

# Bureau Update



BOSTON MUNICIPAL RESEARCH BUREAU

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24 Province Street Boston, Massachusetts 02108 (617) 227-1900 FAX 227-2815

## MAYOR APPOINTS CIOLEK C.O.O.

On March 4th, Mayor Menino appointed Robert J. Ciolek as the City's first Chief Operating Officer. Mr. Ciolek will have responsibility for daily administration of the government and will oversee the Cabinet comprised of the Mayor's most senior officials. Mr. Ciolek is not a stranger to City Hall, having served on two occasions in 1990 and 1991 as Acting Director of the Administrative Services Department. In this position, he managed the administrative and fiscal affairs of the City. He also served as the City's Budget Director from 1986-1989. Mr. Ciolek has served as the Executive Director of the Boston Water and Sewer Commission since 1989.

## CHARTER SCHOOLS IN BOSTON

Sixteen applications for charter schools in Boston were submitted to Education Secretary Piedad Robertson on February 15th. The Education Reform Act authorized 25 charter schools -- not more than 5 to be located in Boston -- to open in the fall of 1995. The total charter school population cannot exceed 6,500 of the State's 860,000 students. The Secretary received a total of 51 completed applications and must evaluate and approve 25 by March 15th.

A charter school is an independent public school within a community created as a center of innovation and leadership. Schools can be established by a business, non-profit organization, corporation, two or more teachers or 10 or more parents. Charter schools can focus on a field of expertise, explore innovative instruction, governance or administration. The schools must meet the same performance standards as traditional public schools and comply with safety and health regulations. Charter schools are under the direct control of their Board of Trustees, who function as the policymaking, budgetary and administrative authority for each school. The schools are free of Boston School Committee requirements and union work rules. Teachers can take up to four years leave of absence from their current position to teach at a charter school and time spent teaching there serves as "creditable service" for public retirement benefits.

For each Boston student attending a charter school located in the City, the school will receive from the City, funds equal to the Boston average per pupil expenditure. To begin development, the Governor's fiscal 1995 budget recommends \$1.5 million in charter school planning grants. Schools cannot receive building assistance funds but can apply for state and federal grants in competition with the School Department.

Massachusetts is one of eight states that passed charter school legislation last year. Currently, only California and Colorado operate charter schools. The Commonwealth is in the unique position of being the only state in which approval and control of charter schools is at the state, not municipal level.

## CITY BOND REFUNDING

On February 1st, the City sold \$85.9 million in bonds for advance refunding, which for the first time were competitively bid. Sold at a true interest cost of 4.82%, the bond proceeds will be used to purchase U.S. government obligations which will be deposited into an escrow account. The escrow funds will be used to refund a portion of the City's outstanding bonded debt that was originally sold at higher interest rates. The City estimates the net present value savings of this issue at \$3.8 million and \$6.4 million cumulatively.

The City was intent on keeping issuance costs down with this sale. A combination of factors led to cost items, such as the interest rate, the underwriter's fee and the cost of issuance being less than the same items in a comparable negotiated refunding in February, 1993.

## BOSTON'S "A" RATING CONFIRMED

Both Moody's and Standard & Poor's credit reports confirmed Boston's "A" rating with the City's recent \$85.9 million bond issue. Boston has received an "A" rating from Moody's since April 19, 1988 and from Standard and Poor's since February 14, 1989.

In their reports, the rating agencies cited the City's

"prudent fiscal management" and "strong financial management and fiscal conservatism" as being instrumental in Boston's ability to manage the challenges of "significant state aid reductions," "Proposition 2½ restrictions and lower locally-generated revenues." The City's financial position was considered "sound" despite slow revenue growth and a slowly recovering economy. Both reports made reference to the City's heavy reliance on the property tax. City officials were cited as being optimistic that property values will rise over the next few years. However, the City's tax levy, hovering close to the Proposition 2½ levy ceiling, was cited as a concern. The ratings reflect the expectation that strong financial management will continue to be exercised by Boston.

### **REORGANIZING ISN'T DOWNSIZING AT BPS**

The School Department's effort to reorganize and decentralize its administrative structure has produced an increase in the number of administrators over the prior year. From February 1, 1993 to February 1, 1994, the total number of administrators paid from *all funds* increased by 46, including 30 paid from city funds. Reasons for the increase were to fill positions previously eliminated, fulfill citywide school based management goals and move administrative control to the elementary, middle and high school level offices. Administrative salaries, totalling \$25.4 million from all funds, represent 8.4% of all BPS salary expenses for 1993-1994, up from 7.6% last year.

### **EARLY RETIREMENT INCENTIVE AT BPS**

Taking advantage of the Early Retirement Incentive (ERI) accepted by the City as part of the Education Reform Act, 243 teachers, 5 principals and 1 program director, with an average salary of \$46,801, retired from the Boston Public School System (BPS) in 1993. These early retirements will increase the City's annual pension costs by \$1.5 million over 16 years. The state will pay 50% of the added costs. The ERI will result in a net cost to Boston of several million dollars. The BPS felt the cost was justified by the expected educational improvements the personnel changes would bring. Over half of the retirees served more than 30 years and 87% served over 25 years.

For the first six years, as entry level salaries replace higher senior salaries, a salary savings is achieved even after factoring in the severance costs of \$5.3 million over the first two years. For the remaining ten years, the School Department will be required to absorb the increased costs of this program.

*The School Department should place the savings over the first six years in a reserve account to offset the increased costs in subsequent years. The savings realized in fiscal 1995 should not be applied to next year's operating budget.*

### **GOVERNOR'S FY 1995 BUDGET--STATE AID**

On March 2nd, the House passed a resolution approving \$2.154 billion in local aid for fiscal 1995, the same amount requested by Governor Weld. This would represent an increase of \$168.9 million or 8%. With passage of a similar Senate resolution, the City can develop its budget knowing Boston's share of state aid. The two major areas of local aid include:

- **Education Reform Aid:** An additional \$184 million in Chapter 70 aid to municipalities and \$30 million in new education initiatives would increase education aid by \$214 million to \$1.3 billion. For Boston, Chapter 70 aid would increase by \$9 million to \$75.6 million next year.
- **Lottery Aid:** A total of \$389 million is recommended, an increase of \$40 million. Boston would receive \$32.8 million, an increase of \$3.7 million.

Other funding changes included in the budget are:

- **Community Policing Grants:** An additional \$10 million has been recommended, increasing the amount available from \$5 million to \$15 million. In 1994, Boston received \$421,855 in grants.
- **Water & Sewer Rate Relief:** The Governor has proposed an increase in last year's fund from \$30 million to \$40 million.

### **FISCAL 1995 EDUCATION AID FOR BOSTON**

The Governor's recommended Chapter 70 aid for Boston is \$75.6 million, an increase of \$9 million. Chapter 70 aid is composed of three major categories:

- **Base aid:** Total of 1994 base, and minimum aid to BPS. Boston's 1995 base aid is \$62.1 million, a \$2.8 million increase.
- **Tax Equity Aid:** Aid to the City to offset taxation for school purposes above the required standard of effort would increase by \$7.5 million to \$12 million.
- **Minimum Aid:** Per pupil aid of \$25 per child, down from \$50 in 1994. Boston is expected to receive \$1.5 million, a cut of \$1.3 million.

*The proposed school supplementary budget, now before the City Council, may modify these numbers. Allocation of these funds must be approved by the City.*