

Bureau Update



BOSTON MUNICIPAL RESEARCH BUREAU

February 1998

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BUREAU ELECTION

The Bureau's Board of Directors elected **L. Carl Gustin** Chairman of the Bureau for 1998-99. Mr. Gustin is Senior Vice President of the Boston Edison Company and will serve as the Bureau's 18th Chairman. Mr. Gustin has been a Board member since 1992 and has served as Vice-Chairman for the past two years. He succeeds **Richard A. Soden**, a Partner at Goodwin, Procter and Hoar, LLP.

Other Officers for 1998 are:

Vice Chairman:

Thomas E. Moloney, CFO, John Hancock
Mutual Life Insurance Company

Treasurer:

Pamela G. McDermott, President,
McDermott Ventures

President:

Samuel R. Tyler

WELCOME NEW DIRECTORS

David W. Allen, Senior Vice President,
The New England

Terence M. Clarke, Chairman, Clarke &
Company

ANNUAL MEETING WRAP-UP

On February 4, the Mayor addressed a crowd of 300 at the Bureau's 66th Annual Meeting. The Mayor thanked the Bureau for "time and time again...being a crucial partner to the City of Boston - as a watchdog, an ally and often, as a catalyst for change."

In his speech the Mayor highlighted several initiatives to improve the delivery of city services and how the City spends funds. The Mayor also noted the movement on the development front including the Midtown Cultural District and Seaport District Master Plan. He called for a Mass. Pike Air Rights Master Plan before any individual project moves forward. Since the Annual Meeting, the Mayor and James Kerasiotes, Chairman of the Mass. Turnpike Authority, have reached an agreement on a Master Plan for the air rights over the Mass. Pike.

CONVENTION CENTER PHASE 2

Up until now most of the debate and authorization for the financing and building of the proposed Boston Convention and Exhibition Center (BCEC) in South Boston have taken place at the state level. Now the focus shifts to City Hall and Wednesday, March 11, 1998. On that day, three steps must be taken in order for the BCEC to move forward. These steps are:

- ☑ Mayor and City Council must approve the convention center project as described in the Convention Center Development Plan.
- ☑ Mayor and City Council must authorize the borrowing of \$157.8M to meet the City's legal financial commitment to the project.
- ☑ The BRA and Massachusetts Convention Center Authority (MCCA) must agree to terms and conditions of a deed for the site of the project.

A convention center development plan describing the project was released by the BRA in February. The Administration also issued an explanation of the City's financial plan which included cash flow projections and revenue and expenditure assumptions. The building of new hotel rooms in Boston is the most important factor in the City's financing of the BCEC. The City Council has held five hearings on the project, two of which were in South Boston. On February 25, the Council gave first approval to the borrowing of \$157.8M in bonds or notes. The second vote will occur on March 11. Accompanying the deed is a memorandum of understanding which sets forth the pre-conditions for the delivery of the land by the BRA to the MCCA.

After March 11, the next trigger that must be met for the project to move forward comes on or before December 31, 1998. At that time, a feasibility study must be completed by the BRA and MCCA that projects to a reasonable satisfaction that a specified number of hotel rooms will be in service prior to the start of operations of the convention center.

The Research Bureau will issue its financial analysis of Boston's share of the convention center costs prior to March 11. This analysis will test the revenue and expenditure assumptions of the financial plan and determine the feasibility of the project even under a downside scenario.

BCAB ISSUES REPORT

On January 28, the Boston Compensation Advisory Board (BCAB) submitted its review of the salaries of department heads and elected officials. The BCAB was established in 1986, to provide independent judgment and help depoliticize the salary issue in Boston. The BCAB consists of five members appointed by the Mayor, two of whom must have experience in the field of personnel management. In 1986, department head positions established by ordinance, were separated into salary ranges.

These salary ranges are a guide for the Mayor who is responsible for setting the individual salaries within those ranges. This year, the Board reported the need for compensation in the City to be competitive with the private sector. The report concluded that "this is not a time for tiptoeing quietly, but rather a time for breaking away from traditional thinking in this matter." With that in mind, the Board recommended:

- an increase in the department head ranges of 8%.
- the inclusion of the Director of Management Information Services in a higher salary range.
- an increase in City Councilor salaries of 15% for a total salary of \$62,500, up from \$54,500.
- an increase in the Mayor's salary of 14% for a total salary of \$125,000, up from \$110,000.

The last time the Mayor and Council salaries were adjusted was in 1994. Since 1994, department head salaries have increased by at least 3% each year.

The question now comes up as to whether the change in the department head ranges is warranted. Under the existing ranges established in 1994, 19 of the 22 covered positions have salaries which are under the midpoint of the range. The existing salary ranges have ample room for the Mayor to increase department head salaries. Such change should be based on performance.

SCHOOL BUDGET

On February 18, the Superintendent released his FY99 recommended budget of \$547.5M to the School Committee. This is an increase of \$40.6M or 8% over the FY98 approved budget of \$506.9M. In FY99, salary expenditures are budgeted to increase by \$27M or 8%, the largest annual increase since FY91. This spending is driven by new collective bargaining agreements and the addition of 205 new positions to the payroll to support expected enrollment growth of 808 new students. On March 4, the Superintendent recommended that this budget be reduced by \$4M, bringing the revised total to \$543.5M, an increase of 7%. Over the next few weeks the Superintendent and School Committee expect to make further cuts in this recommendation in order to bring their budget more in line with City Hall expectations.



Meanwhile, the BPS still projects a \$6.1M budget problem in FY98 due primarily to overspending in salaries and wages, employee benefits and purchased services. Last month, the Superintendent implemented a budget reduction plan that was intended to allow the BPS to end the year without a deficit. However, with only four months remaining in the fiscal year, the BPS has only identified about \$4M in cuts, leaving a gap of \$2.0M. It should be noted that a similar reduction plan was implemented last year to cover a \$7.5M problem. Eventually, the BPS required a \$3.5M supplemental appropriation to deal with its budgetary shortfall.

The Superintendent's FY98 budget reduction plan does not adequately address how the BPS plans to end the year without a deficit. With only 4 months remaining in FY98, further reductions need to be identified immediately. The FY98 budget was supposed to be

more realistic with no need for a supplemental appropriation. Policy decisions made after the budget is set should not be approved unless available resources are identified to support the full implementation.

CELLUCCI'S FY99 BUDGET

On January 27, Governor Cellucci presented his \$19.1B budget for FY99. This budget reflects an increase of \$648M or 3.4% over anticipated FY98 state spending. FY99 state base tax revenues are projected to grow by approximately 4.9%, down from a projected 5.2% in FY98. Key items in the budget that will impact cities and towns include:

- fully funding the sixth year of education reform
- a continuation of the gradual elimination of the cap on lottery distributions
- a call for the hiring of 4,000 new public school teachers next year in districts with high student-to-teacher ratios
- the allocation of \$40M to pay for a portion of the cost of these new teachers
- a new school spending rule called the 90/10 rule. This requires school districts to spend at least 90% of all new Chapter 70 money in the classroom.

Cherry Sheet local aid is recommended at \$4.2B, an increase of \$309.7M, 8% over FY98. Under this recommendation, Chapter 70 school aid will increase by \$273M and lottery aid by \$34.7M. For Boston, the Governor's budget recommends an increase of \$36.6M in Chapter 70 funds for a total of \$180.8M. A portion of the Chapter 70 money will be used for Charter Schools (\$12.1M FY98). Lottery funds for Boston are recommended to increase by \$2.6M, for a total of \$50.5M.

CHARTER SCHOOLS

On February 25, the state Board of Education approved 12 new charter schools statewide. Five new charter schools will operate in Boston, bringing the total in the City to nine. Three new schools were granted Commonwealth charters and two existing BPS pilot schools were granted Horace Mann charters. Commonwealth charters operate independent of local school district and union control and are funded through Chapter 70 school aid. Following local and state approval, Horace Mann schools operate independent of local school district rules but are financially dependent on school district funds. Currently, 4 charter schools operate in Boston and enroll a total of 1,448 students. A fifth Boston-based charter awarded to Youthbuild USA in 1996 was terminated by the state Board of Education this month for financial and programmatic reasons.



BOSTON'S 5 NEW CHARTER SCHOOLS

Commonwealth Charters	Grades	First Year Enrollment	Opening
Conservatory Lab	K-3	55	FY00
Roxbury College Preparatory	5-6	144	FY00
South Boston Harbor Academy	5-7	120	FY99
Horace Mann Charters			
Boston Evening Academy	9-12	150	FY99
Health Careers Academy	9-12	220	FY99