000	4,241,642	0	0	0	0	55,655,675
Boston Redevelopment Authority	1,650,000	950,000	0	0	0	0	0	2,600,000
Department of Innovation and Technology	55,368,935	36,513,575	0	0	0	0	0	91,882,510
Emergency Management	1,500,000	0	0	0	0	0	0	1,500,000
Environment Department	10,425,000	573,000	0	0	0	400,000	0	11,398,000
Fire Department	28,102,500	14,975,356	28,650,000	0	0	160,856	0	71,888,712
Library Department	41,752,917	20,550,000	63,500,083	0	0	0	0	125,803,000
Neighborhood Development	3,383,721	0	0	0	0	0	0	3,383,721
Office of Arts & Culture	0	1,700,000	7,600,000	0	0	0	0	9,300,000
Office of New Urban Mechanics	200,000	0	0	0	0	0	0	200,000
Parks and Recreation Department	65,730,331	10,427,974	27,378,807	16,942,173	61,950,086	25,200,469	0	207,629,840
Police Department	61,834,000	0	19,540,000	0	0	0	0	81,374,000
Property Management Department	49,461,500	52,167,558	0	0	0	0	0	101,629,058
Public Health Commission	2,625,998	500,000	0	0	0	0	0	3,125,998
Public Works Department	148,392,752	16,370,351	8,574,571	135,211,661	224,971,286	76,743,571	0	610,264,192
School Department	119,536,120	49,594,450	187,137,919	214,852,078	0	28,525,000	0	599,645,568
Transportation Department	24,247,133	34,266,119	0	11,957,963	14,430,964	14,767,817	0	99,669,996
Total	647,724,941	256,488,382	346,623,023	378,963,875	301,352,336	145,797,713	0	2,076,950,270

Table 2

Outstanding Principal by Statute as of April 30, 2017

Statute:	<i>General Purpose:</i>	Outstanding @ April 30, 2017	Percent of Total Outstanding Debt
C44 s7 (13)	Acquisition of Fire or Police Boats	1,848,527	0.142
C44 s7 (20)	Acquisition of Land: Cemeteries	429,171	0.033
C44 s7 (21)	Architectural Services for Plans & Specs	153,561	0.012
C44 s7 (22)	Engineering or Architectural Services	12,024,299	0.925
C44 s7 (25)	Acquisition of Land: Parks and Playgrounds	89,254,800	6.864
C44 s7 (28)	Computer Hardware	62,127,797	4.778
C44 s7 (29)	Computer Software	4,740,621	0.365
C44 s7 (9)	Departmental Equipment	17,681,216	1.360
C44 s7 (3B)	Energy Conserv., Alternative Energy Improvements	3,075,462	0.237
C659 Acts 1986	BCH - Constr., Equipping, Furnishing	9,080,000	0.698
		\$ 200,415,454	15.412
<i>Urban Development:</i>			
C121B s20	Urban Redevelopment and Renewal	\$ 7,667,805	0.590
C1097 s11 Acts 1971	Economic Development and Industrial Corp.	\$ 8,964,580	0.689
		\$ 16,632,385	1.279
<i>Schools:</i>			
C645 s8 Acts 1948	School Project Loan	\$ 21,188,192	1.629
C642 s7A, s7B, s7C	Capital Improvements: Acts of 1973, 1991, 1996	\$ 7,755,875	0.596
		\$ 28,944,066	2.226
<i>Public Buildings:</i>			
C44 s7 (3)	Construction of Buildings: Acquisition Of Land	\$ 223,636,652	17.198
C44 s7 (3A)	Remodeling and Extraordinary Repairs	571,136,860	43.922
C152, Act '97	Convention Center Refunding Bond	26,960,000	2.073
C642 s7A, s7B, s7C	Capital Improvements: Acts of 1973, 1991, 1996	\$ 15,131,546	1.164
		\$ 836,865,057	64.357
<i>Public Works:</i>			
C44 s7 (1)	Construct/Re-Construct of Surface Drains, Sewers, etc.	\$ 1,503,680	0.116
C44 s7 (4)	Construction and/or Re-Construction of Bridges	49,545,189	3.810
C44 s7 (5)	Construction of Public Ways	58,212,917	4.477
C44 s7 (6)	Construction of Sidewalks	8,617,737	0.663
C44 s7 (7)	Construction of Walls or Dikes	46,698	0.004
C44 s7 (14)	Traffic Signal and Public Lighting Install., etc.	77,300,115	5.945
C44 s8 (4)	Reservoir Constr/Enrg: Water Trmt Bldgs	885,564	0.068
C44 s8 (5)	Water Mains Laying, Re-Laying, Construct.	3,729,366	0.287
C44 s8 (7A)	Water Meter Purchase & Installation	46,335	0.004
C44 s8 (7C)	Water Dept. Equip.; Purchase, Replace., Rehab.	359,690	0.028
C44 s8 (24) C29C	Landfill; Closing, Opening, Improve. to (MWPAT)	\$ 17,244,473	1.326
		\$ 217,491,765	16.726
<i>Grand Total =</i>		\$ 1,300,348,727	100.00 %

Table 3

RATE of PRINCIPAL RETIREMENT on GENERAL OBLIGATION BONDS

Fiscal Years Ending June 30, 2017 - 2037
 @ APRIL 30, 2017
 \$ in thousands

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>	<u>Percentage of Total Principal Amount Retired:</u>	
@ 4/30/17			
2017 - 2022	\$ 554,871	42.67	%
2023 - 2027	434,972	33.45	%
2028 - 2032	219,516	16.88	%
2033 - 2037	90,989	7.00	%
	<u>\$ 1,300,348</u>	<u>100.00</u>	<u>%</u>

Table 4

CITY of BOSTON - DEBT SERVICE REQUIREMENTS - FISCAL YEARS 2015 through 2022

	<u>Actual FY15</u>	<u>Actual FY16</u>	<u>Projected FY17</u>	<u>Projected FY18</u>	<u>Projected FY19</u>	<u>Projected FY20</u>	<u>Projected FY21</u>	<u>Projected FY22</u>
<u>Gross Debt Service Requirements - Bonded Debt:</u>								
Total Principal:	107,660,000.00	110,590,000.00	116,976,541.00	121,705,049.00	130,033,851.00	134,397,953.00	147,377,361.00	166,207,083.00
Total Interest:	51,298,300.80	52,322,597.89	59,976,859.82	65,725,895.54	67,473,536.41	70,371,450.29	73,901,478.73	76,704,159.50
(1) Total:	<u>158,958,300.80</u>	<u>162,912,597.89</u>	<u>176,953,400.82</u>	<u>187,430,944.54</u>	<u>197,507,387.41</u>	<u>204,769,403.29</u>	<u>221,278,839.73</u>	<u>242,911,242.50</u>
<u>Less: Revenue Deemed Available from Related Sources:</u>								
Boston Medical Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Boston Public Health Commission	182,393.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water and Sewer Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Premium, Subsidies, Other	8,520,908.96	3,656,500.45	3,598,172.13	3,502,660.51	3,418,863.47	3,308,755.72	2,950,602.07	2,950,602.07
Renew Boston Trust - Energy Savings	0.00	0.00	0.00	71,250.00	467,500.00	985,375.00	960,750.00	936,125.00
Accrued Interest	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
(3) Irrigation Project	206,501.24	199,022.83	190,284.93	116,364.90	9,149.49	0.00	0.00	0.00
(4) 1010 Massachusetts Avenue Project	2,285,655.98	2,265,029.18	2,220,936.61	2,168,216.83	1,947,260.57	1,916,238.83	2,537,188.02	2,614,726.17
(5) Pension Management System	1,858,296.67	1,904,611.67	1,904,552.59	1,903,325.99	1,902,667.57	1,903,311.94	1,904,187.26	893,752.20
Interest on Loan to BOA Fund and Dudley Fund	146,664.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>Plus: Interest on Temporary Loan Notes and Additional Items:</u>								
Revenue Anticipation	0.00	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Cost of Issuance	113,905.48	0.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00
Dudley Sq. Site / Sec. 108	505,000.00	505,000.00	505,000.00	505,000.00	0.00	0.00	0.00	0.00
Lease Payment for Bolling Municipal Building	275,500.00	943,000.00	551,000.00	551,000.00	551,000.00	248,111.11	0.00	0.00
(6) Sinking Fund for Nov., 2009 QSCB	1,454,545.44	1,454,545.44	1,454,545.44	1,454,545.44	1,454,545.44	1,454,545.44	1,454,545.44	1,454,545.44
School B.A.N.'s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>Total Debt Service/Budget Summary:</u>	<u>148,006,831.24</u>	<u>157,689,979.20</u>	<u>174,950,000.00</u>	<u>185,579,671.75</u>	<u>195,167,491.75</u>	<u>201,758,378.35</u>	<u>217,780,657.82</u>	<u>240,370,582.50</u>
<u>Less Additional Adjustments:</u>								
School Construction Assistance	8,175,513.00	7,344,337.00	6,720,152.00	6,720,147.00	5,107,351.00	2,461,330.00	0.00	0.00
<u>Total Net Debt Service Requirements:</u>	<u>139,831,318.24</u>	<u>150,345,642.20</u>	<u>168,229,848.00</u>	<u>178,859,524.75</u>	<u>190,060,140.75</u>	<u>199,297,048.35</u>	<u>217,780,657.82</u>	<u>240,370,582.50</u>

Table 5

NOTES:

- (1) FY17 - the City issued:
 \$150 million in General Obligation Bonds with a 20-year maturity and an average coupon rate of 3.97%; closing date: April 4, 2017

Assumptions:

- FY18 - Assumes General Obligation debt issuance of \$170 million, and \$3 mil for the Renew Boston Trust project, each with a 20 year maturity and an interest rate of 4.75%.
 FY19 - Assumes General Obligation debt issuance of \$170 million, and \$7 mil for the Renew Boston Trust project, each with a 20 year maturity and an interest rate of 5.00%.
 FY20 - Assumes General Obligation debt issuance of \$200 million per year, with a 20 year maturity and an interest rate of 5.0%.
 FY21 - Assumes General Obligation debt issuance of \$200 million per year, with a 20 year maturity and an interest rate of 5.0%.
 FY22 - Assumes General Obligation debt issuance of \$200 million per year, with a 20 year maturity and an interest rate of 5.0%.

- (2) Under the American Recovery and Reinvestment Act of 2009 (ARRA), in 2010 and 2011, the City issued Tax Benefited Bonds which are entitled to receive subsidy payments from the Federal Government. The IRS has released 5 subsidy reduction notifications since March of 2013, reducing the expected annual subsidy - the projected loss through Fy2017 is approximately \$1.4 million. An estimated Subsidy reduction to ARRA-related issuances of 7.3% per year from FY2018 through FY2022 has been applied in response to IRS withholding notifications.
- (3) Debt Service Costs will be offset by the "Fund for Parks and Recreation".
- (4) Debt Service Costs will be offset by charging City departments for the space they occupy.
- (5) Debt Service Costs will be offset by semi-annual payments from the Retirement Board.
- (6) Quarterly payments of principal in the amount of \$363,636.36 are currently being made to the paying agent with respect to the City's outstanding \$20 million G.O. Qualified School Construction Bonds, 2009-Series A, which were issued as tax credit bonds that do not earn interest. These funds are kept in escrow until the Bonds mature on September 15, 2024.

Data Analytics

INTRODUCTION

Boston's Performance Management efforts, driven in partnership between the Citywide Analytics Team and the Budget Office, exist to ensure that the city delivers the most effective and efficient services possible. We work with departments across the City to solve challenging problems, build a more effective government, and deliver better outcomes for people who live and work in Boston.

This chapter highlights our approach, recent accomplishments, and plans for the upcoming year.

OUR APPROACH

Executive Insight

One of our top priorities is providing City leadership with performance data where and when they need it. We provide the Mayor, Cabinet Chiefs, and City leadership with dashboards and reports that provide up-to-date information so they can stay regularly informed about the effectiveness of programs, day-to-day operations, and progress toward accomplishing strategic goals.

Optimizing Process

Along with building the tools to understand how well the City is performing, we work collaboratively across 14 Cabinets to help identify pain points and develop immediate and potential long-term performance and process improvements. These direct engagements create lasting improvements for the City.

Engaging with the Public

The public plays a critical role in our work. To promote transparency, we publish City and departmental performance scorecards so people can see how the City is performing at delivering services, and to encourage innovation, we share our data so the public can create new tools and propose new ways for the City to deliver services.

ACCOMPLISHMENTS THIS YEAR

Continued Development of CityScore

Launched in January of 2016, CityScore is designed to inform the Mayor, City managers, and the public about quality of life and the performance of City government by aggregating key performance metrics into one number.

Over the course of the year, CityScore has improved the efficiency of core City services, including increased resources for emergency medical services. Additionally, we developed a toolkit this year to make CityScore shareable so that any government or organization can recognize the same benefits that we have here in Boston. The toolkit can be found at: github.com/CityOfBoston/CityScoreToolkit.

EMS Ambulance Allocation

We worked with Boston EMS to analyze how to best allocate resources in response to a growing call volume. Focusing on a subset of calls, incidents, and outcomes over multiple years, the analysis has prompted EMS to adjust the priority of calls to increase resource availability for higher-need medical incidents. We're also investigating how to increase ambulance response efficiency and levels of care for some of the City's most vulnerable residents.

311 Call Center Improvements

After noticing the 311 Call Center's CityScore was below 1, we worked with the team to build dashboards and reports to better highlight performance trends and more quickly identify issues. To supplement these tools, we also developed a broader performance improvement strategy that aims to improve call center efficiency and increase constituent satisfaction, with implementation beginning in early 2017.



DELIVERING RESULTS

Our work this year has also contributed to the following improvements:

- **Additional resources** so our Emergency Medical Response team can better serve those in need of emergency services.
- A **5% increase** in the average number of calls answered within 30 seconds at the 311 Call Center, resulting in more expedient customer service for those interacting with the City.
- **New Financial Insight Tools** for the City to track progress toward cost saving measures and to ensure fair and equitable opportunities for those competing for city contracts.
- A **10% increase** in the number of traffic signals repaired within 24 hours, ensuring that the City's streets are safe and functioning properly.
- A clearer understanding of the demographics of city staff to help **create a workforce that reflects our City's residents**.

LOOKING TOWARD NEXT YEAR

Our work next year will continue to build upon the successes we've recognized this year in the areas of customer service, permitting, recruitment, and public safety. You can learn more about our work and check out our progress at: boston.gov/departments/analytics-team.

CITYSCORE

CityScore's 22 metrics are monitored daily to get an understanding of the quality of life in Boston, and the performance of City government. Since inception, CityScore has prompted key process improvements, increased

data-driven decision-making at all levels of city government, and informed the budget process.

The following list details the performance metrics and targets that currently make up CityScore. Daily scores and additional information can be found at: boston.gov/cityscore.

311 CALL CENTER PERFORMANCE - Target 95% of calls answered within 30 seconds

311 CONSTITUENT EXPERIENCE SURVEYS

- Target 4 on a 5 point rating scale

BOSTON FIRE DEPARTMENT INCIDENTS - Fewer incidents than previous years

BOSTON FIRE DEPARTMENT RESPONSE TIME - Target 90% of responses in 4 minutes or less

BOSTON PUBLIC SCHOOLS ATTENDANCE - Target 95% of all students

CITY SERVICES SATISFACTION SURVEYS - Target 4 on a 5 point rating scale

BOSTON EMERGENCY MEDICAL SERVICES INCIDENTS - Fewer incidents than previous years

BOSTON EMERGENCY MEDICAL SERVICES RESPONSE TIME - Target median of 6 minutes

GRAFFITI ON-TIME % - Target 80% completed within 45 business days

HOMICIDES (TREND) - Fewer incidents than previous years

LIBRARY USERS - More users than previous years

MISSED TRASH ON-TIME % - Target 80% completed within 1 business day

ON-TIME PERMIT REVIEWS - Target 75% completed within 20 business days

PARKS MAINTENANCE ON-TIME % - Target 80% lighting issues completed within 7 business days; 80% all other issues completed within 5 business days

PART 1 CRIMES - Fewer incidents than previous years

POTHOLE ON-TIME % - Target 80% completed within 1 business day

SHOOTINGS (TREND) - Fewer incidents than previous years

SIGN INSTALLATION ON-TIME % - Target 80% completed within 30 business days

SIGNAL REPAIR ON-TIME % - Target 80% completed within 24 hours

STABBINGS (TREND) - Fewer incidents than previous years

STREETLIGHT ON-TIME % - Target 80% completed within 10 business days

TREE MAINTENANCE ON-TIME % - Target 80% completed within 365 calendar days

PRIORITY FY18 PERFORMANCE GOALS

The Mayor's FY18 budget priorities highlight the vision to create an environment that promotes equity, builds community, and helps fulfill Boston's great promise. The performance measures listed below reflect the City's top priorities and the partnerships necessary to achieve these ambitious goals. To track progress against these goals, visit the *Boston About Results* website at: boston.gov/finance/boston-about-results.

Priority FY18 Performance Goals

Performance Measure	Responsible Department	FY 17 Target	FY 18 Target
<i>Education</i>			
New K1 seats available	Schools	200	100
Participants in the Early Literacy Program	Boston Public Library	NA	60,000
<i>Housing</i>			
# of homeless Veterans placed in permanent housing	Neighborhood Development	210	200
# of low income housing units permitted (deed restricted and IDP)	Neighborhood Development	NA	325
# of middle income housing units permitted (deed restricted and market)	Neighborhood Development	1,000	1,000
# of potential evictions averted	Neighborhood Development	NA	500
<i>Mobility</i>			
Average annual PCI rating of Boston's roads	Public Works	67	66
Average cost per streetlight	Public Works	\$162	\$160
% of crosswalks in good repair	Transportation	90%	90%
Average personnel hours on a hokey route (hand cleaning streets/sidewalks)	Public Works	1,000	1,000
<i>Prosperity & Equity</i>			
Average usage of City Hall to Go	Neighborhood Services	NA	3,000
# of MWBE companies with the City of Boston	Economic Development	52	60
# of businesses recruited for Boston's 100% Talent Compact	Women's Advancement	NA	250
Broadband adoption by families (i.e. households with children under 18)	Innovation & Technology	100%	100%
<i>Arts, Culture, and Creativity</i>			
% growth in grant dollars	Arts & Culture	25%	25%
% of first time BCC organizational grant awardees	Arts & Culture	10%	10%
Library card daily usage	Boston Public Library	3,300,000	3,400,000
Average number of Ebook holds	Boston Public Library	NA	40,000
<i>Health & Safety</i>			
EMS median response time for Priority 1 calls	Public Health Commission	6 Min	6 Min
# of mediations conducted by streetworkers	Boston Centers for Youth and Family	400	450
# of unique community center visitors	Boston Centers for Youth and Families	NA	150,000
Firefighters attending resiliency, health, and safety symposiums	Fire Department	720	720
YouthConnect referrals	Police Department	800	840

*New measures are denoted with an "NA" for the FY 17 target.

Boston's People and Economy

INTRODUCTION

Boston was first incorporated as a town in 1630 and then as a city in 1822 making it one of the oldest cities in the United States. The City has evolved into a center for innovation and entrepreneurship as well as for social and political change. Boston has become the economic engine and cultural hub of New England.

As the seat of Suffolk County, capital city of Massachusetts and the region's hub, Boston is home to over 600,000 residents, many world-renowned institutions of higher education, some of the world's finest inpatient hospitals, numerous successful corporations, and many professional sports teams and cultural organizations. Tens of millions of people visit Boston each year to take in its historic sites, diverse neighborhoods, cultural or sporting events, and to attend functions in one of Boston's convention centers.

Under the leadership of its first new Mayor in twenty years, Martin J. Walsh, the City is vigorously pursuing economic opportunities, to ensure Boston will continue to be a global leader in the twenty-first century.

BOSTON'S GROWING AND CHANGING POPULATION

The City of Boston ranks as the 23rd largest city by population in the United States. According to the U.S. Census Bureau's American Community Survey ("ACS") Boston's population for 2015 was 669,469. The average annual growth for the City from 2010 through 2015 is 1.6%. Recent trends suggest Boston's population is growing at faster rates than in prior decades.

The City is the center of the 6th largest Combined Statistical Area (CSA) in the nation. Metropolitan Boston had 4.8 million people and 3.4 million jobs in 2015.

Over the thirty years between 1950 and 1980 Boston's population declined 30% from 801,444 to 562,994. This decline can largely be

Boston, Massachusetts Quick Facts

Government

Founded	Sept. 17, 1630
State (capital)	Massachusetts
County (seat)	Suffolk
	Strong Mayor-Council
Government Type	
Mayoral Term (years)	4
Councilor Term (years)	2
District Councilors	9
At-Large Councilors	4
U.S. House Reps. (MA)	10
Electoral Votes (MA)	11

People

Population (2010)	617,594
% of State	9.4%
% Growth (from 2000)	4.8%
% Non-white/Hispanic	53.0%
% White/non-Hispanic	47.0%
Median age (years)	30.8

Geography

Neighborhoods	23
Land area (Sq. miles)	48.4
Water area (Sq. miles)	41.2
Density (Pop./Sq. mile)	12,752
Public road mileage	917.1
Ft. above sea-level	141.0

Climate

Climate type	Humid Continental
Avg. Ann. High Temp. (°F)	59.3
Avg. Ann. Low Temp. (°F)	43.9
Avg. rainfall/year (inches)	42.5
Avg. precipitation days/year	126.0
Avg. snowfall/year (inches)	41.8
Avg. snowy days/year	22.5
Ann. Sunshine hours	2,638.2

Boston Firsts

Public park (Bos. Common)	1634
Public school (Boston Latin)	1635
Public library	1653
Telephone	1875
Subway	1897
World Series	1903
Mutual Fund	1924
Community Health Center	1965

attributed to a post-war national trend of suburbanization. Since 1980, however, the City's population has stabilized and grown. The 2010 U.S. Census records the City's population at 617,594, representing a nearly 5% increase over its 2000 population and a nearly 10% increase over 1980.

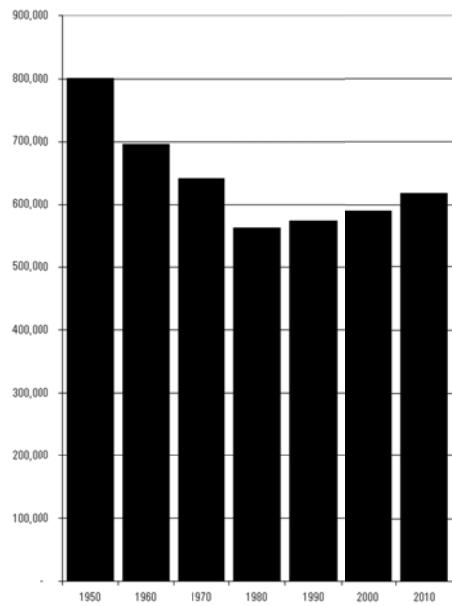


Figure 1 - Boston's Population

1950-2010 Census

With this growth in population has come a change in demographics. A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The 2010 census results show that non-White/Hispanic peoples continue to make up the majority of Boston's population, as they have for the past 10 years.

The 2010 Census also shows that Boston is a relatively young city. Children ages 19 and under make up 22% of the City's population. More than one out of every three persons in Boston is between the ages of 20 and 34 years old. People ages 35 to 54 years old comprise 24% of the population. People ages 55 to 64 years old comprise 9%. Senior citizens ages 65 and above make up only 10% of the City's population.

Not only is Boston a relatively young city, but the number of families is decreasing. From 2000 to 2010 the number of households in Boston increased by 5.5%, but the number of households with someone under age 18 decreased by 7% and the number of households with someone over age 65 decreased by 15%. The number of householders living alone

increased by 5% and the number of nonfamily households (which consists of people living alone and households where no members are related) increased by 11%.

BOSTON'S JOBS, LABOR FORCE, AND INCOME

Boston ranks among the highest in concentrations of employment in the U.S. In 2010, Boston supplied an estimated 657,669 jobs, 96% of jobs in Suffolk County, approximately one out of every six jobs in Massachusetts, and one out of every fourteen jobs in New England. Unemployment in the City continues to decline from a high of 8.6% (not seasonally adjusted) in January 2010, down to 2.7% in December 2016.

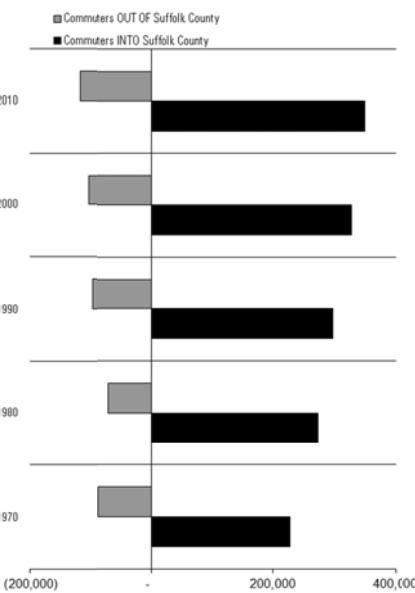


Figure 2 – Commuting Patterns of Workers

Suffolk County, MA 1970-2010

With the number of Boston based jobs exceeding the resident labor force by more than double, the City is the recipient of many daily commuters. Between 1970 and 2010, the number of non-Suffolk County residents commuting to jobs in Suffolk County increased over 50% to nearly 350,000. And, as Boston has continually become a better place to live, more residents are choosing to live in the City and commute out for their jobs. From the City's population low point in 1980, the number of Suffolk County residents, in 2000, commuting to jobs outside the county grew nearly 60% and now represents 28% of the resident county labor force.

The City's resident labor force has undergone another transformation. Of the 266,505 Boston residents working in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2010, of

the 327,561 Boston residents working, those holding blue-collar jobs fell to 32%, and those employed in white-collar occupations rose to 68%. The changing needs of a service-based economy have resulted in a better educated and a more highly skilled workforce. In 2000, 79% of the adults in Boston had completed high school, compared to 53% in 1970. A full 36% of adults in Boston had completed college in 2000, compared to only 10% in 1970. According to the most recent estimates from 2015, 85% of adults had completed high school (or GED), and 45% of adults had completed college.

Boston's People

	1970	1980	1990	2000	2010
<i>Population</i>					
Total Population	641,071	562,994	574,283	589,141	617,594
% White Alone	NA	NA	59%	49%	47%
% Non-White/Hispanic	18%	30%	37%	51%	53%
Black or African-American	NA	NA	24%	25%	22%
Asian	NA	NA	5%	8%	9%
Hispanic or Latino	NA	NA	11%	15%	18%
Other	NA	NA	1%	3%	4%
<i>Income</i>					
Median Household Income	\$7,935	\$12,530	\$29,180	\$39,329	\$49,893
Average Annual Wage (Suffolk County)	NA	\$15,472	\$31,272	\$55,522	\$74,881
<i>Education</i>					
% High School Graduate	34%	35%	27%	24%	24%
% Some College Completed	9%	13%	19%	19%	18%
% College Graduate	10%	20%	30%	36%	44%
<i>Employment</i>					
Labor Force	266,505	NA	304,507	304,224	327,561
Unemployment Rate (resident)	12.8%('75)	7.8%('83)	8.6%('91)	2.7%	7.9%
Number of Jobs	576,125	572,078	622,433	688,077	657,669
% Blue Collar Jobs	45%	40%	33%	31%	32%
% White Collar Jobs	55%	60%	67%	69%	68%
% Manufacturing Jobs	11%	9%	5%	4%	1%
% Trade Jobs	22%	16%	13%	12%	11%
% Finance Jobs	13%	13%	15%	15%	15%
% Service Jobs	25%	36%	42%	46%	58%

Boston Redevelopment Authority, U.S. Census Bureau, Massachusetts Division of Employment and Training, Massachusetts Department of Labor and Workforce Development

Table 1

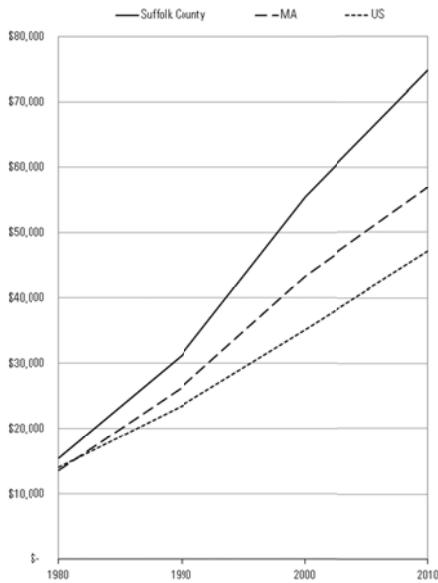


Figure 3 –Average Annual Wages

Along with Boston's well-educated workforce comes comparatively high household incomes and wages. In 2010, median household income in the City was \$49,893, up 27% from 2000 (Table 2). Median household income in Boston is consistently more than 30% greater than the median household income in the United States. Per capita Personal Income in Suffolk County was \$52,856 in 2010. The average annual wage and salary disbursement per job in Suffolk County was \$74,881 in 2010. Beginning around 1990, wages in Suffolk County began to grow faster than the state and the nation. In 2010, the average annual wage per job in Suffolk County was 32% higher than the average Massachusetts wage and 59% higher than the national average wage.

KEY SECTORS IN THE BOSTON ECONOMY

Transportation

A key to any city's economic health is its ability to transport residents, workers, visitors, and goods efficiently and safely to their intended destinations, whether in the city or throughout the region.

Local Transportation

According to the 2010 census, 36% of households in Boston do not have a vehicle, which makes public and alternative

transportation particularly important to city residents.

Boston's public transportation system reaches into every neighborhood of the City whether by trolley, subway, bus, or commuter train. The MBTA provides commuter rail, subway, local bus and express bus services, and water ferry service to 175 cities and towns in eastern Massachusetts, offering public transit to a population of almost 4.8 million people in an area of 3,200 square miles. The MBTA currently serves about 1.3 million passengers per day.

Several major transportation initiatives are increasing access and reducing travel time. Government Center station was re-opened in March 2016. The Massachusetts Bay Transportation Authority (MBTA) plans for the following capital improvement projects within Boston: the Fairmount Line Improvements, State Street and Orient Heights Station accessibility improvements, Light Rail Accessibility Project (LRAP) improvements, and new vehicles for the Red and Orange subway lines.

MBTA officials announced plans to equip the Mattapan trolleys, running through Dorchester, Milton, and Mattapan, with new propulsion, brakes, and power supply systems, and spend \$1.1 million for a study of the Mattapan line. The MBTA also pledged \$7.9 million to give the aging streetcars an overhaul.

The State Transportation Improvement Program ("STIP") is a federally mandated prioritized listing of highway, bridge, intermodal and transit projects expected to be undertaken during the next four federal fiscal years. There are several Boston-based projects listed in fiscal 2017 – fiscal 2021 STIP including improvements along Blue Hill Avenue and Warren Streets, reconstruction of Melnea Cass Boulevard, improvements to Boylston Street, repairs to the North Washington Street Bridge, signal and intersection improvements at the intersection of the VFW parkway and Spring Street, reconstruction of Rutherford Avenue from City Square to Sullivan Square, and traffic signal improvements at ten locations across the city.

Given the needs and preferences of residents, the City has made investments into "greener"

transportation for its residents, visitors and employees. A contract for a bike sharing program has put bike stations in various points around the City for users to rent for trips around town. In 2016, the Boston Transportation Department completed a bike count, counting an average of nearly 30,000 bike trips per day at over 60 locations across the City. In some locations, bike traffic accounted for more than 15% of vehicles during peak commute times.

The City itself has moved to limit emissions and increase the fuel economy of its fleet by purchasing hybrid vehicles and requiring new taxi cabs to be hybrids as well. With the national and international rise of car-sharing companies, the City is also running an internal fleet-sharing program. "FleetHub" is an online reservation system allowing City employees to reserve pooled vehicles for departmental use. This innovative system reduces the total number of vehicles needed by the City through vehicle-sharing across departments and functions and by increasing utilization of individual vehicles to their maximum. Thus far the system is functioning in 5 locations with 36 vehicles (including seventeen hybrids, eight electric, and five propane vehicles) shared among approximately 500 active drivers.

Regional Transportation

In 2014, Boston's Logan International Airport was the most active airport in New England, the 18th most active airport in the United States. In 2016, Logan served 36.3 million international and domestic passengers, a 8.5% increase from 2015. Logan Airport is also very important to the economy as a center for processing air cargo. In 2016, Logan Airport's air cargo and mail volume totaled 616.9 million pounds. This was a 7.1% increase from 2015 air cargo and mail volume.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. The Port of Boston ranked as the 14th largest container port on the U.S. Atlantic Coast by container volume. The Port of Boston has also become a major cruise ship port, hosting 309,027 cruise ship passengers in 2016, a decrease of 6% from the year before.

National and International Travel

In 2013, Boston's Logan International Airport was the most active airport in New England, the 20th most active airport in the United States, and the 52th most active airport in the world. In 2015, Logan served over 33.4 million international and domestic passengers, a 5.7% increase from 2014. Logan Airport is also very important to the economy as a center for processing air cargo. In 2015, Logan Airport's air cargo and mail volume totaled 575.8 million pounds. This was a 1.7% decrease from 2014 air cargo and mail volume.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. The Port of Boston ranked as the 14th largest container port on the U.S. Atlantic Coast by container volume. The Port of Boston has also become a major cruise ship port, hosting 328,305 cruise ship passengers in 2015, an increase of 4.2% from the year before.

Higher Education, Healthcare, Life Sciences, and Financial Services

Higher education, health care and financial services play a major role in Boston's economy. Boston's job growth was positive across most industries since the recession, but was mostly concentrated in health care and social assistance, professional and technical services, and education. The health care and social assistance industry employs the largest number of people in Boston, 18.5% of total jobs. Educational services is an area of specialization for Boston with an employment share three times the national average.

Boston hosts 35 universities, colleges, and community colleges, with a combined enrollment of just under 140,000 students annually. Included among the City's colleges and universities are some of the finest educational institutions in the country, including Boston College, Boston University, and Northeastern University.

These institutions of higher education have a major effect on the City's economy. Because many of these students remain in Boston after graduation, the City's educational institutions

are a major source of highly-skilled professionals for the City's workforce. Boston's colleges and universities contribute to the economy in ways beyond providing a work force to City businesses and maintaining a stable workforce of just below 50,000 themselves. In 2016, the Boston Planning and Development Agency (BPDA) approved 1.4 million new square feet of institutional development across the city. These new projects were primarily educational developments or expansions, and include a recreation center for Boston College, a student housing development for Northeastern University, and Harvard University received approval to resume construction on a Science and Engineering Complex.

Many of the nation's finest research and teaching hospitals are located in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Hospital, Boston Medical Center, Tufts Medical Center, and Boston Children's Hospital, as well as 25 community-based health centers. In total there are 21 inpatient hospitals in the City. Furthermore, the City is home to the medical and dental schools of Harvard University, Tufts University, and Boston University. In 2012, there were an estimated 127,000 people, or one in five of all Boston jobs, employed in health services in the City.

The Boston metropolitan area remains the nation's foremost region for the life sciences industry for consecutive years 2011 and 2012 according to the "2012 Life Sciences Cluster Report" a study by the realty group Jones Lang LaSalle. Boston's life science industry benefits from skilled labor force availability, leading universities in basic academic science fields, innovative research and development districts, proximity to major research hospitals, and strategic presence of venture capital resources. The study estimates that there are 74,000 employees in greater Boston within the industry sub-sectors of pharmaceuticals, biotechnology and medical devices; within the nation only San Diego has a greater percentage of its workforce in these industries.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, John Hancock/Manulife Financial,

State Street Corporation, and Wellington Management. In 2016, there were over 120,000 people employed in the finance, insurance and real estate industries in Boston.

Largest Private Employers in Boston

Over 10,000 Employees

Brigham & Women's Hospital

Massachusetts General Hospital

5,000 to 9,999 Employees

Beth Israel Deaconess Medical Center

Boston Medical Center

Boston University

Children's Hospital Boston

Fidelity Investments (FMR Corp.)

Harvard University (Graduate Schools)

Northeastern University

State Street Bank & Trust Co

Figure 4

Travel, Tourism, and Culture

The City entertains many types of visitors each year. For those seeking historical sites, museums, sporting events, restaurants, theatre or business conventions, Boston is a great place to visit. According to the Greater Boston Convention and Visitors Bureau, an estimated 22.5 million people visited Boston in 2012. Of those, an estimated 1.5 million were international visitors to Boston and Cambridge.

Boston is an attractive destination for conventions, meetings, and gate shows. The Boston Convention and Exhibition Center (BCEC), located on a 60-acre site in South Boston, contains 516,000 square feet of contiguous exhibition space designed to accommodate larger conventions. This facility, along with new hotel projects in the City, has given a significant boost to the local economy. In 2016, the Boston Convention and Exhibition Center, along with the John B. Hynes Memorial Convention Center, hosted 255 events, with an aggregate of 762,521 attendees. Boston also has several other sites for small and medium size conventions and conferences including the World Trade Center and Bayside Exposition Center.

The City of Boston is home to five major professional sports teams: the Boston Red Sox baseball team which plays at historic Fenway

Park, the Boston Bruins hockey team and the Boston Celtics basketball team, which both play at the TD Garden. The New England Patriots football and Revolution soccer teams play at Gillette Stadium in nearby Foxborough, MA. The New England Aquarium, Museum of Fine Arts, Isabella Stewart Gardner Museum, Institute of Contemporary Art, and many other attractions bring in thousands of tourists each year. The City also provides venues for concerts, ice shows, circuses and other entertainment performances as well as street festivals and parades in its neighborhoods and parks.

ECONOMIC HISTORY & OUTLOOK

During the 1960's, the national economy thrived and unemployment was consistently below 6% in the City. In the 1970's, Boston experienced the same pain felt across the country as the term "stagflation" was coined. The 1980's produced a period of great economic growth. The 1990's gave way to recession again with unemployment over 8% and a collapsing real estate market which transitioned into a long expansion with lower unemployment, more commercial development and increased home values. In the early 2000's, Boston experienced a mild recession along with the rest of the nation but continued to grow afterward. In 2008, the City was swept up with the nation in the "great recession". While Boston and Massachusetts did not fare as badly as some others, especially in the real estate market, the job loss and foreclosures were tough on the City indeed.

Housing

The housing market is a source of growth for many industries and is a barometer of economic health overall. Since the end of the most recent recession, the housing market has come back unevenly across the country. Boston is faring better than many other metropolitan areas that were harder hit to begin with.

Prices of existing homes are slowly increasing according to two sources of data. In the fourth quarter of 2016, the median sale price of a single-family home in Boston was \$488,750, an increase of 7.1% over the same quarter in 2015. A look at the cumulative change in the Freddie-Mac Home Price Index shows that cumulative

price changes since December 2004, negative since September 2008, finally turned positive in June 2013 and have remained positive, surpassing pre-recession peaks.

Indicators of the housing market in Boston continue to improve. According to the Greater Boston Association of Realtors, sales of Boston homes increased 0.5% between December 2015 and December 2016. Inventory of homes for sale is down, days on the market are down, and homes are selling for very close to asking price.

Rents and rental activity in the City have increased recently. The monthly median advertised rent across the entire city for all types and sizes of apartments increased slightly in 2016 to \$2,430. The rental unit vacancy rate was 2.2%.



Figure 5 –
Cumulative Change in Freddie Mac Home Price Index
December 2004-December 2016
Office Market

With Boston becoming such a white collar town, the market for office space is a strong indicator of the local economy. The City downtown area has roughly 66 million square feet of office space. During the fourth quarter of 2016, Boston's direct vacancy rate was 7.5%, according to realty firm Jones Lang LaSalle. Boston's annual net absorption of office space was 1.2 million square feet. Compared to this

time last year (fourth quarter of 2015), these figures have remained relatively unchanged.

In 2016, the Boston Planning and Development Agency (BPDA) approved 13 projects that include new office space, for a total of over 1.9 million new square feet of office space. The approved buildings will be mixed-use, with six including residential space. The new office developments will be located across the city: four in South Boston Waterfront, two each in South Boston and Roxbury, and one each in Brighton, Chinatown, Dorchester, Downtown, and the South End. Among these newly-approved projects is the GE headquarters in Fort Point, the New John Hancock building at 380 Stuart, and a 13-story office building in the South Boston Waterfront's Parcel Q1.

Hotels

Tourism is a big Boston industry supporting over 11,000 direct jobs in Boston for 2015, accounting for 1.9% of Boston's total payroll jobs, and 32.3% of Massachusetts' hotel industry employment.

The number of hotel rooms built, occupancy and room rate statistics are an indicator of the health of that industry.

The number of hotel rooms available in the City has grown dramatically over the last 10 years increasing from about 14,000 rooms to just below 20,000 rooms. Much of this was in response to demand resulting from the construction of the Boston Convention and Exhibition Center (BCEC). The BCEC and the smaller Hynes Convention Center produce considerable demand for hotel nights. Enough so that the Massachusetts Convention Center Authority (MCCA) is seeking to have two more hotels built on MCCA land abutting the BCEC to meet demand for more and closer hotel rooms for that facility. The two D Street hotels, the Aloft and Element, opened in February 2016, and the Godfrey hotel on Washington Street in Downtown Crossing opened in February 2016. In 2016 construction began on a hotel at Seaport Square Block J and the South Boston Boutique Hotel. Construction also commenced at the AC Hotel, a European "select-service" style hotel with 200 rooms, and the Moxy Hotel, a 346 room "micro" hotel in Downtown. The

BPDA board approved three other major hotel projects in 2016; the Haymarket Hotel, Chain Forge, and the Harbinger Hotel.

Boston's hotel market is doing well, both in terms of occupancy rates and average daily room rates. In 2016, the average daily room rate was \$255.51 and occupancy was at 81.2% citywide. These figures are a roughly stable with 2015.

Development

There are many long-term economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfronts; further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives; and continuing development of retail and business districts citywide. In December 2016, Reebok announced it would move its headquarters to Boston in fall of 2017, making it the third footwear company to move its headquarters to Boston.

Dudley Square, in the heart of the Roxbury neighborhood, is currently undergoing revitalization. The City completed construction of the Bruce C. Bolling municipal office building in Dudley Square in December 2014. It is now the new Boston Public School administrative headquarters, with approximately 500 School Department employees, primarily administrators, now working in the new building. The cost of design and construction was \$126.5 million. This project will help stimulate the economy around Dudley Square, allowing it to grow to its potential as a major neighborhood commercial center.

Longwood Center, a \$350 million project located in the heart of the Longwood Medical and Academic Area added 350,000 square feet of R&D space in Boston's strongest life sciences cluster. One-third of Longwood Center has already been leased to Dana Farber. In addition Vertex Pharmaceuticals moved into its newly constructed headquarters in January 2014. Most of Vertex's 1,300 employees in Massachusetts will work in the headquarters, and hundreds of additional jobs are expected to be added in the next several years. Including Vertex Pharmaceuticals, Boston has welcomed more

than 14 new life sciences companies accounting for more than 2,700 jobs in recent years.

The Commonwealth of Massachusetts, the City of Boston, and MassDevelopment closed in Spring 2014 on the issuance of \$37.8 million of I-cubed ("Infrastructure Investment Incentive") bonds supporting the cost of public infrastructure that is part of the Fan Pier and Vertex HQ development site in South Boston. In addition, The Commonwealth of Massachusetts, the City of Boston, and MassDevelopment closed in September 2015 on the issuance of \$34.8 million of I-cubed bonds for public infrastructure for the Boston Landing project in Brighton that includes an expanded HQ for New Balance, Inc. and a new commuter rail station. An additional \$6 million was recently approved in 2017 to complete the \$16 million I-cubed financing in support of the Van Ness mixed-use project in Fenway. Most recently, the City gave local approval for \$30 million in potential I-cubed bond issuance to a project at the site of the old Boston Garden with public infrastructure improvements to North Station targeted. Final approval by the state is required before bonds can be issued. The City still has additional bonding authorization for I-cubed financing due primarily to the state's expanding the total funding allowed statewide in the I-cubed program.

Not all development happens in downtown Boston. Revitalization of Boston's neighborhoods occurs through organizations such as Boston Main Streets Program. Main Streets is a partnership between the City and the National Trust for Historic Preservation to improve the local business climate in neighborhoods. The program provides businesses with resources for storefront improvements, programs and training, and local events and promotions to support local businesses. There are currently twenty Boston business districts participating in the Main Streets program. In FY16, 106 new and expanded businesses opened in Main Streets districts, creating 596 new jobs. The Main Streets Program has improved the marketability and business strategy of business districts, and preserved the character of surrounding residential areas.

Twenty-four new or expanded supermarkets have opened in Boston neighborhoods since 1992, bringing the total to 54, with several more projects underway. In 2015, The Boston Public Market, a year-round market featuring fresh, locally sourced food, opened on Hanover Street. Whole Foods Market in the South End, Roche Brothers in Downtown Crossing, and the expanded tropical foods market in Roxbury also opened in 2015. Additionally, Bfresh opened in Brighton in August of 2016. Among the projects currently under construction, there is a 60,000 square foot Star Market at the Hub on Causeway at TD Garden. Once complete, this Star Market will be Boston's largest supermarket.

Financial Management of the City

OVERVIEW

Strong financial management is the underpinning of City operations. Clear financial policies and practices provide a framework within which the City is able to safeguard the present, meet its obligations, and position itself for the future.

The Mayor directs the City's financial operations. As the City's Chief Executive Officer, the Mayor has general supervision of and control over the City's boards, commissions, officers, and departments.

The City operates under a cabinet form of government. This structure helps to facilitate the execution of mayoral priorities and the day-to-day executive and administrative business of the City.

The following departments are included in the Administration & Finance Cabinet and have major roles in the fiscal management of the City:

- The Treasury Department collects all revenues due to the City and pays all amounts due for payrolls and outside vendors. The Treasury Department prudently manages the investment of City funds and prioritizes the safety of such investments.
- The Auditing Department prepares the City's annual financial statements, implements fiscal controls over departmental spending, provides technical assistance to departments, and reviews and processes all financial transactions for accuracy, completeness, and compliance.
- The Assessing Department is responsible for the valuation and assessment of all real and personal property in the City for the purpose of taxation.
- The Office of Budget Management coordinates the analysis and presentation of the Mayor's operating budget and

capital plan, assembles, analyzes, and presents data with respect to revenue and debt management, and facilitates the establishment and use of data to analyze performance.

- The Purchasing Department procures all supplies, materials, and equipment, selects vendors through public bidding and processes purchase orders and contracts.

The Cabinet also includes the Office of Human Resources and the Office of Labor Relations. With employee compensation and health benefits comprising over three quarters of the City's total appropriation, the management of these policy areas within a broader context promotes coordination and accountability across City government.

STRATEGIC FINANCIAL MANAGEMENT

Maintaining a healthy financial base that fully supports City services according to mayoral priorities requires both careful planning and constant scrutiny. This work is reflected in restructuring City services in order to streamline operations, gaining improved operational efficiencies from financial management systems, securing sound recurring revenues, and making responsible spending adjustments in light of any revenue growth limitations in order to achieve a balanced budget. Strong financial management provides a framework within which the City is able to safeguard the present and position itself for the future.

Balanced Responsible Budgets

In accordance with state law, the City develops a balanced budget every year. The Massachusetts Department of Revenue (DOR) approves property tax rates during the tax certification process governed under General Laws Chapter 59, Section 23. This approval ensures that all cities and towns have balanced budgets and that tax levies are within the limits set by Proposition 2 ½ (see *Revenue Estimates*

and Analysis section of Volume I for detail on Prop. 2 ½). Appropriations, fixed costs, and any prior year deficits along with the approved property tax levy, estimated local revenues, and available prior year surpluses must be in balance in order to obtain DOR authorization to issue property tax bills.

Healthy Credit Profile

In March 2017, Standard & Poor's and Moody's affirmed their AAA and Aaa bond ratings, respectively, the highest possible to achieve. These ratings reflect Boston's sound fiscal management of a stable financial position and the City's substantial and economically diverse tax base.

This superior credit quality allows the City to borrow new money and refinance existing debt at extremely attractive interest rates. The City has saved \$71.5 million on a net present value basis by refinancing \$1.1 billion of debt since 2001. In March 2017, the City sold a par amount of \$150.0 million general obligation bonds which resulted in proceeds of \$165.7 million.

Maximizing Return on Investment

The City has articulated a vision to make finance a high performing organization in supporting and serving the departments and citizens of Boston. By making daily operations more efficient, using leading business practices, spending more time on value-added activities, improving customer service while maintaining appropriate controls, and engaging the next generation of finance leaders, this City has been at the forefront of municipal finance.

Stable Revenue Base

Over eighty percent of recurring general fund revenue comes from the property tax and state aid. The continued net decline in state aid, the City's second largest single source of revenue, highlights the risk of relying on any one source of revenue. The City protects and grows its revenue base through the expansion of current revenue sources and the pursuit of diversified revenue sources that fit well with its economic strengths.

The City's tax base has experienced significant growth. Based on assessed values as of January 1, 2016, Fiscal 2017 assessments totaled \$143.9

billion, a 44% increase over Fiscal 2014 assessments.

Multi-Year Budget Plan

The City develops a financial forecast as part of the yearly budget process. Preparing a multi-year planning horizon provides time for the Administration to make adjustments and/or policy decisions that may be necessary.

FINANCIAL POLICIES, PROCEDURES & CONTROLS

Pursuant to state law mandates and policy initiatives, the City has well-established policies and internal controls to govern its financial operations effectively. These policies and controls are designed to maximize revenue collections, safeguard assets, monitor both operating and capital spending, evaluate infrastructure needs, and enhance the City's internal control of its business procedures. The major components of the City's system of financial management controls and relevant financial policies are discussed below.

Expenditure Controls

The City operates under several statutory financial control systems which are summarized in the Statutes and Ordinances section in Volume I. Along with conservative revenue estimates and strong budgetary flexibility, the City is able to maintain a solid financial position. The City monitors spending and all transactions go through a budget-check process prior to procurement. Maintaining tight central expenditure controls allows for critical review of all non-personnel spending as well as the ability to adjust to fiscal changes or trends. Additionally, the Office of Budget Management prepares monthly variance report, updating all departments expected year-end position using actual information, and maintains continuous dialogue with departments throughout the year.

Position Review Committee (PRC)

The PRC is 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 a budget where people and the benefits they carry account for over three quarters of total appropriations, this

committee has been instrumental in maximizing City resources.

Debt Management

The City uses a comprehensive, interactive debt capacity model that assists debt management administrators in evaluating the potential impact of debt issues on cash flow, credit, and statutory debt capacity. The Treasury Department manages all City borrowings, focusing on the timing of them in order to take advantage of favorable market conditions. The City's cash flow is anchored by the quarterly billing of the property tax and the monthly receipt of state aid distributions - Treasury manages this cash flow wisely, obviating the need to borrow for operating purposes. The Treasury Department also ensures adherence to the City's conservative debt policies, including the rapid repayment of debt where at least 40% of overall debt is repaid within 5 years and 70% in 10 years, as well as a 7% ceiling on debt service as a percentage of general fund expenditures. The City imposes a 20% ceiling on variable debt and has no variable debt outstanding at this time. Lease-purchase financing of equipment with a three-to-seven year useful life is used to replace front-line equipment and upgrade technology.

Capital Planning

A capital planning process aligned with the annual operating budget cycle allows for the regular reassessment of capital needs, the refinement of projections, and the update of the City's rolling five-year capital plan. The City prioritizes capital requests and takes into account the financial requirements and timing of these requests in order to recommend the responsible allocation of resources.

The City primarily funds its capital plan through the issuance of general obligation bonds. The size of the City's bond issue is consistent with the City's financial management policies regarding debt levels, debt service, and rate of debt retirement.

Fund Balance Policy

The City maintains adequate levels of fund balance to mitigate current and future risks – a generally accepted accounting principles

(GAAP) Unassigned Fund Balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund Operating Expenditures, and a Budgetary Unassigned Fund Balance at 10% or higher than Budgetary Operating Expenses.

Budgetary fund balance can be appropriated for use during the fiscal year. Budgetary fund balance is more commonly referred to as "free cash" when used this way. This item is most simply 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 appropriation of Budgetary Fund Balance or Free Cash certified by the MA Department of Revenue (DOR) is only considered to offset certain fixed costs (pensions, OPEB) or to fund extraordinary and non-recurring events as determined by the City Auditor.

Prior year certifications and the amount used or appropriated from each certification are in Table 1.

In March 2017, the Director of Accounts certified that the amount of funds available for appropriation ("free cash"), as of July 1, 2016, was \$337.8 million. The FY17 Budget assumes the use of \$40 million in Budgetary Fund Balance from this certification.

Budgetary Fund Balance

<i>Date Certified</i>	<i>Annual Amount Certified</i>	<i>Amount Appropriated from Certification*</i>
Mar. 2006	54.4	11.7
Jan. 2007	63.1	25.0
Apr. 2008	110.2	35.0
Mar. 2009	121.2	45.0
Mar. 2010	139.0	45.0
Mar. 2011	117.8	30.0
Mar. 2012	142.8	-
Mar. 2013	217.3	40.0
Mar. 2014	185.3	40.0
Mar. 2015	239.4	40.0
Mar. 2016	280.0	48.0**
Mar. 2017	337.8	40.0

*Not all amounts appropriated were used

**Includes \$8 m capital appropriation

Notes: (\$millions)

Table 1

Investment Policy

Investment policies are defined in Chapter 643 of the Acts of 1983 ("The City of Boston Bond and Minibond Procedure Act"), Chapter 107 of the Acts of 1991, and Chapter 44 of the Massachusetts General Laws. The City's policy for the investment of operating funds prioritizes security, liquidity, and yield. Certain limitations placed on the City's investment activities or operational protocols are self-imposed so as to make sound, timely, and safe investment decisions. As a matter of practice, the City tends to limit its investments to repurchase agreements, money markets and certificates of deposit, all of which are collateralized by U.S. Government obligations and are held with a third party.

Contracting Procedures

The Uniform Procurement Act (the UPA), Massachusetts General Laws Chapter 30B, creates uniform procedures for the contracting of services and supplies by all municipalities in the Commonwealth. The City has implemented internal processes to conform its contracting procedures to the requirements of the UPA and utilizes an online eProcurement system to further support these compliance efforts.

Tax Collections

Tax collection remedies as prescribed by statute are utilized when taxes become delinquent. The City's ability to secure its right to foreclose by recording its tax title lien at the Registry of Deeds is the most effective tool available for payment enforcement.

The property tax collection rate was 99.3% of the FY16 gross tax levy as of June 30, 2016.

A Taxpayer Referral and Assistance Center provides "one-stop" service on tax-related matters and the City offers an on-line payment option for taxpayer convenience. Parcel-specific information as well as payment history is also available on-line.

Pension Management

The City's employees are not participants in the federal social security system. Instead, they participate in a contributory defined benefit retirement system that is administered by the Boston Retirement System (BRS), of which the

City is the largest member. The BRS provides pension benefits to retired City employees under a state contributory retirement statute and is administered by a Retirement Board comprised of five members: the City Auditor, who serves ex-officio; two individuals elected by members of the system; an individual chosen by the Mayor; and an individual chosen by the other four members or appointed by the Mayor, if a selection is not agreed upon within 30 days of a vacancy.

The BRS performs a full valuation every two years to determine the total system liability and assets and the annual funding requirement for future years.

The City's pension liability is currently 74.9% 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. The BRS hires an investment manager who oversees the various fund managers of all (non-teacher) pension assets.

Other Post-Employment Benefits

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

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 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 2. \$172.2 million (93%) of this amount will be funded through a combination of pay-as-you-go benefit payments for current retirees, 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

Total ARC	\$184.9
Projected Benefit Payments	\$130.0
FY18 Annual Allocation	\$42.3
<i>Total FY18 Payments</i>	<i>\$172.2</i>
<i>Difference</i>	<i>\$12.6</i>

Table 2

As noted above, 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 OPEB liability, with a goal of fully funding OPEB in 30 years.

Risk Finance

The City's risk-related costs related to legal liability claims, property losses, workplace injuries, and employee health care are managed by central departments, such as Law and Human Resources, in addition to individual operating departments. The Office of Budget Management's Risk Finance unit works to maximize the effectiveness of these departmental efforts by reviewing cost trends, assisting in improvements, and implementing the City's risk financing strategy.

The City's risk financing strategy is a planned self-insurance program which budgets for predictable levels of risk-related costs through the general fund, except for self-insured health care costs which are financed through trust funds established under MGL Ch 32b S. 3A. A catastrophic risk reserve is maintained for

unexpected large losses, which allows the City to strategically purchase high deductible commercial insurance for specific exposures and minimum premium.

In addition to specific targeted insurance policies, the City purchases catastrophic property insurance for \$100 million all risk coverage, after a \$10 million deductible. The City partners with FM Global as its property insurer, to take advantage of FM Global's engineering and loss control expertise in improving the resilience of the City's buildings against all types of risk.

Reserve

As required by law since 1986, the City has maintained a reserve fund equal to 2 1/2% of the preceding year's appropriations for all City departments except the School Department. The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of June 30, 2016, the reserve fund had a balance of \$31.4 million. The FY18 Recommended Budget adds an additional \$1 million to this reserve in anticipation of a required contribution based on the FY17 Budget.

Annual Audit/Management Letters

The City consistently receives unqualified opinions on the audit of its Basic Financial Statements and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its Comprehensive Annual Financial Report. The City's independent auditors also deliver a yearly management letter containing comments and recommendations on internal financial controls.

Financial Accounting Systems

The Boston Administrative Information System (BAIS), an integrated financial and human resources management system, supports financial management and improves operational efficiency. These systems support the rigorous monitoring and reporting requirements enforced by the City.

FINANCIAL MANAGEMENT PROGRAMS

Performance Management and Program Evaluation

Boston About Results (BAR) is the City's performance management and evaluation program that helps drive operational improvement throughout the City. The BAR program provides city leaders and departmental managers with the tools and analysis needed to track service delivery, evaluate performance, and identify areas of improvement.

For more information about the BAR program and the City's efforts around performance management, please see the "Data Analytics" section in Volume 1.

Operational Reviews

The City systematically engages in independent operational reviews and other planning efforts aimed at making government more efficient in order to address areas needing renewed attention.

Energy Management

An Energy Management Unit develops design standards and implements measures that enhance the energy efficiency of the City's new construction and capital improvement projects.

- The conversion of street lights to newer fixtures using Light Emitting Diode ("LED") technology has achieved significant operational savings.
- In FY18, an Energy Service Company ("ESCO") will conduct an Investment Grade Audit ("IGA") of the City's facilities portfolio to identify projects with significant utility savings potential. This "Renew Boston Trust" initiative will result in savings for City facilities by bundling municipal utility cost savings projects.

AUDITING & BUDGETING PRACTICES

The City prepares its comprehensive financial reports in accordance with generally accepted accounting principles (GAAP). However, accounting practices established by the Commonwealth's Department of Revenue, the so-called "budgetary basis" method of accounting, are used in the annual general fund budget and property tax certification process.

Budgetary basis departs from GAAP in the following ways:

- (a) Real and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budgetary), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented as components of the general fund (budgetary), rather than as separate funds (GAAP).
- (d) Prior years' deficits and utilized available funds from prior years' surpluses are recorded as expenditure and revenue items (budgetary), but have no effect on GAAP expenditures and revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The reconciliation in Table 3 summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2016.

Table 4 shows a Statement of Revenues & Expenses and Changes in Fund Balance for FY15 & FY16 (actual) – FY17 (budgeted).

Financial statements for the fiscal year ended June 30, 2017 are expected to be available in late fall.

ADJUSTMENTS BETWEEN BUDGET GAAP BASIS

*Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund
Years ended June 30 2015 and 2016 (Actual), and 2017 (Budgeted)
(in thousands)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Real and personal property taxes	2,047,936	1,967,687	1,867,259
Excises	198,820	236,263	228,962
Payments in lieu of taxes	65,470	90,215	79,232
Fines	59,560	60,953	60,116
Investment income	200	184	61
Licenses and permits	62,441	70,005	71,205
Departmental and other	104,355	86,791	86,392
Intergovernmental	429,855	543,683	523,256
<i>Total revenues</i>	<i>2,968,637</i>	<i>3,055,781</i>	<i>2,916,483</i>
Expenditures:			
Current:			
General government	106,700	80,684	58,242
Human services	33,171	31,356	31,507
Public safety	643,761	610,233	633,471
Public works	109,117	101,157	123,767
Property and development	43,390	33,870	35,594
Parks and recreation	23,214	22,106	20,063
Library	34,502	33,870	33,966
Schools	1,031,684	1,016,412	960,228
Public health programs	77,267	77,932	73,577
Judgements and claims	5,000	1,100	3,678
Retirement costs	204,669	309,083	282,648
Other employee benefits	259,484	236,661	230,089
State and district assessments	249,674	234,450	215,538
<i>Total Current Expenditures</i>	<i>2,821,634</i>	<i>2,788,914</i>	<i>2,702,368</i>
Capital outlays	-	13,873	348
Debt Service	172,999	164,708	153,448
<i>Total Expenditures</i>	<i>2,994,633</i>	<i>2,967,495</i>	<i>2,856,164</i>
Excess(deficiency) of revenues over expenditures	(25,995)	88,286	60,319
Other financing sources (uses):			
Transfers in	27,450	19,000	
Transfers out	(1,455)	(1,455)	(1,455)
<i>Total other financing sources</i>	<i>25,995</i>	<i>(1,455)</i>	<i>17,545</i>
Net change in fund balance	(0)	86,831	77,864
Fund balance - beginning	850,538	763,707	685,843
<i>Fund balance - ending</i>	<i>850,538</i>	<i>850,538</i>	<i>763,707</i>

Table 3

FUND STRUCTURE AND USE

The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity and complies with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

The City has four governmental funds - the General Fund, Special Revenue Fund, Capital Projects Fund and all non-major governmental funds in an "Other" category. The General Fund is the only fund for which a budget is legally adopted and is used to account for all revenues, expenditures, and other financial resources except those required to be accounted for in other funds.

The Special Revenue Fund accounts for proceeds that are legally restricted for specific purposes. This fund accounts for federal and state grants and also money that has been set aside by state statute and can be used to support the City's general fund operations.

The Capital Projects Fund accounts for financial resources, primarily from the issuance of bonds, used for the acquisition or construction of major capital facilities.

The Proprietary Funds are used to show activities that operate more like those of commercial enterprises. The City's only proprietary is its Internal Service Fund, which accounts for the City's self-insurance for health benefits.

Fiduciary Funds are used to account for resources held for the benefit of parties outside City government and are not available to support the City's own programs. The City's fiduciary funds are the Pension Trust Fund, the Other Post-Employment Benefits (OPEB) Liability Trust Fund, as well as Private Purpose Trust Funds.

The City's operating and capital budgets are also supported by available governmental funds transferred and appropriated from other available funds. The City may appropriate yearly parking meter revenues (Special Revenue Fund) to support the Transportation Department and to support transportation

capital projects and cemetery trust monies (Other Governmental Funds) to support the City's maintenance of its public cemeteries.

Parking Meter Fund

<i>Fiscal Year</i>	<i>Beginning Year Balance</i>	<i>Funds Out</i>	<i>Funds In</i>	<i>Ending Year Balance</i>
FY11	59.362	(15,000)	14,729	59,091
FY12	59.091	-	16,560	75,651
FY13	75.651	-	15,514	91,165
FY14	91.165	-	15,547	106,712
FY15	106.712	(19,000)	14,685	102,397
FY16	102.397	(6,500)**	14.4	110,294
*FY17	110.294	(37,500)***	22.14	94,932
*FY18	94.932	(67,885)****	17,500	44,547

Notes: (\$millions), *projected

**Included \$6.5 m capital expenditure

***Includes \$15 m capital expenditure

****Includes \$45.4m capital expenditure

Table 4

Cemetery Trust Fund

<i>Fiscal Year</i>	<i>Beginning Year Balance</i>	<i>Funds Out</i>	<i>Funds In**</i>	<i>Ending Year Balance</i>
FY10	7,711	(2,507)	2,264	7,468
FY11	7,468	(2,651)	2,477	7,293
FY12	7,293	-	#####	6,141
FY13	6,141	-	2,260	8,401
FY14	8,401	-	1,088	9,489
FY15	9,489	-	1,077	10,566
FY16	10,566	-	0,433	10,999
*FY17	10,999	(0,950)	1,000	11,049
*FY18	11,049	(0,950)	1,000	11,099

Notes: (\$millions), *projected, **Includes investment return

Table 5

Surplus Property Disposition Fund

<i>Fiscal Year</i>	<i>Beginning Year Balance</i>	<i>Funds Out</i>	<i>Funds In</i>	<i>Ending Year Balance</i>
FY10	30,087	(5,979)	0,000	24,108
FY11	24,108	0,000	0,972	25,080
FY12	25,080	0,000	1,291	26,371
FY13	26,371	(22,120)	5,057	9,307
FY14	9,307	0,000	0,550	9,857
FY15	9,857	(5,250)	####	15,285
FY16	15,285	0,000	1,742	17,027
*FY17	17,027	(4,000)**	1,145	14,172
*FY18	14,172	0,000	1,145	15,317

Notes: (\$millions), *projected, **Includes a \$4 m supplemental for the Boston Housing Authority

Table 6

These tables provide a history as well as projected changes in fund balances for the available funds used to support the City's operating budget.

Additional discussion of these revenue sources used to support the operating budget can be found in the *Summary Budget* section.

The table below shows the appropriations that make up the City's FY18 budget.

BUDGET SUMMARY - APPROPRIATED FUNDS

(Dollars in Millions)

	<i>Direct General Fund</i>	<i>Parking Meter Fund Transfer</i>	<i>Cemetery Trust Fund Transfer</i>	<i>Budgetary Fund Balance</i>	<i>Total FY18 General Fund Budget</i>
REVENUES					
Property Tax	2,189.02				2,189.02
Property Tax Overlay	(30.36)				(30.36)
Excises	189.04				189.04
Fines	63.85				63.85
Interest On Investments	2.00				2.00
Payments in Lieu of Taxes	45.00				45.00
Urban Redev Chapter 121A	31.50				31.50
Department Revenue	65.37				65.37
Licenses & Permits	65.93				65.93
Penalties & Interest	14.46				14.46
Available Funds	0.00	22.50	0.95		23.45
State Aid	440.54				440.54
<i>Total Recurring Revenue</i>	<i>3,076.35</i>	<i>22.50</i>	<i>0.95</i>		<i>3,099.80</i>
Budgetary Fund Balance	0.00			40.00	40.00 0.00
<i>Total Revenues</i>	<i>3,076.35</i>	<i>22.50</i>	<i>0.95</i>	<i>40.00</i>	<i>3,139.80</i>
EXPENDITURES					
City Appropriations	1,215.78	22.50	0.95		1,239.23
Public Health Commission	79.08				79.08
School Department	1,060.93				1,060.93
Reserve for Collective Bargaining	47.00				47.00
Other Post Employment Benefits	0.00			40.00	40.00
<i>Total Appropriations</i>	<i>2,402.79</i>	<i>22.50</i>	<i>0.95</i>	<i>40.00</i>	<i>2,466.24</i>
Pensions	218.21				218.21
Debt Service	185.58				185.58
Charter School Tuition	174.37				174.37
MBTA	85.81				85.81
Other State Assessments	4.71				4.71
Suffolk County Sheriff Dept	3.87				3.87
Reserve	1.00				1.00
<i>Total Fixed Costs</i>	<i>673.55</i>				<i>673.55</i>
<i>Total Expenditures</i>	<i>3,076.34</i>	<i>22.50</i>	<i>0.95</i>	<i>40.00</i>	<i>3,139.79</i>

Numbers may not add due to rounding

Statutes and Ordinances Governing Boston's Operating and Capital Budgets

OVERVIEW

This section summarizes key Massachusetts laws and City ordinances affecting Boston's operating budget development and its subsequent expenditure. It also covers significant laws and ordinances governing general obligation loan authorization. Although the material is not all-inclusive, it covers the more important laws guiding the budget process.

In addition to the statutes and ordinances, other budget-related directives are set out in various mayoral Executive Orders and in the policies and administrative guidelines issued by the Office of Budget Management.

Two pieces of legislation important to understanding the City of Boston's operating budget are Chapter 190 of the Acts of 1982, commonly referred to as the Tregor legislation, and Chapter 701 of the Acts of 1986, known as the Tregor Amendments.

Annual Appropriation Process

Section 15 of Chapter 190 of the Acts of 1982, as amended by Section 2 of Chapter 701 of the Acts of 1986, states that "all appropriations, excepting those for school purposes, to be met from taxes, revenue or any source other than loans, shall originate with the mayor. The mayor, not later than the second Wednesday in April of each year, shall submit to the city council the annual budget of the current expenses of the city and county for the forthcoming fiscal year.

"The city council may reduce or reject any item but, except upon the recommendation of the mayor, shall not increase any item in, nor the total of, a budget nor add any item thereto, nor shall it originate a budget.

"Not later than the second Wednesday in June, the city council shall take definite action on the annual budget by adopting, reducing or rejecting it, and in the event of their failure to do so, the items and the appropriation orders in the budget as recommended by the mayor shall be in effect as if formally adopted by the city council.

"The city council shall take definite action on any supplementary appropriation order and any order for a transfer of appropriations by adopting, reducing or rejecting it within sixty days after it is filed with the city clerk..."

School Department Budget Process

Section 6 of Chapter 70 of the Massachusetts General Laws states that "in addition to amounts appropriated for long-term debt service, school lunches, adult education, student transportation, and tuition revenue, each municipality in the commonwealth shall annually appropriate for the support of public schools in the municipality and in any regional school district to which the municipality belongs an amount equal to not less than the sum of the minimum required local contribution, federal impact aid, and all state school aid and grants for education but not including equity aid, for the fiscal year...the commissioner (of the Department of Elementary and Secondary Education) shall estimate and report such amounts to each municipality and regional school district as early as possible, but no later than March first for the following fiscal year...".

Section 2 of Chapter 224 of the Acts of 1936, as amended by Chapter 613 of the Acts of 1987, further states that "(a) ...In acting on appropriations for educational costs, the city council shall vote on the total amount of the

appropriations requested by the mayor, but neither the mayor nor the city council shall allocate appropriations among accounts or place any restriction on such appropriations. The appropriation of said city shall establish the total appropriation for the support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation; provided, however, that if the city auditor determines that school department expenditures in any fiscal year are projected to be in excess of total budgeted expenditures for that fiscal year, as supported by appropriation and other available funding, then the school committee shall not reallocate or transfer funds from any item in the budget for that fiscal year to fund any such projected additional expenditures.

Key Budget Dates/Requirements

Action Required	City Charter (FY18 Budget)
Departments proposed budgets to Office of Budget Management	No Requirement (1/17/2017)
School Superintendent's proposed budget to School Committee on or before 1st Wednesday in February	Ch. 613 Acts of 1987 (2/1/2017)
Meetings with Departments to discuss funding, policy, and performance	No Requirement (January – March)
School Committee action taken on budget on or before 4th Wednesday in March	Ch. 613 Acts of 1987 (3/22/2017)
Mayor's budget submitted to City Council on or before 2nd Wednesday in April	Ch. 190 Acts of 1982, as amended by Ch. 701 Acts of 1986 (4/12/2017)
Public Hearings held prior to budget adoption	No Requirement (April-June)
City Council action on budget on or before 2nd Wednesday in June	Ch. 190 Acts of 1982, as amended by Ch. 701 Acts of 1986 (6/14/2017)
Mayor's approval of FY18 budget adopted by City Council on or before July 1, 2016	No Requirement (6/28/2017)

"(b) After the fourth Wednesday of March of any fiscal year, the school committee shall not initiate or authorize any new or additional

programs or categories of expenditures requiring additional unbudgeted expenditures unless such programs or categories have been incorporated or fully funded in the budget for the subsequent fiscal year. If such programs or categories have not been incorporated and fully funded in the budget for the subsequent fiscal year, they shall not be initiated or authorized until the school committee shall have amended its budget submission for the subsequent fiscal year to reduce or eliminate other costs, programs or categories in amounts equal to the projected annualized costs of the new or additional programs or categories of expenditures.

"(c) The superintendent of schools shall prepare and submit to the school committee, the city auditor and the city office of budget management, a monthly budget update report which shall detail and itemize year-to-date and projected school department expenditures and budget transfers..."

School Department Financial Affairs

Section 1B of Chapter 231 of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987, notes that "(a) the school committee may delegate, in whole or in part, to the superintendent of schools the authority to approve for the school department the acceptance and expenditure of grants or gifts of funds from the federal government, charitable foundations, private corporations, individuals, or from the commonwealth, its counties, municipalities or an agency thereof, the provisions of Section 53A of Chapter 44 of the General Laws notwithstanding.

"(b) The superintendent of schools shall provide to the school committee, the city auditor and the office of budget management of the City of Boston a report, detailing the source, purpose and balance on hand of all funds received or expended pursuant to subsection (a), quarterly."

Section 2 of Chapter 231 of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987, states that "subject to appropriations therefore, the superintendent of schools shall have the exclusive authority to make on behalf of the school committee contracts, or amendments to

contracts, for the purchase or rental of equipment, materials, goods or supplies, leases of property, alterations and repairs of school property, and for professional or other services, with the exception of collective bargaining agreements and contracts for the transportation of students. All school department contracts or amendments to contracts shall otherwise conform to the requirements of the city charter of the city of Boston.

"(b) With respect to all contracts, agreements or amendments thereto made or entered into by the school department, the superintendent shall be responsible for establishing procedures for auditing and monitoring the compliance of the parties with the terms and obligations of such contracts, agreements or amendments thereto."

RESERVE FUND

Section 7 of Chapter 701 of the Acts of 1986, requires the creation of an operating budget Reserve Fund to deal with "extraordinary and unforeseen expenditures." This section requires that "prior to the date when the tax rate for a fiscal year is fixed, [the City must] include in the appropriations for such a fiscal year as a segregated reserve fund a sum not less than 2 1/2 percent of the preceding year's appropriations for city and county departments, excepting the school department.

"The mayor, with the approval of the city council, may make direct drafts or transfers against such fund before the close of the fiscal year, provided that no such drafts or transfers be made before June first in any fiscal year.

"Each transfer recommended by the mayor to the city council shall be accompanied by written documentation detailing the amount of such transfers and an explanation of the reason for the transfer..."

Prior to fiscal year 2018 the school department was required to establish a segregated reserve fund of not less than two and one-half percent of the current fiscal year's school department appropriation, but Chapter 166 of the Acts of 2016 eliminated the requirement going forward.

Budget Allotment Process and Reallocations

Section 18 of Chapter 190 of the Acts of 1982, as amended by Sections 8 and 9 of Chapter 701 of the Acts of 1986, requires that "on or before August first of each year, or within ten days of the annual appropriation order for such fiscal year, whichever shall occur later, the city or county officials in charge of departments or agencies, including the school department, shall submit to the city auditor, with a copy to the city clerk...an allotment schedule of the appropriations of all personnel categories included in said budget, indicating the amounts to be expended by the department or agency for such purposes during each of the fiscal quarters of said fiscal year."

The school department's allotment may not be greater than 20 percent for the first quarter and 30 percent in each of the remaining three quarters. Allotments for city and county agencies may not exceed 30 percent for first or second quarters or be less than 21 percent for the third and fourth quarters.

In addition, "whenever the city auditor determines that any department or agency, including the school department, will exhaust or has exhausted its quarterly allotment and any amounts unexpended in previous quarters, he shall give notice in writing to such effect to the department head, the mayor and the city clerk, who shall transmit the same to city council.

"The mayor, within seven days after receiving such notice, shall determine whether to waive or enforce such allotment. If the allotment is waived or not enforced the department or agency head shall reduce the subsequent quarter's allotments appropriately and the director of administrative services, within seven days, shall state in writing to the city council and the city clerk what reductions in each subsequent quarter's allotment will be taken or what reallocations or transfers will be made to support the spending level in each subsequent quarter's allotment. If the allotment for such quarter is enforced and not waived, thereafter the department shall terminate all personnel expenses for the remainder of such quarter.

No personal expenses earned or accrued, within any department, shall be charged to or paid from such department's or agency's allotment of a subsequent quarter without approval by the mayor, except for subsequently determined retroactive compensation adjustments.

"Approval of a payroll for payment of wages, or salaries or other personnel expenses which would result in an expenditure in excess of the allotment shall be a violation by the department or agency head.

"To insure that the overall city and county spending program remains in balance, the mayor may reallocate no more than three million dollars of non-personnel appropriations other than school appropriations during a fiscal year to other departmental purposes provided that in no department from which appropriations have been reallocated in accordance with this section shall any transfers be made from personal services to non-personal services, except with the approval of a two-thirds vote of city council, if such transfer would require the layoff of departmental personnel, who have been permanently appointed to a position in the department.

"No reallocation may be made under this section after April fifteenth in any fiscal year.

"A list of each reallocation made by the mayor shall be transmitted to the city council and the city clerk by the city auditor by April thirtieth in any fiscal year. In each case, the report shall state the accounts from which the transferred funds were taken and the accounts to which the funds were reallocated, and the reasons therefore."

TRANSFER OF APPROPRIATIONS

Section 23 of Chapter 190 of the Acts of 1982, as amended by Section 3 of Chapter 701 of the Acts of 1986, states that "after an appropriation of money has been made...no transfer of any part of the money thus appropriated, between such department or office and another department or office, shall be made, except in accordance with and after the written recommendation of the mayor to the city council, approved by a vote of two-thirds of all the members of the city council, provided that the city auditor, with the approval in each

instance of the mayor, may make transfers, other than for personal services, from any item to any other item within the appropriations for a department, division of a department or county office.

"After the close of the fiscal year, the city auditor may, with the approval of the mayor in each instance, apply any income, taxes and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose only of closing the accounts of such fiscal year, provided further that the city auditor within seventy days after the close of the fiscal year, shall transmit to city council and the city clerk a report listing what income, taxes, or funds were applied and what transfers were made and the reasons therefore."

PENALTY FOR OVERSPENDING BUDGET

Section 17 of Chapter 190 of the Acts of 1982 (Tregor) states that "no official of the city or county except in the case of extreme emergency involving the health and safety of the people or their property, shall expend intentionally in any fiscal year any sum in excess of the appropriations duly made in accordance with law, nor involve the city in any contract for the future payment of money in excess of such appropriations..."

"Any official who violates the provisions of this section shall be personally liable to the city for any amounts expended intentionally in excess of an appropriation to the extent the city does not recover such amounts from the person to whom paid..."

APPROPRIATION RESTRICTIONS

Section 10 of Chapter 701 of the Acts of 1986, requires that "the mayor and city council shall appropriate for the hospitalization and insurance account an amount not less than the average of the past three years actual expenditures from those accounts. The city auditor shall certify, in writing to the board of assessors that adequate funds are provided in the operating budget for existing collective bargaining contracts..."

Restrictions on the Use of Proceeds from the Disposition Of Surplus Property - Section 24 of Chapter 190 of the Acts of 1982, as amended by

Section 4 of Chapter 701 of the Acts of 1986, requires that “proceeds from the disposition of any surplus property shall be deposited in a separate fund which shall be known as the Surplus Property Disposition Fund, and shall be used only as follows: (1) the amount equivalent to the debt incurred, and interest paid or payable thereon, as a result of the acquisition or improvement from time to time of the property shall be used only for purposes for which the city is authorized to incur debt for a period of ten years or more and (2) all proceeds in excess of such amount shall be credited to the capital fund of the city unless the city council by a majority vote determines with the approval of the mayor to credit such proceeds to the general fund of the city.”

Duties of Supervisor of Budgets

City of Boston Code Ordinance 5, section 5 states that “the supervisor of budgets shall, under the direction of the mayor and in consultation with the director of administrative services, prepare in segregated form the annual and all supplementary budgets and shall report to the mayor on all subsequent revisions of the items in any budget.

“The supervisor of budgets shall also prepare all transfer orders.

“The supervisor of budgets shall further prepare the form of estimate sheets to be used by each officer, board and department, and each division of a department for which the city appropriates money, and the form of monthly report of such officer, board and department, and each division thereof, showing expenditures to date of all appropriations by item.

“The supervisor of budgets shall, in addition, have the powers and perform the duties conferred or imposed on the budget commissioner by any statute other than Section 56 of Chapter 35 of the General Laws.”

Convention Center Legislation

Chapter 152 of the Acts of 1997, the Convention Center Legislation, authorized the development and construction of a convention center in Boston.

Under this legislation and through the joint efforts of the Boston Redevelopment Authority

(BRA) and Massachusetts Convention Center Authority (MCCA), the new Boston Convention and Exhibition Center (BCEC) has been developed and constructed on a 60-acre site in South Boston. The facility, which opened in June 2004, includes 516,000 square feet of contiguous exhibition space, has made Boston a major competitor for larger international and national convention and exhibition business.

The City's share of the BCEC development expense was \$181 million for site acquisition and preparation. (The Commonwealth paid for all of construction, and for a small portion of site acquisition and preparation.) The city's BCEC expense was financed by means of dedicated revenue sources. On April 1, 2011, the city's BCEC related long-term debt was restructured. The remaining principal for the prior bonds was paid down by a combination of available cash in the convention center fund and new general obligation debt at a lower interest rate. The impact on annual debt service is significant: an annual savings of approximately \$5 million per year through FY27.

Contracting Procedures

Chapter 196 of the Acts of 2011, as amended, brought the City's bid requirements in line with Chapter 30B of the General Laws. It requires that documents are in writing and have approval of the mayor. Following passage of Chapter 218 of the Acts of 2016, An Act Modernizing Finance and Government, current procurement thresholds for goods and services were increased. The City has elected to implement the increase to its current Chapter 30B threshold requirement for competitive sealed bidding and competitive sealed proposals from \$35 thousand to \$50 thousand in FY17.

Pension Funding COLAs

To aid municipalities dealing with property tax reduction due to Proposition 2 ½, the state began assuming the cost for local pension COLAs as of 1981. During the FY97 budget process, the state clearly stated it would not fund local pension COLAs in subsequent years. Local systems, including the Boston Retirement System, have had retiree COLAs funded at the municipal level since FY99. The state, however, remains obligated to pay for local pension

COLAs awarded between FY81 and FY97. The COLA is set each year at the CPI or an amount up to, but not greater than 3% on the first \$13,000 of a retiree's annual payment.

Boston Public Health Act of 1995

The Boston Public Health Act of 1995 (Chapter 147) established a new, comprehensive health care system to meet the challenges of a rapidly changing health care environment. Chapter 147 abolished the Department of Health & Hospitals and established the Boston Public Health Commission (BPHC) in its place. With City Council approval, the legislation allowed the City to merge or consolidate the operations and assets of the hospitals with the Boston University Medical Center Hospital.

The law requires the City to set the budget equal to the amount, if any, by which the projected expenditures exceed revenues, the net cost of public health services. If there is a net cost of public health services, the budget is subject to mayoral review and approval. The mayor may approve or reject and return the budget to the BPHC. If the budget is accepted, the mayor shall include the net cost of public services in the City's annual budget and may submit supplementary appropriations as needed. The BPHC must adopt its budget no later than the second Wednesday in June.

An Act Related to the Funding of Boston Teacher's Pensions

Chapter 112 of the Acts of 2010 provides for a change to the funding mechanism for Boston Teacher's Pensions. Sections 7 through 18, 48 and 50 adjust sections of Chapter 32 with regard to the City of Boston's role in the funding and reimbursement by the Commonwealth of Teacher's Pension liability. Those sections of Chapter 112 remove the City as a "middleman" and establish a relationship directly between the Commonwealth and the Boston Retirement System(BRS) Board for the financing of Boston teacher pensions. Consequently, the City will no longer show a revenue reimbursement for this item, and its annual pension funding cost will be significantly downsized. Meanwhile, Boston teacher's pension assets are to be managed by the state. However, the administration of Boston teachers' contributions and pension

payments, as well as their membership, will remain with the BRS.

An Act Transferring the Sheriffs of 2009

Although Suffolk County remains as a legal entity in state law the passage of Chapter 61 of the Acts of 2009, "An Act Transferring Sheriffs to the Commonwealth", as amended by Chapter 102 of the Acts of 2009, "An Act Relative to Sheriffs", and again amended by section 39 of Chapter 166 of the Acts of 2009, "An Act Establishing Fiscal Stability Measures for Fiscal Year 2010", completes the transfer of the offices and functions of Suffolk County to the Commonwealth.

Chapter 61 transfers the offices, responsibilities and duties of Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk County sheriffs to the Commonwealth. These were the remaining sheriffs not yet transferred previously to the Commonwealth. The Act includes provisions for transfer of county employees, properties, disposition of current lawsuits and reallocation of the Deeds Excise Tax. It provides that retired employees shall remain members of the county retirement system and in the case of Suffolk County the Boston Retirement System, and the City of Boston shall be assessed by the State for the remainder of the amortization of the unfunded portion of this liability. In accordance with the BRS January 1, 2010 valuation, that annual amount shall be \$3.875M for the years through FY 2025. Active employees have been transferred to the state retirement system along with their annuity saving funds. Their pension liability is now a liability of the state retirement system.

Local Option Meals Tax of 2009

In August 2009, effective October 1, 2009, the City adopted a local option offered under sections 60 and 156 of Chapter 27 of the Acts of 2009 to accept the provisions of Massachusetts General Laws Chapter 64L section 2(a) which allows municipalities to increase the excise tax on meals sold locally by .75% in addition to the state excise tax of 6.25% on the same purchase. The revenue generated by the .75% local tax and collected by the state Department of Revenue is returned to the municipality of sale origin.

An Act Relative to Municipal Health Insurance

Governor Patrick signed Chapter 69, An Act Relative to Municipal Health Insurance, on July 12, 2011. The Act allows cities and towns to either make health insurance plan design changes or transfer into the State's Group Insurance Commission (GIC). The Act lays out between a municipality and public employee committee strict notice, negotiations, and plan saving requirements. Chapter 69 allows cities and towns to include changes to copayments, deductibles, tiered provider network copayments, and other cost-sharing features up to the dollar amounts of those same or similar features in the most enrolled GIC plan for their proposed plan design changes. It also allows cities and towns to transfer to the GIC if savings for the first year is 5% or more than those achievable under planned design. The Act is clear it is not a vehicle for contribution ratio changes. The Act also requires that all eligible retirees be enrolled in a Medicare health plan.

Classification of City Debt

Pursuant to the Bond Procedure Act of 1983, all indebtedness of the City, other than certain special obligation bonds, constitutes general obligation indebtedness of the City for which its full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount. Pursuant to the 1982 Funding Loan Act and the Bond Procedure Act of 1983, general obligation bonds of the City may also be secured by a pledge of specific City revenues pursuant to covenants or other arrangements established under a trust or other security agreement.

Special obligation bonds of the City may be issued and be payable from and secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City. Indebtedness of the City may also be classified by the nature of the City's obligation for the payment of debt service, depending on whether such debt is a direct obligation of the City or is an obligation of another governmental entity for the payment that the City is indirectly obligated.

Direct Debt

Direct debt of the City consists principally of the City's outstanding general obligation bonds for which the City's full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount.

The City's direct indebtedness does not include special obligation debt which may be secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City or for which the payment of which the City's obligation is subject to annual appropriation. As of the current date, the City has no Special Obligation debt.

Secured Indebtedness

In addition to authorizing the City to secure its indebtedness with letters of credit, the Funding Loan Act of 1982, and the Bond Procedure Act of 1983, empower the City to secure any of its indebtedness issued under any general or special law by a pledge of all or any part of any revenues that the City received from or on account of the exercise of its powers. Examples include taxes (such as real property taxes), fees payable to or for the account of the City, and receipts, distributions, and reimbursements held or to be received by the City from the Commonwealth that are not restricted by law for specific purposes. Currently, the City does not have any outstanding bonds secured by such a pledge. The City, however, reserves the right in the future to issue bonds, notes or other obligations secured by various revenues of the City or by letters of credit.

Bond Procedure Act of 1983

In 1983, the City Council passed and the Mayor signed a home rule petition to the state legislature that enacted Chapter 643 of the Acts of 1983 of the Commonwealth. This act, formally entitled the City of Boston Bond and Minibond Procedure Act of 1983, is referred to as the Bond Procedure Act of 1983. In 1984, the legislation modified various procedural restrictions related to the City's issuance of indebtedness. Such modifications provide, among other things, more flexible schedules for repaying debt principal, the issuance of variable

rate bonds, term bonds and bonds redeemable at the option of the bondholder, and authorization for the sale of bonds at a discount. The legislation also provides the City with the authority to issue bonds in an amount up to \$5 million in any one fiscal year and notes in an amount outstanding at one time of up to five percent of the prior year's property tax levy. Each bond and note is issued in a denomination less than \$5,000 (known as minibonds and mininotes). In addition, the legislation authorizes the issuance of refunding bonds and grant anticipation notes, as well as restating the investment powers of the City and the extent to which city bonds are legal investments for certain entities.

The Bond Procedure Act of 1983 also reaffirms provisions of state law, indirectly affected by Proposition 2 ½. This law requires that the City's annual tax levy must include the debt and interest charges that are not otherwise provided for as well as all general obligation indebtedness of the City regardless of the date of issue.

In addition to modifications to the procedures related to the City's general obligation indebtedness, the legislation authorizes the City to finance revenue-producing facilities with special obligation bonds payable from and secured solely by a pledge of facility revenues. Under this act, the City may also issue general obligation bonds secured by the pledge of specific city revenues and finance projects that otherwise could be financed by bonds, lease, lease-purchase or sale-leaseback agreements. The Bond Procedure Act of 1983 was amended in August 1991 to provide, among other things, for increased flexibility in establishing debt principal amortization schedules.

Authorization of Direct Debt: Debt Limits

All direct debt of the City requires the authorization of the city council and approval of the mayor. If the mayor should veto a loan order passed by the city council, the charter of the City provides that the loan order is void and may not be passed over the mayor's veto. Authorization of bonds under a loan order of the city council includes, unless otherwise provided in the loan order, the authorization to issue temporary notes in anticipation of such bonds.

Under the Bond Procedure Act of 1983, temporary notes in anticipation of bonds, including any renewals thereof, must mature within two years of their issue dates.

The laws of the Commonwealth provide for a statutory debt limit for the City consisting of a debt limit and a double debt limit. The debt limit is 5.0 percent of the assessed valuation of taxable property in the City as last equalized by the state Department of Revenue and the double debt limit is 10.0 percent. The most recent Equalized Valuation ("EQV") of taxable property in the City approved on January 23, 2017 for use until January 2019 or until a new EQV is established by the state legislature, stands at \$143.58 billion. Based on the current EQV, the City's debt limit is \$7.18 billion and its double debt limit equals \$14.36 billion. The City may authorize debt up to its debt limit without state approval. The City may authorize debt over the debt limit up to the double debt limit with the approval of a state board composed of the State Treasurer and Receiver General, the State Auditor, the Attorney General and the Director of Accounts, or their designees. As of March 1, 2017, the City has outstanding debt of \$1.09 billion million subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$894.7 million. Based on the City's current debt limit of \$7.18 billion, the City has the capacity to authorize an additional \$5.2 billion of debt as of March 1, 2017.

There are many categories of general obligation debt exempt from the general debt limit (although authorization of such debt is subject to various specific debt limits, specific dollar limitations or state approval). Among others, these exempt categories include temporary loans in anticipation of current and in anticipation of reimbursements or other governmental aid, emergency loans, loans exempted by special laws, certain school bonds, and bonds for housing and urban and industrial development. The latter bonds are subject to special debt limits ranging from 5.0% to 10.0% of equalized valuation depending on purpose. On March 1, 2017 the City has \$139.0 million in outstanding debt exempt from the general debt limit and \$121.5 million in authorized but unissued debt exempt from the general debt limit.

Related Authorities and Agencies

In addition to direct and indirect indebtedness of the City, the City and certain agencies and commissions related to the City are authorized by law to issue obligations that are solely a debt of the agency or commission issuing the obligations or are payable solely from revenues derived from projects financed by such debt. Except as described below, such obligations are not a debt of the City.

The Boston Public Health Commission is an independent corporate and political subdivision of the Commonwealth created in June 1996 as the successor to the City's Department of Health and Hospitals (DHH). Effective July 1, 1996, all powers and functions of DHH and THH (Trustees of Health & Hospitals) were transferred to the commission. In addition, the commission assumed all assets and liabilities of the City allocated to DHH. At its inception, the Commission also assumed responsibility for paying the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. All obligations have been paid. The commission has also assumed responsibility for paying the debt service on the City's Special Obligation Refunding Bonds dated August 1, 2002 for Boston City Hospital (BCH), which were issued to refund bonds that first financed the project in 1993. On May 4, 2012, the City issued General Obligation Refunding Bonds to current-refund all of the outstanding BCH Special Obligation Bonds.

The Boston Water and Sewer Commission (BWSC) is an independent political and corporate subdivision of the Commonwealth created 1977. At its inception, BWSC assumed responsibility for the operation of the City's water and sewer systems and for paying to the City an amount equal to current debt service on all outstanding bonds the City issued for water and sewer purposes. All debt service for such bonds has been paid. The City is not obligated on bonds issued by the Commission.

The Economic Development and Industrial Corporation of Boston (EDIC) is a political and corporate entity of the Commonwealth consisting of five members who are also appointed as members of the Boston

Redevelopment Authority d/b/a as the Boston Planning and Development Agency (BPDA). EDIC has a variety of powers to assist industrial development projects in the City. EDIC is not authorized to issue debentures in excess of \$5 million secured solely by the credit and properties of EDIC and revenue bonds secured by revenues from the lease or sale of its projects. The City is also authorized to appropriate or borrow monies for EDIC development projects within certain urban renewal debt limitations.

The BPDA is a public political and corporate body that combines the City's redevelopment and planning board authority with certain powers of the state Department of Community Affairs. The BPDA board consists of four members appointed by the Mayor, subject to confirmation by the City Council, and one member appointed by the Governor. The BPDA is an urban planning and economic development agency and is part of the Mayor's Economic Development cabinet. Although the BPDA is authorized to issue revenue bonds and notes that are not city debts, the BPDA traditionally finances its projects through a combination of federal and state grants, proceeds of general obligation bonds issued by the City, and revenues from the lease or sale of land.

Major Debt Statutes and Borrowing Authority

Chapter 218 of the Acts of 2016, An Act Modernizing Finance and Government, was approved on August 9, 2016, building upon previous acts that increased flexibility for municipalities. The Act eliminates and updates obsolete laws, promotes local independence where possible, and provides municipalities greater flexibility to do their day-to-day jobs.

Since the enactment of the Municipal Modernization Act, Boston has moved forward on several reforms. The City established a default speed limit of 25 miles per hour, filed an ordinance that will authorize its revolving funds, increased the residential property tax exemption to 35%, the maximum rate established under the Act (in concert with the provisions of Chapter 326 of the Acts of 2016), and increased the current goods and services procurement thresholds under Chapter 30B.

Beginning in 2017, the City will implement a single overlay reserve. In addition, the Act streamlined and consolidated the clauses in Chapter 44 Section 7 and Section 8 that detail the purposes for which municipalities may borrow.

Chapter 188 of the Acts of 2010, the Municipal Relief Act, passed by the State on July 27, 2010, made several positive changes to the purposes for which cities, towns and districts may borrow as well as to the terms, debt service schedules, and special approvals related to such borrowings. The addition of several new purposes for which the City may borrow as well as extensions to certain useful life determinations gives the City added borrowing flexibility.

Chapter 44, Sections 7 and 8 of the Massachusetts General Laws permits cities and towns in the Commonwealth to incur debt within and outside the statutory limits of indebtedness described previously for various municipal purposes and identifies the maximum maturity period for each purpose. The purposes include, but are not limited to, the acquisition of interests in land or the acquisition of assets, or for the construction, reconstruction, rehabilitation, improvement, or extraordinary repair of public buildings, facilities, assets, works or infrastructure, construction and/or reconstruction of water and sewer mains, improvements to parks and playgrounds, reconstruction and resurfacing of roads, and equipment acquisitions.

On July 31, 2003, the Municipal Relief Act, Chapter 46 of the Acts of 2003 passed. It amended section 7 of Chapter 44 of the General Laws so that the City would no longer be required to go to the state Emergency Finance Board for approval of debt incurred for remodeling, reconstruction, or extraordinary repairs to public buildings.

The Capital Improvements Act of 1966, as amended, permits the City of Boston to issue debt outside the debt limit for various municipal purposes, including new construction and renovation of existing facilities. The legislation provides a specific limit on the total amount of debt that may be issued under the statute.

Chapter 208 of the Acts of 2004 established the Massachusetts School Building Authority. The program is designed to assist cities and towns in building new schools or in renovating existing ones; however, the state's reimbursement methodology has been modified. Projects for which cities and towns are currently receiving reimbursement for projects approved in the former school building assistance program managed by the Department of Elementary and Secondary Education will continue to receive annual payments. Chapter 208 also provides for a pay-as-you go system paying cities and towns for school projects in installment grants during construction so as to save on interest costs.

Budget Organization and Glossary of Terms

INTRODUCTION

This chapter is a guide to the organization of Boston city government and the FY18 Operating Budget.

The City of Boston, incorporated as a town in 1630 and as a City in 1822, now exists under Chapter 486 of the Acts of 1909, and Chapter 452 of the Acts of 1948 of the Commonwealth which, as amended, constitute the City's Charter. The chief executive officer of the City is the Mayor. Martin J. Walsh, the Mayor of the City, was elected to serve his first term from January 2014 through January 2018. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The portion of the budget covering appropriations for all departments and operations of the City, except the School Department, is prepared under the direction of the Mayor.

The legislative body of the City is the Boston City Council, which consists of thirteen members serving two-year terms. Four councilors are elected at-large and nine are elected from geographic districts. The City Council may enact ordinances and adopt orders that the Mayor may either approve or veto. Ordinances and orders, except orders for the borrowing or appropriation of money, may be enacted by the City Council over the Mayor's veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but may not increase it.

ORGANIZATION OF CITY GOVERNMENT: THE MAYOR'S CABINET

The City of Boston operates under a cabinet form of government to recognize the major functional responsibilities of city government, to facilitate improvements in the conduct of the executive and administrative business of the City, and to eliminate duplication and waste.

The structure of the Mayor's cabinet is illustrated in the citywide organizational chart displayed on the next page. A description of the members of the Mayor's cabinet and the City departments for which each has authority follows.

Administration & Finance

The Chief Financial Officer, who also serves as the Collector-Treasurer, oversees the City's human and financial resources, including Treasury, Assessing, Auditing, Budget, Purchasing, as well as Labor Relations and Human Resources.

Information & Technology

The Department of Innovation and Technology (DoIT) is responsible for supporting and expanding the use of enterprise-wide technology to improve the business of government and delivery of service.

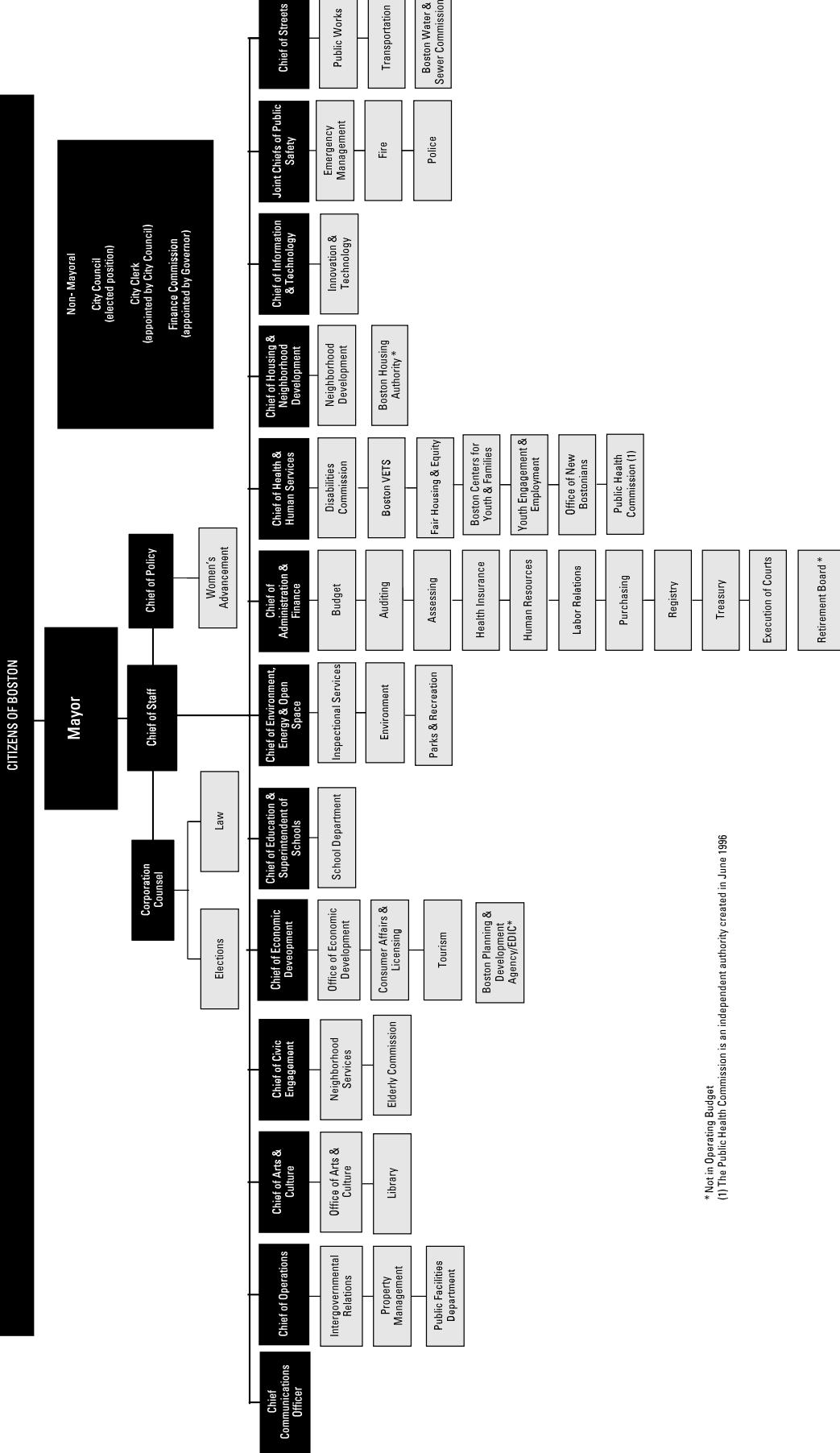
Education

The Chief of Education is appointed by the Mayor and is responsible for implementing a long-term, collaborative strategy across all educational platforms in the City. The Superintendent of the Boston Public Schools is appointed by the Boston School Committee and oversees all day-to-day operations.

Operations

The Chief of Operations is responsible for Property Management and the Public Facilities Department, and also oversees the Mayor's Office of Intergovernmental Relations.

ORGANIZATION OF CITY GOVERNMENT



* Not in Operating Budget
(1) The Public Health Commission is an independent authority created in June 1996

Public Safety

The Police and Fire Departments provide and promote public safety and protection services, firefighting, and fire prevention services. The Office of Emergency Management is responsible for facilitating communication and cooperation across cities and towns and managing state and federal funds designated for homeland security initiatives.

Health & Human Services

Health & Human Services is responsible for providing human services and other support services for Boston's residents through its departments and programs: the Boston Public Health Commission, including Emergency Medical Services, Boston Centers for Youth & Families, Youth Engagement & Employment, Boston VETS, Fair Housing & Equity, the Commission for Persons With Disabilities, and the Office of Immigrant Advancement.

Chief of Streets

This cabinet includes the Public Works Department, the Transportation Department, Central Fleet Management, and Snow Removal.

Economic Development

The Economic Development Cabinet is comprised of the Office of Economic Development, Consumer Affairs & Licensing, and the Office of Tourism. The Office of Economic Development includes the Small and Local Business Enterprises and the Boston Resident Jobs Policy programs. The Chief of Economic Development also oversees the Boston Planning and Development Agency and the Economic Development and Industrial Corporation, both of which are bodies politic and corporate and are responsible for economic development in the City.

Arts & Culture

This cabinet is responsible for supporting and promoting the arts community in Boston and works with the Boston Public Library, the Arts Commission, and the Boston Cultural Council to bring the arts to the forefront of City life.

Environment, Energy & Open Space

This cabinet is comprised of the Environment Department, the Inspectional Services

Department, the Parks & Recreation Department, and the Boston Landmarks Commission. The Chief is responsible for environmental and energy policies for the City.

Housing & Neighborhood Development

The Department of Neighborhood Development (DND), through its Office of Housing Stability and array of diverse programs, invests public resources strategically to strengthen and stabilize the City's neighborhoods.

Civic Engagement

This cabinet is comprised of the Mayor's Office of Neighborhood Services, including the City Hall to Go & Boston 311 programs, and the Elderly Commission.

Communications

The Chief Communication Officer oversees all press related activities and advises the Mayor on the City's overall communications strategy.

Corporation Counsel

The Law Department provides professional legal services, including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee, and other officials in matters relating to their official duties, and also represents all of the foregoing entities and individuals in litigation.

Mayor's Chief of Staff

The Mayor's Chief of Staff is a member of the Mayor's cabinet and has an advisory role over all operations of City government. The Chief of Staff is also charged with supervising and directing the operations of the Mayor's office, including scheduling, security, press, and constituent services.

Mayor's Chief of Policy

The Mayor's Chief of Policy is a member of the Mayor's cabinet and has an advisory role over all policy development across all departments of the City.

An All-Funds Budget

The City of Boston presents a fully integrated budget - including capital, operating, and external funds - to show the total funding

available to departments to fulfill their missions.

The operating budget funds personnel and non-personnel expenses to departments so that they may provide important city services. The capital budget funds new construction or renovations to existing city-owned facilities (e.g., police and fire stations, school buildings), infrastructure improvements (e.g., roads, sidewalks, lights), and major equipment purchases such as fire-fighting apparatus. The external funds budget describes the projects and programs that will be undertaken in the next fiscal year with funding received from the state, federal, or other non-general fund sources.

ORGANIZATION OF THE BUDGET

The City of Boston's program budget provides information related to City services and their associated costs. The operating and capital budgets present the recommended resource allocations in terms of personnel, facilities, goods, and services. The budget document also describes the services provided by each City department and the performance targets that have been set for FY18.

The Operating and Capital Budget Document: Organization of the Volumes

Volume I contains information on the FY18 budget and the context in which it is prepared.

Sections include:

- Mayoral Transmittal Letters
- Executive Summary
- Summary Budget
- Revenue Estimates and Analysis
- Education
- Capital Planning
- Data Analytics
- Boston's People and Economy
- Financial Management
- Statutes and Ordinances
- Budget Organization and Glossary
- City Council Orders

In Volumes II and III, cabinet and departmental budgets are presented by cabinet. The cabinet presentation includes cabinet mission and initiatives, followed by a table displaying total operating, external, and capital budgets. The budget presents FY15 actual results through the FY18 budgets.

Departmental Operating Budgets

Activities and services of the City are grouped into programs for budgeting and management purposes. The operating budget for each department is presented by program.

A "program" is defined as an organized group of activities directed toward attaining one or more related objectives, and the resources to execute them.

A program can consist of direct services to the public and neighborhoods of the City (e.g. police patrol or tree maintenance), or traditional city staff functions (e.g. administrative services or engineering and design).

Some City activities may not be defined as separate programs, even though they may be self-contained operations. For example, a fire station is not a separate program, although for accounting purposes it is a cost center within the Fire Department's Fire Suppression program.

Program budgets serve as the basic building blocks of the budget. There are three additional organizational levels above the program level in the budget. The three levels are:

- The Division Level for units within some departments.
- The Department Level, which includes departments, commissions, and other offices.
- The Cabinet Level, which includes functionally-related departments.

Description of Organization and Definition of Categories

This section outlines the information reported within each department and program in the budget.

Department or Division Level

Department Mission: The mission statement is a fundamental statement of purpose.

Performance Goals: These goals represent stated aims for which the department or division is held accountable.

Description of Services: The description of services provides a general overview of the department and its responsibilities, and lists examples of major services provided.

Authorizing Statutes: This section lists statutes and ordinances that create departments as well as endow them with legal powers.

Operating Budget: The operating budget presentation includes a table displaying total operating and external budgets by program beginning with FY15 actual expenses through the FY18 budget.

Program Level

Program Description: This section presents a general overview of the program, including its responsibilities and major services provided.

Program Goals: Each program identifies the department goals related to the efforts of the program to further the department's mission.

Performance Measures: Performance measures demonstrate a program's progress in implementing the department's goals. Performance measures may gauge workload, effectiveness, efficiency, or productivity. Some performance measures also show the changing context in which programs are working.

Financial Data

The financial data tables identify the major groups and expenditure account codes (for example, Personnel Services/Overtime, Supplies and Materials/Office Supplies), historical expenditures in each, and the proposed appropriations in each group and account in FY18.

Two financial data sheets are provided for the FY18 operating budget: Department History and Department Personnel.

Department History

Expenditure account codes are listed within six expenditure groups. Dollar amounts are shown for:

- FY15 actual expenditures,
- FY16 actual expenditures,
- FY17 appropriations,
- FY18 recommended budgets, and
- The difference between the FY17 appropriation and the FY18 recommended appropriation.

Department Personnel Data

Personnel data shows funding for permanent positions, including existing and proposed positions. All permanent positions are listed by union and salary grade within the department or division. The total salary request is listed for these positions.

For each position shown, the following information is provided:

Title: The civil service/personnel system job title for the position.

Union Code and Grade: The union code (including exempt and CDH for department head) and code for the salary grade of the position.

Position and Salary Requirement: These columns show the number of permanent positions for which funding is available and the total funding provided for that title for the upcoming fiscal year.

Total Funding: The total funding for permanent employees, shown at the bottom right of the personnel sheet, reflects the amount of funding required to support personnel prior to adjustments. This figure may be adjusted by differential payments, other payments, chargebacks, and salary savings.

Differential Payments: Employees who are serving temporary job titles or who are entitled to additional payments based on the shifts they work (e.g., night shifts) receive differential payments. This figure is added to the permanent employee line.

Other: The permanent employee line contains other payments such as sick leave and vacation buybacks.

Chargebacks: Some personnel costs are charged to another fund or appropriation. These costs or reimbursements are included in the permanent employee line.

Salary Savings: This figure reflects savings due to vacancies. The amount is estimated based on experience in prior fiscal years and subtracted from the total salary requirements.

External Funds

The financial data identify the major groups and expenditure account codes for external funds expenditures. Historical expenditures and the proposed appropriations in these accounts in FY18 are shown. The personnel data show permanent positions, including existing and proposed positions, funded with external funds. All permanent positions are listed by union and grade within the department or division. The total salary request is listed for these positions by job title. The External Funds Projects page lists a description of each project's mission.

Capital Budget

The capital budget section provides an overview of projects and major initiatives for departments charged with managing facilities and major equipment assets. Dollar amounts are shown for:

- FY15 actual capital expenditures,
- FY16 actual capital expenditures,
- FY17 estimated capital expenditures,
- FY18 projected capital expenditures

Following this overview are capital project profiles, including descriptions of each project mission, the department managing the project, the status and location of each project, and if there are operating budget impacts. A table summarizes the total capital funds authorized for projected expenditures in FY18 and for future years, as well as whether the source is City authorization or other funding such as federal and state infrastructure grants or trust funds. A listing of actual and planned capital expenditures in comparison to authorized dollars is also provided.

GLOSSARY OF TERMS

Account: A classification of appropriation by type of expenditure.

Account Number: The number by which the City Auditor categorizes an appropriation. For budget purposes, this is also known as appropriation code.

Accrual Basis: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

Allotment: The amount that can be expended quarterly for personnel as submitted to the City Auditor at the beginning of each fiscal year.

Appropriation: The legal authorization to expend funds during a specific period, usually one fiscal year. In the City of Boston, the City Council is the appropriating authority.

ARRA: The American Recovery and Reinvestment Act of 2009.

Authorization: The legal consent to expend funds.

Balanced Budget: A budget in which revenues equal expenditures. A requirement for all Massachusetts cities and towns.

Bond: An interest-bearing promise to pay, with a specific maturity.

Bonds Authorized and Unissued: The portion of approved bond authorizations or loan orders that has not yet been borrowed for or issued as bonds.

Boston Retirement System (BRS): Agency that manages the City's defined-benefit pension benefit through the management of retirement assets of employees and payment of pensions to retired employees. The Retirement board, an independent board under Chapter 306 of the Acts of 1996, is funded through investment earnings.

Budget: A formal estimate of expenditures and revenues for a defined period, usually for one year.

Budget Amendment: A change from originally budgeted quotas requested by departments to the Human Resources Department and the

Office of Budget Management who authorize these changes.

Budget, Level-Service: A budget that describes the funding required for maintaining current levels of service or activity.

Budget/Credit Transfer: The transfer of appropriations from one expenditure account code to another within a department.

Capital Budget: A plan for capital expenditures for projects to be included during the first year of the capital program.

Capital Expenditure: Expenditure for acquiring fixed assets such as land, buildings, equipment, technology and vehicles or for making improvements to fixed assets such as a building addition or renovation.

Capital Plan: A multi-year plan of proposed outlays for acquiring long-term assets and the means for financing those acquisitions, usually by long-term debt.

Capital Improvement: An expenditure that adds to the useful life of the City's fixed assets.

Capital Improvement Program: A multi-year plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs.

Cash basis: A basis of accounting under which transactions are recognized only when cash changes hands.

Chapter 90 Funds: A state-funded program for payments to cities and towns for 100% of the costs of construction, reconstruction, and improvements to public ways.

Chargeback: A method of billing departments for costs incurred by them for which they are not billed directly (e.g., telephone, postage, and printing). This method can also be used for departmental expenditures that are paid for with external or capital funds.

Cherry Sheet: Originally printed on a cherry-colored form, this document reflects all Commonwealth charges, distributions and reimbursements to a city or town as certified by the state Director of the Bureau of Accounts.

Collective Bargaining: The process of negotiations between the City administration

and bargaining units (unions) regarding the salary and fringe benefits of city employees.

Commission: An appointed policy-setting body.

Community Development Block Grant (CDBG): A federal entitlement program that provides community development funds based on a formula.

Credit Balance: Account or departmental deficit. See departmental deficit.

Credit Rating: A formal evaluation of credit history and capability of repaying obligations. The bond ratings assigned by Moody's Investors Service and Standard & Poor's.

CRM: The Constituent Relationship Management (CRM) system tracks citizen requests received through the Mayor's Hotline, online self-service forms, the Citizens Connect mobile application, and direct department contacts.

Debt Limit: The maximum amount of debt that a governmental unit may incur under constitutional, statutory, or charter requirements. The limitation is usually a percentage of assessed valuation and may be fixed upon either gross or net debt.

Debt Outstanding: The general obligation bonds that have been sold to cover the costs of the City's capital outlay expenditures from bond funds.

Debt Service: The annual amount of money necessary to pay the interest and principal on outstanding debt.

Department: A major service-providing entity of city government.

Departmental Deficit: A condition that exists when departmental expenditures exceed departmental appropriations.

Departmental Income: Income generated by a specific city department, usually as a result of user revenues applied for services rendered. Parking meter charges, building permit fees, and traffic fines are examples of departmental income.

Division: A budgeted sub-unit of a department.

DNR: Did not report.

Encumbrance: Funds set aside from an appropriation to pay a known future liability.

Excise: A tax applying to a specific industry or good. The jet fuel tax and the hotel/motel occupancy tax are examples of excises.

Expenditure Account Code: An expenditure classification according to the type of item purchased or service obtained, for example, emergency employees, communications, food supplies, and automotive equipment.

Expenditure: An actual payment for goods or services received.

Expense/Debit Transfer: The transfer of actual expenditures from one expenditure account code to another within or between departments.

External Fund: Money that is not generated from city general fund sources, but is received by an agency, such as grants or trusts.

Fiscal Year: The twelve-month financial period used by the City beginning July 1 and ending June 30 of the following calendar year. The City's fiscal year is numbered according to the year in which it ends.

Fixed Debt: Long-term obligations other than bonds, such as judgments, mortgages, and long-term notes or certificates of indebtedness.

Free Cash: The amount of budgetary fund balance available for appropriation and certified by the MA Department of Revenue. Only considered to offset certain fixed costs or to fund extraordinary and non-recurring events.

Full Faith and Credit: A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

Full-time Equivalent Position (FTE): A concept used to group together part-time positions into full-time units.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources with all related liabilities, obligations, reserves, and equities that are segregated for specific activities or objectives. Among the fund types used by the City are General, Special Revenue, Capital Projects, Trust, and Enterprise.

GAAP: Generally Accepted Accounting Principles. The basic principles of accounting and reporting applicable to state and local governments, including the use of the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and operating results. These principles must be observed to provide a basis of comparison for governmental units.

General Fund: The fund into which the general (non-earmarked) revenues of the municipality are deposited and from which money is appropriated to pay the general expenses of the municipality.

General Obligation (G.O.) Bonds: Bonds for whose payment, the full faith and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from property taxes and other general revenues.

Goal: A statement, in general terms, of a desired condition, state of affairs or situation. By establishing goals, departments can define their missions and the methods for achieving those goals.

Grant Year: The grant accounting period designated by the requirements of a specific grant.

Headcount: The actual number of full-time or full-time equivalent employees in a department at any given time.

Interest: Compensation paid or to be paid for the use of money, including interest payable at periodic intervals or discount at the time a loan is made.

Interest Rate: The interest payable, expressed as a percentage of the principal available for use during a specified period of time.

K1 seats: Kindergarten 1, the early childhood program for four-year olds.

Line item: See Expenditure Account Code.

Massachusetts Water Pollution Abatement Trust (MWPAT): A statewide revolving fund that commenced operations in 1990 to address necessary environmental actions outlined in the Federal Clean Water Act.

Mayoral Reallocation: A transfer of appropriations of up to \$3 million that may be authorized by the Mayor until April 15 in a given fiscal year to relieve departmental deficits or address unanticipated financial problems.

Mission: A general overview of the purposes and major activities of a department or program.

Modified Accrual Basis: The accrual basis of accounting adapted to the governmental fund type, wherein only current assets and current liabilities are generally reported on fund balance sheets and the fund operating statements present financial flow information (revenues and expenditures). Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for a few specific exceptions. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Official Statement: The municipal equivalent of a bond prospectus.

Operating Budget: A legally adopted plan for anticipated expenditures for personnel, contractual services, supplies, current charges, and equipment in one fiscal year.

Payments-In-Lieu-of-Taxes: Income to replace the loss of tax revenue resulting from property exempted from taxation.

Performance Measure: An indicator of progress toward a strategy. Measures can be defined for identifying output, work or service quality, efficiency, effectiveness, and productivity.

Principal: The face amount of a bond, exclusive of accrued interest.

Program: An organized group of activities and the resources to execute them.

Program Evaluation: The process of comparing actual service levels achieved with promised levels of service with the purpose of improving the way a program operates.

Proposition 2 1/2: A statewide ballot initiative limiting the property tax levy in cities and towns

in the Commonwealth to 2 1/2 percent of the full and fair cash valuation of the taxable real and personal property in that city or town. The statute also places an annual growth cap of 2 1/2 percent on the increase in the property tax levy, with exceptions for new growth.

Quota: The planned number of positions that can be filled by a department, subject to the availability of funds. The quota can refer either to specific titles or to the number of personnel in the entire department. The quota of positions may change by means of a budget amendment. The actual number of personnel working in a department at any given time may differ from the quota.

Reimbursement Grant: A federal or state grant that is paid to the City once a project is completed and inspected for conformance to the grant contract. The City must provide the full funding for the project until the reimbursement is received.

Reserve Fund: An appropriation for contingencies.

Revenue: Income received by the City.

Salary Savings: For budget purposes, savings that accrue due to employee turnover or unfilled budgeted positions in a department.

SLA: A Service Level Agreement (SLA) represents a department's stated expectation of the amount of time it will take to close out specific types of constituent service requests in CRM. The SLA can then be used as a standard of department performance.

Special Appropriation: An authorization to expend funds for a specific project not encompassed by normal operating categories.

Special Revenue Fund: Used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) legally restricted to expenditures for specific purposes. A special revenue fund is accounted for in the same manner as a General Fund.

STAT: Statutory accounting and reporting adopted by a legislative body of a governmental entity. The method of recording and reporting actual expenditures and revenues within a plan of financial operations that establishes a basis

for the control and evaluation of activities financed through the General Fund.

State Distributions: All City revenue flowing from the state. Major categories include educational distributions and reimbursements, direct education expenditures, general government reimbursements, and other distributions.

Supplementary/Supplemental Appropriation: An appropriation that is submitted to the City Council after the operating budget has been approved. Such appropriations must specify a revenue source.

Tax Exempt Bonds: Bonds exempt from federal income, state income, or state or local personal property taxes.

TBR: To be reported.

Third Party Payment: Medical payments, usually from an insurance carrier to a health care provider on behalf of an injured or infirm party.

Trust Funds: Funds held by the City in a fiduciary role, to be expended for the purposes specified by the donor.

Unliquidated Reserve: A fund established at year-end, used to pay for goods and services received this year, but not billed until next year.

City Council Orders Filed by the Mayor

Operating Budget Orders:

- Appropriation and Tax Order for the Fiscal Year 2018
- Appropriation Order for the Boston Public Schools for Fiscal Year 2018
- Appropriation Order for Other Post-Employment Benefits

Lease Purchase Agreement Order

Capital Plan Orders:

- One Loan Order Appropriating from the Capital Grant Fund of the City via a transfer from the Parking Meter Fund to the Capital Grant Fund
- One Loan Order authorized under the provisions of Section 7 of Chapter 44 of the General Laws and/or Chapter 642 of the Acts of 1966, as amended – Boston Center for Youth and Families, Boston Redevelopment Authority d/b/a Boston Planning and Development Agency, Department of Innovation and Technology, Environment, Fire, Parks and Recreation, Police, Property Management, Public Health Commission, Public Works, School, and Transportation departments
- One Loan Order authorized under the provisions of Section 7 and/or Section 8 of Chapter 44 of the General Laws – Parks and Recreation Department
- One Loan Order authorized under the provisions of Section 11 of Chapter 1097 of the Acts of 1971 – Economic Development Industrial Corporation and the Boston Planning and Development Agency
- One Loan Order authorized under the provisions of Chapter 44 of the General Laws – School Department (with MSBA)

**CITY OF BOSTON
IN CITY COUNCIL**

**Appropriation and Tax Order for the fiscal year
Commencing July 1, 2017 and ending June 30, 2018**

ORDERED:

I. That to meet the current expenses of the City of Boston, in the fiscal year commencing July 1, 2017 and ending June 30, 2018, the respective sums of money specified in the schedules hereinafter set out, be, and the same hereby are, appropriated for expenditure under the direction of the respective boards and officers severally specified, for the several specific purposes hereinafter designated and, except for transfers lawfully made, for such purposes only said appropriations, to the extent they are for the maintenance and operation of parking meters, and the regulation of parking and other activities incident thereto (which is hereby determined to be \$22,500,000), being made out of the income from parking meters and, to the extent they are for other purposes, being made out of the proceeds from the sale of tax title possessions and receipts from tax title redemptions in addition to the total real and personal property taxes of prior years collected from July 1, 2016 up to and including March 31, 2017, as certified by the City Auditor under Section 23 of Chapter 59 of the General Laws, and out of available funds on hand, (which is hereby determined to be \$40,000,000) as certified by the Director of Accounts under said Section 23, and the balance of said appropriations to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

CITY DEPARTMENTS	Personnel Services	Contractual Services	Supplies & Materials	& Obligations	Current Charges	Equipment	Special Appropriation	Improvements &	Land Non-Structural Improvement	Total
Mayor's Office										
111 Mayor's Office	3,697,661	340,978	53,233	43,068	25,000	-	-	-	4,159,940	
121,128 Election Department	2,987,481	713,850	405,862	126,250	12,473	-	-	-	4,245,916	
151 Law Department	3,764,570	1,976,558	15,908	92,865	-	-	-	-	5,849,901	
417 Women's Advancement	222,964	1,425	900	200	-	-	-	-	225,519	
Operations										
150 Intergovernmental Relations	803,954	168,523	6,200	186,944	-	-	-	-	1,165,621	
180 Property Management	7,296,890	9,184,253	421,763	78,256	114,552	-	-	-	17,095,514	
181 Public Facilities Department	5,407,707	251,785	40,725	17,000	7,238	-	-	-	5,724,455	
Civic Engagement										
387 Elderly Commission	2,892,178	182,545	184,972	61,700	56,705	-	-	-	3,178,100	
412 Neighborhood Services	3,019,386	250,048	11,800	4,779	1,600	-	-	-	3,297,613	
Arts & Culture										
414 Office of Arts & Culture	805,170	499,635	25,022	1,015	3,088	-	-	-	1,333,930	
110 Library Department	24,656,575	7,945,778	2,810,008	323,643	259,485	-	-	-	36,030,489	
Economic Development										
182 Office of Economic Development	1,903,134	524,743	21,115	20,400	4,000	-	-	-	2,473,392	
114 Consumer Affairs & Licensing	1,068,185	18,480	18,550	11,513	-	-	-	-	1,116,728	
416 Office of Tourism	771,738	240,803	22,372	62,450	10,515	218,286	-	-	1,326,163	
Environment, Energy & Open Space										
303 Environment Department	1,988,560	501,329	25,225	2,615	-	-	-	-	2,517,729	
260 Inspectational Services Dept	15,854,971	1,490,746	241,970	841,940	83,903	-	-	-	18,513,530	
300,400 Parks & Recreation Department	12,747,859	4,688,380	894,840	571,278	601,186	70,000	-	-	21,026,548	
Administration & Finance										
144 Administration & Finance	729,710	330,200	3,500	1,900	-	-	-	-	1,065,310	
136 Assessing Department	6,579,204	446,360	46,720	120,400	-	-	-	-	7,192,684	
131 Auditing Department	2,625,483	25,575	8,940	26,585	-	-	-	-	2,686,563	
141 Budget Management	2,320,888	-	958,095	5,600	117,775	2,400	-	-	3,404,758	
333 Execution of Courts	-	-	-	-	-	-	-	-	5,000,000	
148 Health Insurance	-	-	-	-	-	-	-	-	216,851,225	
142 Human Resources	3,480,334	203,300	71,566	181,732	-	-	-	-	3,986,932	
139 Medicare Payments	11,000,000	-	-	-	-	-	-	-	11,000,000	
147 Labor Relations	839,954	561,759	4,350	32,943	-	-	-	-	1,439,006	
374 Pensions & Annuities - City	4,100,000	-	-	-	-	-	-	-	4,100,000	
749 Pensions & Annuities - County	100,000	-	-	-	-	-	-	-	100,000	
143 Purchasing Division	1,633,651	44,005	8,200	4,265	85,246	-	-	-	1,775,367	
163 Registry Division	96,394	40,545	16,750	825	3,950	-	-	-	1,018,464	
137,138 Treasury Department	3,296,479	218,461	782,638	16,600	20,000	-	-	-	4,334,178	
199 Unemployment Compensation	350,000	-	-	-	-	-	-	-	350,000	
341 Workers' Compensation Fund	2,200,000	-	-	-	-	-	-	-	2,200,000	
Health & Human Services										
385 Boston Centers for Youth & Families	20,889,675	4,146,934	235,175	155,300	1,000	102,700	-	-	25,529,784	
403 Fair Housing & Equity	262,027	7,700	8,000	8,100	-	-	-	-	278,727	
404 Commission for Persons with Disabilities	404,518	14,000	-	-	-	-	-	-	426,618	
113 Office of Immigrant Advancement	406,737	27,600	4,700	900	-	-	-	-	439,937	
620 Public Health Commission	-	-	-	-	-	-	-	-	79,077,172	
741 Boston VETS	921,308	101,932	69,650	3,615,563	1,600	4,500	-	-	4,708,453	
448 Youth Engagement & Employment	5,634,049	15,080	23,500	-	-	-	-	-	6,331,229	

CITY DEPARTMENTS	Personnel Services	Contractual Services	Supplies & Materials	& Obligations	Current Charges	Equipment	Special Appropriation	Improvements	Structures & Improvements	Non-Structural Improvement	Total
Housing & Neighborhood Development											13,125,614
188 Neighborhood Development	3,066,798	1,333,936	39,044	127,081	8,755	8,550,000	-	-	-	-	28,891,966
Information & Technology											
149 Department of Innovation & Technology	13,131,208	5,187,560	69,000	9,179,000	1,325,198	-	-	-	-	-	
Public Safety											
231 Emergency Management	129,767	170,943	5,000	331,500	-	-	-	-	-	-	637,210
221 Fire Department	209,368,857	8,321,390	4,750,828	4,249,974	5,475,137	-	-	-	-	-	232,186,186
211 Police Department	338,019,660	14,293,964	7,566,811	5,324,670	8,175,086	-	-	-	-	-	373,380,191
Streets											
321 Central Fleet Management	2,001,623	288,732	135,682	12,850	288,542	-	-	-	-	-	2,707,429
310 Office of Streets	1,931,176	9,638	7,922	1,610	12,176	-	-	-	-	-	1,982,522
311 Public Works Department	22,575,786	55,728,719	1,689,924	569,545	2,821,870	-	-	-	-	-	83,775,844
331 Snow Removal	-	22,178,292	52,000	-	333,672	-	-	-	-	-	22,563,964
251,253 Transportation Department	22,648,916	8,885,615	1,474,334	319,112	776,982	-	-	-	-	-	34,104,959
Non-Mayoral Departments											
112 City Council	5,073,513	170,940	42,224	23,100	31,000	-	-	-	-	-	5,340,777
161 City Clerk	1,111,322	70,623	15,200	17,680	-	-	-	-	-	-	1,214,825
193 Finance Commission	263,575	4,750	575	250	2,125	-	-	-	-	-	271,275
Other											
158 Risk Retention Reserve	-	-	-	-	-	3,000,000	-	-	-	-	3,000,000
159 Housing Trust Fund	-	-	-	-	-	330,000	-	-	-	-	330,000
999 Reserves for Collective Bargaining	47,000,000	-	-	-	-	-	-	-	-	-	47,000,000
TOTAL	\$24,741,425	152,766,507	22,346,358	243,720,881	20,629,084	96,897,957	400,000	1,508,005	1,363,010,257		

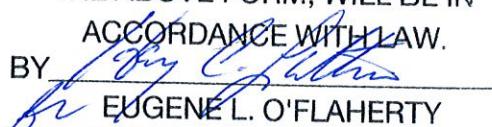
CITY OF BOSTON IN CITY COUNCIL

FURTHER ORDERED:

II. That to meet so much of the expenses of maintaining, improving and embellishing in the fiscal period commencing July 1, 2017 and ending June 30, 2018, cemeteries owned by the City of Boston, or in its charge, as is not met by the income of deposits for perpetual care on hand December 31, 2016, the respective sum of money specified in the subjoined schedule be, and the same hereby is, appropriated out of the fund set up under Chapter 13 of the Acts of 1961 the same to be expended under the direction of the Commissioner of Parks and Recreation:

400100

Cemetery Division
Parks and Recreation Department
\$950,000

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.
BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith an appropriation order for the Boston Public Schools (BPS) for Fiscal Year 2018, in the amount of \$1.061 billion, submitted pursuant to the provisions of Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991. My recommended budget also includes a \$20 million collective bargaining reserve for Boston Public Schools, to be used when union agreements are reached.

This budget is the largest in BPS history, representing a projected \$40 million increase since last year, and a \$143 million increase since I took office in 2014. Funding directed to our schools will increase by almost 4%, a \$25 million increase over FY17, even before employee collective bargaining increases are negotiated. These increases are in spite of only receiving a projected \$1 million increase in Chapter 70 Education Aid from the State.

Through this budget, we are proposing to make research-backed investments to close opportunity and achievement gaps.

- A groundbreaking \$14 million investment 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 is a cornerstone of my budget proposal. This expansion brings the total number of students receiving extended learning to over 23,000 at 57 schools throughout the District at a total annual investment of \$18.9 million.
- 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), such as foreign languages and robotics.
- With an anticipated 100 additional pre-kindergarten (K1) students to be served in FY18, we will have added 422 K1 seats to BPS since I took office for a total annual investment of over \$4.3 million. To accelerate this progress, this winter proposed legislation to close the “quality gap” in pre-kindergarten seats in Boston by investing in programs at BPS and in community based organizations.
- Boston is also making a strategic \$1.2 million investment to support 3,000 BPS students identified by the district as experiencing homelessness. This investment will empower principals and headmasters to best serve the needs of these students with specialized services and resources that have been proven to be most impactful for some of our most vulnerable children.
- BPS will be providing lower performing schools with a wide-range of differentiated supports, which total over \$16 million. This includes a new \$1.25 million reserve focused on supporting Level 3, 4 and 5 schools with declining enrollment.

An investment in education is an investment in Boston's future. The work is never done at Boston Public Schools, but I'm proud of the accomplishments of our district and our kids. In 2016, the four-year high school graduation rate climbed to a record high of 72.4%, marking a 13-point gain since 2006. Additionally, BPS now has more state-designated Level 1 and 2 schools than ever before, with a combined 46 schools ranked among the highest-performing in the state. More than 600

additional students will be enrolled in our Level 1 and 2 schools next year, which means more families are taking advantage of the choice process and choosing schools that make the most sense for them and their children.

Even with this proposed historic investment in BPS, I will continue to fight for more resources for our students and our schools. I recently filed comprehensive education finance reform legislation at the Statehouse that aims to invest equitably in public education and expand access to high-quality education for students of all ages. We will also work to unlock resources for future investments in our students through the BPS Long-Term Financial Plan. We are already seeing efficiencies from the Plan reflected in this budget, including savings in the Central Office and continued efforts to achieve transportation efficiencies. These efforts will allow us to invest more deeply in proven strategies for improving student performance and closing the achievement gap.

I respectfully request your support of the FY18 appropriation for the Boston Public Schools.

Sincerely,

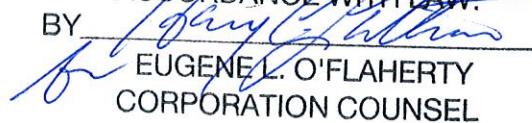
A handwritten signature in blue ink, appearing to read "M J W".

Martin J. Walsh
Mayor of Boston

CITY OF BOSTON IN CITY COUNCIL

ORDERED: That pursuant to Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, and as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991, to meet the current operating expenses of the School Department in the fiscal period commencing July 1, 2017 and ending June 30, 2018, the sum of ONE BILLION SIXTY MILLION NINE HUNDRED THIRTY TWO THOUSAND SEVEN HUNDRED AND EIGHTY THREE DOLLARS (\$1,060,932,783) be, and the same hereby is, appropriated, said sum to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

Boston School Department \$1,060,932,783

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.
BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith for your approval an order appropriating \$40,000,000 to the Other Post-Employment Benefits (OPEB) Liability Trust Fund authorized under Chapter 32B, §20, as added by Chapter 479 of the Acts of 2008. The OPEB actuarial valuation as of June 30, 2015 estimated the City's unfunded liability at \$2.26 billion, funded at approximately 13%. FY18's appropriation will bring the total aggregate amount contributed toward the City's and the Public Health Commission's unfunded liability to \$391 million.

We remain committed to work together with the Public Employee Committee (PEC) to pursue strategies that mitigate health care costs while continuing to provide quality benefits both now and in the future.

Stabilizing and sustaining healthcare benefits for current and future retirees within the means of the City's budget is our shared goal and I thank you for your continued support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Martin J. Walsh" followed by a dash and a long horizontal line.

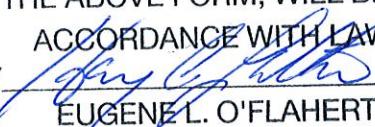
Martin J. Walsh
Mayor of Boston

CITY OF BOSTON IN CITY COUNCIL

ORDERED:

That the sum of FORTY MILLION DOLLARS (\$40,000,000) be, and the same hereby is, appropriated to the Other Post-Employment Benefits Liability Trust Fund established under Section 20 of Massachusetts General Laws Chapter 32B, said sum to be met from available funds on hand as certified by the Director of Accounts pursuant to Section 23 of Chapter 59 of the General Laws.

61800-138910	Other Post-Employment Benefits Liability Trust Fund	\$40,000,000
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I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.
BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith for your approval an order authorizing the City of Boston to enter into one or more lease, lease-purchase or installment sales agreements in Fiscal Year 2018 in an amount not to exceed \$27,500,000. These funds are to be used by various City departments for the acquisition of equipment in furtherance of their respective governmental functions. The list of equipment includes: computer equipment (hardware and software), motor vehicles and trailers, ambulances, firefighting equipment, office equipment, telecommunications equipment, photocopying equipment, medical equipment, school and educational equipment, school buses, parking meters, street lighting installation, traffic signal equipment and equipment functionally related to, and components of, the foregoing.

I urge your Honorable Body to pass this order as expeditiously as possible to ensure the successful completion of the equipment acquisition program.

Sincerely,

A handwritten signature in blue ink, appearing to read "M J W".

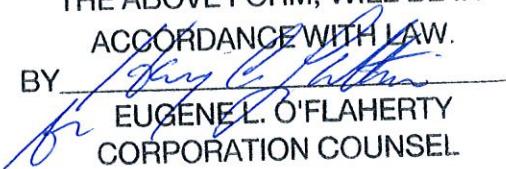
Martin J. Walsh
Mayor of Boston

CITY OF BOSTON
IN CITY COUNCIL

ORDERED: That pursuant to section 11 of Chapter 643 of the Acts of 1983, the City of Boston, acting by and through its Purchasing Agent and its Collector-Treasurer, with the approval of the Mayor, is authorized to acquire the following departmental equipment by entering into one or more lease, lease-purchase or installment sales agreements in Fiscal Year 2018 in an amount not to exceed Twenty Seven Million Five Hundred Thousand Dollars (\$27,500,000) in such form or forms as the Purchasing Agent and Collector-Treasurer may determine with the approval of the Mayor; computer equipment (hardware and software), motor vehicles and trailers, ambulances, firefighting equipment, office equipment, telecommunications equipment, photocopying equipment, medical equipment, school and educational equipment, school buses, parking meters, street lighting installation, traffic signal equipment and equipment functionally related to, and components of, the foregoing.

AND FURTHER ORDERED: That pursuant to section 9 of Chapter 643 of the Acts of 1983, the Collector-Treasurer be, and hereby is, authorized to execute and deliver, as appropriate, on behalf of the City of Boston, with the approval of the Mayor, trust, security and/or lease agreements and/or reimbursement agreements with attached letters of credit, and to procure, as appropriate, insurance to secure the City's obligation as authorized above, all in such form or forms as the Collector/Treasurer may determine with the approval of the Mayor.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.

BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear Councilors:

I hereby transmit for your approval an Order authorizing the City of Boston to appropriate the amount of Forty Five Million Three Hundred Eighty Five Thousand Dollars (\$45,385,000) from the City's Capital Grant Fund in order to provide funding for various transportation and public realm improvements. These projects are aligned with the goals of Go Boston 2030, the City's transportation master plan. The funds shall be credited to the Capital Grant Fund from the Parking Meter Fund.

I urge your Honorable Body to pass this Order so that the City of Boston may use the funds to proceed with the above-mentioned projects.

Sincerely,

A handwritten signature in blue ink, appearing to read "Martin J. Walsh".

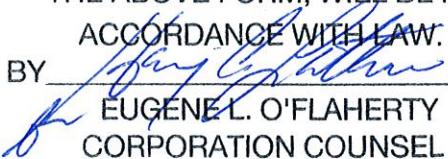
Martin J. Walsh
Mayor of Boston

CITY OF BOSTON
IN CITY COUNCIL

ORDERED: That the City of Boston appropriate the amount of Forty Five Million Three Hundred Eighty Five Thousand Dollars (\$45,385,000) from the Capital Grant Fund of the City for the purpose of funding various transportation and public realm improvements including, but not limited to, facilities for biking and walking. To meet this appropriation, the Collector/Treasurer, with the approval of the Mayor, is authorized to transfer such amount from the Parking Meter Fund to the Capital Grant Fund.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.

BY


EUGENE L. O'FLAHERTY
CORPORATION COUNSEL



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$255,260,000 for the acquisition of interests in land or the acquisition of assets, or the landscaping, alteration, remediation, rehabilitation or improvement of public land, the construction, reconstruction, rehabilitation, improvement, alteration, remodeling, enlargement, demolition, removal or extraordinary repair of public buildings, facilities, assets, works or infrastructure; for the cost of feasibility studies or engineering or architectural services for plans and specifications; for the development, design, purchase and installation of computer hardware or software and computer-assisted integrated financial management and accounting systems; for any other public work, improvement or asset with a maximum useful life of at least 5 years and not otherwise specified; for planting shade trees, for the purposes of various city departments including the Boston Center for Youth and Families, Boston Redevelopment Authority, Department of Innovation and Technology, Environment, Fire, Parks and Recreation, Police, Property Management, Public Health Commission, Public Works, School, and Transportation departments.

I urge your Honorable Body to pass this order.

Sincerely,

A handwritten signature in blue ink.

Martin J. Walsh
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Two Hundred Fifty Five Million Two Hundred Sixty Thousand Dollars (\$255,260,000) be, and hereby is, appropriated for the acquisition of interests in land or the acquisition of assets, or the landscaping, alteration, remediation, rehabilitation or improvement of public land, the construction, reconstruction, rehabilitation, improvement, alteration, remodeling, enlargement, demolition, removal or extraordinary repair of public buildings, facilities, assets, works or infrastructure, including: (i) the cost of original equipment and furnishings of the buildings, facilities, assets, works or infrastructure; (ii) damages under chapter 79 resulting from any such acquisition or project; and (iii) the cost of engineering, architectural or other services for feasibility studies, plans or specifications as part of any acquisition or project; for the cost of feasibility studies or engineering or architectural services for plans and specifications; for the development, design, purchase and installation of computer hardware or software and computer-assisted integrated financial management and accounting systems; for any other public work, improvement or asset with a maximum useful life of at least 5 years and not otherwise specified; for planting shade trees, for the purposes of various city departments including the Boston Center for Youth and Families, Boston Redevelopment Authority, Department of Innovation and Technology, Environment, Fire, Parks and Recreation, Police, Property Management, Public Health Commission, Public Works, School, and Transportation Departments; and that to meet said appropriation the Collector-Treasurer be, and hereby is, authorized under the provisions of Section 7 of Chapter 44 of the General Laws and/or Chapter 642 of the Acts of 1966, as amended, or any other enabling authority, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on the project(s) as described by name attached hereto; that this order shall constitute a declaration of official intent of the City pursuant to Treasury Regulations Section 1.150-2(e) to reimburse expenditures for such projects made from funds established for such purpose as permitted by statute from proceeds of debt incurred by the City pursuant to this order; and that pursuant to Section 12(b) of Chapter 643 of the Acts of 1983 as amended, if any part of the proceeds of sale of any bonds or notes or other obligations issued by the City under this order remains unexpended after the work or purpose for which such bonds, notes or other obligations are issued is completed, such proceeds are hereby appropriated and may be applied by the Collector-Treasurer and City Auditor, at the direction of the Mayor, to pay the principal, premium, or interest on such bonds, notes, or other obligations or on any debt of the City.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.

BY

EUGENE L. O'FLAHERTY
CORPORATION COUNSEL

FY18 Capital Council Order Attachment

\$255,260,000

1. BCYF Curley Community Center
2. BCYF Mattahunt Community Center
3. Youth Budget
4. Long Wharf
5. City-wide Radio System Study
6. Core Technology Infrastructure
7. Data Analytics
8. Digital Service Delivery and Engagement
9. Enterprise Applications
10. Fiber Network Expansion
11. Climate Ready Boston
12. Engine 17
13. Engine 42
14. Fire Equipment
15. BPL: Rare Books/Manuscripts Dept
16. Lower Mills Branch Library
17. Roslindale Branch Library
18. South Boston Branch Library
19. South End Branch Library
20. West Roxbury Branch Library
21. Percent for the Arts
22. Boston Common Tadpole Play Lot
23. Court Renovations
24. General Parks Improvements
25. Historic Cemeteries
26. Odom Serenity Garden
27. Park Planning Studies
28. Peter's Park
29. Public Garden Pathways
30. Street Tree Planting
31. 26 Court Street
32. Archives and Records Management Center
33. City Hall
34. City Hall Plaza
35. Faneuil Hall
36. BPHC Budget Software
37. ADA/AAB Pedestrian Ramps
38. Central Maintenance Facility Complex
39. Street Light Gas Lamps
40. Street Lighting Installation
41. Walkable Streets
42. Accreditation Improvements at Various Schools
43. BuildBPS: Reserve for Future Projects
44. BuildBPS: 21st Century Schools Fund
45. Madison Park Complex
46. School Yard Improvements
47. School Yard Improvements at Sumner School
48. Technology Infrastructure II
49. Accessible Pedestrian Signals
50. Father Hart Bridge Traffic Improvements
51. Municipal Parking Lots
52. Strategic Bicycle Network Project
53. Traffic Signals
54. Transportation Planning
55. Vision Zero



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$3,135,000 for the construction and rehabilitation of municipal golf courses, including the acquisition and reconstruction of land, installation and replacement of irrigation systems, the construction and rehabilitation of buildings, and the cost of equipment and furnishings, for the purposes of the Parks and Recreation Department.

I urge your Honorable Body to pass this order.

Sincerely,

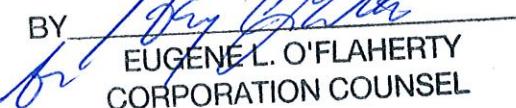
A handwritten signature in blue ink, appearing to read "Martin J. Walsh".
Martin J. Walsh
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Three Million One Hundred Thirty Five Thousand Dollars (\$3,135,000) be, and hereby is, appropriated for the construction and rehabilitation of municipal golf courses, including the acquisition and reconstruction of land, installation and replacement of irrigation systems, the construction and rehabilitation of buildings, and the cost of equipment and furnishings, for the purposes of the Parks and Recreation Department; and that to meet said appropriation the Collector-Treasurer be, and hereby is, authorized under the provisions of Section 7 and/or Section 8 of Chapter 44 of the General Laws, or any other enabling authority, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on the project(s) as described by name attached hereto; that this order shall constitute a declaration of official intent of the City pursuant to Treasury Regulations Section 1.150-2(e) to reimburse expenditures for such projects made from funds established for such purpose as permitted by statute from proceeds of debt incurred by the City pursuant to this order; and that pursuant to Section 12(b) of Chapter 643 of the Acts of 1983 as amended, if any part of the proceeds of sale of any bonds or notes or other obligations issued by the City under this order remains unexpended after the work or purpose for which such bonds, notes or other obligations are issued is completed, such proceeds are hereby appropriated and may be applied by the Collector-Treasurer and City Auditor, at the direction of the Mayor, to pay the principal, premium or interest on such bonds, notes or other obligations or on any debt of the City.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.

BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL

FY18 - Capital Council Order Attachment

\$3,135,000

1. George Wright Golf Course
2. William Devine Clubhouse
3. William Devine Golf Course



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

April 10, 2017

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$660,000 in aid of the Economic Development Industrial Corporation and the Boston Redevelopment Authority d/b/a Boston Planning and Development Agency for the engineering and design of improvements at the Raymond L. Flynn Marine Park.

I urge your Honorable Body to pass this order.

Sincerely,

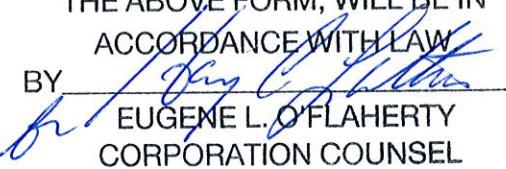
A handwritten signature in blue ink, appearing to read "M J W".

Martin J. Walsh
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the sum of Six Hundred Sixty Thousand Dollars (\$660,000) be, and hereby is, appropriated in aid of the Economic Development Industrial Corporation and the Boston Redevelopment Authority d/b/a Boston Planning and Development Agency; and that to meet said appropriation the Collector-Treasurer be, and hereby is, authorized under the provisions of Section 11 of Chapter 1097 of the Acts of 1971, or any other enabling authority, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on the project(s) as described by name attached hereto; that this order shall constitute a declaration of official intent of the City pursuant to Treasury Regulations Section 1.150-2(e) to reimburse expenditures for such projects made from funds established for such purpose as permitted by statute from proceeds of debt incurred by the City pursuant to this order; and that pursuant to Section 12(b) of Chapter 643 of the Acts of 1983 as amended, if any part of the proceeds of sale of any bonds or notes or other obligations issued by the City under this order remains unexpended after the work or purpose for which such bonds, notes or other obligations are issued is completed, such proceeds are hereby appropriated and may be applied by the Collector-Treasurer and City Auditor, at the direction of the Mayor, to pay the principal, premium, or interest on such bonds, notes, or other obligations or on any debt of the City.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW
BY 
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL

FY18 - Capital Council Order Attachment

- | | |
|----------------------|-----------|
| | \$660,000 |
| 1. RLFMP: Dry-dock 4 | |
| 2. RLFMP: Pier 6 | |



CITY OF BOSTON • MASSACHUSETTS

MARTIN J. WALSH
MAYOR

March 6, 2017

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an Order authorizing the City of Boston to appropriate the amount of Nine Million Two Hundred Two Thousand One Hundred Eighty-One Dollars (\$9,202,181) for the purpose of paying the costs associated with roof and boiler replacement projects at the following schools: Boston Latin School – partial boiler replacement, James F. Condon Elementary School – boiler replacement, John W. McCormack Middle School – roof replacement, Paul A. Dever Elementary School – roof replacement, and the William E. Channing Elementary School – boiler replacement. This includes the payment of all costs incidental or related thereto, and for which the City of Boston may be eligible for a grant from the Massachusetts School Building Authority ("MSBA"), said amount to be expended under the direction of the Public Facilities Department on behalf of the Boston Public Schools.

I urge your Honorable Body to adopt this Order as soon as possible so that the City of Boston may continue the process of seeking funds for the improvement of school facilities within the City of Boston.

Sincerely,

A handwritten signature of Martin J. Walsh in black ink.

Martin J. Walsh
Mayor of Boston

CITY OF BOSTON

IN CITY COUNCIL

ORDERED: That the City of Boston appropriate the amount of Nine Million Two Hundred Two Thousand One Hundred Eighty-One Dollars (\$9,202,181) for the purpose of paying the costs associated with roof and boiler replacement projects at the following schools:

Project	School	Address	City	State	Zip Code
Boiler replacement	William Ellery Channing Elementary School	35 Sunnyside Street	Hyde Park	MA	02136
Partial Boiler Replacement	Boston Latin School	78 Avenue Louis Pasteur	Boston	MA	02115
Boiler replacement	James F. Condon School	200 D Street	Boston	MA	02127
Roof replacement	Paul A. Dever Elementary School	325 Mount Vernon Street	Dorchester	MA	02125
Roof replacement	John W. McCormack Middle School	315 Mount Vernon Street	Dorchester	MA	02125

including the payment of all costs incidental or related thereto (the "project"), which proposed repair project would materially extend the useful life of the schools and preserve assets that otherwise are capable of supporting the required educational program, and for which the City of Boston has applied for a grant from the Massachusetts School Building Authority ("MSBA"), said amount to be expended under the direction of Public Facilities Department on behalf of Boston Public Schools; and that to meet said appropriation the Collector-Treasurer with the approval of the Mayor is hereby authorized to borrow said amount under the provisions of Chapter 44 of the General Laws, as amended or supplemented, or any other enabling authority, and from time to time, issue bonds, notes or certificates of indebtedness of the City up to said amount; that this order shall constitute a declaration of official intent of the City pursuant to Treasury Regulations Section 1.150-2(e) to reimburse expenditures for such projects made from funds established for such purpose as permitted by statute from proceeds of debt incurred by the City pursuant to this order; and that pursuant to Section 12(b) of Chapter 643 of the Acts of 1983 as amended, if any part of the proceeds of sale of any bonds or notes or other obligations issued by the City under this order remains unexpended after the work or purpose for which such bonds, notes or other obligations are issued is completed, such proceeds are hereby appropriated and may be applied by the Collector-Treasurer and City Auditor, at the direction of the Mayor, to pay the principal, premium or interest on such bonds, notes or other obligations or on any debt of the City. The City of Boston acknowledges that the MSBA's grant program is a non-entitlement, discretionary program based on need, as determined by the MSBA, and any project costs the City of Boston incurs in excess of any grant that may be approved by and received from the MSBA on account of the Project shall be the sole responsibility of the City of Boston; provided further that any grant that City may receive from the MSBA for the Project shall not exceed the lesser of (1) 65.47% of eligible, approved project costs, as determined by the MSBA, or (2) the total maximum grant amount determined by the MSBA; and that the amount of borrowing authorized pursuant to this vote shall be reduced by any grant amount set forth in the Project Funding Agreement relating to the Project that may be executed between the City of Boston and the MSBA.

I HEREBY CERTIFY THAT
THE FOREGOING, IF PASSED IN
THE ABOVE FORM, WILL BE IN
ACCORDANCE WITH LAW.
BY *Eugene L. O'Flaherty*
EUGENE L. O'FLAHERTY
CORPORATION COUNSEL