

City Council Approves \$2.5 Billion FY13 Operating Budget

Final budget is bolstered by additional state aid used for selected departments and pension COLAs

At its last scheduled meeting in June, the City Council unanimously approved the Mayor's resubmitted FY13 operating budget totaling \$2.5B, an increase of \$71.8M or 3.0% over the prior year. This budget represents an increase of \$12.3M or 0.5% over the Mayor's [recommended budget](#) submitted in April as a result of a greater increase in state aid than originally projected.

Boston FY13 Budget Summary
in millions

Department	FY13	Change	%
School (a)	\$770.8	\$30.9	4.2%
Police	278.7	9.4	3.5%
Fire	185.5	3.5	2.0%
Public Works & Snow Removal	100.3	2.9	3.0%
Other Dept'l	302.9	3.1	1.0%
Coll. Barg. Rsv.	30.1	19.4	181.5
Total Dept'l	\$1,668.2	\$69.3	4.3%
Non Dept'l	12.5	0.3	2.5%
Health Ins.(a)	283.8	(26.0)	-8.4%
Pensions	136.9	10.4	8.2%
State Assessments	178.5	12.0	7.2%
OPEB Trust	40.0	5.0	14.3%
Total General Fund Budget	\$2,467.0	\$71.8	3.0%

(a) BPS health insurance is included in central account

After having managed through four years of declining state aid, the City adopted a "stabilizing" budget for FY13 that maintains services and in some cases restores or expands programs. A decrease in health insurance costs by \$26M contributed to this situation for this year only. Known collective bargaining contract increases for settled agreements totaling \$2.9M

are built into the affected departments' budgets and a reserve of \$30.1M for FY13 is adopted. A \$40M appropriation to the OPEB Trust is prudent, but it still does not match normal costs of \$50M earned by active employees this year to be paid after they retire.

The net property tax levy and state aid continue to account for approximately 82.5% of total operating revenue. No budgetary fund balance (free cash) is allocated in this budget because FY14 is expected to be a more challenging year.

Resubmitted Budget

On June 18, the Mayor resubmitted his budget of \$2.5B which was \$12.3M greater than his original budget as a result of an increase of \$13.1M in state aid over original estimates and reductions in estimates for PILOT payments of \$700,000 and cuts in other revenues totaling \$123,629. Assuming that the [COLA base](#) for retirees will be increased from \$12,000 to \$13,000, the city budget for pensions was increased by \$2.1M. This increase will also cause the pension liability to grow by \$21.4M through 2025. A rise in state assessments for charter school tuitions accounts for the \$1.8M increase in that account.

Budget Change Over Original
in millions

Budget Account	Increase
Police Department	\$1.3
Coll. Barg. Reserve	3.1
Parks & Environment	1.3
Pensions (COLA)	2.1
State Assessments	1.8
Other	2.7
Total	\$12.3