

# Summary Budget

## OVERVIEW

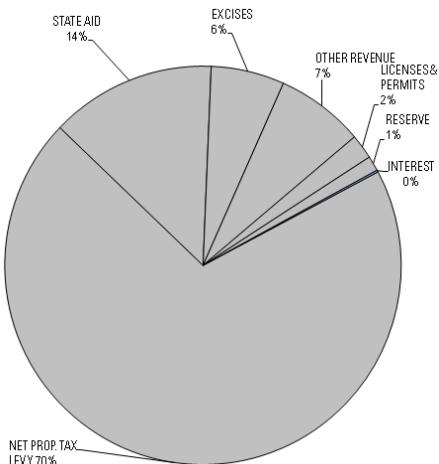
The FY19 Budget totals \$3.29 billion and represents an increase of \$138.5 million or 4.4% over FY18. The FY19 budget continues the City's record of strong fiscal management. Expanding on savings initiatives launched during Mayor Walsh's Administration to offset growth in fixed costs, the FY19 budget features data-driven investments that foster a thriving, healthy and innovative city.

Local sources continue to drive revenue growth in FY19, as property tax and local receipts make up 96% of revenue growth over FY18. While the City is expected to experience continued robust property tax growth in FY19, 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 FY19, Boston's state revenue is budgeted to only grow at 1% over FY18. Net State Aid (state aid net of assessments) is budgeted to decline as continued increases in state assessments for charter school tuition outpace stagnant budgeted state revenue.

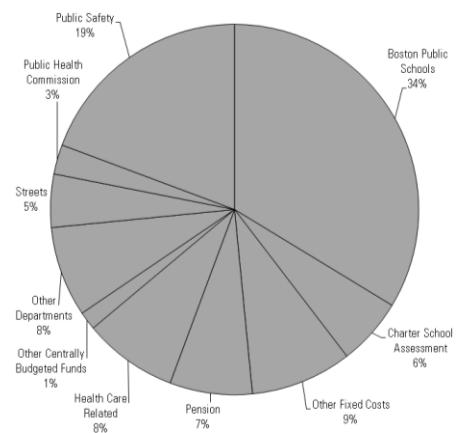
On the expenditure side, the FY19 budget reflects an increase of \$138.5 million or 4.4% over the FY18 budget. Of that growth, 28% is dedicated to education, including Boston Public Schools (BPS) and Charter School Tuition Assessment, and 31% will go to all other city services, such as Police, Fire, and Public Works, and the Public Health Commission. 22% of the growth comes from estimated employee wage increases in the collective bargaining reserve that will ultimately be transferred to education or city services and the remaining 20% of the growth will be consumed by pension, debt service and other fixed cost expenditures.

This Summary Budget section lays out the FY19 budget and discusses trends in each category of

the budget summary table (Table 1) on the following pages. An overview of the City's revenues is followed by a detailed explanation of appropriations and personnel trends and a review of major externally funded services. An all-funds budget is also presented.



**Figure 1 - FY19 Estimated Revenue**



**Figure 2 - FY19 Estimated Expenditures**

The City's projected revenues provide the basis for planning FY19 appropriations to maintain a balanced budget. Selected FY19 budgeted City revenues compare with FY18 budgeted revenues as follows: the net property tax levy increases

\$118.1 million or 5.4%; excises increase \$9.2 million or 4.9%; fines increase \$5.2 million or 8.2%; miscellaneous department revenues increase by \$1.3 million or 2.2%; state aid increases by \$5.9 million or 1.3%.

## BUDGET SUMMARY

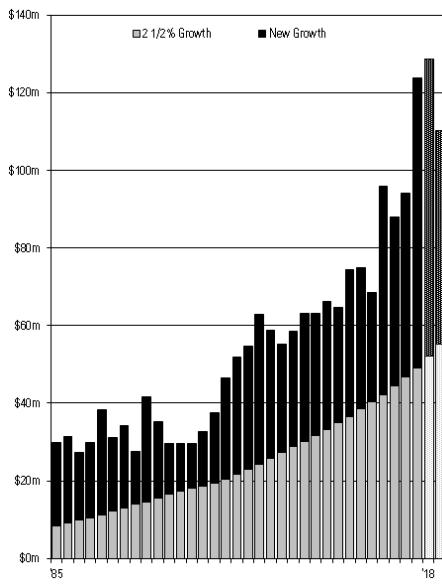
	FY16 Actual	FY17 Actual	FY18 Budget	FY19 Budget
<b>REVENUES (1)</b>				
Property Tax	1,963.09	2,092.14	2,216.49	2,327.02
Property Tax Overlay	(38.05)	(38.74)	(30.60)	(23.04)
Excises	223.82	190.55	188.09	197.29
Fines	61.05	63.25	63.85	69.08
Interest On Investments	0.18	2.33	2.00	5.00
Payments in Lieu of Taxes	51.20	53.57	45.00	46.02
Urban Redevelopment Chapter 121A	48.11	47.51	33.50	27.50
Department Revenue	63.09	66.37	60.70	62.03
Licenses & Permits	74.44	84.09	67.06	66.26
Penalties & Interest	14.48	10.81	7.51	9.01
Available Funds	0.00	0.00	23.45	23.45
State Aid	421.58	424.93	440.58	446.48
Total Recurring Revenue	2,883.01	2,996.81	3,117.62	3,256.08
Budgetary Fund Balance	0.00	0.00	40.00	40.00
<b>Total Revenues</b>	<b>2,883.01</b>	<b>2,996.81</b>	<b>3,157.62</b>	<b>3,296.08</b>
<b>EXPENDITURES</b>				
City Appropriations (2)	1,158.96	1,200.51	1,262.83	1,300.35
Boston Public Health Commission (2)	76.16	77.27	79.56	84.98
Boston School Department (2)	1,016.28	1,031.63	1,092.31	1,112.25
Reserve for Collective Bargaining	0.02	28.00	10.09	38.39
Other Post Employment Benefits	40.00	40.00	40.00	40.00
Total Appropriations	2,291.41	2,377.41	2,485.79	2,575.97
Pensions	196.55	199.28	221.30	238.71
Debt Service	157.69	165.31	182.21	190.18
Charter School Tuition	142.79	151.82	173.78	194.24
MBTA	83.00	83.82	85.81	88.21
Other State Assessments	4.79	4.81	4.86	4.90
Suffolk County Sheriff Dept	3.87	3.87	3.87	3.87
Reserve	0.99	3.81	0.00	0.00
Total Fixed Costs	589.68	612.72	671.83	720.11
<b>Total Expenditures</b>	<b>2,881.09</b>	<b>2,990.13</b>	<b>3,157.62</b>	<b>3,296.08</b>
<b>Surplus (Deficit)</b>	1.92	6.69	0.00	0.00

(1) All revenues displayed are part of the City's general fund that support expenditures displayed in the bottom half of the table.

(2) See General Fund Appropriations by Cabinet & Department table for breakdown by cabinet and functional unit.

Numbers may not add due to rounding

*Table 1*



**Figure 3 – Sources of Property Tax Growth  
FY85-FY19**

On the expenditure side of the budget, total appropriations increase by \$90 million or 3.6% and fixed costs increase by \$48 million or 7.2%. Selected FY19 budgeted appropriations compare with FY18 budgeted appropriations as follows: City appropriations increase \$37.5 million or 3%; the Boston Public Health Commission increases by \$5.4 million or 6.8%; and the School Department increases \$18.9 million or 1.7%. In addition, a collective bargaining reserve has been set aside at \$38.39 million; when the outstanding collective bargaining agreements are negotiated, these reserves will be used to cover those increased costs in City departments and at BPS. Within City Appropriations, actual City Departments are increasing by \$32.5 million or 3.2% over FY18. These departmental increases now include wage increases for union contracts that have settled. City Appropriations also consist of 11 central appropriations, including a large appropriation for Health Insurance totaling \$221 million, which has an increase of \$4.8 million or 2.2%.

FY19 budgeted fixed costs are increasing by \$48.0 million and compare with FY18 budgeted fixed costs as follows: Pensions increase \$17.4 million or 7.9%; Debt Service increases \$8 million or 4.4%; Charter School Tuition state assessment increases \$20.5 million or 11.8%; and the MBTA state assessment increases by \$2.4 million or 2.8%.

## REVENUE

The FY19 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 \$2.216 billion in FY18, and is estimated to rise to \$2.327 billion in FY19.

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 54% since FY14, property tax revenue has grown by only 25%. 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 and FY18. New growth is expected to be approximately \$55.0 million in FY19, which is very high

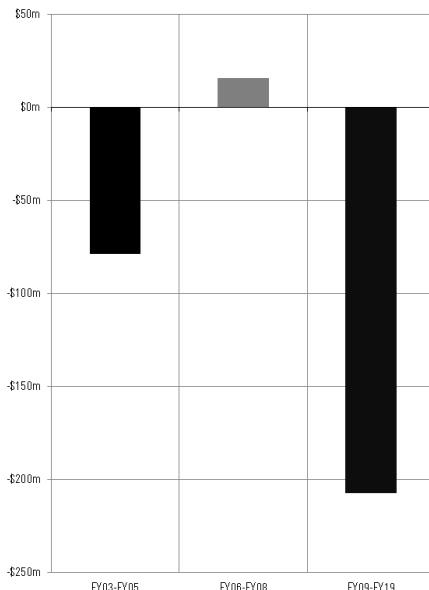
compared to historical levels of new growth seen prior to FY17.

### 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 \$270 million or 63%. The City lost approximately \$79 million between FY03 and FY05, gained approximately \$16 million between FY06 and FY08, and has again lost approximately \$206 million between FY09 and budgeted FY19. For FY19, net state aid is expected to decline by \$17 million or 10% from FY18.

The City's FY19 state aid estimate is generally based on the Governor's proposed budget, with some updated information through the State's legislature budget process, which was not final at the time the City resubmitted its final budget in June.



**Figure 4– Change in Net State Aid**  
FY03-FY19, Grouped by Period of Loss or Gain

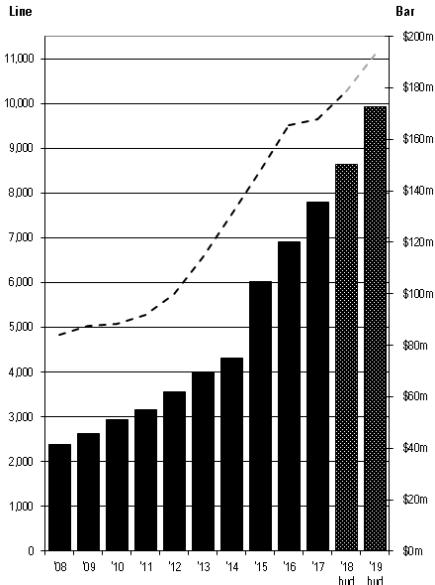
### Education Aid

Boston's "Chapter 70" Education Aid continues to be flat, growing at 0.89% to \$220 million in FY19. The Chapter 70 Aid formula does not work for Boston. Despite the Commonwealth adding over \$1.4 billion to Chapter 70 Aid since FY08, Boston's Chapter 70 Aid has increased only \$.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 \$21.6 million (12.4%), as about 11,025 students are projected to attend a Commonwealth Charter School in FY19. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (185% or \$127 million between FY11 and the FY19 Budget). The Charter School Tuition Reimbursement is budgeted at \$22.8 million in FY19, \$321 thousand lower than FY18, and a projected \$28 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 \$150.7 million net impact in FY18, and a \$172.3 million impact in FY19.



**Figure 5–Charter Schools**  
Boston Enrollment and Net Cost  
FY08–FY19

#### 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 \$189.3 million in FY18, and \$195.9 million in FY19, a 3.5% increase.

#### Local Receipts

Approximately 15% of the City’s budgeted recurring revenue in FY19 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 FY18 Budget included \$491.1 million in local receipt revenue, and the FY19 budget increases to \$505.6 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 FY19.

- Motor vehicle excise revenue began to recover in FY14 and has remained steady with the strengthening economy. Revenue is estimated at \$52.0 million in FY19.

- The Commonwealth granted municipalities a new 0.75% local option tax on restaurant meals beginning October 1, 2009. The City expects to collect \$29.0 million from this tax in FY19.
- Hotel excise revenue has benefited from an FY10 rate increase from 4% to 6%. The City expects to receive \$92.0 million in FY19.
- Jet Fuel excise collections are expected to remain level at to \$18.0 million in FY19.
- The FY19 budget updates parking fines in an effort to produce positive outcomes by changing driver behavior and improving congestion in high traffic areas. Parking Fine revenue is estimated to increase by \$5 million in FY19. Funding will be reinvested in FY19 operating and capital budgets.
- The City of Boston adopted a 3% local option tax for the sale of recreational Marijuana. The new sales tax will be effective July 1, 2018. The FY19 Recommended Budget includes \$2.25 million in new revenue for the Marijuana local option sales tax.
- 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 FY19.
- The revenue from Interest on Investments is estimated to increase to \$5 million in FY19. The increase is a result of the movement of significant assets out of non-interest bearing accounts associated with compensating balance agreements between the City and its primary bank and into interest-bearing accounts. Additionally, in June 2018, the Federal Reserve increased its key interest rate from 1.75% to 2%, the highest level since 2008.
- Voluntary payment-in-lieu-of-tax agreements with non-profit institutions (excluding the Massachusetts Port Authority) are expected to increase slightly. The FY19 budget estimates \$26.3 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 FY19 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 \$27.5 million in FY19.
  - The FY19 budget includes an additional \$1.3 million identified in departmental revenues.
- 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).

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

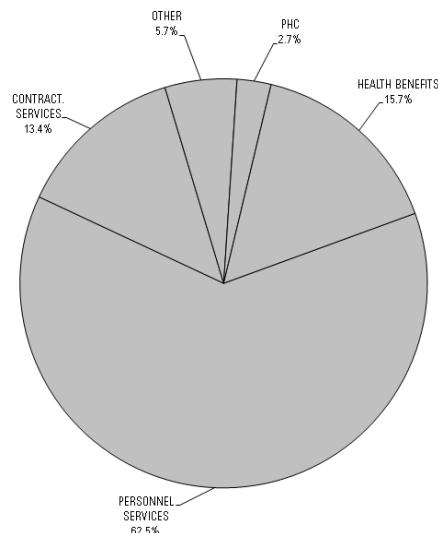
Fund Balance can be appropriated for use during the fiscal year. Budgetary fund balance, more commonly referred to as "free cash," is described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. 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 FY19 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. FY19 appropriations are subdivided into three subgroups as follows:

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



**Figure 6 - FY19 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. While most of the City's collective bargaining agreements expired in FY17, many have since settled. BPS has a contract with the teachers' union through August 2018. The City has settled agreements with many unions including all four sworn police unions, AFSCME, SEIU and SENA.

Those seven contracts are four years in duration and include annual general wage increases of 2% and other benefits. The City is currently in negotiations with the remaining unsettled unions.

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.

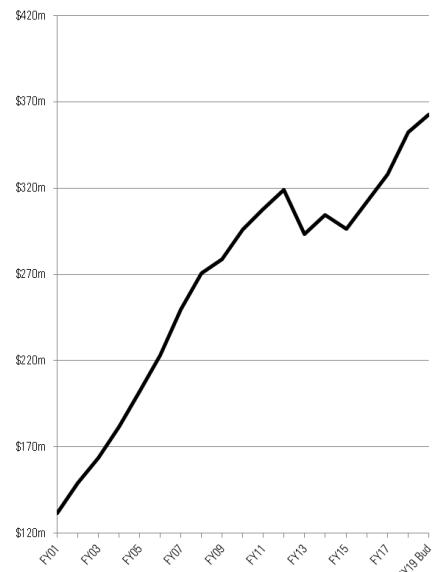
### Health Benefits

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 \$50 million over five years. Based on savings included in this agreement, Boston will realize \$11.6 million in avoided health care costs in FY19, \$1.5 million of which are related to FY19 specific changes. Despite this success, health care costs have continued to increase since FY16, at a rate mostly higher than the overall budget, consistent with trends in the broader Massachusetts market.

The FY19 budget includes \$405 million for all health benefit related costs for the City's employees and retirees, comprising 12.3% of total City expenditures – compared to 7.8% in 2001. \$42.25 million of these costs for future OPEB liabilities are discussed in more detail in the following section. \$363 million for current

health, dental and life premiums and employer Medicare payroll taxes are addressed below.

As shown in Figure 7, annual costs for health, dental and life insurance and Medicare taxes grew from \$132 million in FY01 to \$363 million in FY19, an increase of \$231 million or 176%. Over the same period, all other City costs increased 89%. 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 5.6%.



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

Medicare

Municipal health care reform legislation, passed by the State legislature in 2011 provided municipalities more freedom in health plan design, and also mandated that all Medicare-eligible municipal retirees enroll in Medicare Part B and a City sponsored Medicare supplement plan. As a direct result of mandated

Medicare enrollment, approximately 5,500 additional City retirees and their spouses have enrolled in Medicare supplement plans. Benefits for these plans are comparable to non-Medicare plans but costs are lower due to Medicare reimbursements. Over 70% of retirees and spouses are now enrolled in Medicare plans, compared to just 37% prior to the legislation. City savings from this mandate, beginning in FY13, have totaled approximately \$20 million annually – a major contributor to the total cost decrease in FY13.

City retirees and their beneficiaries are eligible for Medicare through payment of Medicare payroll taxes during their working career. Medicare taxes are paid for all City employees who were hired after March 1986. The City's share of 50% Medicare taxes, totaling \$20.2 million in the FY19 budget, has increased an average 12.2% annually since FY01. This growth is due to increases in total payroll and also the increasing percentage of total employees who were hired after March 1986 and are impacted by the tax. Because more Medicare eligible employees are now retiring, the percentage of all retirees enrolling into Medicare plans will continue to increase.

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

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

Fiscal Year	Total Cost	\$ Change	% Change
FY08	\$270.6	\$20.9	8.4%
FY09	\$278.8	\$8.1	3.0%
FY10	\$296.1	\$17.3	6.2%
FY11	\$308.0	\$11.9	4.0%
FY12	\$318.9	\$10.9	3.5%
FY13	\$293.3	-\$25.5	-8.0%
FY14	\$304.4	\$11.1	3.8%
FY15	\$296.5	-\$7.9	-2.6%
FY16	\$312.2	\$15.7	5.3%
FY17	\$328.1	\$15.9	5.1%
FY18*	\$352.4	\$24.3	7.4%
FY19*	\$362.9	\$10.5	3.0%

\*Budget Estimates

**Table 2**

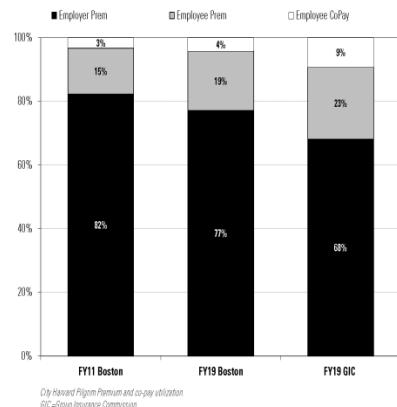
#### **Number Health plan Subscribers Feb 2018**

Health plan	Active	Retiree	Total
Indemnity	819	911	1,730
HMO	14,293	2,511	16,804
Medicare	1	11,369	11,370
<b>Total</b>	<b>15,113</b>	<b>14,791</b>	<b>29,904</b>

**Table 3**

#### **City - Union Partnership**

Assisted by 2011 Municipal Health Care Reform, the City adopted MGL Chapter 32B S.19 and began working closely with its thirty six unions, as represented through the Public Employee Committee (PEC), in making health care changes. Through the City and PEC's two coalition bargaining agreements signed in 2011 and 2015, City employees and retirees are now paying a higher share of total health care costs through increased premium share and higher co-pays for office visits and pharmaceutical costs. The City's share of total costs for its most popular non-Medicare health plan reduced from approximately 82% in FY11 to 77% in FY19. This is still higher than the estimated 68% 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 \$27 million lower than they would have been if not for these changes.



**Figure 8 - FY19 Healthcare Cost Sharing**

In FY15, the City and the PEC entered into their second agreement, which is projected to reduce projected costs by approximately \$50 million

over five years. This most recent agreement is unique because it includes not only a continued increase in member cost share, but also 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, was closed to new enrollment and will be replaced in CY19 with an alternative BCBS Medicare product.
- *Expanding self-insurance.* The FY15 PEC agreement continued to prioritize funding of health care costs through self-insurance. Prior to FY13, the City self-insured 20% of these costs, which increased to 92% in FY13, saving \$12 million per year. In FY19, 99% of the City's health care costs will be self-insured, saving an additional \$1 million.
- *More cost effective prescription drug management.* Within the current agreement, 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. A lower cost Medicare prescription drug product will be included in the replacement plan for BCBS Master Medical, which is projected to save the City \$1.4 million per year. 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.
- *Expanded wellness program.* The City, through the agreement, will annually

contribute \$75,000 toward wellness programs, managed through a sub-committee of the PEC. In 2018, a citywide digital platform was established through which city employees and family members can access information about fitness and nutrition programs, and participate in wellness challenges.

#### **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, 2017, the Fund had a balance of \$547 million.

As in previous years, this budget 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 \$191.4 million in FY19, as shown in Table 4. \$182.2 million (95%) 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 FY19 allocation by the City to the Trust, and an additional \$2.25 million deposit by the BPHC into the Trust.

Municipal Energy Unit housed within the Environment, Energy and Open Space Cabinet works with City departments and the Office of Budget Management to develop design standards and implement measures that enhance the energy efficiency of the City's new construction and capital improvement projects.

Over the past seven years, the City has achieved operational savings through the conversion of street lights to newer fixtures using Light Emitting Diode ("LED") technology.

In FY19, the City plans to begin implementing improvements which will result in utility cost savings for City facilities, under an initiative entitled "Renew Boston Trust." This initiative is not a trust in the traditional sense, but a program to bundle municipal utility cost savings projects. The initial step was to have an Energy Service Company ("ESCO") conducting an Investment Grade Audit ("IGA") of the City's facilities portfolio to identify projects with significant utility savings potential. The City expects to select projects based upon the IGA analysis and implement the program through one or more contracts with the ESCO that will provide long-term financial guarantees on the net savings for such projects. The City plans to finance the program with general obligation bonds with debt service expected to be offset by the long-term energy savings guaranteed by the ESCO.

To improve the tracking and control of energy use, the City has re-procured services to support an Enterprise Energy Management System ("EEMS"). The current EEMS enables the City to monitor and report on the energy consumed by its 314 buildings and other fixed assets, and its vehicle fleet, and is used by the City to meet its public reporting obligation under the Building Energy Reporting and Disclosure Ordinance. The EEMS has also facilitated the identification of energy efficiency projects and billing errors that have saved the City \$1.2 million in the past year alone.

The City's electricity requirements have been met by third-party commodity supply contractors since March 2005. To date, the

#### **FY19 Annual Required Contribution (ARC) to Reduce OPEB Liability**

<b>Total ARC</b>	<b>\$191.4</b>
Projected Benefit Payments	\$140.0
FY19 Annual Allocation	\$42.3
<b>Total FY19 Payments</b>	<b>\$182.2</b>
<b>Difference</b>	<b>(-\$9.2)</b>

*\$ in millions*

**Table 4**

The City is currently on a schedule that targets reducing its pension liability by 2025, and then plans on redirecting some portion of its annual pension contribution to further reduce the OPEB liability. However, this schedule is illustrative only of the currently expected funding schedule, and actual circumstances that will occur will likely vary from current assumptions.

#### **Energy Management**

In FY19, department energy budgets total \$48.8 million with electricity costs making up 54% of the budget, natural gas costs making up 25% of the budget and gasoline/diesel comprising 8% of the budget. The remaining 12% of the budget funds water and sewer, steam, and heating oil.

The Chief of Environment, Energy and Open Space and Chief Financial Officer are charged with making decisions regarding the City's procurement, use, and conservation of energy. In addition, the Chief of Environment, Energy and Open Space monitors the City's progress in meeting the greenhouse gas reduction goals required by the City's Climate Action Plan. 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.

### Appropriations

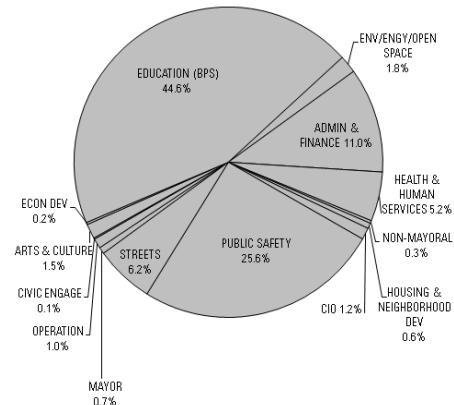
The combined appropriations for City Departments, the Public Health Commission (PHC) and the School Department (BPS), and non-departmental appropriations as shown in the FY19 Budget Summary have increased by 3.6% from the current FY18 appropriations.

Boston Public Schools with a \$1.112 billion appropriation is increasing by \$51 million over the FY18 adopted budget or \$20.2 million (1.9%) over the current FY18 appropriation, which includes a \$31 million supplemental for the Boston Teachers Union contract expiring in early FY19. Funding for the next contract is included in the FY19 collective bargaining reserve. Boston's total investment in education, including BPS and the City's Charter School Assessment, is growing by \$41.8 million (3.3%) over the current FY18 appropriation.

City Services such as Police, Fire, Public Works, Housing, Public Health, and other central funds are projected to increase by a total of \$42.9 million (3.1%). Public safety costs are rising by 3.0% in FY18. The appropriation for the Public Health Commission is growing by 6.8% with a significant increase in EMS services and full funding for a permanent engagement center in response to substance issues. The majority of departments had employees who reached agreement on collective bargaining contracts, so department growth reflects those wage and cost of living increases, while outstanding contracts are reserved centrally. Average department growth is projected to be 3.2% in FY19. Funding for unsettled City and BPS collective bargaining contracts are centralized in a \$38 million collective bargaining reserve.

The FY19 budget continues and expands upon a number of savings initiatives launched under Mayor Walsh's Administration such as health care cost containment reforms, reducing overtime, inactivating vacant positions, and reducing energy consumption. It is only through continued tightening within City departments

that the City will be able to afford new and expanded investments after reserving for costs associated with collective bargaining, being assessed for its increasing charter school costs, funding its pension obligations, and paying its debt service.



**Figure 9 - FY19 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 FY19 some programs have transferred between departments. Details of these changes are described below in each of the cabinet sections.

#### Mayor's Office

The overall FY19 budget for the Mayor's Office Cabinet will increase 10.5% over the FY18 appropriation. The cabinet contains the Mayor's Office, the Election Department, the Law Department, and the Office of Women's Advancement. The majority of this growth is driven by the City's consolidation of legal services into the law department, and the purchase of new voting equipment.

The Mayor's Office's budget will increase 3.1% in FY19 due to investments in its Communications and Education Advisor units.

The Election Department budget will increase by 10% in FY19. This increase includes funding related to early voting requirements, which are applicable in FY19 but were not applicable in FY18. The increase also reflects a lease

purchase investment in new voting machines for the City's 262 voting precincts.

The Law Department's budget is increasing by 15.7% primarily due to the transfer of legal staff from various City departments to the Law Department budget as part of the continuation of consolidation of legal services. Legal staff will be transferring to the Law Department from the Treasury, Inspection Services, and Human Resources Departments.

#### Operations

The budget for the Operations Cabinet is increasing by 6%, largely due to increased operation support for completing capital projects, including the 10-year BuildBPS program, the Renew Boston Trust program and other important capital projects.

The Public Facilities Department budget will be increasing by 18.4%. The departmental budget increase is due to the assignment of seven Boston Public School employees to the Public Facilities Department during FY18 to consolidate construction responsibilities associated with the BuildBPS program, a ten-year educational and facilities master plan. This reform will consolidate resources and expertise that are currently fragmented and allow Boston to modernize Boston's public school infrastructure. Three additional positions were added in FY19 to help support the growing citywide construction program.

The Property Management Department's budget will increase by 1.6% primarily due to collective bargaining increases. In addition, Property Management will begin the implementation of a new work order and asset management system that will improve departmental efficiency and response times. The Property Management Department will implement a space optimization plan in order to strategically plan, analyze, and improve the city's building assets.

The FY19 addition of a new United States Census outreach coordinator position in the Intergovernmental Relations Department will help ensure maximum representation for Boston in the 2020 U.S. Census count.

#### Civic Engagement

The FY19 budget for the Civic Engagement Cabinet will increase by 3.7%. The Cabinet contains the Office of Neighborhood Services which is home to the City's Neighborhood Liaisons, Boston 311 and City Hall to Go. Investments in the Cabinet include increased funding to support the Love your Block Program.

#### Arts & Culture

In FY19, funding for the Arts and Culture Cabinet will increase by 2.5%. The FY19 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 three years. Boston has also increased operating support for the Percent for Art program, an innovative model to fund public art projects through the City's capital plan, by adding a new project manager to ensure its continued progress.

The Boston Public Library (BPL) will see a 2.3% increase in FY19. BPL has budgeted additional funding to help support the increased demand for reading materials and library services generally. Also, in an effort to continue to provide high quality library services supported with technology, BPL will continue to refresh computer equipment and IT infrastructure to improve the overall experience for patrons.

In addition to the FY19 general fund budget, the BPL has 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 11% increase in FY19 compared to its FY18 appropriation, largely based on critical investments to support a growing, diverse and inclusive workforce made in the Office of Economic Development

The Office of Economic Development's (OED) FY19 budget will increase 18.7% over its FY18 appropriation. The growth in FY19 is primarily driven by investments in OED including additional funds to advance the disparity study that began in FY18, revisit the City's Economic Inclusion and Equity Agenda including the addition of a new position, and review the Main Streets Program. OED will also continue its ongoing efforts to maintain a diverse and inclusive workforce in the City and cultivate the many businesses that contribute to Boston's robust economic climate and culture.

Consumer Affairs and Licensing will increase by 4%, due to growth in personnel costs, along with an investment in interns that will help increase consumer engagement, to help mitigate the effects of potential scams on high-risk populations, such as the elderly and students.

#### Education

The FY19 BPS budget will increase by \$51 million, or 4.8%, from the FY18 appropriation. This will bring the total investment in BPS since the Mayor took office in FY14 to \$261 million. Funding directed to schools will increase by almost 6%, even before the largest driver of BPS costs, employee collective bargaining increases, are negotiated.

The FY19 BPS budget includes a \$2.4 million investment to add 8 nurses, 7 psychologists, 4 social workers, and a Director of Social Work Services. This comprehensive investment in Social Emotional Learning and Wellness will make transformative impacts on the social emotional wellbeing of students at BPS.

The BPS budget proposes \$4 million in investments to close opportunity and achievement gaps and support students most in need. These include a \$1.2 million increase in funding for translations for students with IEPs and their families, \$700,000 to grow Excellence for All by rolling classes up to the 6th grade, \$500,000 to expand Becoming a Man, a school-based group counseling program for young men

in grades 7-12, adding 80 new high-quality pre-K seats in community based organizations, and \$500,000 in curriculum investments for English language learners, social and emotional learning, and expanding successful curriculum pilots.

BPS is also proposing \$10 million in investments that enable schools to direct funds to their highest-need students. \$3 million will be allocated to school budgets through the Opportunity Index, an innovative tool that quantifies differences in experiences, opportunities, and needs between students, allowing BPS to allocate resources more equitably. In addition, BPS is investing \$3 million in additional funds for English Language Learners, \$2.8 million for schools with declining enrollments, \$1 million for lower performing schools, and \$500,000 in additional funding for students experiencing homelessness.

BPS will continue its three research-backed major investments: extended learning time for students, high quality teachers, and early childhood education. With Extended Learning Time, the district has made an almost \$20 million annual investment in adding the equivalent of 20 days of instruction to the school day for almost 60 elementary schools. In the area of teacher quality, BPS will spend \$38 million in FY19 on increased salaries and benefits for educators, making them among the highest paid in the country. And in the field of early education, BPS has made steady progress in adding K1 seats, increasing the number of students by 725 since Mayor Walsh took office.

#### 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 increase 2.8% in FY19. This growth is largely based on increased investment in climate resiliency efforts, implementing new citywide environment and energy ordinances and increased investments in the maintenance and upkeep of City parks and fields.

In FY19, there is a 15.9% increase in the Environment Department's budget, which is due in part to investments that support municipal

energy reduction and procurement and an update to the climate action plan to support resiliency efforts. These investments include funding the implementation of the Community Choice Aggregation and Plastic Bag Ordinances. In FY19, the Inspectional Services Department will see an increase of 0.2% including the addition of two Plans Examiner positions to meet growing demand for commercial and residential building development across the City. This increased capacity will reduce architectural review wait time for residents and developers. The budget also includes funding to procure a climate-controlled vehicle for the Animal Control unit and a new vehicle to support rodent control work efforts in various neighborhoods around the City.

The Parks and Recreation Department will see a 3.5% increase in its FY19 budget primarily through increased personnel costs related to collective bargaining and the transfer of staff from the Office of Arts and Culture. Also starting in FY19, Boston will invest in preventative maintenance and repair for the City's synthetic turf athletic fields to help preserve their condition. In addition, the Parks Department will increase the number of seasonal laborers to support clean and safe parks throughout the City and adding two new park ranger positions.

#### Administration & Finance

The Administration & Finance (A&F) Cabinet contains the majority of the central departments responsible for the City's administrative functions. 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 2.2% increase in FY19, primarily due to the growth in the health insurance appropriation.

The A&F cabinet has budgeted resources in FY19 to continue independent operational audits and to pursue revenue maximization.

In FY19, the A&F cabinet will continue a citywide review of collections to better optimize the City's non-tax revenues. The City will also continue to work to maximize federal health

insurance reimbursements and revenue recovery efforts.

#### Health & Human Services

Overall, the FY19 appropriation for the Health & Human Services Cabinet will increase by 3.9%. 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) FY19 budget will decrease 3.3% from FY18, before accounting for a one-time \$2 million grant for the Jackson Square Youth Center in FY18. After subtracting this one-time investment, the Department budget will increase by 4% to fully support the activities of 36 community centers. The FY19 budget includes a \$103,000 investment to support the reopening of the Marshall Community Center with two new lifeguards and a building manager. The FY19 budget also funds a \$100,000 investment in the violence interrupter program to better prevent youth violence across the City. Other new investments in the FY19 budget include two new additional positions to accommodate opening the Condon Community Center on Saturdays, and \$15,000 to support the Department's Office of Food Initiatives' efforts to better inform the public of the availability of fresh healthy food at the many farmers markets across the city.

The Department's budget also continues to provide grants to local nonprofits supporting after-school youth activities, sports, and academic study programs. Additionally BCYF runs both winter and summer Camp Joy programs with structured enriching activities for children and young adults with special needs. This program includes group games, swimming, adaptive sports, arts and crafts, and field trips. It connects participants and their families to new opportunities and valuable community resources as well as provides door to door transportation.

The Elderly Commission's budget is growing by 3.8% in FY19. As part of its age-friendly communication strategy, the commission will

re-brand the department's name to reach the emergency populations that can benefit from their services. New operating funding has been added to support elder nutrition to meet the demand in preventing malnutrition for seniors and to backfill for declining state and federal resources.

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 FY19, BPHC's appropriation will increase by 6.8%, with investments targeting important areas of the City's public health system: emergency medical services (EMS), trauma response and substance abuse services. Unlike most City departments, BPHC's appropriation includes health insurance, pension and other post-employment benefits (OPEB).

The FY19 budget includes resources for BPHC's EMS to add more EMTs to their existing workforce. The increase will allow them to better meet the demands of a growing population and improve their capacity to provide a quick response to urgent calls city-wide. EMS will continue the Community Assistance Team program started in FY18, which uses response vehicles to triage ambulance call types that ultimately do not require ambulance transports in parts of the City with concentrations of people who are homeless or who have substance abuse issues.

Outside the investment in EMS, BPHC will also increase supports for substance abuse prevention and treatment through the full funding of the Engagement Center in FY19. BPHC will also increase support to their existing 5 Neighborhood Trauma Teams and add an additional team in a high-need area. The

department will have more resources to provide substance abuse prevention support to youth and continue programming that encourages youth to build healthy behaviors and relationships.

The FY19 budget for the Boston Office of Veterans Engagement, Transition, and Services (Boston VETS) includes a small decrease of less than 1% from the FY18 budget. In FY19, Boston VETS plans to engage and serve hundreds of veterans through their outreach programs which include decorating Hero Squares, providing financial assistance to veterans, and organizing volunteers to thank Boston veterans.

The budget for Youth Engagement and Employment will increase by 3.4% in FY19 based on a full year of funding for the summer and school year jobs programs. Funding will continue to support a successful partnership with community-based organizations and, when combined with anticipated state funds, will 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

The FY19 budget for the Housing and Neighborhood Development Cabinet will increase by 5.4%, reflecting significant housing investment through the Department of Neighborhood Development (DND) in financial assistance for middle income homebuyers, creating and preserving affordable housing, and preventing evictions and displacement. This investment aims to address the City's housing shortage through long-term investments in affordable housing stock and near term solutions like middle income homebuyer assistance, tenancy and housing preservation, and legal assistance for residents facing eviction.

In FY19, DND will double its annual \$500,000 investment in down payment assistance for middle income homebuyers to \$1 million. DND is also making additional investments in multiple tools that will prevent displacement of residents. A new \$125,000 legal assistance program will provide legal representation to tenants in housing court and district court,

which is projected to prevent 140 evictions next year. DND will also invest \$185,000 to expand eligibility for emergency housing assistance funds and flexible tenancy preservation funds to households that are not eligible for existing programs. Finally, DND is expanding case management capacity in its Office of Housing Stability to assist constituents in need of affordable housing.

DND also plans to use funding from the Inclusionary Development Program to recapitalize the Acquisition Opportunity Program, which will preserve affordable housing and prevent displacement by taking occupied rentals off the speculative market, and continue the Neighborhood Homes Initiative, which utilizes city-owned land to create homeownership opportunities for low and middle income homebuyers.

The FY19 budget continues Boston's annual \$8.55 million general fund investment in housing. This amount includes a line item used exclusively for elderly housing production, 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.

The FY19 Budget projects that DND will receive over \$78 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.

## Information & Technology

The Department of Innovation and Technology (DoIT) will see a 1.7% increase over its FY18 appropriation. The FY19 budget invests in 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.

Building on the success of the program in FY18, in FY19, DoIT will triple the Digital Equity Grant Program. This grant explores ways to address digital equity gaps. 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% in FY19 over FY18 appropriations. This is primarily driven by the costs of providing effective public safety in a growing City. Specifically growth is reflected through contractual increases from collective bargaining agreements in the Police Department, an increase to the FY19 Police recruit class, a phased rollout of a body worn camera program in the Police Department, a calendar year 2018 Fire recruit class, and critical safety and wellness investments for the Fire Department.

The Police Department's budget will increase by 3.9% over the FY18 appropriation. Included in the FY19 budget is a recruit class that will increase the sworn force by approximately 30 officers, collective bargaining costs, and \$2 million to support the phase-in of body worn cameras. The Police Department will also continue efforts to reduce overtime hours where possible.

Building on the continued success of recruiting a diverse police cadet class in FY18, the FY19 budget adds another cadet class in spring 2019. This addition of 20 cadets continues to provide a stable pipeline of diverse young people for future police officer classes. The FY19 budget also includes funding to begin the process for a Superior Officers promotional exam to be held in FY20. The department will continue to focus on technological improvements: implementation of body worn camera program will begin, which includes a rollout of additional mobile devices to officers not yet assigned one; security will be upgraded at the evidence storage facility; and the fourth year of the department-wide \$56 million radio replacement project will begin. The departments will double its commitment to youth development grants to promote conflict resolution skills and other skills to build self-esteem among youth.

The Fire Department budget will increase by 1.6% in FY19 over FY18 even without the anticipated wage growth that will come when the collective bargaining agreement with the firefighter's union is settled. Fire's current FY19 increase is largely driven by the increase in debt service from the second year of the enhanced apparatus replacement plan that put 15 fire trucks on the operating budget over 2 years. The FY19 operating budget also invests in a replacement of 325 technical radios and accompanying equipment, as well as new dual capacity routers for apparatus and other fire response vehicles. The Mayor's priority of firefighter health and safety is reflected in the continuing industrial cleaning program for firehouses, along with additional funds for firehouse environmental cleaning. A new fuel monitoring system will be installed at 26 fuel sites and the Fire Alarm Dispatch Center will receive an equipment upgrade and rewiring work. Similar to the Police Department, the Fire Department budget continues to aggressively manage their overtime.

The Office of Emergency Management budget represents an increase of 9%, which primarily reflects an investment in a public outreach campaign to promote awareness of the City's emergency evacuation plan.

## Streets

The overall Streets Cabinet budget will increase by 3.9% in FY19. This increase reflects transformational investments in the future of Boston's transportation landscape. These various transportation investments along with capital funding will make significant progress on implementing Go Boston 2030 projects.

In FY19, the Transportation Department will see an increase of 7.5% with new investments in various transportation projects in neighborhoods and city wide and increased personnel costs related to collective bargaining. Through updating the City's parking fines, aiming to change drivers' behavior and reduce congestion in high traffic areas, the City will be able to make significant investments in transportation projects throughout the City. These investments include better managing traffic signals to increase safety and reduce congestion, additional funding for Vision Zero to build 15 slow streets, 15 miles of protected bike lanes and fix 15 of the most challenging intersections in the next four years, and establishing a City's transit team to better coordinate with the MBTA. In addition, Boston is continuing its citywide, multi-year campaign to bring all crosswalks, lane markings, and bike lanes into a state of good repair. The Department will continue to see savings in FY19 from reforms to reduce overtime and eliminate long-term vacant positions, as well as a tightened utility budget.

The Public Works Department's FY19 budget will be 1.6% above the FY18 budget with increased personnel costs related to collective bargaining. In an effort to improve the safety and comfort of the City's public spaces and create more opportunities for older adults to fully engage in activities throughout the community, the Public Works Department will purchase and install 45 new benches in neighborhoods around the City. The FY19 budget includes a new investment to explore short term interventions to address storm water issues in the City. The Public Works Department will also purchase two new large street sweepers to be operated by City staff and achieve savings by reducing reliance on outside street sweeping contractors. Savings are also

expected from the elimination of long-term vacant position and pursuing overtime reduction targets.

#### Reserve for Collective Bargaining

The FY19 collective bargaining reserve, a \$38.4 million reserve for City departments, Boston Public Schools, and the Public Health Commission, contains funding for collective bargaining agreements that are still outstanding. Salary increases in these agreements will have a direct impact on dollars available in FY19 and in the upcoming years. This reserve accounts for \$28.3 million of the growth in the FY19 Budget.

### FIXED COSTS

Fixed costs make up a growing portion of the City's Budget. In FY19, fixed costs will increase by \$48.3 million or 7.2%. The City has very little control over this fixed costs growth, 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 7.9% increase in FY19 to address generations of underfunding.

#### Pensions

Boston's Pension budget is based on the current pension schedule approved by Boston's Retirement Board. The City's Pension schedule requires a \$17.4 million or 7.9% increase in FY19 in part due to generations of underfunding the City's Pension obligations.

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 FY19 Debt Service is budgeted at \$190.2 million, a 4.4% 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.

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 \$287.4 million by the Commonwealth in FY19, \$22.9 million over the previous year.

Boston's Charter School Tuition Assessment is projected to increase by \$20.5 million (11.8%) over the FY18 budget, as about 11,084 students are projected to attend a Commonwealth Charter School in FY19. This increase brings Boston's Charter School Tuition Assessment to \$194.2 million. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (184% or \$126 million between FY11 and FY19 Budget). Although the proposed charter school cap ballot initiative did not pass in 2016, the City anticipates that its assessment will continue to rise as tuition rates increase and the cap allows a moderate number of new seats each year.

Aside from the assessments for Charter School Tuition and the Massachusetts Bay Transportation Authority (MBTA) state assessment growth is relatively small. In accordance with Proposition 2 1/2, these charges, except for Charter School Tuition,

typically cannot increase by more than 2.5% annually on a statewide basis.

#### Suffolk County

The Suffolk County budget is a fixed cost mandated by state legislation, budgeted at \$4.0 million in FY19. 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 \$35.2 million; with this balance Boston has met its 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 & Department

Cabinet	Department	FY 16 Expenditure	FY 17 Expenditure	FY18 Appropriation	FY19 Appropriation	19 vs 18
Mayor's Office	Mayor's Office	3,233,711	3,770,208	4,459,940	4,599,005	139,065
	Election Department	3,774,800	4,024,221	4,300,928	4,731,970	431,041
	Law Department	5,752,779	5,252,663	6,739,408	7,800,803	1,061,395
	Women's Advancement	212,106	196,333	237,919	265,035	27,116
	<b>Total</b>	<b>12,973,396</b>	<b>13,243,425</b>	<b>15,738,196</b>	<b>17,396,812</b>	<b>1,658,617</b>
Operations	Intergovernmental Relations	1,275,064	1,136,249	1,196,160	1,310,401	114,241
	Property Management Department	23,896,827	20,555,049	17,319,923	17,593,704	273,780
	Public Facilities Department	0	5,294,852	5,718,531	6,772,671	1,054,140
	<b>Total</b>	<b>25,171,890</b>	<b>26,986,150</b>	<b>24,234,614</b>	<b>25,676,776</b>	<b>1,442,162</b>
Civic Engagement	Neighborhood Services	2,524,900	2,679,794	3,287,613	3,408,216	120,603
	<b>Total</b>	<b>2,524,900</b>	<b>2,679,794</b>	<b>3,287,613</b>	<b>3,408,216</b>	<b>120,603</b>
Arts & Culture	Office of Arts & Culture	1,274,583	1,246,831	1,365,831	1,489,140	123,309
	Library Department	34,862,519	34,774,805	36,030,488	36,846,367	815,878
	<b>Total</b>	<b>36,137,102</b>	<b>36,021,635</b>	<b>37,396,319</b>	<b>38,335,507</b>	<b>939,188</b>
Economic Development	Office of Economic Development	1,559,781	2,518,726	2,558,395	3,035,625	477,230
	Consumer Affairs & Licensing	379,274	1,059,353	1,127,991	1,173,506	45,515
	Licensing Board	637,734	0	0	0	0
	Office of Tourism	1,092,949	1,390,009	1,386,163	1,421,848	35,685
	<b>Total</b>	<b>3,669,738</b>	<b>4,968,088</b>	<b>5,072,549</b>	<b>5,630,978</b>	<b>558,429</b>
Education	Boston Public Schools	1,016,278,855	1,031,628,494	1,093,310,750	1,112,248,805	18,938,055
	<b>Total</b>	<b>1,016,278,855</b>	<b>1,031,628,494</b>	<b>1,093,310,750</b>	<b>1,112,248,805</b>	<b>18,938,055</b>
Environment, Energy & Open Space	Environment Department	1,897,416	2,166,977	2,517,729	2,918,000	400,271
	Inspectional Services Department	18,232,924	18,555,251	19,413,126	19,473,183	60,057
	Parks & Recreation Department	23,648,127	22,284,441	22,756,187	23,548,201	792,014
	<b>Total</b>	<b>43,778,467</b>	<b>43,006,669</b>	<b>44,687,042</b>	<b>45,939,384</b>	<b>1,252,341</b>
Administration & Finance	Administration & Finance	888,236	848,814	1,085,310	1,096,262	10,952
	Assessing Department	7,103,484	6,992,340	7,386,140	7,613,945	227,805
	Auditing Department	2,570,261	2,541,074	2,789,081	2,894,329	105,248
	Budget Management	2,722,787	3,081,164	3,443,162	3,502,359	59,197
	Execution of Courts	10,454,319	3,188,448	5,000,000	5,000,000	0
	Health Insurance	191,265,768	205,281,017	216,180,122	220,979,251	4,799,129
	Human Resources	3,497,023	3,553,732	4,506,868	5,519,527	1,012,659
	Medicare	7,989,395	8,607,598	11,000,000	11,000,000	0
	Office of Labor Relations	1,310,608	1,355,744	1,439,006	1,446,748	7,741
	Pensions & Annuities - City	4,063,355	3,607,181	4,100,000	4,100,000	0
	Pensions & Annuities - County	36,894	37,674	100,000	100,000	0
	Purchasing Division	1,771,568	1,726,056	1,825,965	1,851,763	25,798
	Registry Division	968,056	965,868	1,049,396	1,076,112	26,716
	Treasury Department	4,744,790	4,469,780	4,822,532	4,551,078	-271,454
	Unemployment Compensation	0	0	350,000	350,000	0
	Workers' Compensation Fund	1,328,171	1,478,695	2,200,000	2,200,000	0
	<b>Total</b>	<b>240,714,716</b>	<b>247,735,185</b>	<b>267,277,582</b>	<b>273,281,373</b>	<b>6,003,791</b>
Health & Human Services	Boston Center for Youth & Families	24,917,746	26,016,859	28,232,984	27,295,312	-937,672
	Commission For Persons W/Disabilities	287,325	369,748	436,618	473,338	36,719
	Elderly Commission	3,071,889	3,221,046	3,596,084	3,734,042	137,958
	Fair Housing & Equity	160,430	257,639	283,727	302,905	19,178
	Office of Immigrant Advancement	381,363	399,809	439,937	471,915	31,978
	Public Health Commission	76,155,435	77,267,200	79,563,339	84,977,529	5,414,190
	Boston VETS	3,948,302	3,283,252	4,730,047	4,692,133	-37,914
	Youth Engagement & Employment	5,759,935	5,221,593	6,331,229	6,547,352	216,123
	<b>Total</b>	<b>114,682,426</b>	<b>116,037,147</b>	<b>123,613,966</b>	<b>128,494,525</b>	<b>4,880,560</b>
Housing & Neighborhood Development	Boston Housing Authority	0	4,000,000	0	0	0
	Neighborhood Development	11,544,054	12,926,212	13,492,642	14,220,701	728,059
	<b>Total</b>	<b>11,544,054</b>	<b>16,926,212</b>	<b>13,492,642</b>	<b>14,220,701</b>	<b>728,059</b>
Information & Technology	Department of Innovation and Technology	32,046,766	32,339,128	29,933,344	30,444,344	511,000
	<b>Total</b>	<b>32,046,766</b>	<b>32,339,128</b>	<b>29,933,344</b>	<b>30,444,344</b>	<b>511,000</b>
Public Safety	Emergency Management	650,930	643,194	642,209	699,720	57,511
	Fire Department	216,917,856	219,082,799	232,440,176	236,231,645	3,791,468
	Police Department	348,887,846	364,594,820	385,562,871	400,425,673	14,862,801
	<b>Total</b>	<b>566,456,632</b>	<b>584,320,813</b>	<b>618,645,257</b>	<b>631,357,037</b>	<b>18,711,780</b>
	Streets	2,148,719	2,322,033	2,829,169	2,976,520	147,351
Non-Mayoral Departments	Central Fleet Management	1,649,755	1,633,241	2,009,930	2,047,974	38,044
	Office of Streets	85,054,750	80,648,474	84,548,231	85,908,843	1,360,612
	Snow Removal	14,785,551	24,874,567	22,563,964	24,067,875	1,503,911
	Transportation Department	32,792,030	33,469,120	35,263,655	37,923,730	2,660,075
	<b>Total</b>	<b>136,430,805</b>	<b>142,947,436</b>	<b>147,214,950</b>	<b>152,924,942</b>	<b>5,709,992</b>
Non-Mayoral Departments	City Clerk	1,147,041	1,161,070	1,247,102	1,302,354	55,251
	City Council	5,206,449	5,084,067	5,340,777	5,666,700	325,924
	Finance Commission	256,944	263,701	278,275	283,150	4,875
	<b>Total</b>	<b>6,610,435</b>	<b>6,508,839</b>	<b>6,866,154</b>	<b>7,252,204</b>	<b>386,050</b>
<b>Grand Total</b>		<b>2,249,020,183</b>	<b>2,305,349,015</b>	<b>2,430,770,979</b>	<b>2,492,611,605</b>	<b>61,840,625</b>

Summary Budget

## **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 FY19 are estimates based on the personnel funding levels contained in the FY19 budgets.

### FY17-FY18 FTE Changes

The total net increase in FTEs from January 1, 2017 to January 1, 2018 was 212.9. The majority of the growth was in priority area of Education. 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. About 23 long-term positions were eliminated in the FY18 budget.

The School Department increased by 223.6 FTEs. The continued focus on inclusion classrooms is apparent with an increase of 29 inclusion teachers and 53 aides. Other specialist teachers increased by 37 and general education teachers by 16.5. Various support and managerial positions grew by 61.

Although city funded FTEs in the Public Safety Cabinet decreased by 58.8, this is due to an administrative re-coding in May 2017 of School Traffic Supervisors in the Police department from 1 FTE each to .41 each. Thus, the Police Department reflects a January to January decrease of 92 FTEs, even though the number of employees remained steady. The Fire Department had an increase of 33, which reflects the 75 SAFER grant funded firefighters that came onto the operating fund in September 2017 offset by regular attrition. The Fire Department's FY18 replacement class was in February 2018.

The Streets Cabinet increased by 19 FTEs from 2017 to 2018. The Transportation Department increased by 29 by filling previously vacant Parking Enforcement Officer positions, while Public Works decreased by 11 due to multiple vacancies.

The Mayor's Office Cabinet increased by 12.7 FTEs between January 1, 2017 and January 1,

2018. The Law Department increased by 10 with the transfer of positions from Police and Public Facilities as part of a consolidation of legal positions in the city. The Office of Women's Advancement increased by 1 FTE by filling a vacancy.

The Operations Cabinet had an increase of 9 FTEs. The Property Management Department increased by 4, reflecting new security officers as well as new graffiti buster positions. Public Facilities also increased by 4 with the transfer of School Department positions to consolidate support for Build BPS.

The Civic Engagement Cabinet increased by 4 FTEs as the Office of Neighborhood Services increased 311 staff to improve constituent response. The Arts & Culture Cabinet increased by 0.1 FTEs with regular attrition in the Library Department offset by 2 new positions in the Office of Arts and Culture. These positions provided additional support for the Strand Theater. The Economic Development Cabinet increased by 3.5 FTEs for additional operations support.

The Environment, Energy and Open Space Cabinet decreased by 7 FTEs from January 2017 to January 2018. The Parks Department decreased by 4 due to normal attrition and Inspectional Services had a decrease of 6 FTEs including several building inspector vacancies. The Environment Department increased by 3 FTEs with the hiring of a new Preservation Assistant along with filling some vacancies.

The Health & Human Services Cabinet shows a net increase of 9.2 FTEs due primarily to targeted investments in recovery services, a new 4 FTE EMS community assistance team, and the year to year timing of EMT recruit classes at the Public Health Commission (total increase of 17.4 FTEs). The Elderly Department decreased by 10.3, reflecting attrition and the reallocation of FTEs split-funded between operating and external funds. The FY17 to FY18 changes at Boston Center for Youth and Families (+2), and the Commission for Persons with Disabilities (+1) relate to the filling of vacancies.

The Information and Technology Cabinet increased by 7.6 from January 2017 to January 2018. The department added staff to help with

identity management as well as an additional data analyst.

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

#### FY19 Projected FTE Changes

The City projects a net increase in FTE levels of 220.7 from January 1, 2018 to January 1, 2019. The majority of the growth is targeted in the priority areas of education, public safety, and transportation.

The City will continue to review the need for hiring into all vacant positions in FY19. Departments eliminated 10 long-term vacant positions in the current budget process.

A significant portion of the projected growth in filled FTEs from January 2018 to January 2019 is in the Education Cabinet. This continues the trend of the School Department accounting for the majority of position growth since 2014. In FY19, the School Department is projecting a net annual increase of 64.7 FTEs with increases for inclusion teachers and aides, nurses and psychologists. The department continues its rollout 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 FY19 the projected January to January increase in the Fire Department is due to the timing of the FY19 class in fall 2018 as opposed to the FY18 class which came on in spring 2018. The goal of the department is to have enough firefighters in the suppression force to cover the minimum manning level of 262 and to reduce overtime. The Police Department is projected to increase the sworn force by 30 officers with the FY19 recruit class in the fall of 2018.

The Mayor's Office Cabinet has a projected increase of 7 FTEs, primarily due to transfers between departments. The Law Department will grow by an additional 4 positions since January 2018 with the completion of a citywide legal staff consolidation. Women's Advancement is adding an assistant position, which is

transferring from Neighborhood Services in the Civic Engagement Cabinet. The Arts and Culture Cabinet will remain level. The Office of Arts and Culture will hire a manager for the percent for the arts program, which will be offset in the FTE count by the transfer of the mural crew manager to the Parks Department.

The Operations Cabinet is anticipated to increase by 3 FTEs. Intergovernmental Relations will hire a census outreach coordinator in advance of the 2020 U.S. Census. Public Facilities will add a project manager and a design review position to support the growing citywide construction program.

The Environment, Energy and Open Space Cabinet is expected to grow by 10 FTEs by filling vacant positions and adding targeted new positions. Inspectional Services will add 2 plans examiners to reduce the architectural review wait time for residents and developers. Parks and Recreation is adding two park ranger positions and the mural crew manager, who is being transferred from Arts and Culture. The Administration & Finance Cabinet projects a net increase of 2 FTEs with talent acquisition and compliance position in Human Resources and a new account receivable specialist in the Treasury Department.

The Health and Human Services Cabinet will increase by 28 FTEs primarily due to key investment in the Public Health Commission's Emergency Medical Services (EMS). EMS will add 20 EMTs to better meet the demands of a growing population and improve their capacity to provide a quick response to urgent calls city-wide. The Public Health Commission will also add 2 recovery services youth prevention program managers. Boston Centers for Youth and Families is adding 3 positions to support the re-opening of the Marshall Community Center as well as 2 new positions to allow for Saturday hours at the Condon Community Center. The Elderly Commission will hire a new housing unit position to meet the rising demand for assistance in this area.

Neighborhood Development in the Housing Cabinet will add a case management position in

the Office of Housing Stability to meet growing demand for services. The Department of Innovation and Technology in the Information & Technology Cabinet will add an in-house reporting developer.

The Streets Cabinet is projected to increase by 22 FTEs. The Transportation Department will add 20 positions to support transformational investments in transportation projects throughout the City. These investments include 3 FTEs to better manage traffic signals to increase safety and reduce congestion, 8 FTEs (2 planners, 2 engineers, 2 maintenance/operations positions, and 2 forepersons) for Vision Zero to build 15 slow streets, 15 miles of protected bike lanes and fix 15 of the most challenging intersections in the next four years, and 6 FTEs for the City's new transit team which will improve coordination with the MBTA. The Public Works Department is adding a data manager for roadway utility coordination. The Office of Streets plans to hire a manager to oversee operational reforms in the cabinet.

## Personnel Summary

		1/1/16 FTE	1/1/17 FTE	1/1/18 FTE	1/1/19 Projected	Projected Inc/(Dec)
<b>Office of the Mayor</b>	Mayor's Office	37.6	43.0	44.1	46.1	2.0
	Election Department	27.0	28.0	28.6	28.6	-
	Law Department	44.0	44.0	54.0	58.0	4.0
	Women's Advancement	3.0	2.0	3.0	4.0	1.0
	<b>Total</b>	<b>111.6</b>	<b>117.0</b>	<b>129.7</b>	<b>136.7</b>	<b>7.0</b>
<b>Operations</b>	Intergovernmental Relations	10.0	8.0	9.0	10.0	1.0
	Property Management	181.0	130.0	134.0	134.0	-
	Public Facilities Department	-	55.0	59.0	61.0	2.0
	<b>Total</b>	<b>191.0</b>	<b>193.0</b>	<b>202.0</b>	<b>205.0</b>	<b>3.0</b>
<b>Civic Engagement</b>	Neighborhood Services	43.0	44.0	48.0	47.0	(1.0)
	<b>Total</b>	<b>43.0</b>	<b>44.0</b>	<b>48.0</b>	<b>47.0</b>	<b>(1.0)</b>
<b>Arts &amp; Culture</b>	Office of Arts & Culture	10.0	10.0	12.0	12.0	-
	Library Department	392.0	388.5	386.6	386.6	-
	<b>Total</b>	<b>402.0</b>	<b>398.5</b>	<b>398.6</b>	<b>398.6</b>	<b>-</b>
<b>Economic Development</b>	Office of Economic Development	17.0	19.5	22.0	24.0	2.0
	Consumer Affairs & Licensing	5.0	13.0	14.0	14.0	-
	Licensing Board	8.6	-	-	-	-
	Office of Tourism	11.0	10.0	10.0	10.0	-
	<b>Total</b>	<b>41.6</b>	<b>42.5</b>	<b>46.0</b>	<b>48.0</b>	<b>2.0</b>
<b>Education</b>	School Department	8,746.0	8,781.6	9,005.2	9,069.9	64.7
	<b>Total</b>	<b>8,746.0</b>	<b>8,781.6</b>	<b>9,005.2</b>	<b>9,069.9</b>	<b>64.7</b>
<b>Environment, Energy &amp; Open Space</b>	Environment	22.0	22.0	25.0	25.0	-
	Inspectional Services	227.0	224.0	218.0	223.0	5.0
	Parks and Recreation	201.0	221.0	217.0	222.0	5.0
	<b>Total</b>	<b>450.0</b>	<b>467.0</b>	<b>460.0</b>	<b>470.0</b>	<b>10.0</b>
<b>Administration &amp; Finance</b>	Administration & Finance	7.0	5.0	7.0	6.0	(1.0)
	Assessing Department	82.0	82.0	82.0	82.0	-
	Auditing Department	35.0	31.0	32.0	32.0	-
	Budget Management	24.1	23.7	21.7	22.7	1.0
	Human Resources	43.5	44.8	45.8	46.8	1.0
	Labor Relations	8.0	10.0	10.0	10.0	-
	Purchasing Division	23.0	22.0	20.0	20.0	-
	Registry Division	18.0	18.0	17.0	17.0	-
	Treasury Department	48.0	49.0	50.0	51.0	1.0
	<b>Total</b>	<b>288.6</b>	<b>285.5</b>	<b>285.5</b>	<b>287.5</b>	<b>2.0</b>
<b>Health &amp; Human Services</b>	Boston Center for Youth & Families	356.3	362.3	364.4	369.4	5.0
	Commission for Persons with Disabilities	4.0	6.0	7.0	7.0	-
	Elderly Commission	56.0	53.0	42.7	43.7	1.0
	Fair Housing & Equity	4.0	7.0	7.0	7.0	-
	Office of Immigrant Advancement	5.0	5.0	5.0	5.0	-
	Public Health Commission	776.9	827.4	844.8	866.8	22.0
	Boston VETS	11.0	15.0	15.0	15.0	-
	Youth Engagement & Employment	8.0	6.0	5.0	5.0	-
	<b>Total</b>	<b>1,221.2</b>	<b>1,281.7</b>	<b>1,290.9</b>	<b>1,318.9</b>	<b>28.0</b>
<b>Housing &amp; Neighborhood Development</b>	Neighborhood Development	36.7	38.5	38.3	39.3	1.0
	<b>Total</b>	<b>36.7</b>	<b>38.5</b>	<b>38.3</b>	<b>39.3</b>	<b>1.0</b>
<b>Information &amp; Technology</b>	Dept of Innovation & Technology (DoIT)	127.0	126.0	133.6	134.6	1.0
	<b>Total</b>	<b>127.0</b>	<b>126.0</b>	<b>133.6</b>	<b>134.6</b>	<b>1.0</b>
<b>Public Safety</b>	Emergency Management	1.4	1.4	1.5	1.5	-
	Fire Department	1,572.2	1,577.2	1,610.3	1,661.3	51.0
	Police Department	2,882.1	2,922.1	2,830.1	2,860.1	30.0
	<b>Total</b>	<b>4,455.7</b>	<b>4,500.7</b>	<b>4,441.9</b>	<b>4,522.9</b>	<b>81.0</b>
<b>Streets</b>	Office of Streets	17.0	18.0	19.0	20.0	1.0
	Central Fleet Management	44.0	43.0	43.0	43.0	-
	Public Works Department	333.0	330.0	319.0	320.0	1.0
	Transportation	347.9	348.9	377.9	397.9	20.0
	<b>Total</b>	<b>741.9</b>	<b>739.9</b>	<b>758.9</b>	<b>780.9</b>	<b>22.0</b>
<b>Non-Mayoral</b>	City Clerk	14.0	15.0	15.0	15.0	-
	City Council	82.0	87.0	77.2	77.2	-
	Finance Commission	4.0	4.0	4.0	4.0	-
	<b>Total</b>	<b>100.0</b>	<b>106.0</b>	<b>96.2</b>	<b>96.2</b>	<b>-</b>
	<b>Grand Total</b>	<b>16,956.3</b>	<b>17,121.9</b>	<b>17,334.8</b>	<b>17,555.5</b>	<b>220.7</b>

## **External Funds**

The City's \$3.29 billion operating budget is supplemented by approximately \$360 million in external funds. These funds consist mainly of federal, state, and private funding earmarked for specific purposes. Education, housing, economic development, public health and public safety are some of the largest areas for which these funds are targeted.

Twenty-six departments and agencies expect to receive federal, state or other forms of external funding in FY19. Over 92% 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, Treasury Department, Emergency Management, Police, Library, and the Elderly Commission. 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.

## **Community Preservation Act**

By adopting the Community Preservation Act (CPA) in November 2016, the City has created a Community Preservation Fund. This fund is not part of the City's general fund and is displayed as a special revenue external fund in this budget document. This fund is capitalized primarily by a one percent property tax-based surcharge on residential and business property tax bills that began in July 2017. The City will use this revenue to fund initiatives consistent with CPA guidelines: affordable housing, historic preservation, open space and public recreation. Mayor Walsh and Boston's Community Preservation Committee (CPC) recently announced a CPA pilot program application seeks "shovel-ready" projects that require \$500,000 or less in funding, where construction can begin soon after funds are received. Organizations with affordable housing, historic preservation, and parks and open space proposals will apply for CPA funding. The CPC is committed to a program that will have broad community participation, accessible and visible projects that have a positive impact on neighborhoods and residents, and oversight strategies to ensure timely, effective use of funds.

## **FY19 All Funds Budget**

The all funds table consolidates the projected FY19 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 FY19 budget document.

## External Funds

	FY17 Expenditure	FY18 Estimated	FY19 Estimated
<b>Boston Public Schools</b>	138,414,193	137,222,603	141,889,983
<b>Neighborhood Development</b>	89,454,325	62,022,708	83,892,292
<b>Public Health Commission</b>	49,051,487	41,717,478	46,515,679
<b>Treasury Department</b>	0	18,180,001	23,861,250
<b>Emergency Management</b>	14,069,475	11,164,466	12,347,728
<b>Police Department</b>	10,502,260	15,547,590	8,990,677
<b>Library Department</b>	9,332,170	8,843,340	8,738,756
<b>Elderly Commission</b>	6,580,517	7,047,534	6,643,278
<b>Other</b>	29,998,122	31,494,031	27,737,284
<b>Total</b>	347,402,549	333,239,752	360,616,927

## All Funds Budgets - FY19

Cabinet	Department	General Fund Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Mayor's Office	4,599,005	804,908	100,000	5,503,913
	Election Department	4,731,970			4,731,970
	Law Department	7,800,803	500,000		8,300,803
	Women's Advancement	265,035			265,035
	<b>Total</b>	<b>17,396,812</b>	<b>1,304,908</b>	<b>100,000</b>	<b>18,801,720</b>
Operations	Intergovernmental Relations	1,310,401			1,310,401
	Property Management Department	17,593,704		16,659,500	34,253,204
	Public Facilities Department	6,772,671			6,772,671
	<b>Total</b>	<b>25,676,776</b>	<b>0</b>	<b>16,659,500</b>	<b>42,336,276</b>
Civic Engagement	Neighborhood Services	3,408,216			3,408,216
	<b>Total</b>	<b>3,408,216</b>	<b>0</b>	<b>0</b>	<b>3,408,216</b>
Arts & Culture	Office of Arts & Culture	1,489,140	1,034,669	1,800,000	4,323,809
	Library Department	36,846,367	8,738,756	26,416,574	72,001,697
	<b>Total</b>	<b>38,335,507</b>	<b>9,773,425</b>	<b>28,216,574</b>	<b>76,325,506</b>
Economic Development	Office of Economic Development	3,035,625	4,669,208		7,704,833
	Boston Planning and Development Agency			1,100,000	1,100,000
	Consumer Affairs & Licensing	1,173,506	54,409		1,227,915
	Office of Tourism	1,421,848	150,000		1,571,848
	<b>Total</b>	<b>5,630,978</b>	<b>4,873,618</b>	<b>1,100,000</b>	<b>11,604,596</b>
Education	Boston Public Schools	1,112,248,805	141,889,983	90,653,386	1,344,792,174
	<b>Total</b>	<b>1,112,248,805</b>	<b>141,889,983</b>	<b>90,653,386</b>	<b>1,344,792,174</b>
Environment, Energy & Open Space	Environment Department	2,918,000	723,169	8,064,300	11,705,468
	Inspectional Services Department	19,473,183	336,338	100,000	19,909,522
	Parks & Recreation Department	23,548,201	5,775,461	34,542,592	63,866,254
	<b>Total</b>	<b>45,939,384</b>	<b>6,834,968</b>	<b>42,706,892</b>	<b>95,481,244</b>
Administration & Finance	Administration & Finance	1,096,262			1,096,262
	Assessing Department	7,613,945			7,613,945
	Auditing Department	2,894,329	181,818		3,076,147
	Budget Management	3,502,359			3,502,359
	Execution of Courts	5,000,000			5,000,000
	Health Insurance	220,979,251			220,979,251
	Human Resources	5,519,527			5,519,527
	Medicare	11,000,000			11,000,000
	Office of Labor Relations	1,446,748			1,446,748
	Pensions & Annuities - City	4,100,000			4,100,000
	Pensions & Annuities - County	100,000			100,000
	Purchasing Division	1,851,763			1,851,763
	Registry Division	1,076,112			1,076,112
	Treasury Department	4,551,078	23,861,250		28,412,327
	Unemployment Compensation	350,000			350,000
	Workers' Compensation Fund	2,200,000			2,200,000
	<b>Total</b>	<b>273,281,373</b>	<b>24,043,067</b>	<b>0</b>	<b>297,324,440</b>
Health & Human Services	Boston Center for Youth & Families	27,295,312	1,435,236	5,752,278	34,482,826
	Commission For Persons W/Disabilities	473,338			473,338
	Elderly Commission	3,734,042	6,643,278		10,077,320
	Fair Housing & Equity	302,905	807,360		1,110,265
	Office of Immigrant Advancement	471,915	340,553		812,468
	Public Health Commission	84,977,529	46,515,679	1,907,016	133,400,224
	Boston VETS	4,692,133			4,692,133
	Youth Engagement & Employment	6,547,352	1,171,155		7,718,507
	<b>Total</b>	<b>128,494,525</b>	<b>56,913,261</b>	<b>7,659,294</b>	<b>193,067,080</b>
Housing & Neighborhood Development	Neighborhood Development	14,220,701	83,892,292	1,786,412	99,899,405
	<b>Total</b>	<b>14,220,701</b>	<b>83,892,292</b>	<b>1,786,412</b>	<b>99,899,405</b>
Information & Technology	Department of Innovation and Technology	30,444,344	4,400,000	20,087,741	54,932,085
	<b>Total</b>	<b>30,444,344</b>	<b>4,400,000</b>	<b>20,087,741</b>	<b>54,932,085</b>
Public Safety	Emergency Management	699,720	12,347,728	50,000	13,097,448
	Fire Department	236,231,645	4,349,500	14,667,148	255,248,293
	Police Department	400,425,673	8,990,677	24,690,000	434,106,350
	<b>Total</b>	<b>637,357,037</b>	<b>25,687,905</b>	<b>39,407,148</b>	<b>702,452,091</b>
Streets	Central Fleet Management	2,976,520			2,976,520
	Office of Streets	2,047,974			2,047,974
	Public Works Department	85,908,843	10,000	73,120,394	159,039,237
	Snow Removal	24,067,875			24,067,875
	Transportation Department	37,923,730	993,500	16,173,048	55,090,278
	<b>Total</b>	<b>152,924,942</b>	<b>1,003,500</b>	<b>88,893,442</b>	<b>243,221,884</b>
Non-Mayoral Departments	City Clerk	1,302,354			1,302,354
	City Council	5,666,700			5,666,700
	Finance Commission	283,150			283,150
	<b>Total</b>	<b>7,252,204</b>	<b>0</b>	<b>0</b>	<b>7,252,204</b>
<b>Grand Total</b>		<b>2,492,611,605</b>	<b>360,616,927</b>	<b>337,670,389</b>	<b>3,190,898,921</b>

## Multi-Year Budget Plan

### Introduction

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

With City costs rising faster than its revenue, the City is projecting budget shortfalls in FY20 and FY21. In projecting the City's operating budget for FY20 and FY21, education cost growth, increasing annual pension schedule obligations, uncertain costs related to outstanding collective bargaining agreements and continued health insurance cost escalation continue to drive high rates of expenditure growth. The property tax levy is assumed to grow from its base by the allowable 2.5% and by new growth in the levy. In terms of state aid, continued pressure from rising state Charter Schools costs combined with underfunding of the Charter School Tuition Reimbursement obligation and stagnant education aid, will likely lead to the continuation of the negative growth trend in net state aid.

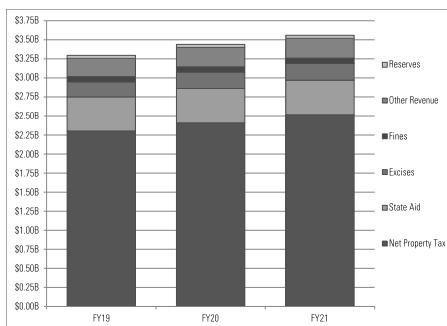
While most of the City's collective bargaining agreements expired by early FY17, many have since settled. BPS has a contract with the teachers' union through August 2018. The contracts for the fire union and the EMS union expired June 2017. The City has settled four-year agreements through FY20 with many unions, including all sworn police unions, AFSCME, SEIU and SENA. Negotiations are ongoing with the remaining unsettled unions. Collective bargaining reserves were set up in FY19 with estimated funding for outstanding successor agreements, and this projection uses the same approach to forecast FY20 and FY21. Projections do not include any assumptions about the next round of contracts.

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

budget. This method of financing understates the full obligation to provide these benefits after retirement. The City, including the Boston Public Health Commission (BPHC), has an unfunded liability for these benefits of \$2.26 billion, as of the most recent independent actuarial valuation on June 30, 2015. The FY19 budget authorizes another payment of \$40 million to the City's OPEB Liability Trust Fund; the FY20 and FY21 projections also include \$40 million payments.

### Revenue Trends

The following chart displays the breakdown of revenue projected for FY20-FY21.



**Figure 10 – Recurring Revenue**  
*FY19 Budget, FY20 & FY21 Projected*  
Major revenue trends include:

**Property Tax Levy:** The levy will grow by the allowable 2.5% increase, and new growth is projected to grow steadily in FY20, with lower new growth projected in FY21, as less certainty regarding markets exist over this time horizon. The net property tax assumes an overlay reserve set at 1%. A net total increase in the levy of over \$212 million is projected over the two years.

**State Aid:** Gross state aid is assumed to again be stagnant in FY20 and FY21, increasing by 0.8% in FY19 and increasing by 0.9% in FY20. The City is projecting that Chapter 70 education will increase by less than 1% based on a modest minimum aid increase from the State. The City is projecting that the Charter School Tuition Reimbursement will again be underfunded by the State. The State has not fulfilled its statutory obligation to fund the Charter School Tuition Reimbursement, creating an unsustainable funding challenge that the City

projects will be exacerbated in FY20 and FY21 unless serious reforms to Charter School Finance are undertaken. Underfunding of Charter School Reimbursement will be accompanied by a larger increase to the Charter School Tuition Assessment and thus represents a substantial decrease in total resources available for appropriations. Unrestricted General Government Aid is projected to grow at 3% in FY20 and FY21.

**Excises:** Excises are expected to continue to grow into FY20, but slow in FY21, with the potential of stabilization of the local economy given the maturity of the current recovery. The FY20 and FY21 forecast includes a conservative estimate the Marijuana excise.

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

**Interest on Investments:** Interest income is expected to increase in FY20 and FY21 compared to the FY19 Adopted budget, based on movements of significant assets into interest bearing accounts.

**Payments in Lieu of Taxes (PILOT):** PILOT revenue is projected to modestly increase in FY20 and FY21, consistent with the trends from the five year ramp up of PILOT payments, which ended in FY16. We expect the program to continue with support from the non-profit community.

**Miscellaneous Department Revenue:** In FY20 and FY21, the City estimates decreases in federal health insurance reimbursements as well as possible decreases in pension revenue for grant funded employees.

**Licenses and Permits:** Street and rental inspection permit is projected to increase in FY20 and level in FY21.

**Budgetary Fund Balance:** For FY20 and FY21 the use of Budgetary Fund Balance for OPEB expenses is projected to be level at \$40 million.

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

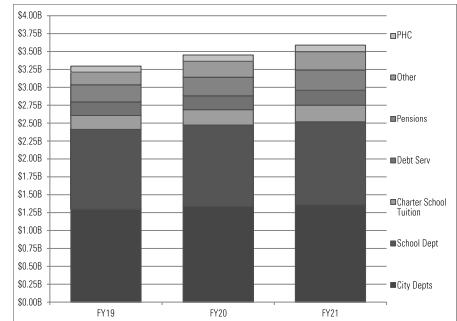
## Expenditure Trends

The expenditure chart displays the allocation of expenditures projected for FY20-FY21.

As the City examines projected expenditures for FY20 and FY21, expenditures are anticipated to grow at a faster rate than the City's revenue growth, leading to projected shortfalls for FY20 and FY21. Fixed costs alone are projected to grow significantly due to increases in charter school costs under the existing cap and upward adjustments in the City's pension schedule. In addition, the City continues to project considerable appropriations growth due to rising employee-related costs.

**Appropriations:** Inflationary and other increases have been estimated in FY20 and FY21 for expenditures such as health insurance and other personnel cost growth. At the School Department, estimated inflationary increases for health insurance and other personnel cost growth, student transportation services, and the cost of food and nutrition services have been projected for FY20 and FY21. The City has several settled contracts and the impact of those agreements is included in projections for City departments. Additionally collective bargaining reserves were set up in FY19 with estimated funding for the outstanding contracts, and this projection reflects the same approach in FY20 and FY21.

Due primarily to the factors referred to above, appropriations are estimated to increase by a total of \$107.7 million or 4.2% in FY20 and cumulatively increase by \$263.5 million or 8.0% in FY21.



**Figure 11 – Expenditures**  
**FY19 Budget, FY20 & FY21 Projected**

**Fixed Costs:** In FY20, fixed costs are expected to increase by about 6.7% and cumulatively increase by 14.8% in FY21. These increases can be attributed to several factors including: the continued expansion of charter schools, even under the existing cap and the resulting increase in the tuition assessment, scheduled pension cost increases, and increased borrowing.

Under these revenue and expenditure assumptions, the FY20 and FY21 budgets are currently projected to have shortfalls of approximately \$12.4 million and \$30.5 million. For the most part, the projections are based on current operations and the roll out of approved initiatives in FY20 and FY21. As the FY20 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. The City will be monitoring external funding sources very closely, prioritizing service areas and reviewing policy decisions and options that could result from external funding losses. Boston Public Schools and the Department of Neighborhood Development are two departments dependent on federal external funds for the provision of essential services. In the event of grant losses in those departments, major policy decisions and/or tradeoffs will have to be made to continue to provide existing services.

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

assume that budgetary fund balance will be used only to support the OPEB appropriations for FY20 and FY21.

#### *Planning a Balanced Budget*

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

Much of the City's budget remains fairly stable during the year, but a variance of just 1% would equate to a \$33 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, for which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism, natural disasters or major public events, for example), and outside funding sources for essential needs that may suddenly be eliminated.

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

#### Conclusion

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

required, it is a useful tool in long-range planning and policy analysis.

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

## MULTI-YEAR BUDGET SUMMARY

*(Dollars in Millions)*

	FY19 Adopted	FY20 Forecast	FY21 Forecast
<b>REVENUES</b>			
Property Tax	2,327.02	2,435.19	2,541.07
Property Tax Overlay	(23.04)	-24.11	-25.16
Excises	197.29	215.64	221.72
Fines	69.08	68.88	68.88
Interest On Investments	5.00	9.00	13.00
Payments in Lieu of Taxes	46.02	46.45	46.84
Urban Redev Chapter 121A	27.50	32.85	31.16
Department Revenue	62.03	58.21	59.59
Licenses & Permits	66.26	73.60	73.96
Penalties & Interest	9.01	10.57	10.82
Available Funds	23.45	23.45	23.45
State Aid	446.48	450.02	454.22
Total Recurring Revenue	3,256.08	3,399.75	3,519.56
Budgetary Fund Balance	40.00	40.00	40.00
<b>Total Revenues</b>	<b>3,296.08</b>	<b>3,439.75</b>	<b>3,559.56</b>
<b>EXPENDITURES</b>			
City Appropriations	1,300.35	1,336.48	1,358.87
Public Health Commission	84.98	87.81	90.54
School Department	1,112.25	1,136.88	1,159.90
Reserve for Collective Bargaining City	38.39	82.50	113.90
Other Post Employment Benefits	40.00	40.00	40.00
Total Appropriations	2,575.97	2,683.66	2,763.21
Pensions	238.71	260.36	283.94
Debt Service	190.18	192.94	208.18
Charter School Tuition	194.24	214.73	231.94
MBTA	88.21	90.41	92.68
Other State Assessments	4.90	5.20	5.29
Suffolk County Sheriff Dept	3.87	3.87	3.87
Reserve	0.00	1.00	1.00
Total Fixed Costs	720.11	768.53	826.89
<b>Total Expenditures</b>	<b>3,296.08</b>	<b>3,452.19</b>	<b>3,590.10</b>
<b>Surplus (Deficit)</b>	<b>0.00</b>	<b>-12.44</b>	<b>-30.55</b>

Numbers may not add due to rounding

## **Budget Document Structure**

The Operating Budget for FY19 and Five Year Capital Plan for FY19-23 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 FY19 Budget and FY19-FY23 Capital Plan was published using Microsoft Word. Graphics were generated using Microsoft Excel. Oracle - Hyperion Planning, SAP-Strategy Management and Microsoft Access were used for data management and analysis.

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