

# Executive Summary

## **INTRODUCTION**

The Fiscal Year 2010 budget (FY10), while lean due to the global financial environment, focuses on what constituents value most: investments in youth, strong neighborhoods, and economic stability.

It is important to understand the fiscal context in which the FY10 budget was developed. The FY10 budget development process was one of the most challenging of the past few decades. At the end of 2008 when the severity of the global financial crisis became evident, the City projected a FY10 budget gap of \$140 million. Through a combination of early action, sensible reform, prudent use of federal funds and reserves and above all else shared sacrifice, that gap has been closed.

The FY10 budget totals \$2.394 billion, a decrease of \$26.3 million or 1.1 percent from the FY09 budget. This budgetary situation is drastically different from our experience over the last decade when the City's annual average total recurring revenue growth rate was 3.1 percent. Most significantly, the City's second largest source of revenue, State Aid from the Commonwealth of Massachusetts, will decline by more than \$90 million from FY09 budgeted levels.

The City anticipates that most recurring revenue, other than the Property Tax, will decrease mainly due to the economic downturn that is impacting government and private businesses across the country. Appropriations have been reduced substantially as a result of this dismal revenue outlook. Despite these reductions the FY10 budget was developed to ensure that we are able to sustain essential services and advance critical investments in the City's future.

Perhaps no element of the FY10 budget building process was more significant than the shared sacrifice and shared responsibility exhibited by the 22 unions who agreed to the one year wage delay. The savings from this effort, combined with the

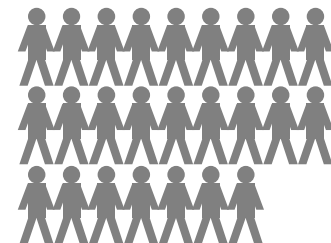
wage delay of the non-unionized employees and the wage cuts for the City's senior staff, exceeded \$8.7 million. The Mayor acknowledges and respects the dedication of the many City employees who have made personal and family sacrifices to protect jobs and serve the public. Nearly 200 jobs will be saved as a result of the wage deferral from these 22 unions as well as from all non-union personnel across the City. In addition, the FY10 budget reflects 250 jobs saved as a result of the strategic use of funds from the America Recovery and Reinvestment Act (ARRA) in the Boston Public Schools and the Police Department (Figure 1).


Despite the fiscal challenges that we face, this budget reflects the City's commitment to effectively provide core city services in a safe

### **446 Jobs Saved**



### **250 jobs saved** American Recovery and Reinvestment Act



 = 10 jobs

\* Note: Jobs saved are all funds  
Figure 1

environment for all of our residents, businesses and visitors.

This FY10 Budget also supports and improves our neighborhood assets. The Five Year Capital Plan FY10-14 totals \$1.5 billion and includes \$52.8 million in new FY10 project authorizations. The Capital Plan is designed to enhance the City's livability and includes streetscape improvements such as new trees, lighting, and sidewalks as well as investments in parks, city buildings and equipment. The capital plan's theme, Cities are Neighborhoods (CAN), recognizes that the City draws its core strength from its neighborhoods. The results of the "Together We CAN" capital investment campaign are visible in every neighborhood.

**Change in Resources and Expenditures**

Available revenues provide the basis for planning the FY10 appropriations and fixed costs. The FY10 budget reflects a revenue decrease of \$26.3 million or 1.1 percent from FY09 budgeted revenues. Recurring revenues in total will decrease by \$36.3 million. Other than the continued growth in the City's largest revenue source, property tax, which reflects a 4.4 percent net increase, most other recurring revenues are projected to decrease. The use of Budgetary Fund Balance (reserves) will increase by \$10.0 million over FY09.

Net state aid, defined as state aid combined with the charter school tuition assessment and other assessments, is expected to decrease significantly for FY10. The decrease in net state aid perpetuates the loss incurred over the last eight years (Figure 2). State aid is the second largest source of revenue for the City and therefore plays a critical role in determining available resources.

Excise taxes are projected to decline by 12.7 percent in the FY10 budget due to the expected further decline in the market for new automobiles. Interest on investments is expected to have a significant decrease of 31.1 percent based on the expected level of prevailing short-term interest rates. Other recurring revenues projected to decrease in FY10 include miscellaneous department revenue, licenses and permits, and penalties and interest.

The FY10 budget includes revenue expected from a full year of an FY09 change in the Parking Fine

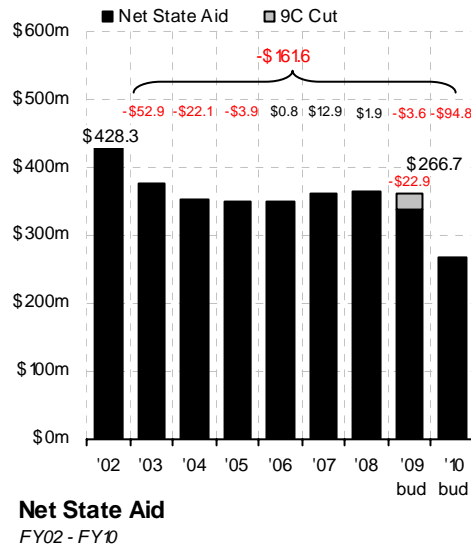


Figure 2

and Fee structure as well as a sustained level of parking enforcement staffing.

It is expected that an appropriation of \$25 million from Budgetary Fund Balance (reserves) will be necessary in FY10 to fund ongoing expenses. In addition, the budget includes a \$20 million appropriation from Budgetary Fund Balance to continue to address the City's liability related to other post employment benefits (OPEB). In all, \$45 million from Budgetary Fund Balance will be used in FY10.

On the expenditure side, the FY10 budget reflects a 2.4 percent or \$47.2 million decrease in appropriations and a 4.3 percent or \$20.9 million increase in fixed costs (pensions, debt service, state assessments and Suffolk County sheriff) for a total expenditure decrease of \$26.3 million.

Position reductions and wage delays, as well as non-personnel reductions in all departments, account for the decreases shown in appropriations. Although not general fund revenue, certain federal funding from the American Recovery and Reinvestment Act (ARRA) will be utilized for targeted programming as well as personnel retention in the Boston Public Schools and the Police Department somewhat lessening the impact of reductions to those departments. It should be noted that the increase shown for the Public Health Commission (PHC) is driven by an increase in the pension costs.

Without pensions, PHC would show a decrease as well.

In FY10 health insurance as a percentage of the total budget is 11.7 percent, up from 7.9 percent in FY02. The total general fund increase needed for health insurance is \$13.3 million (when grants are included, the total increase needed is slightly less at \$11.5 million.) The increase in total fixed costs is driven by the pension funding schedule and debt service. A more detailed discussion of the City's revenues and expenditures can be found in the Summary Budget chapter of this volume.

With salaries and health benefits representing approximately 73 percent of the City's operating budget appropriations, it is important to manage the level of the City's workforce. Through controlled hiring and attrition the City continues to keep employee levels down overall. The City's workforce was down 308, or approximately 2 percent, full-time equivalents between January 2002 and January 2009. In FY10, general fund FTE's are projected to decline by approximately 743 (Figure 3).

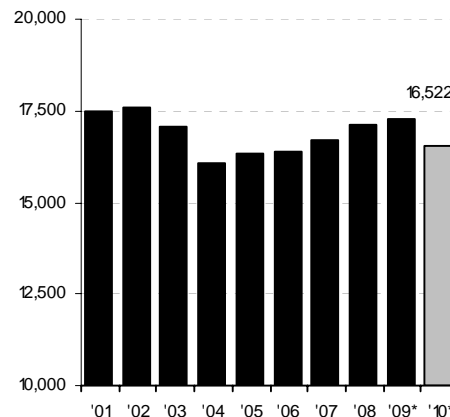
***Boston's Economic Climate***

In what is being called the first global recession, nearly all industrialized economies the world over are now in recession simultaneously. Job losses, home foreclosures and lack of available credit are driving down economic growth in these economies.

Nationally, unemployment has skyrocketed, the stock market has lost nearly half of its value and home foreclosures are at record levels. The Federal Reserve and the federal government have injected trillions of dollars into the economy in an effort to stave off a deep and prolonged recession.

Meanwhile, the Massachusetts current state budget is in turmoil. State revenues have dropped precipitously due to an over-dependence on capital gains taxes. After reducing the FY09 budget by \$2.5 billion, estimates are that revenues will still fall short by nearly \$500 million. The state stabilization fund, which ended FY08 at \$2.1 billion, has been reduced to approximately \$565 million. In addition, the state has already used \$869 million in federal stimulus or "recovery aid", leaving only \$1.6 billion for use in FY10 and FY11.

For the upcoming fiscal year, the Massachusetts Taxpayers Foundation (MTF) estimates that the revenue estimate to be used as a basis for the



**Total FTE's**  
As of January 1st, 2001 through 2010  
\*Projected.

Figure 3

budget is now lower by nearly \$2 billion than when first estimated in December 2008. Further, the MTF estimates that the state has created a structural budget deficit of nearly \$4.4 billion in FY10 through the use of one-time revenues.

As Boston usually generates nearly one-quarter of Massachusetts' annual economic output, the City has a large effect on the state's economy. Currently, the City's unemployment rate is trailing both the state and nation. Job growth in Boston over the last several years has easily out-paced job growth across the state. A resilient Boston labor market would aid the state considerably in economic recovery.

The effect of this economic recession on the City's budget is pronounced and negative, but Boston's comparatively restrictive revenue structure based on the property tax, helps mitigate the impact of immediate economic shocks. The Mayor proposed additional revenues for the City in his legislative package. Subsequent to the passage of the City's FY10 budget, the legislature and the governor approved a local option increase to the hotel excise tax and a new .75% local option meals tax. Both local options have since been adopted by the City. The FY10 budget does not include any projected revenues from these sources.

***Long-Term Financial Outlook***

The City's history of balanced budgets, prudent fiscal policies, and conservatively structured debt with manageable future borrowing plans continues to serve the City well. In March 2009, Standard and Poor's and Moody's Investors Service

reaffirmed Boston's AA+ and Aa1 ratings. The City's strong proactive management has been recognized by the credit markets over the past several years. A bond rating is a statement of credit quality and is analyzed when determining the interest rate that should be paid for a municipality's bonds. A higher bond rating translates into lower interest rates and real dollar savings for the City.

The high priority City management places on carefully implementing sound fiscal policies and continuing to exercise strong fiscal discipline ensures the City's ability to preserve budgetary balance and maintain essential services.

### ***FY 2010 BUDGET PRIORITIES: INVESTING IN BOSTON'S FUTURE***

The FY10 budget focuses on making and preserving long-term investments in the services that constituents value most. This means prioritizing programs and services that invest in youth, improve our neighborhoods, and strengthen our economy.

#### ***Investing in Youth***

Above all else, this budget invests in the children of Boston, as the City strives to create an environment in which every child can reach his or her full potential. The City's investments reflect a recognition that a child's education is not limited to the time spent within a school's walls. As a result, this budget makes investments that support children – and their families – from birth to graduation, marshalling resources from the whole city to support the development of the whole child.

#### Invest in Early Childhood Education: Thrive In Five and K-1 Classrooms

The City's signature early care and education initiative is Thrive in Five, a collaboration with the United Way and 64 other community partners to ensure that all children are ready for sustained success in school by the time they reach kindergarten. Launched in 2008, Thrive in Five will forge ahead in FY10 by improving medical screenings for children and improving accreditation in early care and education. Despite the recession, the City has maintained all 2,300+ K-1 seats for 4 year olds. Together, these

investments and partnerships in early childhood education work to prevent the achievement gap before it starts and ensure all children are ready to thrive in school.

#### K-12 Acceleration Agenda: Accelerating Student Achievement

The Boston Public Schools has set out the "Acceleration Agenda," a bold series of initiatives tied to specific academic goals that support student achievement. This budget advances priorities in the Acceleration Agenda by offering more options that are valued by families. In FY10, the Boston Public Schools will add or expand 6 K-8 schools, allowing more continuity for students and families; add or expand 5 pilot schools, providing more innovative academic offerings; embark on an ambitious citywide approach to K-12 literacy instruction; invest in the right tools to monitor student attendance and truancy; and improve supports for English Language Learners through offerings such as the Newcomers Academy for new students with little or no English.

#### Community Learning: Support Student Achievement After School and Year Round

The City's Community Learning initiative coordinates the services of the Boston Public Schools, Boston Public Libraries, and Boston Centers for Youth and Families to provide a seamless after-school curriculum for students. This budget refines and bolsters programs at 5 existing Community Learning sites; opens 3 new sites; and launches the KidTrax data system at 13 community centers to monitor attendance and collect better community feedback. In addition, updates to the Boston Navigator tool, the comprehensive on-line database of program offerings, will enhance parents' ability to find the best after-school program for their child.

#### College Completion

This budget prioritizes investments that not only ensure that students graduate from high school but also are prepared to enter and complete college. For example, students likely to take remedial courses in college have a higher risk of dropping out. Now, these students will be identified earlier and given the extra preparation

that they need to increase their opportunities for completing college.

### ***Improving Our Neighborhoods***

A City's strength can be gauged by the vibrancy of its neighborhoods. This budget focuses on those neighborhood investments that are most important to Boston's residents. From ensuring safe, clean streets to increasing the environmental and public health of our communities, the City – through this budget – is building on its solid foundation to improve its neighborhoods even further.

#### Increasing Public Safety

A safe neighborhood is the prerequisite for a vibrant neighborhood. This budget prioritizes investment in those personnel and resources most necessary for public safety. To preserve the number of officers on the street, the Police Department is decentralizing a number of specialized units, eliminating the mounted unit and aggressively pursuing federal resources to retain officers. To improve response time and support fire suppression efforts, the Fire Department is investing in new equipment and continued training. Fire District consolidations will help streamline the management of fire suppression. Expanding successful programs of FY09, the Public Health Commission and the Office of Emergency Preparedness are organizing and training neighborhood volunteers to build community capacity for disaster response.

#### Modernizing Basic City Services

The overall quality of the city's streetscape has a major impact on the comfort and pride people feel in their communities. In FY09, the City reorganized how its Parks, Public Works and Transportation departments responded to constituent service requests for basic city services. In FY10, the City will upgrade its website to make it even easier for constituents to report service issues. The City will also invest millions in new pedestrian ramps, to increase accessibility of the City's streets and sidewalks.

#### Greening Our Environment

While clean neighborhoods are critical, the City believes we must have green neighborhoods as well. This effort starts with reducing the

greenhouse gas emissions from City-owned buildings. In FY10 the City will begin the procurement process for its first Energy Savings Contract at the main branch of public library. Throughout the year, targeted efficiency improvements at community centers and schools will help the City to reduce its carbon footprint as well as its operating expenses through capital investment. In addition, the City will plant approximately 400 new street trees and invest \$9 million in park improvements during FY10.

#### Improving Public Health

While an environmentally-friendly neighborhood will be a healthier place to live, the City is doing far more to increase the health of Boston residents. The Public Health Commission has implemented tighter regulations on smoking and banned the use of trans fats. To reduce barriers to accessing health services, the City is staffing a health hotline and providing rides for seniors to medical appointments. And to address the public health trauma caused by violence, the City is convening and supporting Peace Councils in targeted neighborhoods citywide.

#### ***Strengthening the Economy***

The City is doing everything it can to sustain and increase economic opportunity, especially in these tough times. From spurring development and supporting new entrepreneurs, to curbing foreclosures and investing in workforce development, the City is helping both businesses and residents overcome today's challenges.

#### Supporting Private Sector Growth

To help both new and established businesses, the City is building a tool kit of programs that includes an array of technical service, loan and grant programs. For small businesses, the City is introducing a new loan program to help with expansion plans or to provide temporary rent subsidies. To continue growth of larger businesses, the City's Boston Invests in Growth loan pool – with up to \$71 million in HUD Section 108 funds – will jumpstart stalled construction projects. It is expanding Boston Buying Power, an energy buying consortium of businesses that has already saved its 500 members 20-25% on their electricity costs. And, the City is developing a business 'wizard' to simplify the process of starting

a business in Boston.

#### Stabilizing the Housing Sector

The City's Leading the Way III housing initiative, funded through this budget, will help curb foreclosures and keep rental and homeownership opportunities affordable. Through this initiative, the City's Department of Neighborhood Development will purchase bank-owned properties for resale to developers and will provide additional funding for rehab. DND will sustain efforts to counsel vulnerable residents most at risk for foreclosure. It will run workshops for residents interested in purchasing foreclosed homes and address the rise in family homelessness through prevention, placement and housing production programs.

#### Increasing Access To Benefits & Training

Through departments ranging from the Elderly Commission to the Public Health Commission, the City will continue its aggressive outreach to ensure that residents are aware of and access benefits that they may be eligible for. Through the Office of New Bostonians, the City will link new immigrants with English for Speakers of Other Languages courses.

#### Investing In Critical Citywide Infrastructure

To keep people, goods and services flowing quickly and safely into and throughout Boston, the City will invest in critical capital infrastructure. From bridges to broadband, these investments will help secure supply chains and lower the cost of doing business in Boston. Additionally, the City will continue its investment in modernizing traffic and parking management in Boston, with new funding to improve the timing of traffic signals.

#### ***Good Government: A Budget Focused on Results***

A consistent practice of strong financial planning and a focus on what constituents value most has put the City in a position to maintain service levels and sustain progress towards its overarching goals even in the context of an historic downturn in the global economy. The FY10 budget process resulted in a financial plan that, while lean, will help sustain – and in some cases accelerate – the

City's long term plan for youth, neighborhoods and the economy.

#### Started Early

Reacting quickly to the global economic collapse, the City launched the FY10 budget development process earlier in the year, giving City managers more time to examine mission-critical activities and to search for new ways to deliver services at the same or lower costs. It also enabled leadership to come together across disciplines to reaffirm commitment and resource allocation to the Mayor's transformational goals.

#### Used Data To Drive Decisions and Improve Contracts

Through Boston About Results, each department was challenged to develop improved performance measures that describe quality, responsiveness, and effectiveness. As difficult budget decisions were made, department managers focused on cuts that would not limit the City's ability to meet constituent expectations on these measures. As a result, this budget preserves and improves direct services while cutting administrative costs and inefficiencies behind the scenes.

Using performance data to better assess internal and competitive costs, many departments re-assessed contracts for FY10. With this analysis, departments were able to take advantage of current economic conditions to renegotiate more favorable terms. Examples of this include the Administration & Finance Department's agreement with the City's health insurance providers to save \$5 million in projected increased costs, and the Public Works renegotiations of trash disposal, recycling and night street sweeping contracts.

#### Aligned Services To Serve Constituents

Last year, the City stepped up its efforts to improve the delivery of existing City services to our most vulnerable populations. In neighborhoods distressed by youth violence, the City brought Violence Intervention and Prevention resources to citizens' doorsteps. To help constituents deal with rising food and fuel costs, the Boston Centers for Youth & Families hosted community dinners and resource fairs across the

City. And this winter, the City called every elder in the city to make sure they were weathering the economic storm and knew how the City could help them.

The FY10 budget takes these innovations a step further, with many departments bringing programs and functions together into one organization focused on delivering more integrated and comprehensive services. The Department of Neighborhood Development will focus the Rental Housing Resource Center in combination with the Office of Emergency Shelter Commission to help take on family homelessness. In the Public Health Commission, Asthma, Lead and Injury Prevention programs have been brought together under one Healthy Homes program. The Public Health Commission has also integrated its violence prevention programs to partner better with other agencies. The Boston Public Library will integrate the Kirstein Business Center into the main branch of the library to provide more access and will reorganize functions to better meet the needs of 21<sup>st</sup> Century library users and operations.

In addition, to support significant reductions in the Graphic Arts Department, the City will improve the use of technology to lower both the need for and cost of printing. Each realignment will help make government more efficient at providing services.

#### Invested in Technology to Enhance Service Delivery and Reduce Costs

FY09 was a breakthrough year for technology's impact on service delivery, with the integration of the City's investments in geospatial information, constituent relationship, work order management, and global position satellite systems. The City also increased its use of handheld technology to improve the quality and speed of reporting from the field and reducing time lost and fuel consumed from driving to and from central offices.

FY10 continues this investment, using technology to improve services and reduce long term costs. The City will extend further its fiber optic network, linking city assets from buildings to traffic signals to cameras to increase the flow of information and reducing third party broadband costs. To improve our understanding of services at Community Centers, the City will implement KidTrax participation tracking software in 13

locations in FY10, replacing error-prone attendance-taking with swipe cards, reducing paperwork and allowing youth workers to invest more time serving children.

FY10 will also see the introduction of distance learning technology to the Boston Police Department where it will allow all sworn members to be trained every year while reducing replacement/back-fill costs, as these courses will be scheduled during an officer's regularly scheduled tour of duty.

Perhaps most importantly, technology has enabled the City to connect to people the way they want to be connected. Email, auto-calls, cell-phone text, interactive websites, podcasts and blogs all allow citizens to get information directly and in real-time. New channels of two-way communication have opened up ranging from Text Tip-to-Crime to bicycling blogs. Citizen access to information about city government is increasing dramatically with a consequent increase in the level of public engagement, service, and accountability.

#### Green City Operations to Reduce Costs

Across the board, the City is investing in programs to lower both its carbon footprint and its operating costs. In FY10, the City will green its information technology infrastructure, reducing energy consumption through the consolidation of City data centers, technology infrastructure and services.

By the close of FY10, it is expected that the whole city will be utilizing single-stream recycling. As the cost to recycle is considerably less than the cost to landfill, the City's FY10 trash disposal operating costs have been greatly reduced with this move. A 14% increase in recycling has already been realized by the shift to single-stream in pilot neighborhoods. The Public Works Department's FY10 budget provides funding for the purchase of additional carts to expand the program citywide.

Additional information can be found in the Summary Budget and Boston About Results chapters in Volume I.

