

BOSTON



# A City in Transition

*Managing Change and Retaining  
Financial Stability in Boston*



April, 2014

## **Boston Municipal Research Bureau**

The Research Bureau is a nonprofit research organization established in 1932 to promote more efficient, effective and responsible government for Boston. Independent and nonpartisan, the Research Bureau develops objective analysis and accurate data to support sound management of city government and to bring an unbiased analytical perspective to the finance, education and public policy choices made in Boston.

### **Acknowledgements**

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This report was made possible by a grant from the Barr Foundation which recognized the importance of a comprehensive benchmark report that could serve as a resource for the first new Mayor and Administration in twenty years.

### **Research Bureau**

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We would like to recognize the special project staff that were instrumental in the preparation of this report.

Paul D. Momnie ■ Edward C. Harvey ■ Dasha Tsibulskaya

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April, 2014

Dear Colleagues,

We are pleased to present this Boston Municipal Research Bureau publication, [\*A City in Transition: Managing Change and Retaining Financial Stability in Boston.\*](#)

As Boston enters a new period with the first new Mayor in twenty years, we have prepared a unique and comprehensive examination of Boston's financial management, its development process and its organizational structure at the end of the Menino Administration. In particular, this publication identifies and describes the policies, practices and actions that enabled Boston to maintain financial stability and fiscal health through good and difficult economic times over the twelve years from fiscal 2002 through fiscal 2013, which included the worst recession in decades.

The report is intended to be a practical resource to help guide the Walsh Administration in understanding the financial, management and development operations of the City and the organizational structure within which they operate. From the comprehensive financial analysis emerges a better understanding of the lessons learned that can provide a framework for recommendations for the Walsh Administration. The City must now wrestle with balancing its policy and service objectives with the fiscal limitations it faces due to legislative restrictions, growing salary and benefit costs, and declining federal and state funds available for operations.

The sections of the report on the development process and the City's organizational structure in 2013 were made available to the Walsh Administration prior the full report's publication so that they could be of assistance when planning its Cabinet structure and evaluating the City's development system.

This report represents how the Research Bureau serves the City through independent research and analysis of policy issues important to its future.

Sincerely,



Matthew J. Kiefer  
Chairman



Samuel R. Tyler  
President

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## Executive Summary

As the Walsh Administration begins its management of the City of Boston, a look at Boston's recent past and its resiliency through cycles of both economic growth and downturn will help to shape the policies of the City's financial future. This report examines the fiscal management of the City over the twelve years from fiscal 2002 through fiscal 2013. Fiscal 2013 is the end point to keep the focus on actual results. The report also includes sections on the City's development process and its organizational structure at the end of the Menino Administration.

To put the report in context, it is helpful to summarize where Boston stands now. Currently in fiscal 2014, the City of Boston is a \$2.6 billion operation which depends on the property tax for two-thirds of its operating revenue. Eight budget accounts represent 84% of the total operating budget. Government is labor intensive and almost 70% of city spending is tied to employees through compensation and benefits. This situation places high importance on careful management of personnel levels and collective bargaining settlements.

The City negotiates with 40 unions representing 91% of Boston's total workforce. External funds consisting mainly of state and federal grants totaled \$306.9 million in fiscal 2014. These funds support services that are earmarked for specific purposes and they have been declining in recent years. The City's five-year capital budget totals \$1.8 billion in fiscal 2014, which is primarily allocated to six line departments. Keeping the City in a healthy financial position and Boston's strong debt policies have resulted in City's current bond ratings being the highest in its history.

### Financial Management

The City has an obligation to develop and manage its budget so that annual expenditures stay within available revenue to insure the year does not end in a deficit. Boston has succeeded in meeting that obligation each year of this study and, indeed, since fiscal 1986. Achieving this feat starts with developing the budget with conservative revenue estimates and realistic spending plans. A structure for carefully reviewing personnel levels is necessary given the large extent to which total spending is tied to employee costs. Disciplined management of collective bargaining negotiations, capital budgeting, debt planning and employee benefits are necessary. A strategic plan to address the City's unfunded pension and retiree health insurance liabilities is also needed.

A comprehensive examination of the City of Boston's fiscal management has shown that the City succeeded in maintaining its fiscal health and continuing to deliver basic services over the twelve years of this study even while dealing with economic downturns and the worst recession in decades. Personal spending was controlled through a 6% reduction of employees during this period and salary increases in contract negotiations were manageable and came with incremental reforms. The public safety arbitration awards in fiscal 2004, 2010 and 2013 were the exceptions. Fiscal stability was enhanced through the building up of reserves and their disciplined use. Careful planning has put the City in the position of reaching full funding of its pension liability by 2025 and annual appropriations since fiscal 2008 are building up a trust fund for investment to help finance the retiree health insurance liability. In recent years, health insurance costs have been

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controlled through legislative reform and negotiations with the Public Employee Committee of union leaders. Boston now relies less on nonrecurring revenue for recurring expenses. A relatively strong regional economy, tight fiscal management and conservative debt policies have contributed to the City's bond ratings being increased two times in this period by Moody's Investors Service and Standard & Poor's. Pursuing legislation and other initiatives have enabled the City to diversify its operating revenues further, but its reliance is still primarily on the property tax, which places great importance on new development each year. Continuing to challenge the City are the reduction of state aid to Boston over the study period and minimal growth in the past few years, the reduction of federal and state grants that puts more pressure on the operating budget and its inability to establish new revenue sources on its own.

## Where the Money Comes From

The City has typically been conservative in its revenue estimates when building its annual operating budget, a practice that has helped it to end each year of this study and prior years in a positive position. Also, reserves are established for known upcoming expenses such as collective bargaining contracts and funds are encumbered for vendor contracts for which payment is anticipated. Being conservative in its revenue estimates has allowed the City to handle unanticipated expenses or shortfalls in revenue estimates. Unlike other major cities in the country that have a more diversified revenue stream, Boston relied on the property tax and state aid for 81.7% of its operating revenue in fiscal 2013. The major sources of the City's revenue and steps taken to increase revenues are described below.

**Property Tax** The City of Boston is heavily reliant on the property tax to support its operating budget. In fiscal 2013, the actual net property tax was \$1.64 billion, which represented two-thirds of the City's total

operating revenues of \$2.5 billion. However, under Proposition 2½, the City's property tax levy cannot exceed 2.5% over the prior year's levy limit. Between fiscal 2002 and fiscal 2013, total property value in the City has increased by \$38.0 billion or 70.1%. This growth has been heavily concentrated in residential property, while the growth in taxes has remained concentrated with business property due to the City's application of classification.

New growth, primarily from new construction of taxable property, is a critical component of the annual tax levy increase. During the last twelve years, new growth represented 50% or more of the total tax levy increase in seven years and constituted 49% of the levy increase in three other years. Revenue from new growth creates a heightened importance for new development in Boston as a major revenue source for the City, especially commercial development in the Downtown, Back Bay and Seaport District of South Boston.

**State Aid** As the City's second largest revenue source, state aid totaled \$403.3 million in fiscal 2013, but in recent years its share of the City's total operating revenues has been declining. State aid, net of teacher pensions, has decreased from \$522.7 million in fiscal 2002 to \$403.3 million in fiscal 2013, a decrease of \$119.4 million or 22.8%. As a share of the City's total operating revenue, state aid has decreased from 22.8% to 16.1% during this period. Chapter 70 education aid is the largest local aid account for Boston, but over the four years since fiscal 2009, it has decreased from \$221.4 million to \$207.9 million in fiscal 2013, a decrease of \$13.6 million or 6.1%, further reducing its share of the School Department budget.

To help mitigate the loss of Chapter 70 school aid that follows Boston students attending Commonwealth charter schools, the state has designed a reimbursement mechanism which returns to the City 100% of the funds the first year a student attends a charter school and 25% in each of the next five years. The

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reimbursement is subject to appropriation and in fiscal 2014 the state budget covers only 62.2% of its reimbursement obligation, which for Boston represents a loss of \$10.3 million.

**Excise Tax Revenues** Excise tax revenue represents a small but important source of recurring revenue for Boston. Excise taxes are currently imposed on motor vehicles, vehicle rentals, boats, condominiums, jet fuel, hotel and motel room occupancy and restaurant meals. Since fiscal 2002, revenue from excise taxes has risen from \$80.6 million to \$174.4 million in fiscal 2013, an increase of 116.2%. Excise growth is due to a number of factors including the authorization of the 0.75% meals excise, a 2% increase in the room occupancy excise and the transfer of the entire room occupancy excise to the General Fund.

**Payments-in-Lieu-of-Taxes (PILOTs)** Payments-In-Lieu-of-Taxes (PILOTs) from public and private tax-exempt entities represent an important source of revenue for Boston. The City instituted a new PILOT program in fiscal 2012 based on property values and community services for the 49 largest private tax-exempt institutions. This new PILOT program has resulted in total payments of \$23.2 million in fiscal 2013, an increase of \$8.1 million or 53.2% since fiscal 2011. Massport paid \$18 million in fiscal 2013.

**Budgetary Fund Balance (Free Cash)** Budgetary fund balance, more commonly called free cash, is available to the City for appropriation once it is certified by the state's Bureau of Accounts. Generally, free cash is created by the accumulation of year-end operating surpluses over time and overlay surpluses certified by the Commissioner of Assessing. The City has a Fund Balance Policy to ensure that the City has adequate reserves before it appropriates free cash. The City must maintain an unassigned fund balance that is based on 15% of GAAP operating expenditures and 10% of budgetary

expenditures. On March 23, 2013, the state certified Boston's free cash at \$217.3 million, of which \$40 million was appropriated in the fiscal 2014 budget. Maintaining a healthy budgetary fund balance is important to Boston and consequently these funds have been applied strategically to one-time expenses, additional support during times of economic downturn and more recently to fund the City's annual appropriation to the OPEB Trust to help fund the retiree health insurance liability.

**Revenue Initiatives** Under Massachusetts law, the City of Boston has comparatively little authority to raise local revenue which makes it exceptionally dependent on a limited number of revenue sources, mainly the property tax. This situation also makes it hard for Boston to compete on an equal footing with other major cities nationally and internationally. Consequently, the City must take advantage of opportunities to propose or support legislation that provides revenue flexibility for municipalities and take other initiatives that help expand its operating revenues. A few examples of actions taken by the City in recent years to increase operating revenues include:

- Advocated for a new meals excise tax which was included in the Municipal Relief Acts of 2009 and later adopted the meals tax excise and increased the existing room occupancy excise tax by 2% in fiscal 2010
- Successfully pursued the ability for the City to tax telecommunication property
- Secured legislative authority to determine its overlay amount for abatements rather than use a percentage set by law, which provided more property tax revenue for operations
- Updated a different group of fees and charges every few years which has kept them better aligned with the cost of providing the services



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## Where the Money Goes

The size of the City of Boston's operating budget is determined by the realistic estimates of city and state revenues for municipal services. The scope of services provided by the City is determined by the policy choices made by the Mayor and City Council. The City's operating expenses have increased from \$1.8 billion in fiscal 2002 to \$2.5 billion in fiscal 2013, an increase of \$686.5 million or 37.9%. Inflation increased by 29.7% during that period. The fiscal 2014 budget is \$2.6 billion, an increase of \$108.7 million or 4.4% over fiscal 2013. Expenses for salaries and employee benefits represented two-thirds of the operating spending in fiscal 2013. Thus, managing personnel levels is essential for controlling city spending.

Collective bargaining is a driver of employee spending and also a vehicle for establishing new efficiencies or reforms. Three police contracts, the firefighters' contract and the EMT contract have yet to be settled. Outside of departmental and benefit expenses, debt service, state assessments and capital spending represent key demands on city resources. In addition to efforts to increased revenue support, the City has benefitted by two initiatives involving the transfer of service responsibilities to the Commonwealth.

**Top Budget Accounts** The City of Boston's operating budget is not different from most public sector budgets in that a small number of budget accounts represent a top-heavy share of the total spending. In Boston's case in fiscal 2013, eight budget accounts out of a total of 64 accounts totaled \$2.1 billion or 83.5% of the total spending and only four of those accounts were city departments providing municipal services to the public. These top eight accounts also represented 86.9% of the total growth in the city budget over the past 12 years.

**Personnel Expenses** City government is labor intensive and in fiscal 2013 salaries and

employee benefits totaled \$1.703 billion or 68.2% of the City's actual General Fund spending. Of that total, salaries of \$1.207 billion constituted 70.9% of total personnel spending and 48.3% of total operating expenditures. Pension and health care costs totaled \$414.8 million or 24.3% and other personnel expenses, such as unemployment compensation, Medicare payments and the OPEB Trust appropriation cost \$81.5 million or 4.8% of personnel spending.

Pension and health insurance benefits have increased by \$140.0 million or 51.0% since fiscal 2002. Fiscal 2013 spending for employee benefits was \$14.0 million, or 3.3%, less than in fiscal 2012, due to recent policy savings in health insurance expenses in recent years. Health insurance as a percent of the City's total operating spending grew from 7.7% in fiscal 2002 to 11.3% in fiscal 2013.

With municipal health insurance costs growing at a faster pace than the operating revenues and health insurance reform legislation pending, the City engaged in "coalition bargaining" with the Public Employee Committee (PEC) of union leaders which produced a four-year agreement estimated to save approximately \$70 million through fiscal 2015. The agreement involved increases in the employee share of health plans and member co-pays for prescriptions and office visits. By taking this step, the City did not adopt the option of joining the state's Group Insurance Commission. The City did execute the new state law requiring that all Medicare eligible municipal retirees enroll in Medicare. These and other changes resulted in a decrease in health insurance costs in fiscal 2013 and a slight increase in fiscal 2014.

The City's expense of \$137.0 million for the State-Boston Retirement System's (SBRS) pension obligation makes it the sixth largest cost account in fiscal 2013. The last actuarial valuation as of January 1, 2012 indicated that the SBRS was 70.7% funded with an outstanding unfunded liability of \$1.5 billion.

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The City's schedule to reach full funding of its unfunded pension liability by 2025 is built on the annual pension appropriation increasing by 9.25% each year through fiscal 2025. If full funding of the pension liability is reached in fiscal 2025, the City's pension cost in fiscal 2026 would be reduced by approximately 77% as the amortized portion of the liability would have been fully paid.

The City's largest unfunded employee liability is its retiree health insurance or Other Post Employment Benefits (OPEB) liability. As of June 30, 2013, the OPEB unfunded liability was \$2.1 billion, a 30% reduction from \$3.1 billion in 2011 as a result of all Medicare eligible retirees enrolling in Medicare plans, greater retiree cost sharing of health care costs and an increased discount rate from 7.25% to 7.50% for the City. The City established an OPEB Trust into which it has appropriated funds that now total \$272.4 million including investment returns. In both fiscal years 2013 and 2014, the City appropriated \$40 million to the Trust. The funded ratio is 9.1% which compares with the pension funded ratio of 70.7%. The City's Annual Required Contribution (ARC) if it adopted a formal funding schedule would be \$162.8 million in fiscal 2014. This year the City's net benefit payment for retiree health insurance of \$115.3 million and the \$40 million for the OPEB Trust total \$155.3 million or \$7.5 million under the ARC.

**Debt Service** Boston's debt service is the cost of principal and interest on the City's bond issues and is one of its top eight budget accounts. In fiscal 2013 debt service costs were \$129.2 million or 5.2% of operating expenditures, an increase of \$13.6 million or 11.8% since fiscal 2002.

**State Assessments** State aid is the City of Boston's second largest revenue source, but the actual amount of state aid available for city operations is reduced by the amount of state assessments or charges for services provided by the state or its authorities or for the reallocation

of funds. The two largest assessments, which represent 97.4% of total state assessments in fiscal 2013, are for MBTA services at \$78.3 million and charter school tuitions at \$89.6 million for Boston resident students attending Commonwealth charter schools in Boston or outside the City.

**Expenditure Initiatives** The City has worked closely with the Executive and Legislative branches of the Commonwealth to enact legislation beneficial to Boston. Two examples are the transfer of the Suffolk County Sheriff's Department to the Commonwealth effective January 1, 2010 and the transfer to the state of the responsibility for the payment of Boston teacher pensions and investment management of teacher assets in fiscal 2011. Approximately 1,000 Sheriff's Department employees were transferred to the state and became members of the State Retirement System effective January 1, 2010. Those who retired prior to that date remain members of the SBRs. The City transferred 27% of the market value of its pension assets to the state Pension Reserves Investment Trust (PRIT) to invest the assets, and starting in fiscal 2011, the state was responsible for the payment of the Boston teacher pensions as it has been for all other municipalities.

**Deficit Spending** The City has ended each year since fiscal 1986 with operating surpluses and budget accounts are balanced at the end of the fiscal year where required. However, Police and Fire Department spending for emergency situations, snow removal costs and Execution of Court expenses from court decisions are legally allowed to exceed their appropriations, but the excess spending still needs to be paid from city resources. Boston's total operating expenditures have exceeded total authorized spending in four of the last five fiscal years, but due to revenues generated beyond their budget estimates, the City has been able to cover these additional costs and still end the year with an operating surplus. Overtime spending in the Police and Fire Departments, snow removal and Execution

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of Courts have a tendency to exceed their authorized spending, which has made it necessary for the City to prepare for expenditures in excess of appropriated revenue estimates in its approved operating budget. For example, Police Department actual expenditures exceeded the authorized appropriations in nine of the twelve years since 2002, primarily due to overtime spent in excess of its budget.

## **Personnel Management**

Because of its large share of the operating budget, city-funded personnel levels are in essence a barometer of the City's financial position. In times of fiscal stress, reducing workforce numbers is one of the few tools the City has to reduce its spending over a short period. The number of city-funded employees as of January 1, 2013 was 16,532 and grant-funded employees totaled 1,438 for an all-fund total of 17,970.

From fiscal 2002 to fiscal 2013, employee levels have fluctuated in response to the economy, with sharp cuts followed by periods of growth. Service delivery decisions, improved productivity measures, and greater use of technology have allowed the City to maintain basic services with a smaller workforce than existed at the beginning of this study. Overall, the City of Boston has reduced its city-funded employee numbers by 1,038 or 5.9% in the 11 years from January 1, 2002 to January 1, 2013. To help assist with position management, the City created the Position Review Committee (PRC) to review and approve all departmental personnel decisions, including requests for new hires, employment contracts, compensation adjustments, upgrades, out-of-grade assignments, emergency hires and position-related issues.

## **Debt Management**

Debt management involves decisions regarding the amount, timing, purposes and structure of

debt issuance. The amount and timing of debt issuance have a significant impact on the City's annual operating budget because of required debt service payments for the principal and interest due each year. The City's debt management policy limits net direct debt to 3% of total assessed value, debt service to no more than 7% of General Fund spending, and aims to achieve amortization rates of at least 40% within five years and 70% within 10 years. Boston's current bond ratings from Moody's Investors Service (Aaa) and Standard & Poor's (AAA) are the highest bond ratings in the City's history, which translates into lower interest rates and dollar savings for the City. The City has been diligent in refinancing prior debt in order to take advantage of lower interest rates to reduce debt service costs. Between fiscal 2002 and 2013, the City issued General Obligation Refunding Bonds in 10 of the 12 years of the study. The City refunded a total of \$766.9 million in General Obligation debt resulting in a net present value savings of \$47.5 million. With the increase in interest rates, the opportunities for refinancing debt will be more limited in the years ahead.

## **Boston's Capital Plan**

Boston's capital plan is a long-term investment program for the City designed to promote economic development, neighborhood vitality, quality education, health care and public safety as well as to lay the foundation for future growth. A further goal of the capital plan is to support projects that will enable management to deliver necessary municipal services more effectively. The five-year capital plan for fiscal 2014 through fiscal 2018 totaled \$1.79 billion and includes \$195.9 million in new projects. General Obligation Bonds (GO) issued by the City will fund 71.8% of the total estimated cost over five years. Over the years, the bulk of the City's capital spending has been allocated among six line departments. During times of economic downturn, the City reduced its planned GO borrowing in some years to manage the increase in debt service costs, which

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resulted in the timing of some capital project being delayed.

## **Collective Bargaining**

Negotiations between the City of Boston and its public unions play a critical role in the City's ability to provide basic services cost-effectively and improve the service efficiencies of its departments. With over 17,000 employees in 2013, the salary and benefit increases negotiated in collective bargaining contracts significantly raise the spending requirements of the City and establish the base for added costs in future contracts. For example, the Boston Teachers Union six-year contract that will expire in August 2016 is estimated to cost \$156.3 million, of which \$136.5 million is allocated for salaries.

At the same time, employee contracts are the vehicles for establishing new efficiencies or reforms that enable services to be provided more efficiently or educational achievement to be improved. Thus, contract negotiations go beyond decisions on wages, hours and conditions of employment. Also, over the years, compensation has become more than salary increases as other factors such as step increases, longevity awards and sick day, vacation day and personal day buy-backs during the year or payouts upon resignation or retirement contribute to total compensation.

In fiscal 2013, salaries of \$1.207 billion constituted 70.9% of total personnel spending and 48.3% of total operating expenditures. Benefits such as health insurance and pensions accounted for \$414.8 million or 24.3% of personnel spending.

Boston's fiscal forecast is for continuing tight budget years ahead, which will require the City to manage a balance of reasonable salary increases for its public employees with management efficiencies to provide services

more efficiently. Employee levels will also need to be managed carefully to make this balance work successfully.

The City of Boston negotiates with 40 different unions that represent 91% of Boston's total workforce. Of the 40 unions, 35 unions representing 86.3% of all unionized employees have successfully negotiated new six-year contracts with the City to 2016. The Boston Police Patrolmen Association (BPPA) arbitration award for a 25.4% compensation increase was approved by the City Council on December 4, 2013. The City has not yet settled with the remaining three uniformed police unions, the firefighters union and emergency medical technicians union. The standard contract, excluding the patrolmen's award, provides for about a 12.3% salary increase over six years and language changes on a uniform set of personnel policies.

## **External Revenue Funds**

The City's fiscal 2013 operating budget of \$2.5 billion was complemented by \$329.9 million of external funds to produce an all-funds budget of \$2.8 billion last year. These external funds consist mainly of federal and state grants and also private funding, all earmarked for specific purposes. External fund revenues peaked in fiscal 2012 at \$350.1 million as a result of an influx of federal ARRA stimulus funds, but have declined rapidly, falling by \$43.3 million or 12.4% between fiscal 2012 and the fiscal 2014 budget. This decrease of external funds is expected to continue through fiscal 2015, with the School Department alone facing a cut of \$32 million next year. The decline of federal and state grants has placed more pressure on the operating budget to fund selected departmental services deemed essential to program delivery. In fiscal 2013 and fiscal 2014, 24 city departments received some level of external funding to help support their services, but six departments have

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received over 90% of the total external funds through most of the period of this study.

## Conclusion and Recommendations

This report is the product of a comprehensive assessment of the City of Boston's policies, practices, and initiatives over the twelve years from fiscal 2002 to 2013 in an effort to explain how the City managed through the end of one recession and the worst recession in decades and stands today as a City in relatively good financial position. From this analysis emerges a better understanding of the lessons learned that can be a guide and resource for the Walsh Administration as it now must wrestle with balancing the policy and service objectives with the fiscal limitations it faces due to legislative restrictions, growing salary and benefit costs and declining federal and state funds for operations. The findings of this report provide a framework for recommendations made to serve as a useful guide for Mayor Walsh and his Administration to provide basic services and maintain the strong fiscal health of the City.

## Financial Management

**Estimate Revenues Conservatively** The policy of building a budget based on conservative revenue estimates has served the City well over the past twenty years that have all ended with small operating surpluses. This policy, especially in times of economic slowdown, has enabled the City to offset revenue sources that generated less than estimated or cover expenses that exceeded approved appropriations, particularly in the service areas of public safety, snow removal or court judgments.

**Promote New Growth** With the property tax representing two-thirds of the City's total operating revenues and increases in the existing tax levy limited by Proposition 2½, new growth is a critical component of increasing the annual tax levy to meet rising expenses. New growth of

business property is most beneficial to the City for revenue generation because of its higher absolute values and the City's application of classification.

**Maintain Healthy Reserves** The City's treatment of its Budgetary Fund Balance (Free Cash) as a non-recurring revenue that should accumulate to a set standard before it can be appropriated for limited purposes should be continued. Maintaining an unassigned fund balance that is based on 15% of GAAP operating expenditures and 10% of budgetary expenditures and limiting its appropriation has enabled the City to build up reserves and apply it to one-time expenses or more during economic downturns. Recently free cash has funded the appropriations to the OPEB Trust. The rating agencies look positively on healthy reserves since they provide ample liquidity for the City's operation if unexpectedly needed.

**Fully Fund Pension Liability by 2025** The City should maintain its schedule to reach full funding of its pension liability by 2025. No policy decision should be made that would delay that timetable. The City should continue to pay the annual COLA to retirees, but any decision to increase the COLA base should be evaluated by how it would affect the 2025 schedule. Fully funding the pension liability in 2025 would reduce the City's pension cost in 2026 by approximately 77% and those funds could be allocated to help fund the larger OPEB liability.

**Fund the OPEB ARC** The City should increase its annual contribution to the OPEB Trust over the next three years so that when combined with the retiree health insurance appropriation, it at least meets the Annual Required Contribution (ARC) as established by the most recent Actuarial Valuation statement. The fiscal 2014 health insurance budget for retirees is \$115.3 million and \$40 million was added to the OPEB Trust for a total of \$155.3 million. The ARC, which represents the liability incurred by active



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employees, is \$162.8 million or \$7.5 million more than what the City funded.

**Pursue Legislative Initiatives** As the Commonwealth's capital city and source of much of its economic activity, the City of Boston should pursue legislative opportunities to increase the diversity of its revenue sources. Boston's inability to establish its own revenue sources to support its services places it in a competitive disadvantage with other major cities in the country which is why the City has advocated for new revenue sources and partnered with other Massachusetts cities in supporting municipal relief legislation when the occasion arises.

**Update Fees and Charges** Updating a different group of fees and charges every few years has enabled the City to keep them aligned to some degree with the actual cost of providing the service and, in aggregate, has produced an important increase in city revenue. Since fiscal 2002, the modification of fees and charges has created approximately \$29 million in additional General Fund revenue.

**Keep Focus on Revenue Collection Process** The City should continue its robust process for the collection of property taxes given that two-third of the total operating revenues come from this source. The City utilizes a combination of letters and calls to remind taxpayers of the tax bill that is due and pursues the legal steps for delinquent property tax bills, including placing a lien on the property by taking legal title. The City is also participating with the state Department of Motor Vehicles in its program that will not allow a license to be renewed unless all parking violations of the driver are paid. In fiscal 2013, the City succeeded in collecting 99.1% of the gross levy.

**Manage Personnel Levels** Managing personnel levels is essential to controlling overall General Fund expenditures since spending on employees represents almost 70% of the City's total operating costs. In fiscal

2013, salaries alone represented 48.3% of total General Fund spending, benefits 16.6% and other related expenses 3.3%. The task of monitoring personnel levels and evaluating requests for an increase in new positions, filling budgeted vacancies or determining when staff reductions are required should be an integral part of the budget process, but directed throughout the year by a permanent entity or process. Since 2002, that responsibility has been undertaken by the Position Review Committee. As a result, over the past 11 years, the City's city-funded workforce decreased by 6% as a means of controlling spending and contributing to ending each year with an operating surplus.

**Be Disciplined in Creating the Budget** Approving a balanced budget is a basic principle of fiscal policy, but one that requires discipline in light of the demand for services beyond what the City can afford and the temptation to be less conservative on revenue estimates to accommodate additional spending. Developing a budget based on realistic and preferably conservative revenue estimates is an important first step. Projecting the future financial impact from current spending for operations, collective bargaining contracts, the City's capital program, debt service, employee benefits, state assessments and external fund trends is a necessary exercise before finalizing the budget recommendation for the next fiscal year. Managing the current budget is essential to insure that spending is kept within budget parameters and adjustments are made if necessary during the year.

**Collective Bargaining Guidelines** The result of the collective bargaining process is a significant driver of operational spending with 91% of Boston's total workforce represented by 40 different unions. The City should strive to balance providing a fair wage increase with efficiency measures that would enable services to be provided more cost effectively or student achievement to be improved. Related issues include:

- The City should be represented by a team at the negotiating table that includes finance, labor relations officials and one or more managers from the appropriate department or service. The team should work collaboratively to understand the full cost assessment of each salary, benefit and language change in its own proposal and in each union proposal before moving to the next step in negotiations.
- As part of the finance-labor partnership, the negotiating team should be given a realistic financial number to negotiate the reform and efficiency language sought in the contract and salaries.
- Follow a more open process in communicating about contract status and objectives so the public and taxpayers are more aware of the expectations and cost factors after they have been placed on the bargaining table and discussed.
- When negotiating with the civilian unions, be prepared to use all the tools in the tool box to achieve the desired objectives, including implementing last best offer.

**Adopt Prudent Debt Standards** The City should adopt and follow the current debt standards or revised standards that are equally conservative and prudent. Following these standards and exercising strong financial management proved especially beneficial during economic downturns when municipal debt was more difficult to sell. During the last recession, the City was able to sell its GO bonds without insurance and each year received multiple bids at excellent rates. The City was also able to take advantage of the federal ARRA stimulus bond programs that allowed it to issue bonds at lower interest rates.

**Refinance Debt When Practical** The City should continue to refinance its debt by the issuance of refunding bonds to take advantage of lower interest rates to generate savings when

practical. Between fiscal 2002 and 2013, the City issued General Obligation Refunding Bonds every year except fiscal 2002 and fiscal 2006. The City refunded a total of \$766.9 million in General Obligation debt resulting in a net present value savings of \$47.5 million. With the increase in interest rates, the opportunities for refinancing debt will be more limited in the years ahead.

**Be Flexible on Bond Sale Schedule** The City's capital plan consists of a five-year plan that includes the amount of bonds that will be issued each year. In times of a slow economy and fiscal stress, adjusting the amount of bonds issued for one or two years has been a factor in managing the problem as a means of reducing the estimated cost of annual debt service.

**Fully Utilize Debt Service Standard** Boston's policy that debt service should not exceed 7% of the operating budget is a reasonable but still conservative standard. Boston's capital budget does not meet the capital requirements of its 127 schools or the demands for technology improvements. More capital funds should be devoted to infrastructure to support new development. In fiscal 2013 debt service costs represented 5.2% of operating expenditures. Capital expenses should increase to a point that debt service costs reach but do not exceed 7%.

**Work with Financial Experts** The legal and financial knowledge required for the complexity involved with the planning, preparation and timing of a General Obligation or Special Obligation bond issue requires particular expertise requiring outside professional firms to assist the City as its Financial Advisor and Bond Counsel. The City over the time of this study has utilized the leading firms in Boston and the country to serve in these capacities. This expertise is also needed with specialty bonds that may arise such as the ARRA Build America Bonds (BABs), Recovery Zone Bonds and Qualified School Construction Bonds (QSCBs) that the City

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sold in 2010. The City also relies on outside actuarial expertise for analysis tied to the City's pension and OPEB liabilities.

**Competitive Service Delivery (CSD)** The Walsh Administration should adopt the implementation of Competitive Service Delivery as a means of introducing competition to provide city services more efficiently. CSD is a process that encourages both public employers and private companies to bid on the delivery of selected municipal services. This program has been successfully implemented in other cities where it has produced improved city services, cost savings over time and better prioritization of resources. The goal of CSD is to ensure that city government (1) delivers services that it should, (2) delivers the services efficiently and (3) delivers the best quality at the best price to the taxpayers. This initiative was never implemented by the Menino Administration.

**Departmental Operation Review** A system should be established to provide a comprehensive management study of the operations of at least one major line department of the City each year. One comprehensive study a year would give department heads incentive to devote more attention to service efficiency and human resources issues, especially if there were no advanced schedule of which departments would be selected each year. At the start of his Administration, Mayor Walsh has initiated management operational studies for the Boston Redevelopment Authority and the Inspectional Services Department which we applaud. Continuing this process for one line department a year would help improve the efficiency of service delivery and better align limited public resources to serve the public.

## Organizational Structure

The City of Boston is a municipal corporation. Like all corporations, an efficient organizational structure is essential to the City's ability to cost-effectively administer the delivery of services. Over the nearly 200 year history of the City of

Boston, the organizational structure has constantly evolved to address changes in the City and its service needs. For that reason, city government looks today very different from the government described in the Charter and the Municipal Code. The chapter in this report on organizational structure provides a historical and present day perspective on the structure of Boston's government and how the administrative and legal structures function together. This section was previously released to Mayor Walsh's Transition Team to serve as a useful resource as the Mayor developed his own Cabinet structure. The Mayor's initial structure was announced on January 29, 2014. Since the purpose of this section was to describe, in detail, the City's organizational structure at the end of 2013, no recommendations were made.

## The Development Process

For a City that relies on the property tax for two-thirds of its operating revenue, new development is essential to maintaining its fiscal health, balance its budget, provide basic services and finance any new initiatives. New business development, especially for commercial development in the high-value urban core and now the Seaport District, is most beneficial to the City in terms of revenue generation.

Important to development success in Boston are policies regarding the operation of the Boston Redevelopment Authority (BRA) and refinements to the City's Zoning Code. These policies, which include real estate tax incentives, development exactions, and mitigation review, have and will continue to affect the growth of new development projects in Boston. For that reason, this report included a separate chapter that provides an overview of the development process, including the history and authority of the BRA, Zoning Process, key policies of the City and the role of city departments, boards and commissions in the development process. From this work, the report offers a few recommendations for consideration.



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### **Inclusionary Development Program**

Conduct an evaluation of the Inclusionary Development Program (IDP) to gauge its effectiveness in creating housing for moderate income households, and determine if adjustments should be made. Consider raising the income limit to a higher percent of Area Median Income (AMI) to provide more funding for workforce housing or moderate income housing. Determine if a density bonus should be available in exchange for workforce units? Evaluate whether IDP requirements could be varied by neighborhood so that the income limits would be higher in high-value core neighborhoods. Evaluate whether the BRA should increase the amount of the buyout for developers for the delivery of new units in other project in the relatively same general area of the City.

**District Increment Financing District** Create one or more District Increment Financing (DIF) Districts in areas with multiple development sites, such as the Fairmount Corridor. By devoting a specific percentage of property tax revenues towards bonding for public improvements in the neighborhoods surrounding the anticipated development, a DIF could provide area residents tangible benefits flowing from new construction. These improvements could range from mitigation measures surrounding the site to new recreational facilities at a local park.

**Incentive Guidelines** Rather than provide incentives on a case-by-case basis, the City should consider creating incentive guidelines for redevelopment of sites with particular challenges, such as the Turnpike Corridor, or areas where the City wants transformational change, such as Dudley Square. Incentives could take many forms, from density bonuses to TIFs to streamlined permitting.

**Mitigation** The BRA should simplify mitigation requirements by stating them in a single comprehensive mitigation agreement

that would provide guidelines for mitigation and public benefits based on project size, cost and impacts to reduce case-by-case negotiations.

**Permit Streamlining** From the independent assessment of the City's permitting process now underway, the City should establish an improved permitting process that insures better coordination among the city departments and agencies that issue development permits. This process should provide for smoother ISD zoning and building permit review and expedited permitting for projects subject to Article 80 and those meeting planning goals such as transit-oriented development or workforce housing.

**Address Design Review Earlier** The detailed design review of a development plan should be initiated earlier in the review process so that suggested changes can be addressed sooner when plan modifications can be less expensive to achieve.

**Manage Departmental Comments** As part of the Article 80 development review process, departmental comments required in the scoping determination should be managed by an official in the Economic Development Cabinet to ensure timely responses.

**Develop a Joint Project Review Process** A simplified administrative appeal process for small projects should be created to relieve the Board of Appeal's case backlog and provide a more user friendly small project review. The Chief of Economic Development and the Chief of Environment and Energy should establish an inter-departmental BRA/ISD unit to jointly process projects subject to both BRA review and Board of Appeal relief.

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## Introduction

The purpose of this report is to provide a comprehensive examination of the City of Boston's financial management over the twelve years from fiscal 2002 through fiscal 2013 to explain how the City successfully managed through challenging economic times and still maintained a fiscally healthy position as of January 2014. In some instances, fiscal 2014 data is included when perspective or clarification is needed. The report also includes sections on the City's development process and its organizational structure at the end of the Menino Administration. From this analysis emerges lessons learned that are the basis of recommendations made in the report. These suggestions are outlined in the final pages of this report. *A City in Transition* sets the stage for continuing growth in Boston by learning from the past to guide the future.

## The Structure of the Report

This report focuses on three areas of Boston's government: 1) financial management, 2) organizational structure and 3) the development process. Each of these areas are intertwined and affect the financial stability and health of the City as a whole.

The Financial Management section, the largest section, reviews General Fund operations, grant spending and capital

spending. The General Fund is the primary focus of this report, examining where operating revenues come from, spending priorities, the implication of collective bargaining, debt management as well as the structure of the budget. Please note, there are instances where numbers in this report differ from the City of Boston financial statements. Those instances include: (1) Fiscal 2009, the report includes \$23.3 million of federal funding that was used for General Fund school purposes, (2) fiscal 2013, this report distributes the \$21 million collective bargaining reserve for unsettled contracts to the departments where the reserves will be applied once the agreements are ratified and (3) school spending nets out health insurance for school employees and combines it with the health insurance account for all other employees, making a more balanced comparison. Health insurance expenses are not included in the budget of any other city department but instead are budgeted in a central health insurance account. The Public Health Commission budget does include its health insurance expense.

Employee numbers in this report are stated in full-time equivalencies (FTEs). The fiscal 2014 data is not part of the analysis of this report but is included to provide context with the current year. The fiscal 2014 information is based on the June 2013 approved budget, not the later tax rate budget approved in December, which modified the June budget slightly.

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# 1.

# Financial Management

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## Financial Health Indicators

Assessing the City's financial health requires analysis of several financial indicators that will be undertaken in this report. Several standards are straightforward such as whether the City ends the year with an operating surplus or deficit or its bond ratings. Three key measures are the City's cash flow, its bond ratings and the City's budgetary fund balances. The City's cash flow is an accurate reflection of its financial health at any given time. Bond ratings are an outside independent assessment of the City's fiscal health. The budgetary fund balances are indicative of the City's ability to overcome unexpected expenditures or decreases in revenue during times of economic downturn. The annual financial audit by an outside certified public accounting firm also serves as an independent review of the City's financial position. As to year-end surpluses, the City has finished each year from fiscal 1986 to fiscal 2013 with an operating surplus and expects to do so in fiscal 2014 as well.

### Cash Flow

As a \$2.5 billion operation in fiscal 2013, the City requires a healthy reserve of cash to support its day-to-day operations without borrowing funds. To be in that situation requires a solid cash flow reserve balance, to which are added the annual revenues the City collects primarily from the property tax and state aid. In 1992, the City adopted state law (Ch. 59, s.57C/Ch.653, s.141, Acts of 1989) which authorized it to issue quarterly tax bills which it receives in August, November, February and May. The City also receives its annual state aid in quarterly payments. The City has not issued tax anticipation notes (TANs) since 1988, which since 1992 was due to the quarterly payments. With a robust cash flow balance, the City has the flexibility at times to advance cash for services in anticipation of grant receipts or for a particular capital project before the bonds are issued for the project. Once the grant was received or the bonds are sold, the City would repay the cash reserves by the amount utilized. As shown in the table below Boston does have a healthy

### General Fund End-of-Month Cash Balances Fiscal 2008-2014

(\$ in thousands)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14
<b>July</b>	\$964,125	\$914,382	\$1,055,722	\$979,209	\$829,903	\$920,015	\$1,082,365
<b>August</b>	931,790	873,859	1,037,852	954,515	888,874	940,206	1,051,423
<b>September</b>	906,303	870,116	966,445	940,787	772,519	914,600	931,135
<b>October</b>	950,603	809,804	977,341	890,839	845,824	1,014,017	1,102,151
<b>November</b>	867,062	842,027	927,851	923,062	890,134	1,003,768	1,093,515
<b>December</b>	786,370	896,395	781,347	725,861	761,995	916,684	905,488
<b>January</b>	876,276	901,785	902,410	829,575	869,822	1,097,659	1,060,808
<b>February</b>	827,375	929,254	982,327	790,116	915,249	1,075,560	
<b>March</b>	858,115	929,342	805,402	769,059	839,297	1,020,415	
<b>April</b>	942,479	1,029,689	923,559	903,443	978,551	1,096,145	
<b>May</b>	915,466	2,036,455	918,114	921,453	1,039,267	1,088,052	
<b>June</b>	924,644	998,855	1,005,930	956,680	1,011,186	1,105,478	

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cash flow which has been close to or at \$1.0 billion at the end of the last six fiscal years.

## Bond Ratings

The City's bond ratings are important indicators of the City's fiscal health by outside independent evaluators of the City's financial position. For Boston, the bond rating agencies of Moody's Investors Service and Standard & Poor's issue their assessments of the various financial indicators of the City's fiscal health to determine the bond rating each will assign as to the credit worthiness of the City and its bond offering. The higher the rating, the higher the City's credit worthiness and the lower interest costs the City will pay. The City's debt management policy limits net direct debt to 3% of total assessed value; debt service to no more than 7% of General Fund spending; aims to achieve amortization rates of at least 40% within five years and 70% within 10 years; and limits variable rate debt to 20% of the City's total currently outstanding bonded debt. By following this conservative debt policy, the City has been able to increase its bond ratings by both rating agencies two times since fiscal 2002. Boston's current bond ratings from Moody's Investors Service (Aaa) and Standard & Poor's (AAA) are the highest bond ratings in the City's history. For a more detailed explanation of the City's bond rating changes and the City's success in the marketplace, see the "Debt Management" section.

## Fund Accounting and Fund Balances

The City of Boston's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meet all requirements of the finance laws of the Commonwealth of Massachusetts. GAAP is a universal standard that allows the financial statements of the City of Boston to be

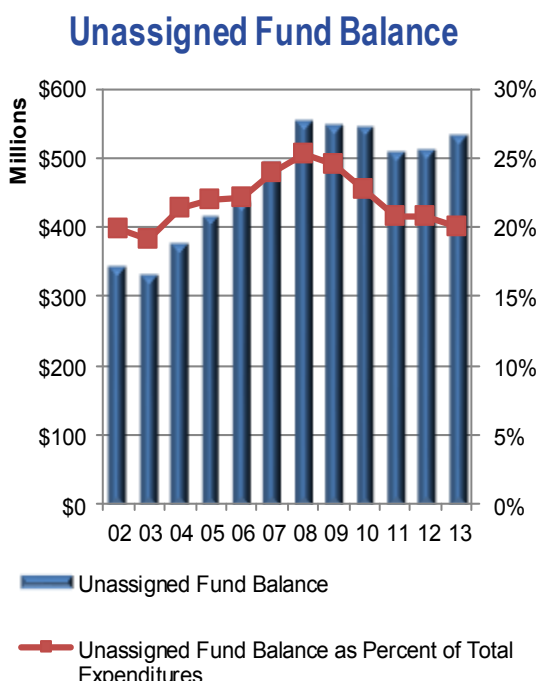
compared with the same statements of other major cities around the country. The City also budgets and maintains its books and records on a statutory basis of accounting as prescribed by the Massachusetts Department of Revenue, Division of Local Services, Bureau of Accounts. The accounts of the City are organized on a fund basis with three distinct types: Governmental Funds, Proprietary Funds and Fiduciary Funds. Each fund is considered to be a separate accounting entity. Within the Governmental Funds are the City's three primary funds of General Fund, Special Revenues Fund and Capital Projects Fund as well as a smaller Other Governmental Funds. The focus of the City's governmental funds is to provide information on near-term revenues and expenditures and the balances of spendable resources. Such information is useful in assessing the City's financial requirements. The GAAP unassigned fund balance can serve as a useful measure of the City's financial position at the end of the fiscal year.

## General Fund

The General Fund is the chief operating fund of the City, which accounts for all city resources except those resources which are legally required to be accounted for in different funds. The General Fund is the only fund for which a budget is legally adopted. The City has posted a General Fund operating surplus each year since fiscal 1986. Since fiscal 2002, the City has ended each fiscal year with an operating surplus ranging from a low of \$1.8 million in fiscal 2003 to a high of \$15.8 million in fiscal 2008. The General Fund surplus at the end of fiscal 2013 was \$8.2 million. After 28 years of operating surpluses, the City has accumulated a significant undesignated budgetary Fund Balance in the General Fund.

**GAAP Unassigned Fund Balance** The GAAP unassigned fund balance represents the City's

cumulative net income less the portions of the fund that are designated for specific obligations such as encumbrances and debt service. Because the property tax levy is limited by Proposition 2½, a healthy unassigned fund balance is integral to the City's fiscal health and its ability to mitigate revenue shortfalls or unanticipated expenditures. The City's General Fund-Fund Balance Policy seeks to have the City maintain a GAAP unassigned fund balance in the General Fund that does not go below 15% of the fiscal year's GAAP Operating Expenditures, while maintaining a Budgetary Unassigned Fund Balance at 10% or higher of Budgetary Operating Expenditures.



The GAAP unassigned fund balance at the end of fiscal 2013 was \$533.1 million, which represents approximately 20.6% of GAAP General Fund operating expenditures. However, the City is required to follow the budgetary basis of accounting rather than GAAP for determining the amount of unassigned fund balance that can be appropriated so it is the budgetary, not GAAP, fund balance that is used to calculate free cash.

Budgetary basis accounting and GAAP accounting each follows a different set of rules and therefore produces different balances. For example, with budgetary accounting, the entire property tax is considered revenue when levied, while with GAAP accounting, revenue is counted only after the cash is received by the City. Other differences include the methods of accounting for encumbrances, continuing appropriations and surpluses from the prior budget year. The City uses the budgetary basis to prepare balance sheets and financial statements to submit to the state Division of Local Services, Bureau of Accounts for certification of free cash. Once this budgetary fund balance is certified, it can be appropriated for operational expenses subject to any local guidelines. On March 23, 2013, the state certified \$217.3 million in free cash for the City, of which \$40 million was appropriated in fiscal 2014. More detail on how the City has applied free cash in recent years is explained in the "Where the Money Comes From" section of this report.

## Special Revenue Fund

Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal 2013 Special Revenue Fund balance is reported at \$132.9 million, a decrease of \$38.6 million from the prior year due to a reduction in federal education grants.

## Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The fiscal 2013 Capital Projects Fund balance is \$95.6 million, an increase of \$25.9 million over the prior year due mainly to unspent bond proceeds.

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## Other Governmental Funds

Other Governmental Funds account for assets held by the City in permanent trust funds. The fiscal 2013 Other Governmental Funds fund balance is \$76.5 million, an increase of \$36.4 million from fiscal 2012. Among the trust funds in this group are the Parkman Fund, the White Fund, the Cemetery Trust Fund, the Debt Service Fund, Dudley Square Realty Corporation and Ferdinand Building Corporation.

## Proprietary Funds

Proprietary Funds are used to show activities that operate more like those of commercial businesses. The active Internal Service Fund provides health insurance services to other funds, departments or agencies of the City. The City had self-insured the health plans administered by Blue Cross Blue Shield of Massachusetts and this activity is accounted for in the Internal Service Fund. Starting in fiscal 2013, the City moved to self-insure the Harvard Pilgrim Health Care plans which are accounted for the same way.

## Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government and are not available to support the City's own programs. One major fiduciary fund is the Employee Retirement Fund (the State-Boston Retirement System) which accounts for the transactions, assets, liabilities that constitute the unfunded liability of \$1.5 billion. A second fund is the OPEB Trust Fund, which is the irrevocable trust established for the accumulation of assets to reduce the unfunded actuarial liability of \$2.1 billion associated with the retirees' health insurance. Finally, also included are the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties. A few

examples of Private purpose Funds are the Browne Fund, the Neighborhood Housing Trust Fund, the Neighborhood Jobs Trust Fund and the Boston Charitable Trust Fund.

## Clean Financial Audit Opinion

The City is required by state law (Ch. 190, Acts of 1982) to have an annual financial audit by an outside certified public accounting firm. Through a public bid process, the accounting firm of KPMG, LLP was selected by the City to prepare its annual audit. The audit is conducted in accordance with generally accepted government accounting standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review of the City's financial position and results of operations. The City of Boston's Audit Committee's primary function is to provide oversight of the City's external and internal audit activities. This unpaid Committee consists of five Boston residents appointed by the Mayor and approved by the City Council. The Committee meets with KPMG on at least a quarterly basis, and presents its assessment of the activities of the Committee to the Mayor and the City Council each January. The City also undergoes an annual audit of its federal grants as required by the Single Audit Act and Office of Management and Budget Circular A-133.

## Other Financial Indicators

Other financial indicators could include the State-Boston Retirement System's (SBRS) funded ratio or the financial position of the Health Insurance Trust Fund. The last actuarial valuation of the SBRS was completed as of January 1, 2012 which indicated that the value of assets held by the SBRS is equal to 70.7% of its actuarial accrued liability. The 70.7% funded ratio ranks Boston in the top 24% of all 105 retirement systems in the Commonwealth. The City established the Health Insurance Trust Fund when it began to

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self-insure the health plans administered by Blue Cross and Blue Shield of Massachusetts and now starting in fiscal 2013, the plans by Harvard Pilgrim Health Care. The unrestricted net position of the Fund as of June 30, 2013 was \$67.0 million, which meets the City's reserve policy goal for the Fund.



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## Where the Money Comes From

Since the full implementation of Proposition 2½ in fiscal 1982, the City's annual operating budget has been revenue driven to ensure balanced budgets. With a property tax levy limit that cannot exceed 2.5% over the prior year's levy limit, the City's calculation of the next year's tax levy, its estimate of new growth and its other revenue sources for the next fiscal year determine how much the operating budget can change from the year before. Prior to fiscal 1982, the City could increase its property tax levy by any amount to ensure revenues met the expenditure budget.

The limit on Boston's property tax growth is important because the City is heavily reliant on the property tax to support its operating budget. In fiscal 2013, the actual net property tax levy was \$1.64 billion which represented two-thirds of the City's total operating revenues of \$2.5 billion. That same share applies in fiscal 2014 as well. The property tax in this report is stated as net property tax which is the gross tax levy less the overlay reserve for abatements and non-collection of taxes. State aid, the City's second largest revenue source, totaled \$403.3 million or 16.1% of total operating revenues in fiscal 2013.

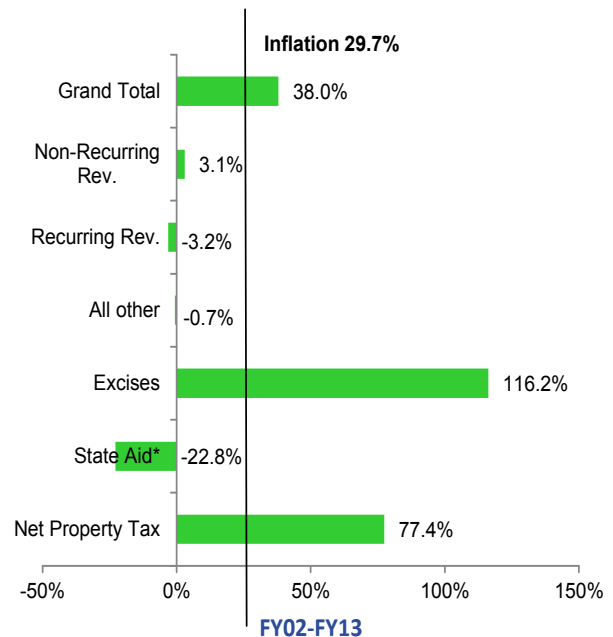
However, because state aid has been declining over the past several years, Boston's dependence on the property tax is greater now than it was in 1980, the year before Proposition 2½ started to be implemented. This point is demonstrated by the fact that during the period from fiscal 2002 through fiscal 2013, net property tax collections increased by \$717.0 million or 77.4% and its share of total operating revenue grew from 51% to 65.6%. During the same period, state aid decreased by \$9.4 million or 22.8% and its share of total operating revenue has dropped from 28.8% to 16.1%. State aid numbers are net of state

teacher pension reimbursements to ensure comparability of total revenues by year.

Together, the property tax and state aid are the two largest revenue sources for Boston, accounting for 81.7% of actual total operating revenues in fiscal 2013 and 81.5% in the fiscal 2014 budget. The growth in Boston's excise tax revenues has somewhat helped mitigate the decline of state aid.

In total, the City of Boston's General Fund operating revenues have increased by \$689.5 million or 38.0% in the period from fiscal 2002 to fiscal 2013. In that time, inflation, as determined by the Consumer Price Index for Boston, increased by 29.7%. While the growth in the City's operating revenues surpassed the increase of inflation, the City also experienced expenditure growth, especially employee costs such as salaries, health insurance, and retiree

### General Fund Revenue Growth



\* State Aid net of Teacher pensions

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benefits, that also have exceeded the rate of inflation.

Under Massachusetts law, the City of Boston has comparatively little authority to raise local revenue, which makes it exceptionally dependent on a limited number of revenue sources, mainly the property tax. This situation also makes it hard for Boston to compete on an equal footing with other major cities nationally and internationally. Consequently, the City must take advantage of opportunities to propose or support legislation that provides revenue flexibility for municipalities and take other initiatives that help expand its operating revenues.

That is why during the period of this report, the City took the following initiatives:

- Advocated for a new meals excise tax which was included in the Municipal Relief Act of 2009 and later adopted the meals tax excise and increased the existing room occupancy excise tax by 2% in fiscal 2010.
- Refinanced its convention center bond issues in fiscal 2011 that allowed the use of the room occupancy excise tax revenue and vehicle rental surcharge revenue that had previously been earmarked for the payment of convention center debt service to be used for its operational budget.
- Secured legislative authority (Ch. 46 of the Acts of 2003) to eliminate a legal requirement that Boston's overlay for abatements be between 5% and 6% of the tax levy. A 2.4% overlay in fiscal 2013 made available \$43.2 million more in the tax levy than if a 5% overlay were required.
- Secured legislative authority in fiscal 2004 that allowed the City to increase both towing charges and parking tickets for a towable offense. Both changes generated an

estimated \$9.6 million in additional General Fund revenues at full implementation.

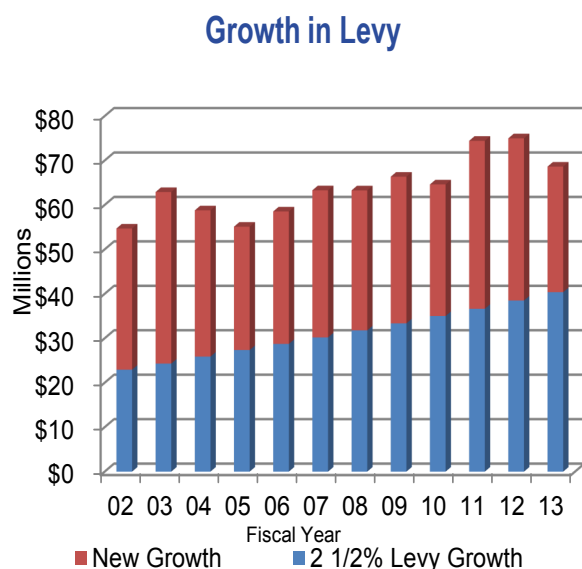
- Pursued the ability for the City to tax telecommunication property. In 2008, the Appellate Tax Board (ATB) rendered a decision that poles and wires of centrally valued telephone corporations located on public ways were subject to taxation at the local level starting in fiscal 2010. Legislation was enacted in 2009 based on the ATB decision.
- Updated a different group of fees and charges every few years which kept them better aligned with the cost of providing the service and generated increased revenue collections.
- City has improved the collection of property taxes involving letters and calls reminding taxpayers to pay their taxes and followed-up with legal steps to place a lien on property if payment was not received. The City has implemented a comprehensive accounts receivable management program that coordinates the collection of departmental revenue and has implemented a system that enables the taxpayers to submit payment for licenses, permits, fees and fines with credit and debit cards.

Most importantly, as an overriding rule, the City adopted a conservative approach in estimating annual revenue receipts in developing its operating budget, which helped control spending and provide flexibility within the budget when unanticipated additional costs or less receipts occurred during the fiscal year. Conservative revenue estimates and spending controls have served the City well in managing through difficult economic periods and are keys to maintaining fiscal stability in the years ahead.

## The Property Tax

The City's largest source of operating revenue is the net property tax, accounting for \$1.72

billion or 66.0% of the fiscal 2014 budget of \$2.6 billion. Between fiscal 2002 and fiscal 2013, net property tax grew by \$717.0 million or 77.4% for an average annual increase of 5.4%. This increase is mitigated to some extent when adjusted for inflation of 29.7%. The levy increase of 2.5% and new growth are the triggers of the property tax increase. Each year the City increases the property tax levy over the prior year levy limit by the full 2.5% legally allowed. No effort is made to raise less than 2.5% to create excess capacity. Whereas the 2.5% increase is a steady growth area for the City, new growth has a more direct correlation to the vagaries of the local economy. In those years when the City experienced an economic downturn, new growth dropped.



**What is New Growth?** New growth has been an important factor in the increase in property tax revenue as well as the City’s ability to adjust to declining state aid over the years. New growth consists of new development, major rehabilitation of a building, or conversion of tax-exempt property to taxable status, all of which are exempt from the levy limit. Additionally, the upgrading or expansion of utility property and audits by the Assessing Department have resulted in new growth of personal property

(mostly equipment and other business fixtures). Condominium conversions have also generated new growth. During the last twelve years (fiscal 2002–fiscal 2013), new growth represented 50.0% or more of the total tax levy increase in seven years and constituted 49% of the levy increase in three other years. Over this period, the levy limit grew by a total of \$711.3 million, with 50.5% due to new growth and 49.5% due to the 2.5% levy increase.

In addition to new developments, new growth occurs from the conversion of tax-exempt property to taxable property. One recent example of this situation is the purchase of Caritas (St. Elizabeth’s Medical Center and Carney Hospital) by Steward Health Care System to be run as for-profit hospitals. Additionally, new growth was created by the expiration of the 121A agreement for the One Beacon Street commercial tower building since this building is now subject to Chapter 59 property taxes.

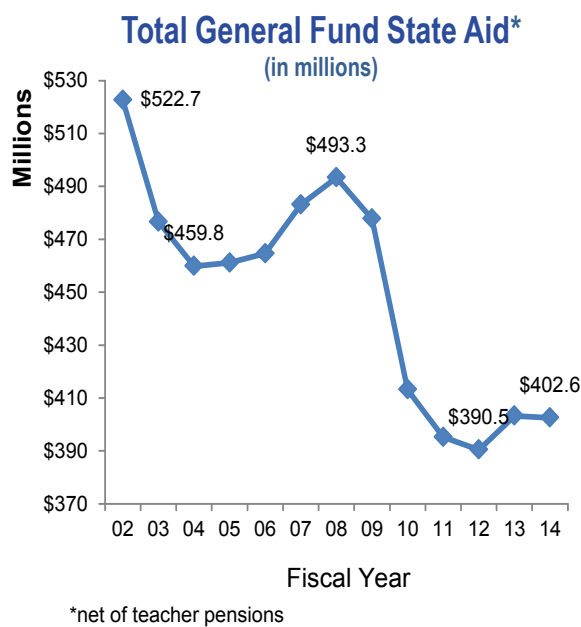
The property tax and assessment section of this report provides a more detail review of Proposition 2½, the property tax and property values in Boston.

**Overlay** The City sets aside an overlay reserve each year to account for property tax abatements and the non-collection of taxes. Until fiscal 2004, the City was required to set aside between 5% and 6% of the levy for the overlay. Based on past experiences of insufficient overlay funding, state law required Boston to raise an overlay of 5% each year. As a result of the City’s improved assessing practices and property tax collections, the City relied on the overlay for less than the required 5% level. In fiscal 2004, the City was successful in securing legislative change to eliminate the 5% requirement (Ch. 46, Acts of 2003). In fiscal 2013 the overlay of \$41.1 million represented 2.4% of the total tax levy. By using a 2.4% overlay instead of 5%, the City has made available an additional \$43.2 million in recurring property tax revenues.

## State Aid to Boston

State aid, the City's second largest revenue source, is budgeted at \$402.6 million in fiscal 2014, representing 15.5% of Boston's operating revenue. State aid consists of distributions for various purposes provided to communities according to specific formulas. The largest distribution of state aid to Boston is through Chapter 70 Education Aid, Unrestricted Government Aid and Charter School Tuition Reimbursements.

In the period from fiscal 2002 to fiscal 2013, state aid, net of teacher pensions, has declined by \$119.4 million or 22.8%. This decrease is more dramatic than it initially appears considering the 29.7% inflation increase over this period. In fiscal 2002, state aid net of teacher pensions, contributed \$522.7 million to Boston's General Fund budget, representing 28.8% of total operating revenue. However, in fiscal 2013, state aid decreased to \$403.3 million or 16.1% of the operating budget. As will be described below, state assessments, particularly the charter school tuition assessment, will further reduce the state aid available for city operations.



In fiscal 2014, the City budgeted \$402.6 million in state aid before the state budget was finalized. The current state budget estimates Boston's state aid increasing to \$409.2 million, \$6.6 million above what the City had budgeted. The Administration has indicated that it will apply this increase in revenue over what was budgeted for collective bargaining costs.

**Chapter 70** Chapter 70 education aid is the largest local aid account for Boston. In the period from fiscal 2002 to fiscal 2013, Chapter 70 aid increased from \$205.6 million in fiscal 2002 to \$207.9 million in fiscal 2013, an increase of \$2.2 million or 1.1%. Actual Chapter 70 aid peaked at \$221.4 million in fiscal 2009, but has since declined by \$13.6 million or 6.1%. The Chapter 70 estimate for fiscal 2014 is \$209.4 million, an increase of \$1.5 million or 0.8%.

The formula used statewide by the Commonwealth to determine the distribution of Chapter 70 aid establishes a foundation budget, or baseline amount of funding needed to provide an "adequate" education for each community. Factors include student enrollment, characteristics of the student body, wages in the area and inflation. The Chapter 70 formula then calculates an amount that the municipality is expected to pay towards this foundation budget based on the incomes and property values within the community. Thus, wealthier municipalities receive less Chapter 70 aid and contribute more local funds to the cost of the foundation budget, while poorer municipalities receive more and contribute less. The City of Boston spends more for education than its foundation budget, which results in relatively small increases in annual Chapter 70 aid.

**Unrestricted General Government Aid** This account consists of what was formerly the Additional Assistance and Lottery Aid accounts, and the aid is fully discretionary in how it is allocated by the City. Over the 12 years from fiscal 2002 to fiscal 2013, the combination of these two accounts decreased from \$270.1

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million in fiscal 2002 to \$160.2 million in fiscal 2013, a decrease of \$109.9 million or 40.7%. Unrestricted General Government Aid is the second largest state aid fund for Boston at \$160.2 million in the fiscal 2014 budget. In fiscal 2010, the state combined the two accounts to create the Unrestricted General Government Aid account and in doing so reduced the total aid for Boston by \$45.9 million or 21.6% that year. In fiscal 2011, the combined aid was cut to \$160.2 million and remained at that level through fiscal 2013. The City used the \$160.2 million amount in its fiscal 2014 budget, and at that amount, it represents 39.8% of the state aid used in the City's fiscal 2014 budget.

The final fiscal 2014 state budget increased this account to \$164.0 million for a growth of \$3.8 million or 2.4% over what the City budgeted. This increase is included in what the Administration will use for future collective bargaining expenses. The combination of the Additional Assistance and Lottery state aid accounts in fiscal 2010 did not benefit Boston since the Additional Assistance unrestricted revenue was distributed based on a needs based formula that favored urban centers, where the new formula favors municipalities with lower property values.

**Charter School Tuition Reimbursement** For each Boston student who attends a Commonwealth charter school, the City is assessed a tuition amount equivalent to that student's Chapter 70 aid. To help mitigate the impact of this loss of state funds for education, the state designed a reimbursement mechanism in Chapter 12 of the Acts of 2010, which returns to the City 100% of the funds the first year the student attends a charter school and 25% of the funds in each of the next five years. The charter school tuition reimbursement has grown from \$8.2 million in fiscal 2002 to \$19.8 million in fiscal 2013, an increase of \$11.5 million or 139.9%. The City used \$19.8 million in its fiscal 2014 budget, but the Cherry Sheet released after the budget process projects \$22.1 million in charter school tuition reimbursements.

**Other State Aid** Other categories of state aid in fiscal 2014 include \$8.5 million for school construction aid and three other small accounts that total \$4.6 million. The state's share of the Quinn Bill police education incentive program totaled \$9.3 million in fiscal 2009, but was significantly reduced over the next two years and eliminated in fiscal 2012.

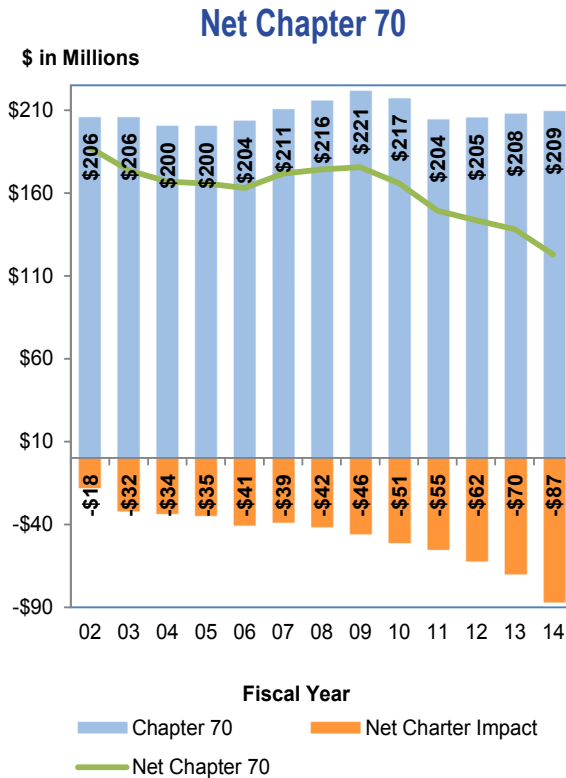
**Net Chapter 70** The actual Chapter 70 education aid for the City's operating budget each year is a net figure that combines Chapter 70 aid with the charter school tuition assessment and the charter reimbursement. Chapter 70 aid in fiscal 2014 is \$209.4 million which is reduced to a net amount for operations of \$121.0 million after subtracting the charter school tuition assessment of \$108.2 million and adding the charter reimbursement of \$19.8 million.

The state submits an assessment to the City of Boston for charter school tuitions for Boston resident students who attend Commonwealth charter schools, part of which is reimbursed. The tuition assessment less the reimbursement is known as the net charter impact. In fiscal 2014, the projected charter tuition assessment is \$108.2 million and the charter reimbursement is \$19.8 million for a net charter impact of \$88.4 million.

Over the period from fiscal 2002 and fiscal 2013, net Chapter 70 aid decreased from \$187.3 million to \$138.1 million, a cut of \$49.3 million or 26.3%. During this time, net Chapter 70 aid as a percent of the BPS operating budget decreased from 29.3% in fiscal 2002 to 15.7% in fiscal 2013. The same percent in the fiscal 2014 budget is 12.9%. This trend will likely continue because Boston's charter school tuition assessments are expected to increase as the authorized charter seats are filled in coming years.

The decline in net state aid available for operations is also reflected in the percent that net state aid represents of the City's total operating budget. In fiscal 2002, Boston's net state aid represented 23.6% of the City's operating





budget, but 12 years later in fiscal 2014, net state aid represents only 8.1% of the adopted budget.

The charter tuition reimbursement from the state is subject to appropriation and from fiscal 2005 to fiscal 2012, the Commonwealth appropriated 100% of its obligation. However, in fiscal 2013, the state paid only 95.7% of its obligation. The fiscal 2014 adopted state budget covers only 62.2% of its reimbursement obligation, which, for Boston, represents a loss of \$10.3 million. The net charter impact represents 42.2% of the City's total Chapter 70 school aid of \$209.4 million in fiscal 2014.

The rapid growth of Boston's net charter school tuition assessment has reduced funding for City operations, but it has had minimal impact on the City's planned investment in the public schools. In preparing the next year's operating budget, city officials factor in the net tuition payment loss in determining total available revenues for the budget. For the past six years, the BPS budget has averaged roughly 35% of the available

revenue. No change is planned for fiscal 2015. The decline of net Chapter 70 aid as a percent of the total BPS operating budget has required a larger share of other city operating revenues to support the growth of the BPS budget.

## Other Recurring Revenues

The City of Boston has other significant sources of recurring revenue in addition to property tax and state aid. These include excise revenues, parking fines, penalties and interest payments, licenses and permits, miscellaneous department revenue, and investment income. Together, these sources of recurring revenue generated \$312.8 million in fiscal 2002 and \$449.8 million in fiscal 2013, an increase of \$137.0 million or 43.8%. The largest area of growth occurred in excise revenues, which grew by \$93.7 million or 116.2%. Several of the revenues in this group are affected by the economy and declined in response to the recent recession. The clearest example of this situation is the investment income account that generated a high of \$43.5 million in fiscal 2007 and a low of \$179,000 in fiscal 2013.

The Menino Administration periodically reviewed and recommended increases to existing municipal fees and charges and in some cases the authorization of new fees or charges or modifications to existing fees increased fees for

### Teacher Pension Change

Until fiscal 2010, the City paid teachers pensions and then was reimbursed by the state in the following fiscal year. In fiscal 2010, the City and the Commonwealth agreed to legislative changes by which the City transferred teacher pension assets to the state retirement system which in turn is now fully responsible for the payment of teacher pensions as is the case for all other municipalities. To ensure comparability over the years covered in this report, state aid numbers are net of teacher pensions.

## Other Recurring Revenues

figures in millions

Source	FY02	FY09	FY10	FY11	FY12	FY13	FY14
Excise	\$80.6	\$106.9	\$103.4	\$125.2	\$155.5	\$174.4	\$152.7
Parking							
Fines	56.5	66.0	66.3	61.1	61.0	56.4	59.0
PILOTs	18.3	34.0	34.9	35.5	36.0	42.6	43.0
121A & 121B	49.7	65.5	66.6	70.3	64.5	64.0	62.6
Investment Income	14.8	17.8	3.2	1.4	1.0	.2	.5
Building Permits	19.1	27.0	14.8	23.5	32.6	29.3	24.0
Parking Meters	2.8	12.0	15.0	15.0	.0	.0	16.5
All others	71.0	95.8	92.0	84.3	88.6	83.0	83.6
Total Other Recurring	\$312.8	\$424.8	\$396.2	\$416.4	\$439.2	\$449.8	\$441.8

City Council approval. The purpose of the periodic updating of fees and charges is to keep them tied in some degree to the cost of providing the service associated with the fee. For example in fiscal 2013 the City updated a number of fees including the rental inspection program, rental fees for City Hall Plaza, birth certificate fees, and a full update of fees from the City Clerk's office, creating a projected \$1.8 million in additional General Fund revenues. Since fiscal 2002 the modification of fees and charges has created approximately \$29.0 million in additional General Fund revenue, with seven different increases in parking related fines accounting for \$14.9 million of this increase.

In addition to the increases authorized by the City Council, the City has also benefited by increases in excises authorized by the state, the two most notable being the increase in the hotel motel excise from 4% to 6% and the creation of the meals excise, which both occurred in 2010.

**Excise Tax Revenue** Excise tax revenue represents a small but important source of recurring revenue for Boston. Excise taxes are currently imposed on motor vehicles, vehicle rentals, boats, condominiums, jet fuel, hotel and motel room occupancy, and restaurant meals. These excise taxes are affected by the change in the local economy as well as hotel

development in the City. The Commonwealth collects the excise and distributes it to the host municipality.

Since fiscal 2002, revenue from excise taxes has risen from \$80.6 million to \$174.4 million in fiscal 2013, an increase of 116.2%. Excise growth well outpaced inflation due to a number of factors over the twelve year period, including the authorization of a new excise tax, increased rates for certain excises and the transfer of a segment of the room occupancy excise to the General Fund. Excise revenue fell to \$59.6 million in fiscal 2004, only to rebound to \$89.7 million in fiscal 2006 before falling back to \$80.2 million in fiscal 2007. In fiscal 2011 and 2012, excise taxes have experienced growth of slightly more than 20% in each year. This growth was driven by the adoption of a new local option excise tax on meals, the refunding of special obligation debt the City issued to finance the purchase and preparation of the land for the Boston Convention and Exhibition Center and an increase in hotel rooms, bookings and room rates. In fiscal 2013, excise tax revenues were increased slightly when the City was able to collect 100% of the vehicle rental surcharge for the General Fund.

**Motor Vehicle and Boat Excise** The Motor Vehicle Excise tax has been charged in lieu of a direct personal property tax on vehicles for years and with the passage of Proposition 2½, the tax was reduced to \$25.00 per \$1,000 of vehicle valuation. The boat excise tax is also charged in lieu of a direct personal property tax, but at a lower rate of \$10 per \$1,000 of value. From fiscal 2002 to fiscal 2013, the motor vehicle and boat excise tax collections increased from \$42.8 million to \$47.2 million, an increase of \$4.4 million or 10.3%. This excise is budgeted at \$40.1 million in fiscal 2014.

**Aircraft Fuel Excise** The City imposes a 5% excise on the sale value of all aircraft fuel, with a minimum of five cents per gallon. From the

period of fiscal 2002 to fiscal 2013, the aircraft fuel excise tax receipts increased from \$16.2 million to \$36.6 million, an increase of \$20.4 million or 125.8%. Spikes in fuel prices in 2008 and 2011 corresponded with significant increases in fuel excise in fiscal 2009 and fiscal 2012.

**Meals Excise** The City adopted the meals excise tax in 2009 and received \$10.0 million in fiscal 2010, which reflected receipts from a partial year since collection did not begin until October, 2009. In fiscal 2011, the first full year of collection, revenue from the meals excise tax jumped to \$20.2 million and totaled \$22.9 million in fiscal 2013. The fiscal 2014 budget expects receipt of \$21.5 million.

**Hotel Motel Excise** Starting in 1986, the City received room occupancy receipts based on a 4% excise of the room rates in the Boston hotels and motels. In 2002, revenue from hotel excise taxes from rooms constructed after July 1, 1997 were allocated to support the debt service for the bonds issued to pay for the purchase and preparation of land for the BCEC. Over the 12 years from fiscal 2002 to fiscal 2013, total room occupancy excise taxes increased from \$21.0 million to \$66.1 million, an increase of \$45.1 million or 215.0%. The City budgeted \$59.5 million for the hotel/motel excise tax in fiscal 2014. In recent years, receipts from this source have grown due to an increase in the excise rate from 4% to 6%, growing occupancy, the rising cost of hotel room rates as well as being able to fully recognize 100% of the excise tax on hotel rooms in the City starting in fiscal 2012. In 2010, the City adopted the option authorized by Chapter 27 of the Acts of 2009, to increase the room occupancy excise from 4% to 6%.

By refunding the City's \$93.5 million of outstanding 2002 Convention Center Bonds in 2011, the City's debt service is reduced and all of Boston's room occupancy excise taxes are now available for city operations. Since 2002, new hotel rooms totaling roughly 4,300 have been constructed in Boston. In addition to this physical growth, during this period the average

## Excise Revenue

figures in millions

Excise Tax	FY02	FY09	FY10	FY11	FY12	FY13
Motor Vehicle/Boat	\$42.8	\$44.7	\$40.1	\$47.0	\$40.5	\$47.2
Meals	-	-	10.0	20.2	22.0	22.9
Hotel/Motel	21.0	27.0	30.0	34.5	60.1	66.1
Vehicle Rental	-	-	-	-	-	1.4
Aircraft	16.2	34.5	22.9	23.3	32.6	36.6
Condo	.7	.7	.4	.3	.3	.3
Total Excise	\$80.6	\$106.9	\$103.4	\$125.2	\$155.5	\$174.4

revenue per room has increased by 48.8% from \$118.71 to \$176.62. Roughly 3,900 new hotel rooms are planned for Boston, including hotels that will be built near the Boston Convention and Exhibition Center by 2020. With additional rooms and continued high occupancy rates, reasonable growth in the room occupancy excise is expected.

**Vehicle Rental Surcharge** The legislative authorization for the construction of the new Boston Convention and Exhibition Center included a vehicle rental surcharge of a flat \$10 of which the City received \$1.00 with the remaining \$9.00 collected by the Commonwealth. Boston's vehicle rental surcharge was applied to fund the debt service of the City's BCEC bond issue. In 2011, the City refinanced the \$93.5 million of the outstanding 2002 BCEC bonds, which enabled it to receive the \$1.00 surcharge in its operating budget. Total receipts from this excise were \$1.4 million in fiscal 2013 and \$1.0 million is budgeted for fiscal 2014.

**Condo Excises** The condominium excise tax applies to new condominium units created, with each unit after the first being charge a \$500 excise tax. Between fiscal 2002 and fiscal 2013 the condo excise decreased by \$416 thousand or 61.9%. Since fiscal 2002 condo excises have never represented more than 1.7% of total excises, and in fiscal 2013 they represented only 0.2% of excise tax revenue. Despite the growth in condominium units, this excise is relatively



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small when compared to the increased property tax revenue condominium projects can create.

**Parking Violations** Parking ticket revenue of \$56.5 million in fiscal 2002 grew slowly but regularly and peaked at \$66.3 million in fiscal 2010. During the next three years, parking revenue declined each year and in fiscal 2013 totaled \$56.4 million, \$173,818 less than collected in fiscal 2002. The City's fiscal 2014 budget anticipates parking violation collections of \$59.0 million, the same as the fiscal 2013 budget did. Even so, penalties for unpaid tickets such as not being able to renew a driver's license, collection incentives, and the contracting of a third-party for collecting on of delinquent tickets have all contributed to a 90% collection of ticket receipts within a year. A study conducted by the City of 2012 parking violation collections found that revenues were on the decline due to the combination of increases in ticket fees and greater compliance by drivers in Boston as a consequence of the economic downturn. The adoption of parking meters that accept credit cards have increased compliance with parking regulations which contributed to the decline in parking violation revenue. Substantive growth in parking ticket revenue should not be expected in the upcoming fiscal years.

**Urban Redevelopment** Under Massachusetts General Laws, the City has a few tax development incentives to encourage developers to participate in urban renewal, mainly 121A and 121B agreements. These agreements provide developers with tax relief in the early years of a new development project. Instead of paying the standard property tax, the City and the developer reach a 121A or 121B contracts that specify the payments the developer will make in lieu of taxes for a given period of time. Once these agreements expire, the property is subject to Chapter 59 property taxes. The current administration has used 121A and 121B to spark development in the seaport and downtown areas, causing revenue from these programs to increase from \$49.7 million in fiscal 2002 to \$64.0

million in fiscal 2013, an increase of 28.7%. In fiscal 2014 revenue from these urban redevelopment agreements is projected at \$62.6 million. For more detail on urban redevelopment policy in Boston see the Urban Renewal Powers in the Development Process section of this report.

**Investment Income** The City's investment income is the product of interest on its cash balance. This revenue is extremely reliant on market conditions. Since 2007 interest rates have rapidly decreased in order to stimulate the economy out of recession. Due to the slashing of interest rates, revenue from investments fell from \$14.8 million in fiscal 2002 to \$179,000 in fiscal 2013, a decrease of \$14.6 million or 98.8%. The fiscal 2014 budget projects \$500,000 in investment income, but it should be noted that in fiscal 2013 investment income of \$179,000 was well below the budgeted \$900,000 and this could occur again if interest rates remain low.

**Building Permits** The City receives revenue from a number of licenses and permits, the most significant being building permits. Between fiscal 2002 and fiscal 2013 building permits increased from \$19.1 million to \$29.3 million, an increase of \$10.2 million or 53.5%. This increase is the result of fee increases in fiscal 2006 and fiscal 2011, as well as increased construction throughout the City. The building permit fees are heavily reliant on market conditions. After peaking in 2008 at \$31.8 million, permit revenue dipped to \$14.8 million in fiscal 2010 due to the recession, but has since rebounded with the resurgence of construction bringing in \$32.6 million in fiscal 2012. The decline in revenue since fiscal 2012 is the result of normal cycles of the building process.

**Payments-In-Lieu-of-Taxes (PILOTs)** Payments-In-Lieu-of-Taxes (PILOTs) from public and private tax-exempt entities represent an important source of revenue for Boston. In fiscal 2013, the City received \$42.6 million in PILOTs with the private institutions contributing \$24.6

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million and Massport paying \$18 million. As the Capitol of Massachusetts and the largest city in New England, Boston hosts several public and private tax-exempt institutions, authorities or agencies, which occupy approximately 50% of the City's land area. Of the total exempt area, 78.9% is governmentally owned by the City, Commonwealth or its authorities and the federal government.

**Massport** The Massachusetts Port Authority (Massport) is the only state authority to make a PILOT payment to the City, which is required by its enabling act. Massport and the City negotiated a ten-year PILOT agreement which established a starting PILOT payment that increases annually based on the percentage change in the consumer price index, with an increase of no less than 2% and no more than 8%. The current agreement runs through fiscal 2015. In fiscal 2013, Massport made a payment of \$18.0 million, or 42.3% of the total PILOT receipts of \$42.6 million. Over the past decade, Massport PILOT payments have constituted roughly half of annual PILOT receipts.

**Private Tax-Exempt Institutions** PILOT agreements prior to 2012 with private tax-exempt medical, educational and cultural institutions were generally tied to the expansion of a tax-exempt institution and its need to obtain building permits or zoning variances for construction projects from the City. Also, a tax-exempt institution's purchase of a taxable building and taking it off the tax rolls could trigger a request for a PILOT agreement.

The City instituted a new PILOT program in fiscal 2012 that provides a more systematic approach to the PILOT program based on property values and community services for the 49 largest private tax-exempt institutions with property values of \$15 million or more. The City's objective of this new voluntary program was to seek a significant increase in PILOTs, phased-in over five years, based on 25% of what property taxes would be if the institutions were taxable, with 50% or more of that total made

up of agreed upon community services that address city needs. The new PILOT program was a key initiative by the Menino Administration to expand the number of institutions participating in the program and increase total payments to help diversify the City's revenue sources.

Boston's new PILOT program for the 49 private institutions has resulted in total payments of \$23.2 million in fiscal 2013, an increase of \$8.1 million or 53.2% since fiscal 2011, the last year of the previous PILOT program. While this growth in payments is noteworthy, it is below the City's request as part of its five-year ramp-up plan, but that is not unexpected. In its Special Report on the new PILOT program in January 2013, the Bureau noted that given the voluntary nature of the program, reaching agreement with some institutions would take time to evolve. In addition to the largest 49 institutions the City receives payments of roughly \$1 million from other institutions.

**Transfer from Special Funds** The City's Special Revenue Fund accounts for proceeds that are legally restricted for specific purposes, authorized by state statute and used to support the City's general fund operations. Special trust funds such as these provide an advantage to the City because they can be invested in securities offering higher return than standard short-term fixed income investments. The two funds are the Parking Meter Fund and the Cemetery Trust Fund.

**Parking Meter Fund** The Parking Meter Fund receives revenue generated by the City's 7,100 parking meters. The fund proceeds are allocated for the operating support of the Transportation Department for the purpose of maintenance of parking meters and other transportation related expenditures. In fiscal 2013, the City budgeted \$15 million from this fund and expected to receive \$15.5 million in receipts for a year end balance of \$76.1 million. At year end the City had not transferred any

## Parking Meter Fund

figures in millions

Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Year End Balance
FY02	\$23.828	(\$2.790)	\$8.821	\$29.589
FY03	29.859	(10.000)	5.905	25.765
FY04	57.764	(1.000)	12.227	36.991
FY05	36.991	(3.500)	9.314	42.805
FY06	42.805	(1.000)	10.390	52.194
FY07	52.194	(1.000)	11.342	62.536
FY08	62.536	(10.000)	8.960	61.496
FY09	61.496	(12.000)	11.204	60.700
FY10	60.700	(15.000)	13.662	59.362
FY11	59.362	(15.000)	14.729	59.091
FY12	59.091	0.000	16.560	75.651
FY13	75.651	0.000	15.506	91.157
*FY14	91.157	(16.500)	16.500	91.157

\*projected

## Cemetery Trust Fund

figure in millions

Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Year End Balance
FY02	\$13.240	(\$1.778)	(\$0.678)	\$10.784
FY03	10.784	(1.849)	1.541	10.476
FY04	10.476	(1.932)	2.728	11.271
FY05	11.271	(2.029)	1.139	10.381
FY06	10.381	(2.110)	2.478	10.749
FY07	10.749	(2.278)	2.811	11.283
FY08	11.283	(2.203)	1.096	10.177
FY09	10.177	(1.952)	(0.514)	7.711
FY10	7.711	(2.507)	2.264	7.468
FY11	7.468	(2.651)	2.477	7.293
FY12	7.293	(2.277)	1.125	6.141
FY13	6.141	0.000	1.000	7.141
*FY14	7.141	(0.807)	1.000	7.333

\*projected

funds from this account, increasing the balance to \$91.2 million. In fiscal 2014, the City budgeted \$16.5 million in receipts and anticipated collections of \$16.5 million.

**Cemetery Trust Fund** The Cemetery Trust Fund revenue comes from the sale of plots in cemeteries owned the City of Boston. The fund is a private-purpose fund and the revenue from this fund is designated for the upkeep of the City's three active cemeteries and sixteen historic cemeteries. In fiscal 2013, no funds

from this fund were appropriated and \$1.0 million was expected to be collected. For fiscal 2014 \$807,000 was appropriated with \$1.0 million in receipts expected, leaving a budgeted year-end balance of \$7.3 million.

**Miscellaneous Recurring Revenues** The remaining miscellaneous recurring revenues grew from \$71.0 million in fiscal 2002 to \$83.0 million in fiscal 2013, a growth of 16.9%. Accounts in this category include, Medicaid reimbursements; street, sidewalk and curb permits; cable permitting and entertainment licenses among others. Generally, these revenues are payments for services and rents and other reimbursements.

## Non-Recurring Revenues

**Budgetary Fund Balance** Budgetary fund balance, more commonly called free cash, is available to the City for appropriation once it is certified by the state's Bureau of Accounts, within the Division of Local Services in the Department of Revenue. Generally, free cash is created by the accumulation of year-end operating surpluses over time. Also, overlay surpluses certified by the Commissioner of Assessing are added to fund balance at year-end and are included in the state's free cash certification. On March 23, 2013, the state certified Boston's free cash at \$217.3 million. For the fiscal 2014 operating budget, the City appropriated \$40 million of these funds to the OPEB Trust, leaving a balance of \$177.3 million, which represents 6.8% of the fiscal 2014 operating budget.

After an appropriate amount of time, remaining balances in prior levy year overlay reserves can be certified by the City's Commissioner of Assessing as overlay surpluses. This surplus is then included in the City's year-end fund balance and is included in the state Department of Revenue's budgetary fund balance (free cash) certification. The Commissioner of Assessing has instituted a

procedure of periodically reviewing the overlay balances of overlay accounts over three years prior to the current year and certifying those funds not tied to active abatement cases as surplus.

The City has adopted a conservative approach in its use of free cash. From fiscal 1993 to fiscal 2003, the City did not submit its balance sheets and other financial schedules to the state Bureau of Accounts for certification and no free cash was used in the budgets of those years. The City did proceed with certification of free cash starting in fiscal 2004, but maintained a policy of considering free cash as non-recurring revenue and applying it only to one-time expenditure items. Thus, free cash was not a source for recurring expenses such as collective bargaining contracts. In response to the slowdown in the economy and its effect on city revenues, the City used free cash for ongoing operating expenses, but not collective bargaining costs, in fiscal 2009 and fiscal 2010. Since fiscal 2008, the City has applied free cash first to a stabilization fund established to hold funds for future retire health insurance costs (OPEB), and once established, to the OPEB Trust. In fiscal 2013, the City budgeted \$40 million in free cash to the OPEB Trust Fund, but no free cash was used due to sufficient revenue receipts from other operating revenues. In fiscal 2014 the City also budgeted \$40 million in free cash for the OPEB Trust Fund.

The Administration established a Fund Balance Policy to ensure that the City has adequate reserves before it appropriates free cash. This policy states that the City will maintain a Generally Accepted Accounting Practice (GAAP) unassigned fund that is 15% or more of GAAP General Fund operating expenditures. The City may only consider the certification and appropriation of free cash when it can still maintain an unassigned fund equal to 15% or higher of GAAP General Fund expenditures, while also maintaining a budgetary unassigned fund equal to 10% or higher of budgetary operating expenditures.

**Surplus Property Fund** The Surplus Property Disposition Fund is the depository of revenue generated from the City's sale of capital assets. The funds are intended to be applied for capital expenditures for which the City would be authorized to borrow for 10 years or more. However, with the recommendation by the Mayor and approval of the City Council, the revenues in this fund can be used for operational expenses or for capital purposes not prohibited but also not authorized by the Commonwealth. For several years, the City allocated \$5.0 million annually from the Surplus Property Disposition Fund to support the City's "Leading the Way" housing program since housing is not an allowable expense for capital borrowing by cities and towns. The year-end fund balance of the Surplus Property Disposition Fund in fiscal 2012 was \$26.4 million, but decreased significantly in fiscal 2013 to \$9.3 million after the City appropriated \$17.1 million from the Fund to purchase 585 Commercial Street for the purpose of creating a new K-8 school in the downtown area. The year-end balance in this fund in fiscal 2014 remains at \$9.3 million.

### Surplus Property Disposition Fund

figures in millions

Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Year End Balance
FY02	\$42.574	\$0.000	\$13.300	\$55.874
FY03	55.874	(13.000)	0.000	42.874
FY04	42.874	0.000	7.500	50.374
FY05	50.374	(6.618)	0.000	43.756
FY06	43.756	0.000	0.000	43.756
FY07	43.756	(8.000)	0.000	35.756
FY08	35.756	(5.669)	0.000	30.087
FY09	30.087	0.000	0.000	30.087
FY10	30.087	(5.979)	0.000	24.108
FY11	24.108	0.000	0.972	25.080
FY12	25.080	0.000	1.291	26.371
*FY13	26.371	(22.120)	5.034	9.284
*FY14	9.284	0.000	0.000	9.284
*projected				

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## Budget to Actual

The City has typically been conservative in its revenue estimates when building its annual operating budget, a practice that has helped the Administration achieve year-end operating surpluses in each of the last 20 years. Citywide expenditures have surpassed the budgeted amount in the last three fiscal years, with additional spending concentrated in police, fire and snow removal services. On average, expenditures have been \$13.8 million more than budgeted in the last three fiscal years, but due to additional revenues beyond the budget estimates, the City has been able to cover these additional costs with available receipts.

The Administration has recommended operating budgets to the City Council that are balanced based on its revenue estimates. In addition, reserves are established for known upcoming expenses such as collective bargaining contracts or funds are encumbered for vendor contracts for which payment is anticipated. Being conservative in its revenue estimates, allows the City to handle unanticipated expenses or shortfalls in revenue estimates. See Appendix A for actual revenues of the last five fiscal years in comparison to the budgeted amounts.

During times of economic downturn, state and federal funds and some of the City's own-source revenues for operation may not generate amounts that were projected in the annual budget which the City must be prepared to address. For example, over the past five years, revenue from state aid has been less than budgeted in four fiscal years. However, due to conservative estimates, receipts in other revenue categories often exceeded budget estimates, resulting in only one year when total revenues were below the budgeted amount. That year was fiscal 2010 and is a special case because during that year the teacher pension payments for the City were converted from a city payment that was later reimbursed by the state, to a direct state payment. Due to this conversion that state

aid for teacher pensions was reduced from \$126.8 million in the budget to zero, but at the same time Boston's contribution to the pension system was reduced by an equal amount. Therefore, this apparent shortfall in revenues is actually due to a change in state policy, and not an inaccurate prediction of revenues.

In fiscal 2009, the City's \$610 million budget for state aid was \$36.7 million more than actually received by year-end. This loss of state aid was partially negated by receipts over projections in other revenue sources, specifically excises taxes which were \$15.4 million over budget by year end. In addition to the excise revenue, the City also relied on \$23.3 million in funds from the American Recovery and Reinvestment Act (ARRA) to cover the shortfalls created by the reduction in state aid.

The Federal Reserve Bank's policy of supporting the economy by significantly reducing its interest rates has resulted in a sharp drop in Boston's investment income receipts from \$17.8 million in fiscal 2009 to \$178,000 in fiscal 2013. Additional city receipts available because of the City's conservative revenue estimates enabled the City to cover the shortfalls when actual receipts were less than the reduced revenue estimates.

A reliable source for additional income over budget estimates has been the excise taxes which have generated, on average, \$20.3 million more than budgeted over each of the last five years. The practice continues as total excise tax revenues in the fiscal 2014 budget is \$152.7 million which is \$21.7 million less than actual receipts of \$174.4 million in fiscal 2013.



## Where the Money Goes

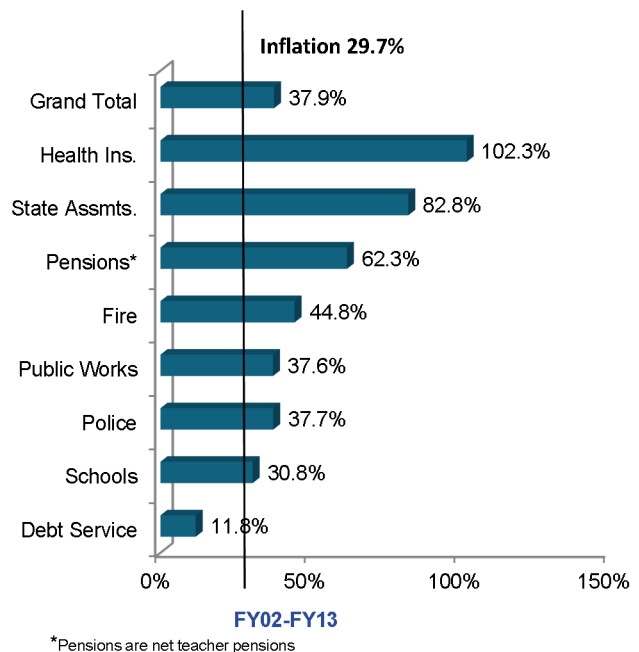
The size of the City of Boston's operating budget is determined by the realistic estimates of city and state revenues for municipal services. The scope of services provided by the City is determined by the policy choices made by the Mayor and City Council. Basic line services like public safety, and education; administrative services such as financial management and human resources; and other services and accounts like employee benefits, debt service and state assessments must be provided. The policy choices involve prioritizing the allocation of limited resources to these basic accounts while balancing support for other services and priorities. This section will describe how the City prioritized the distribution of resources to support the services provided in fiscal 2013 and the trends since fiscal 2002. Initiatives taken or opportunities seized by the City to manage spending for services are explained and best practices are highlighted.

### Overall Spending Growth

Boston's General Fund spending continues to grow within available revenues. As required by state law, the City has consistently budgeted expenditures that match revenue estimates to ensure a balanced budget at the start of the fiscal year. The policy of the Menino Administration has been to plan a budget using reasonable but conservative revenue assumptions to provide a degree of flexibility should a revenue account raise less than expected or unanticipated expenditures occur. As a consequence of this policy, the City has ended each year with operating surpluses over the last 12 years from fiscal 2002 to fiscal 2013, the period of this study. The Menino Administration ended each of its 20 years from 1994 through 2013 with operating surpluses as did the Flynn Administration through its last eight years from 1986 through 1993. Even in

fiscal 2010 when the City's total operating revenues decreased by \$122.6 million or 5.1%, the City finished the year with an operating surplus of \$9.1 million or 0.4% as planned expenditures were decreased to meet the revenue estimates. The City's operating spending has increased from \$1.810 billion in fiscal 2002 to \$2.486 billion in fiscal 2013, an increase of \$686.5 million or 37.9%. Inflation increased by 29.7% during the same time period. On average, City spending has increased by 3.0% annually, while inflation has increased by 2.4% annually. In fiscal 2014, the City's operational budget is \$2.6 billion, an increase of \$108.7 million or 4.4% over fiscal 2013. Because the approved city budget can differ from the actual expenditures at year end, this section of the report will focus mainly on trends since fiscal 2002 and actual receipts in fiscal 2013. The fiscal 2014 budget approved in June will be noted where appropriate to show change over the prior year.

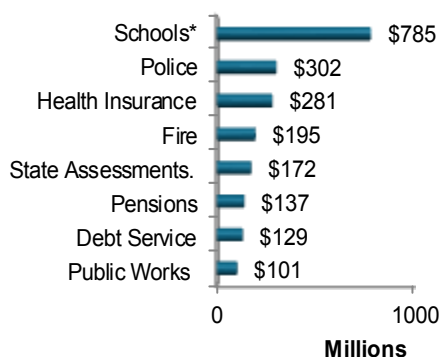
### General Fund Spending Growth



## Top Budgetary Accounts

The City of Boston's operating budget is not different from most public sector budgets in that a small number of budget accounts represent a disproportionate share of the total spending. In Boston's case in fiscal 2013, eight budget accounts totaled \$2.1 billion or 83.5% of the total spending and only four of those accounts were city departments providing municipal services to the public. The top four city departments are Schools, Police, Fire and Public Works. The other four accounts were Health Insurance, State Assessments, Pensions and Debt Service. That meant that the remaining 58 departments or services accounted for \$413.1 million or 16.6% of the \$2.5 billion operating budget in fiscal 2013. The graph below highlights the spending in these top eight accounts for fiscal 2013.

### FY13 Top 8 Accounts



\* School health insurance is in the central health insurance account

### Spending by Accounts

Rank	Budgets	Percent of Total
1-8	\$2,102.1	84%
1-15	\$2,346.8	94%
16-52	\$149.3	6%
Total Budget	\$2,496.1	

The growth in the city budget over the past 12 years also disproportionately benefited the top eight accounts commensurate with their budget share. From fiscal 2002 through fiscal 2013, the total city operating budget increased by \$686.5 million or 37.9%. Of that increase, the top eight accounts represented 86.9% of the total and the remaining 56 departments and services accounted for 13.1% of the increase. The higher priority of the City's four largest departments and the escalation of spending for health insurance, charter school tuition assessments, and pensions are demonstrated by the aggregate increase in spending over the past 12 years compared to other accounts. During that period, spending for the eight accounts increased by \$596.2 million or 39.6%, while spending for the 51 other city accounts increased by a total of \$90.2 million or 29.7%.

A review of the spending changes in the budget accounts from fiscal 2002 to fiscal 2013 has identified items worthy of note that will be discussed in more detail later in this section. Due to the magnitude of its size, the School Department generated the largest spending increase since fiscal 2002 of \$184.7 million or 30.8%, followed by health insurance with an increase of \$142.2 million or 102.3%. However, since fiscal 2010, health insurance expenses increased by \$5.3 million for an average annual increase of 1.6% due to administrative steps taken by the City, legislative reform and agreements reached with the unions. Pensions, net of teacher pension payments, have increased by \$52.6 million or 62.3% over the 12 years. The City and the Commonwealth reached a legislative agreement in 2010 that transferred to the state the responsibility of funding the Boston teachers' pensions, which helped the City to maintain its schedule to reach full funding of its unfunded pension liability by 2025.

Spending by the Department of Innovation & Technology increased by \$14.9 million or 147.2% as a greater use of technology has been

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applied to improve management and service efficiency in several departments. Starting in fiscal 2008, the City began appropriating funds into a separate investment account to eventually help support the cost of its retiree health insurance liability (OPEB). In fiscal 2010, all funds were allocated to an irrevocable OPEB Trust. In fiscal 2013 and fiscal 2014, the City appropriated \$40 million to the Trust. The aggregate amount on deposit in the OPEB Trust as of December 31, 2013 is \$272.4 million. Finally, as an efficiency measure, the City's Graphic Arts (Printing) Department was closed in fiscal 2011 due to the improvement of photocopy quality and lower costs of private printing companies.

## Departmental Spending

Spending to provide City of Boston departmental services totaled \$1.7 billion or 68.0% of the City's total expenditures of \$2.5 billion in fiscal 2013. Departmental spending is highly concentrated in the largest five Departments of School, Police, Fire, Public Works and Public Health, which, in aggregate, spent \$1.5 billion in fiscal 2013, 58.1% of total city expenditures in fiscal 2013. The remaining 42 departments spent \$247.0 million last year or 9.9% of the total. In order to more accurately present departmental spending in the top five accounts in fiscal 2013, this report distributes the \$21.0 million collective bargaining reserve for unsettled contracts to the departments where the reserves will be applied once the agreements are ratified. Not included in departmental spending are related expenses tied to employees such as health insurance and pension costs which are covered separately. The dominance of the top five departments is also shown by the increase in spending from fiscal 2002 to fiscal 2013. Over this period, spending of the top five departments increased by \$358.8 million or 32.9%, while the spending by the remaining 42 departments grew by \$32.9 million or 15.4%.

The spending breakdown amongst the top five departments has changed very little over the past several years due to the vital role that each department plays in city operations. The School Department accounted for \$784.6 million or 31.4% of total spending in fiscal 2013, not including employee health insurance.

Police Department spending in fiscal 2013 totaled \$302.2 million or 12.1% of total operational spending, followed by Fire Department spending of \$194.9 million or 7.8% of the total. Actual expenditures of \$100.6 million by the Public Works Department in fiscal 2013 and \$67.7 million spent by the Public Health Commission round out the top five departments.

In fiscal 2013, BPS spending totaled \$784.6 million, not including health insurance and represented 31.4% of the total city operational budget. When health insurance is added, school spending totals \$883.0 million or 35.4% of the total city operational budget. In fiscal 2013, the main accounts for school spending include: salaries \$575.7 million or 65.2% of total, transportation \$80.0 million or 9.1% of total, purchased services \$41.8, property services \$38.2 million, supplies \$6.6 million, and miscellaneous \$1.7 million.

Growth in school spending has occurred despite a sharp decline in net Chapter 70 aid for education available to the City. Net Chapter 70 has fallen from 29.3% of the BPS budget in fiscal 2002 to 12.9% of the budget in fiscal 2014. The City's policy has been to hold the BPS harmless to this revenue decrease, funding school budgets over the last six years at roughly 35% of operating revenues when including health insurance. Since fiscal 2002, the BPS budget has risen by \$243.3 million or 38.0% during a period when the BPS enrollment declined by 5,632 students. Of this increase 57.1% is attributed to salary expenses, which increased by \$137.9 million or 31.4%. An additional 24.3% of the increase is attributed to healthcare costs, which increased



### City of Boston Top 5 Departments \*

FY13, \$ in millions

DEPARTMENT	Amount	% of Total	Aggregate % of Total
Schools	\$784.6	46.2%	46.2%
Police	\$302.2	17.8%	64.0%
Fire	\$194.9	11.5%	75.5%
Public Works	\$100.6	5.9%	81.5%
Public Health Commission	\$67.7	4.0%	85.4%
All Other	\$247.0	14.6%	100.0%
Total Departmental Spending	\$1,697.1	100.0%	

\* Includes distribution of \$21M from the Collective Bargaining Reserve to Departments

by \$58.6 million or 147.5%, while all other expenditures increased by \$45.0 million or 27.9%.

### Personnel Expenses

City government is labor intensive and in fiscal 2013, salaries and employee benefits constituted the City's largest expense. Spending on personnel in fiscal 2013 totaled \$1.703 billion or 68.2% of the City's actual General Fund spending. Salaries of \$1.207 billion constituted 70.9% of total personnel spending and 48.3% of total operating expenditures. Benefits such as health insurance and pensions accounted for \$414.8 million or 24.3% of personnel spending. Other personnel expenses, such as unemployment compensation, Medicare payments and the OPEB Trust appropriation cost \$81.5 million or 4.8% of personnel costs. For this reason, managing personnel levels is the key mechanism for controlling city spending.

From fiscal 2002 through fiscal 2013, spending for employees grew by \$483.2 million, or 39.6%. During this period, salaries and overtime grew by \$290.4 million or 31.7%. Employee benefits grew at a more rapid rate,

increasing by \$140.0 million or 51.0%, mainly due to the increase in health insurance.

The increase in salaries is a consequence of direct pay increases and other additions to compensation approved in collective bargaining contracts. In the most recent round of contract negotiations, the City successfully negotiated standard contracts with 35 employee unions representing 86.3% of the total number of city employees represented by public unions. The standard package provides for about a 12.3% salary increases over six years to 2016. Through these negotiations, the Administration has been able to achieve agreement on a uniform set of improved personnel policies on issues such as attendance, light duty and holidays. For more information, see the "Collective Bargaining" section of this report. Further, the Boston Police Patrolmen Association's arbitration award was recently approved by the City Council which provides a 13.9% general wage increase and a total compensation growth of 25.4% over the six years.

Between fiscal 2002 and fiscal 2013 overtime, on average, has accounted for 4.2% of personnel spending. In fiscal 2013, the City spent \$80.5 million on overtime pay, or 4.7% of total city spending for employees, of which the Police and Fire Departments accounted for 83.0%. The Police Department spent \$46.1 million on overtime or 57.3% of the citywide total and the Fire Department spent \$20.7 million or 25.7% of the total. Both the Police and Fire Departments exceeded their overtime budgets in fiscal 2013, by \$16.1 million and \$5.0 million respectively, which caused both departments to end the year with operating deficits. All other departments combined for \$13.7 million in overtime, which represents 17.0% of overtime spending and was \$237,000 more than budgeted.

In addition to standard salary increases, contracts typically contain annual step increases of between 4% and 6% for employees until

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they reach the maximum step of their salary schedule, which usually takes three to nine years depending on their contract. Step increases alone cost approximately \$13 million in fiscal 2013. For more information, see the “Collective Bargaining section of this report.

As operating revenues are influenced by economic conditions, so too are personnel levels affected by economic trends. The recession that started in late 2001 resulted in a cut of 1,514 positions or 8.6% in CY2002 and CY2003, of which 47% came from the School Department and 17.7% from the Police and Fire Departments. Over the next five years, from January 1, 2004 to January 1, 2009, city-funded positions increased by 1,222 positions or 7.6%. Increases in the School and Police Departments accounted for 84.5% of the total growth. The 2008 recession contributed to a similar result of a reduction of 1,105 employees or 6.4% of the total city-funded workforce in the three years from January 1, 2009 to January 1, 2012, with 47.1% of the loss coming from the School Department and 21.6% from the Police and Fire Departments.

The fiscal 2013 budget is more stabilizing than in the past few years, which resulted in the City adding 359 new employees to the payroll in CY2012 or 2.2%. This time the increase is due primarily to the School Department, which added 329 employees or 91.5% of the total growth. Both the Police (-22) and Fire (-11) Departments experienced minimal employee decreases last year. However, that is an issue of timing, as both departments started a class of new recruits in early 2013. Of the 44 remaining city departments, 13 showed no change in employee levels and the remaining 31 departments accounted for a net increase of 64 employees, generally to fill open budgeted positions.

Over the 11 years from January 1, 2002 to January 1, 2013, city-funded employee numbers decreased by 1,038 or 5.9%. During this time, the School (-128), Police (-111) and

Fire (-137) Departments accounted for a reduction of 376 employees or 2.9% and the other 44 departments accounted for a reduction of 661 employees or 15%. The greater burden experienced by the other 44 departments in the reduction of employees over 11 years is evidenced by the fact that the largest three departments represent 77.4% of the total city-funded payroll as of January 1, 2013, but were responsible for 36.3% of the employee loss. The remaining 44 departments constituted 22.6% of the employee total but produced 63.7% of the employee reduction. For more information on this topic, see the “Management of Personnel Levels” section of this report.

## Employee Benefits

Driven by higher salaries and escalating health care costs, spending for employee benefits has become a key driver of increased personnel spending. Employee benefits totaled \$414.8 million or 24.4% of personnel spending in fiscal 2013, an increase of \$140.0 million or 51.0% since fiscal 2002. Benefits include healthcare and pensions. Fiscal 2013 spending for employee benefits was \$14.0 million, or 3.3%, less than in fiscal 2012, due to savings in health insurance expenses.

**Health Insurance** The rising cost of health insurance for city and school employees and spouses during the period starting in fiscal 2002 through fiscal 2013 has been a primary driver of the overall increase in personnel spending. Health insurance as a percent of the City’s total operating spending grew from 7.7% in fiscal 2002 to 11.3% in fiscal 2013. Boston’s health insurance expenses grew from \$139.0 million in fiscal 2002 to \$281.2 million in fiscal 2013, an increase of \$142.2 million or 102.3%. In that same period, the City’s total operating budget increased by 37.9%. Spending for health insurance constituted two phases during this 12-year period with expenses growing by \$94.3 million or 67.9% over the first six years to fiscal 2007 for an average

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annual increase of 11.4%. Over the last six years from fiscal 2007 through fiscal 2013, the cost of health insurance increased by \$47.9 million for an average annual increase of 3.2%. Health insurance costs actually decreased by \$12.8 million or 4.4% in fiscal 2013 and the budgeted increase in fiscal 2014 is only \$977,852 or 0.3%.

While the City's health insurance costs were increasing annually by double digits, the City had the opportunity to reduce these expenses by adopting legislation (Ch. 32, s.18) that would require Medicare eligible retirees to enroll in Medicare plans which shift a portion of the insurance costs to the federal government. However, the City resisted that option and instead was successful in securing adoption of legislation (Ch. 32, s.18A) that required retirees who became eligible for Medicare after the act was adopted by the City to enroll in Medicare plans. The prospective nature of this act affected a smaller number of retirees and achieved a lower savings.

With municipal health insurance costs growing at a faster pace than the operating revenues, putting pressure on municipal budgets, city and town officials were demanding reform from state leaders. Health care reform (Ch.69, Acts of 2011) was signed into law on July 11, 2011. This law granted cities and towns the tools to exercise more freedom to develop health programs incorporating plan design features or to more easily join the state's Group Insurance Commission (GIC).

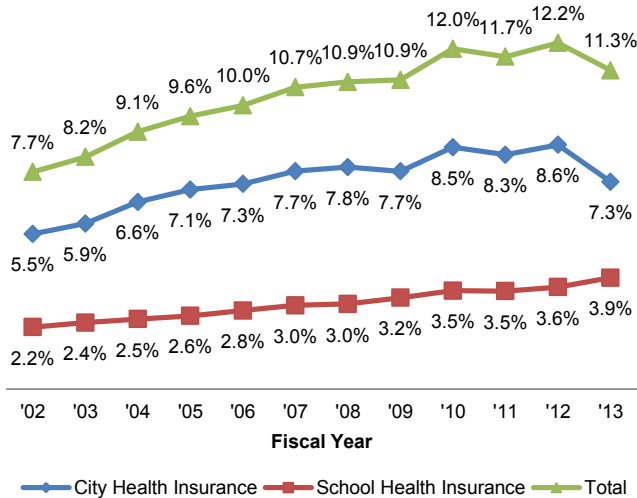
Before this bill was enacted, but after the Speaker of the House embraced its provisions, the City's union leaders sought to initiate discussions with Boston officials through "coalition bargaining" (Ch.32B, s.19) to reach a negotiated agreement rather than the City utilize the provisions of Chapter 69. The City did adopt Section 19 and negotiations between city officials and the Public Employee Committee (PEC) of union leaders representing 36 bargaining units produced a

four-year agreement (FY12-FY15) with an estimated savings to the City of approximately \$70 million. In this agreement, the employee share of non-Medicare plans increased by 1.25% in fiscal 2012 and another 1.25% in fiscal 2013. Member co-pays increased for prescriptions, office visits and emergency room visits in fiscal 2013. In total, the employee share of healthcare costs rose from roughly 18% in fiscal 2011 to 22% in fiscal 2013. This agreement will expire at the end of fiscal 2015 so additional changes can be pursued by the City through coalition bargaining or utilizing Chapter 69, which either way would be implemented in fiscal 2016.

While Chapter 69 provided options to municipalities to manage their health insurance costs, one important provision of the law was mandatory. This law required that all municipal retirees who are Medicare-eligible must enroll in Medicare Part B and a supplemental Medicare health plan. Sections 18 and 18A of Chapter 32 were abolished by this law. This mandate affected 40% of Boston retirees who had been enrolled in non-Medicare health plans. In fiscal 2013, roughly 2,700 retirees and additional retiree spouses were enrolled. The annual savings from this mandate starting in fiscal 2013 is estimated to reach approximately \$20 million.

In response to the escalating cost of employee health insurance, the City improved its internal capacity to analyze the health care market and its own cost structure. This expertise strengthened the City's ability to negotiate premium rate increases with its health care providers which contributed to lower rate increases. In March 2012, the City and the PEC agreed to self-insure the claims for Harvard Pilgrim Health Care plans to reduce administrative costs starting in fiscal 2013. Prior to the Menino Administration, the City had begun to self-insure the claims for Blue Cross Blue Shield plans. With the addition of the Harvard Pilgrim claims, the City now self-

## Health Insurance as a % of Total Expenditures



insures health plans that cover 88% of city employees utilizing the City's health benefits.

The decrease of health care costs in fiscal 2013 and the slight increase in fiscal 2014 were primarily due to five factors.

- 1) Lower premiums due to the Administration's more aggressive rate negotiations as well as overall lower claim trends in that period
- 2) The increasing costs paid by the employees and retirees as part of the four-year coalition bargaining agreement with the unions
- 3) The phasing out of the higher cost Blue Cross Blue Shield Master Medical indemnity health plan which was replaced by the lower cost Blue Care Elect or Blue Choice indemnity plans
- 4) Compliance with the state law requirements that all Medicare eligible municipal retirees and spouses enroll in Medicare Part B and a City supplemental Medical health plan

- 5) The decision to self-insure health claims for Harvard Pilgrim Health Care plans as has been the practice for Blue Cross Blue Shield plans.

These factors have contributed to the City's health insurance costs in fiscal 2015 now expected to change slightly rather than by the anticipated higher health insurance industry inflation rate.

**Pensions** The City's expense of \$137.0 million for the State-Boston Retirement System's (SBRS) pension obligation makes it the sixth largest cost account in fiscal 2013. Of the 105 retirement systems in the Commonwealth, the SBRS is the third largest system and the largest of the 103 local retirement systems. The State-Boston Retirement Board (SBRB) manages the administration of benefits to members, collects employee and employer contributions for pension benefits and oversees the investment of \$5.1 billion in assets.

Under the oversight of the state Public Employee Retirement Administration Commission (PERAC), the SBRS conducts an actuarial valuation every two years, completed by an outside actuary. The last valuation was completed as of January 1, 2012 which indicated that the SBRS was 70.7% funded with an outstanding unfunded liability of \$1.5 billion. The valuation assumed investments will yield an annual 7.75% return and planned for the unfunded liability to be fully paid down by June 30, 2025. To achieve this objective, the schedule is built on the annual pension appropriation increasing by 9.25% each year through fiscal 2025. The City's annual pension obligation is funded through its pension appropriation and the SBRS' investment income. The balance is paid from each member's own annuity fund that was funded from their payroll contributions each year when they were active employees.

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**Revised Funding Schedule** The SBRB recently approved adjustments to its pension valuation assumptions that will increase its unfunded pension liability, but are prudent steps at this time and have not resulted in the need to extend the date to reach full funding beyond 2025. These adjustments to the valuation schedule involved investment returns, mortality rates and disability trends for public safety and non-public safety employees. In January 2012, the Board requested its actuarial firm to provide different scenarios with lower investment return assumptions and to its update mortality rates and disability pension assumptions. The SBRB had been assuming an 8.0% return on investment to help fund its pension obligation. Based on the analysis received, the Board, at its meeting on January 9, 2013, agreed to lower its investment return assumption to 7.75% to more accurately reflect the risk involved. The Board also revised its mortality rates to account for the fact that retirees are living longer and its disability retirement assumptions. These changes were incorporated into the City's actuarial evaluation analysis as of January 1, 2012.

Reducing the annual investment return assumption from 8% to 7.75% is projected to increase the SBRB's unfunded liability by \$127.8 million through 2025. The additional cost in fiscal 2014 is \$19.3 million, which the City's operating budget will be able to absorb. The appropriation requirement will increase annually, and in 2018 the additional cost is estimated to reach \$22.4 million. The Board did indicate that it will periodically evaluate whether the investment assumption should be reduced further. The revised mortality tables provide a more accurate estimate of the pension liability and increase the liability by \$145.4 million through 2025. To fund these adjustments and maintain the schedule to reach full funding by 2025, the City will increase its pension appropriation by 9.25% annually through fiscal 2025 which should be manageable.

**Cost of Living Adjustment** The SBRB votes annually whether to approved a cost of living adjustment (COLA) to pension payments. This COLA is based on 3% of the first \$13,000 of a retiree's pensions. The City established financial standards that should be met to support the Board's adoption of a 3% COLA, but a COLA has been approved every year since 1997, even in fiscal 2010, when the City's budget decreased by 5.3%. For that reason, the actuarial financial report assumes an annual 3% COLA increase.

The state Pension Reform Law of 2012 authorized local retirement boards to increase their COLA base in increments of \$1,000. In August 2012, for the first time since 1997, Boston raised the COLA base from \$12,000 to \$13,000, increasing its unfunded pension liability by \$21.4 million. In June 2013, the SBRB voted not to increase the base further even though members of the Boston City Council and the Boston Teachers Union had recommended increasing the base to \$16,000, which would have added \$66.5 million to the unfunded liability. Each year, as the SBRB decides whether to approve a COLA payment, it can expect requests from employee union officials to increase the COLA base as well.

**Benefits of Reaching Full Funding** Maintaining the City's current schedule to reach full funding of its pension liability by 2025 will significantly reduce its future annual pension expense and would free up funds that could be allocated to more seriously address funding the unfunded OPEB liability. The annual pension appropriation consists of two parts - the normal cost and the amortized unfunded pension liability. The normal costs represent the pension liability earned by active employees in the year and the amortized portion is the unfunded liability that was amortized over a period of 40 years. If full funding of the pension liability is reached in 2025, the City's pension cost in fiscal 2026 would be reduced by approximately 77% as the



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amortized portion of the liability would have been fully paid. At that point, city officials could decide to allocate the funds previously tied to the annual amortized pension payment to fund the OPEB liability.

## **Other Personnel Costs**

In addition to the primary benefits of health insurance and pensions, additional costs associated with mandatory personnel expenses in fiscal 2013 include unemployment compensation at \$3.8 million, workers compensation at \$6.2 million and Medicare payments at \$15.3 million. The City is also obligated to fund pension payments of \$15.9 million in fiscal 2013 for employees who began work before the establishment of the State-Boston Retirement System. Based on a prior collective bargaining agreement with SEIU, the City annually pays into a housing trust to assist lower salaried employees required to live in the City, which totaled \$291,268 in fiscal 2013. Finally, the City also provides retired employees with healthcare benefits that are actuarially equivalent to the benefits received by active employees, which exceeds the minimum requirements set by state law. Although not required, it is the City's practice to pay 50% of a retiree's Medicare Part B premium.

### **Retiree Health Insurance Liability (OPEB)**

The City's largest unfunded employee liability is not its pension liability, but is its retiree health insurance or Other Post Employment Benefits (OPEB) liability. As of June 30, 2013, the OPEB unfunded liability was \$2.1 billion, which is \$918.3 million or 30% less than the liability as of June 30, 2011. The reduction in the liability is due to all Medicare eligible retirees enrolling in Medicare plans, greater retiree cost sharing of health care costs and an increased discount rate from 7.25% to 7.50% for the City.

All state and local governments are now required to report in the footnotes in their financial statements their full liability and unfunded liability for post employment benefits other than pensions which would primarily be health and life insurance for retired public employees and their spouses. These standards are set by the Governmental Accounting Standards Board (GASB) because even though these benefits are not received until after active employment has ended, they constitute compensation to attract and retain qualified employees and the expenses should be associated with the years of active service. The GASB standard requires state and local governments to identify the actuarial accrued OPEB liability, but it does not have a funding requirement as the pension liability does. Nevertheless, it is only a matter of time before the Commonwealth or federal government will require state and local governments to adopt a formal funding schedule similar to the pension funding requirements.

Retiree health insurance is typically financed on a pay-as-you-go basis, as pensions were prior to 1988, which is why there is a large unfunded actuarial accrued liability (UAAL) since funds were not set aside for investment to help generate financial support. The OPEB liability differs from pensions because the cost of healthcare, level of coverage, and age of retirees determines the amount owed. Low eligibility requirements, high benefit levels, healthcare cost inflation, an aging population and longer life expectancies are factors that have created a higher liability for cities and towns than their pension liability. OPEB liabilities are concentrated with municipalities, rather than with the state, because cities and towns pay for the OPEB costs for teachers, while the Commonwealth is responsible for funding their pensions.

### **City's Response vs. ARC and Normal Costs**

The City has requested valuation assessments of its OPEB liability from its actuary with the



report as of June 30, 2013 being the most recent. The report noted that the City's Annual Required Contribution (ARC) if it adopted a formal funding schedule would be \$162.8 million in fiscal 2014. As indicated in the table below, the estimated retiree benefit payment in fiscal 2014 is \$115.3 million. In addition, the City appropriated \$40 million to the OPEB Trust, bringing the total appropriation in fiscal 2014 to \$155.3 million. Thus, Boston's total funding of its OPEB liability is \$7.5 million less than its ARC in fiscal 2014.

### FY14 ARC vs. Appropriation

(\$ in millions)

<b>FY 14 ARC</b>	<b>\$162.8</b>
Projected Benefit Payment	\$115.3
Annual Allocation to OPEB Trust	\$40.0
<b>FY14 Payments</b>	<b>\$155.3</b>
<b>Difference</b>	<b>\$7.5</b>

The actuarial report also indicated that the Normal Cost as of June 30, 2013 was \$59.2 million. Normal Cost is the value of the OPEB liability incurred by active employees in the current year which will be paid upon retirement. The appropriation of \$40 million to the OPEB Trust is \$19.2 million less than the actual Normal Cost being earned this year.

Starting in fiscal 2008, the City established an OPEB stabilization fund into which it appropriated \$20 million and \$25 million in fiscal 2009. In fiscal 2009, the City accepted a state law approved in 2008 (Ch.479, Acts of 2008) that authorized the City to establish an OPEB Trust, which is an irrevocable reserve that cannot be used for any other purpose than to fund the OPEB liability. Each year since fiscal 2010, the City has appropriated funds to the OPEB trust and transferred the \$45 million in the stabilization fund to the Trust. In both fiscal years 2013 and 2014, the City applied \$40 million to the Trust. Appropriations to the OPEB Trust now total \$215 million and

with investment income, the total amount on deposit in the OPEB Trust as of December 31, 2013 was approximately \$272.4 million. The funded ratio is 9.1%, which compares with the pension funded ratio of 70.7%.

## Risk Management

The City has developed a multi-faceted risk management program that includes prevention and cost reduction efforts, self-insurance, financial reserves and catastrophic insurance. The citywide program strives to limit asset losses due to property losses, workplace injuries or third part legal liability claims. The City purchases commercial insurance for certain exposures and a \$100 million catastrophic property insurance policy that provides protection after a \$10.0 million deductible with boiler and machinery losses insured up to \$25 million. The City maintains a catastrophic risk reserve which had a balance of \$21.5 million at the end of fiscal 2013.

## Related Legislative Initiatives

**Sheriff's Department Transfer** As part of the State of Massachusetts' gradual assumption of county services, legislation was enacted in 2009 (Ch.61, Acts of 2009) that transferred approximately 1,000 employees of the Suffolk County Sheriff's Department to the Commonwealth effective January 1, 2010. All current and future Suffolk County Sheriff's Department employees are or will become members of the State Retirement System. Suffolk County Sheriff's Department employees who retired prior to January 1, 2010 remain members of the State-Boston Retirement System and their respective pension liability continues to be an obligation of the City. The City will pay the unfunded pension liability until it is fully extinguished. The City appropriates this annual obligation as a fixed cost in its operating budget. According to the SBRS January 1, 2010 valuation, the annual

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appropriation for County employees shall be \$3.9 million for fiscal 2012 through fiscal 2025.

**Teacher Pension Transfer to State** Prior to 2010, Boston was unique among the 103 local retirement systems in that it was responsible for teacher pensions, including the payment of pensions, pension administration and the investment of teacher assets. The Commonwealth would then reimburse the City for the teacher pension costs in the following year, but not always at 100%. The other local systems did not have this responsibility since the teachers in their communities were members of the Massachusetts Teachers' Retirement System. The City had been in discussions with the Commonwealth for a few years regarding transferring Boston's teacher pension payment, assets and administration to the state, but initially state officials were not receptive to the idea. Finally, in 2009, the Commonwealth and City reached agreement (Ch.112, Acts of 2010) for the state to assume responsibility for the payment of teacher pensions and investment management of teacher assets which represented 27% of the market value of the City's pension assets. These assets were transferred to the state Pension Reserves Investment Trust (PRIT), which holds and invests the retirement assets of the two state systems and several local systems. However, the State-Boston Retirement Board retained the duty to administer pension services for all Boston teacher employees, retirees and beneficiaries. As part of the agreement, the Commonwealth pays 30% of the SBRB's administrative costs, excluding investment costs, for maintaining teacher services.

Legislation enacted in 2010 required the state to fund Boston teacher pensions on an "actuarial" rather than "pension payroll reimbursement" basis with the last reimbursement of \$126.9 million applied to reduce Boston's pension liability. Additionally, reserves totaling \$82.0 million that had been previously established to address pension

liability issues were applied in fiscal 2011. The application of these funds to reduce the City's pension liability enabled the SBRB, despite its investment loss of 24.2% in 2008, to approve a new funding schedule as of July 1, 2010 as part of an updated actuarial valuation that extended the schedule to reach full funding by only two years from 2023 to 2025. With this transfer, the SBRB's funded ratio also increased from 61.5% with the teachers to 70.7% without the teachers.

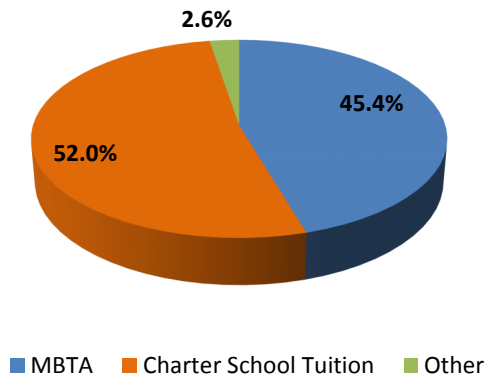
## Debt Service

Boston's debt service is the cost of principal and interest on the City's bond issues and is one of the top eight budget accounts. The City follows a strict policy to manage its debt obligations, with 40% of overall debt repaid in 5 years and 70% in ten years. Additionally the City caps debt service at 7% of general fund expenditures. In fiscal 2013 debt service costs were \$129.2 million or 5.2% of operating expenditures, an increase of \$13.6 million or 11.8% since fiscal 2002. Under the current capital plan, gross debt service will rise by 24.6% over the next five years, from \$150.5M in fiscal 2013 to \$187.4M in fiscal 2018, but will remain below the City's debt standard of 7% of the operating budget. For more on the City's management of debt see the "Debt Management" and "Capital Budget" sections of this report.

## State Assessments

State aid is the City of Boston's second largest revenue source, but the actual amount of state aid available for city operations is reduced by the amount of state assessments or charges for services provided by the state or its authorities or for the reallocation of funds. The two largest assessments, which represent 97.4% of total state assessments in fiscal 2013, are for MBTA services at \$78.3 million and charter school tuitions at \$89.6 million for Boston resident students attending Commonwealth charter

### State Assessments FY13



schools in Boston or outside the City. Altogether, the City was assessed for 10 different services totaling \$172.4 million in fiscal 2013. In fiscal 2002, state assessments totaled \$94.3 million with the biggest difference being the significant growth in Charter School Tuition assessments, which increased from \$26.5 million in fiscal 2002 to \$89.6 million in fiscal 2013, an increase of \$63.0 million or 130.3%. These charges, except for the Charter School Tuition, are restricted from increasing by more than 2.5% annually in accordance with Proposition 2½.

**MBTA Assessment** The Massachusetts Bay Transportation Authority (MBTA) provides bus, subway and commuter rail services to 176 communities within the Commonwealth. In FY13 the Commonwealth assessed a total of \$155.9 million to these communities for MBTA service based on the service provided in each area. Prior to 2000, only the 78 communities with direct service from the MBTA paid this assessment, but in 2000 legislation (Ch.221, Acts of 2000) expanded the definition to include contiguous communities which are served by the transit available in their neighboring towns. Boston's payment for MBTA services in fiscal 2013 was \$78.3 million, or 50.2% of total MBTA's local charge. The \$78.3 million assessment to the City of Boston constituted 45.4% of City's total state assessments in fiscal 2013. The

MBTA assessment to each city or town is limited by Proposition 2½ to 2.5% annually, except in cases where service has been expanded. In fiscal 2002, Boston's MBTA assessment of \$63.0 million made up 44.1% of the total state assessment, meaning Boston's share of the state wide assessment has grown due to expanded services such as the construction of the Silver Line and addition of the Fairmount commuter rail line.

**Charter School Assessment** The City of Boston is assessed a tuition payment for the total number of students who live in the City and attend a Commonwealth charter school. The assessment represents a transfer of state school aid from Boston to the charter schools as the money follows the student. The charter per-pupil rate is intended to reflect district funding for BPS students. The assessment formula considers factors for each student such as grade level, programs, low-income status, and facilities spending. The City of Boston is assessed for each of the 6,557 students who reside in the City that attend one of the 20 charter schools within the City or any other charter school. Prior to 2010, charter school tuition assessments were capped at 9% of the school district's net school spending requirement. This cap was revised with the passage of the Achievement Gap Act of 2010, which increased the cap to 18%, allowing for a 1% increase each year through 2017.

In fiscal 2013, the City was assessed \$89.6 million for Commonwealth charter school tuitions, representing, 52% of total state assessments to the City and roughly 25% of total state charter school tuition assessments to municipalities. Charter school tuition assessments have increased \$63.0 million or 237.4% since fiscal 2002 and by \$21.3 million or 31.1% in just the last two years (FY12 & FY13). Rising costs are due to the rapid increase in the number of students attending Commonwealth charter schools, which is

## General Fund Budget vs. Actual

(\$ in millions)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Revenue Budget	\$1,773.5	\$1,825.2	\$1,852.1	\$2,062.1	\$2,062.1	\$2,162.9	\$2,308.8	\$2,420.1	\$2,407.4	\$2,409.5	\$2,395.2	\$2,476.3
Revenue Actual	\$1,788.3	\$1,830.8	\$1,892.8	\$2,104.3	\$2,104.3	\$2,202.2	\$2,343.1	\$2,402.6	\$2,303.3	\$2,429.7	\$2,414.4	\$2,504.3
<b>Variance Actual v. Budget</b>	<b>\$14.8</b>	<b>\$5.6</b>	<b>\$40.7</b>	<b>\$42.1</b>	<b>\$42.1</b>	<b>\$39.3</b>	<b>\$34.3</b>	<b>-\$17.5</b>	<b>-\$104.2</b>	<b>\$20.2</b>	<b>\$19.2</b>	<b>\$28.0</b>
Expenditure Budget	\$1,773.5	\$1,825.2	\$1,852.1	\$2,062.1	\$2,062.1	\$2,162.9	\$2,308.8	\$2,420.1	\$2,407.4	\$2,409.5	\$2,395.2	\$2,476.3
Expenditure Actual	\$1,783.1	\$1,829.0	\$1,888.4	\$2,090.4	\$2,090.4	\$2,187.0	\$2,327.3	\$2,398.5	\$2,294.2	\$2,423.8	\$2,402.4	\$2,496.1
<b>Variance Actual v. Budget</b>	<b>-\$9.7</b>	<b>-\$3.8</b>	<b>-\$36.3</b>	<b>-\$28.3</b>	<b>-\$28.3</b>	<b>-\$24.1</b>	<b>-\$18.5</b>	<b>\$21.7</b>	<b>\$113.3</b>	<b>-\$14.3</b>	<b>-\$7.2</b>	<b>-\$19.8</b>
<b>Surplus</b>	<b>\$5.2</b>	<b>\$1.8</b>	<b>\$4.4</b>	<b>\$13.9</b>	<b>\$13.9</b>	<b>\$15.2</b>	<b>\$15.8</b>	<b>\$4.1</b>	<b>\$9.1</b>	<b>\$5.9</b>	<b>\$12.0</b>	<b>\$8.2</b>

expected to increase by 44.5% over the next three years to 9,475.

For municipalities losing Chapter 70 funds due to students transferring to Commonwealth charter schools, the state provides some financial mitigation through a six-year reimbursement schedule. The annual incremental tuition assessment is reimbursed 100% in the first year and 25% of the tuition in each of the next five years. The reimbursement is subject to appropriation and from fiscal 2005 to fiscal 2012, the Commonwealth appropriated 100% of its obligation. However, in fiscal 2013, the state paid only 95.7% of its obligation. The Commonwealth's budget in fiscal 2014 covers only 62.2% of its reimbursement obligation, which, for Boston, represents a loss of \$10.3 million if it had been funded at 100%.

**Other Assessments** The remaining eight state assessments total \$4.5 million and represent 2.6% of the total in fiscal 2013. The largest of these assessments at \$2.8 million is the Registry of Motor Vehicle's surcharge for non-renewal of licenses for drivers who have not paid their Boston parking tickets. Other assessments include the City's charges for the Metropolitan Area Planning Council (MAPC), Mosquito Control and Air Pollution Control

services, Special Education services and School Choice sending tuitions.

## Deficit Spending

The importance of taking a conservative approach to estimating revenues in creating a budget is highlighted by comparing planned budget appropriations to actual expenditures. As noted in previous sections, the City has ended each year since fiscal 1986 with operating surpluses and budget accounts are balanced at the end of the fiscal year where required. However, Police and Fire Department spending for emergency situations, snow removal costs and Execution of Court expenses from court decisions are legally allowed to exceed their appropriations, but the excess spending still needs to be paid from city resources.

Overall, total operating expenditures have exceeded the approved budget appropriations in four of the last five fiscal years. On average annual expenditures have been \$13.8 million more than budgeted over this period, but due to additional revenues generated beyond their budget estimates, the City has been able to cover these additional costs and still end the year with an operating surplus. The budget accounts of Police, Fire, Snow Removal and

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Execution of Courts have a tendency to exceed their authorized spending, which has made it necessary for the City to prepare for expenditures in excess of appropriated revenue estimates in its approved operating budget.

The growth of overtime spending is a key factor in the added spending, especially in the Police and Fire Departments. Overtime has exceeded its total aggregate budget every year over the last five years, (FY09-FY13) with a deficit in fiscal 2012 of \$21.5 million, and in fiscal 2013 of \$21.3 million.

Overtime has grown significantly as a percent of total salaries, not including overtime. In fiscal 2002, citywide overtime costs of \$45.6 million represented 5.2% of total salary expenditures. Between fiscal 2002 and fiscal 2013, total overtime grew to \$80.5 million and 7.2% of total salary expenditures. During that period, overtime grew by 76.8%, compared to overall salary growth of 29.3%. Overtime in fiscal 2014 is budgeted at \$57.0 million.

**Police Department** Police Department actual expenditures exceeded the authorized appropriations in nine of the twelve years since 2002. During these nine years, the difference between actual expenditures and the budget varied from a low of \$3.8 million in fiscal 2009 to a high of \$13.7 million in fiscal 2012. In fiscal 2013, actual expenditures exceeded the budget by \$11.8 million, which was attributable to its overtime expenses being \$16.1 million over the overtime budget of \$30 million. The overtime expense over budget was due, in good part, to the Boston Marathon bombing in April. Nevertheless, the added \$11.8 million of spending had to be funded by revenues beyond the Police Department's appropriations for fiscal 2013.

**Fire Department** The Fire Department's actual expenditures exceeded its approved budget in eleven of the twelve years since fiscal 2002. During this time, the shortfalls between

actual expenditures and the authorized appropriations varied from a low of \$1.6 million in fiscal 2011 to a high of \$12.5 million in fiscal 2006. In fiscal 2013, Fire Department actual expenditures were \$3.6 million over budget. The Department spent \$5.0 million beyond its overtime budget of \$15.7 million last year.

**Snow Removal** In the twelve years since fiscal 2002, the actual snow removal expenditures have been above the budget eight times. In fiscal 2005, the snow removal budget was \$7.7 million but the City actually spent \$22.0 million on snow removal that year due to a particularly snowy winter. Fiscal 2012 had the opposite situation, with \$17.1 million budgeted but only \$5.4 million spent. Despite the major snow storms in fiscal 2013, the City was relatively accurate in its budget prediction, with expenditures exceeding the budget by \$1.3 million.

**Execution of Courts** Payment of court judgments or decisions against the City are paid from the Execution of Court account. In recent years, the City has appropriated \$3.5 million annually for this budget account, but actual spending for court decisions has exceeded its appropriation on average by \$10.2 million over the past five years. Court judgments exceeded its appropriation in fiscal 2013 by \$8.5 million.



## Personnel Management

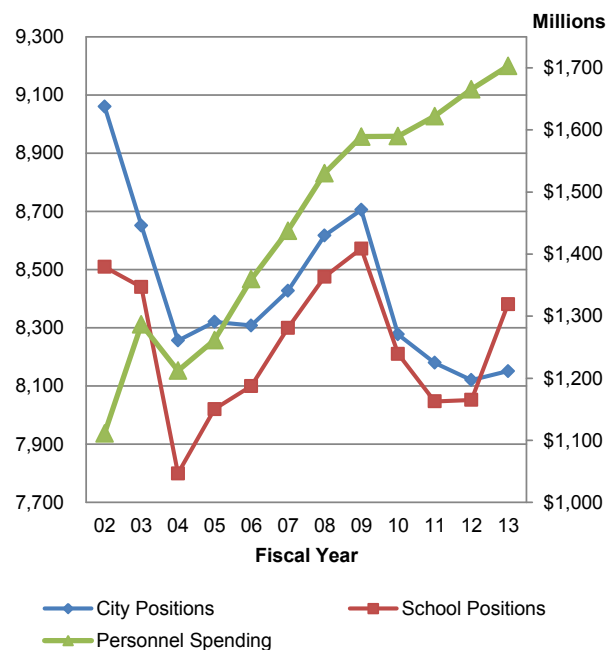
City government is labor intensive, which for Boston is reflected by the fact that almost 70% of the City's operational spending in fiscal 2013 was tied to employees through salaries or benefits. The number of city-funded employees as of January 1, 2013 was 16,532 and grant-funded employees totaled 1,438 for an all-fund total of 17,970. Because of its large share of the operating budget, city-funded personnel levels are in essence a barometer of the City's financial position. In times of fiscal stress, reducing workforce numbers is one of the few tools the City has to reduce its spending over a short period. Greater use of technology or management efficiencies can help reduce costs, but generally take time to realize the savings and are not the first option when more immediate cuts are needed. Even as a result of longer changing trends due to declines in state local aid or federal funding for services or a slow economy, gradual reduction in funded positions is a common response.

Consequently, a review of the change in City employee levels over the 12 years of this study shows the response to the economic environment. These reductions in force are not usually achieved through layoffs, but given the size of the City's workforce, through attrition by not filling budgeted positions that become vacant and careful management of which new or vacant positions are filled. The personnel numbers in this report are stated in full-time equivalencies (FTEs) as of January 1 of each year from January 1, 2002 to January 1, 2013.

Spending on personnel in fiscal 2013 totaled \$1.703 billion or 68.2% of the City's actual General Fund spending of \$2.5 billion. Salaries of \$1.207 billion constituted 70.9% of total personnel spending and 48.3% of total operating expenditures. The City spent \$414.8 million for employee benefits of health

insurance and pensions in fiscal 2013, which represented 24.4% of personnel spending and 16.6% of total operational expenditures. An additional \$85.1 million, or 4.8% of personnel costs, was spent on other personnel costs such as workers compensation and Medicare. Increased spending due to employee benefit costs and salary raises have resulted in spending for employees increasing even in years when employee levels have declined.

**FTE Numbers & Personnel Spending  
2002-2013**



### Employee Levels

From fiscal 2002 to fiscal 2013, employee levels have fluctuated in response to the economy, with sharp cuts followed by periods of growth. The recession that started in late 2001 resulted in a cut of 1,514 city-funded positions or 8.6% in calendar 2002 and calendar 2003. Over the next five years, strong economic performance by the City led to an increase in city-funded positions by 1,222 positions or 7.6%. The 2008 recession



## Boston Personnel Summary FY02-FY13

*As of January 1st, in FTE's*

	2002	% of City Funded Total	2009	2010	2011	2012	2013	% of City Funded Total	Variance '02-'13	% Change
School	8,509	48.4%	8,572	8,211	8,047	8,052	8,381	50.7%	(128)	-1.5%
Police	2,964	16.9%	3,042	2,870	2,904	2,875	2,853	17.3%	(111)	-3.7%
Fire	1,697	9.7%	1,643	1,560	1,572	1,571	1,560	9.4%	(137)	-8.1%
<b>Sub-Total</b>	<b>13,171</b>	<b>75.0%</b>	<b>13,258</b>	<b>12,641</b>	<b>12,523</b>	<b>12,499</b>	<b>12,794</b>	<b>77.4%</b>	<b>(376)</b>	<b>-2.9%</b>
All Other Total (44)	4,399	25.0%	4,020	3,846	3,704	3,674	3,738	22.6%	(661)	-15.0%
<b>City-Funded Total</b>	<b>17,570</b>	<b>100.0%</b>	<b>17,277</b>	<b>16,488</b>	<b>16,227</b>	<b>16,173</b>	<b>16,532</b>	<b>100.0%</b>	<b>(1,038)</b>	<b>-5.9%</b>
<b>Grant-Funded Total</b>	<b>2,919</b>		<b>2,505</b>	<b>1,452</b>	<b>1,500</b>	<b>1,394</b>	<b>1,438</b>		<b>(1,481)</b>	<b>-50.7%</b>
<b>All Funds Total</b>	<b>20,489</b>		<b>19,782</b>	<b>17,940</b>	<b>17,727</b>	<b>17,566</b>	<b>17,970</b>		<b>(2,518)</b>	<b>-12.3%</b>

Some totals may not add due to rounding

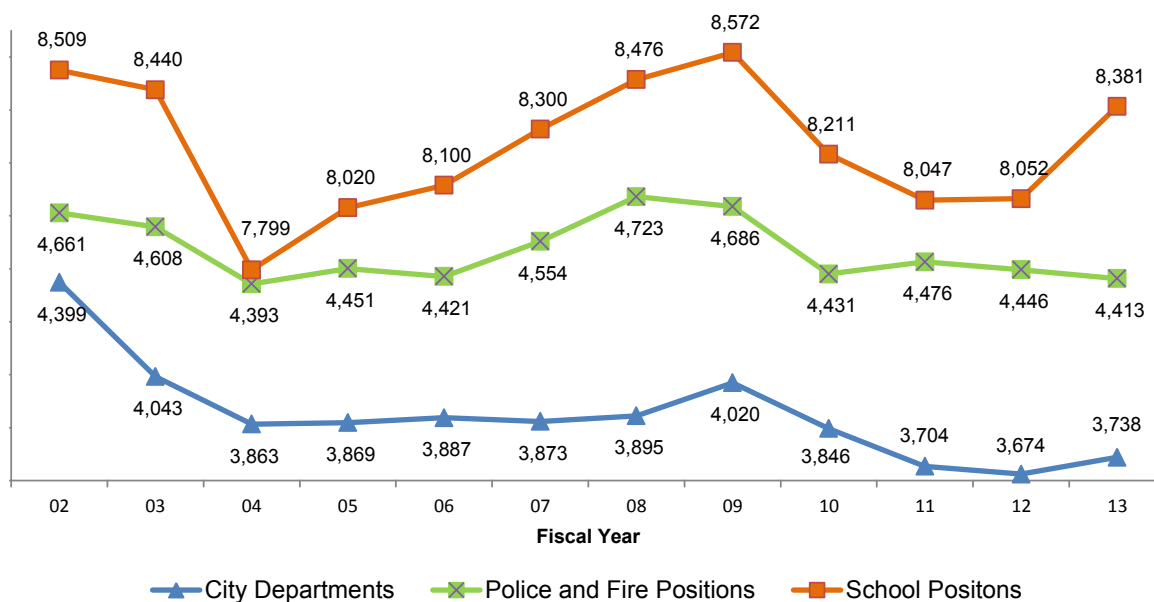
contributed to a similar reduction of 1,105 employees or 6.4% of the total city-funded workforce in the three years from January 1, 2009 to January 1, 2012. Over the next 12 months as of January 1, 2013, the city-funded payroll increased by 359 employees with the School Department accounting for 91.5% of the total. Service delivery decisions, improved productivity measures, and greater use of technology have allowed the City to maintain basic services with a smaller workforce than existed at the beginning of this study. Overall, the City of Boston has reduced its city-funded employee numbers by 1,038 or 5.9% in the 11 years from January 1, 2002 to January 1, 2013.

Complicating where the position reductions are achieved is the situation that of the 47 different city departments in 2013, the three largest Departments of School, Police and Fire represent 77.4% of the total number of city-funded positions and the remaining 44 departments constitute the balance of 22.6%. The largest three departments have

experienced the largest fluctuations over the years. Of the 1,514 position cut in 2002 and 2003, 64.7% came from the School Department (47%) and Police and Fire Departments (17.7%). Increases in the School and Police Departments accounted for 84.5% of 1,222 new city-funded positions from calendar year 2004 through calendar year 2009. In the job cuts following the 2008 recession, 68.7% of the loss came from the School Department (47.1%) and the Police and Fire Departments (21.6%).

Although these three departments have experienced the largest fluctuations, their personnel reductions have been less than proportional to their share of total city employees. Thus, the burden of staff reductions has been placed far more on the 44 remaining departments. Over the past 11 years, the School (-128), Police (-111) and Fire (-137) Departments accounted for a reduction of 376 employees or 2.9% of total personnel levels and the other 44 departments accounted

### School, Police, Fire, and City FTEs 2002-2013



for a reduction of 661 employees or 15.0%.

The greater burden experienced by the other 44 departments in the reduction of employees over 11 years is also evidenced by the fact that the largest three departments represent 77.4% of the total city funded payroll as of January 1, 2013, but are responsible for 36.3% of the employee loss since 2002. The remaining 44 departments constitute 22.6% of the employee total but underwent 63.7% of the employee reduction.

Greater protection of staff levels in the three largest departments are due to policies and collective bargaining agreements that mandate certain levels of personnel. The IAFF 718 firefighters' contract mandates minimum staffing levels, and the Police Department must maintain sworn officer level of 2,185 officers through fiscal 2016 as part of a provision of the three year Community Oriented Policing Services (COPS) grant. The Boston Teachers Union contract mandates class sizes for specific

grades, types of classes, learning disability or English proficiency. Also the number of nurses and guidance councilors are based on a per student formula.

The fiscal 2014 budget projects a net increase in city-funded positions of 258, or 1.5% from the previous year. The largest three departments account for 77.1% of the fiscal 2014 estimated new positions. The School Department is adding 88 positions, primarily in special education support. The Police and Fire Departments are growing by 54 and 57 new employees, respectively, as the new classes will exceed normal attrition in fiscal 2014. The Inspectional Service Department is expected to add 12 employees to implement the new rental housing ordinance, and the Public Works Department will fill 13 vacancies.

**Grant-Funded Positions** Grant-funded employee levels during the 2002-2013 time frame also decreased as a consequence of governmental reorganization and the downturn

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in the economy as fewer dollars meant fewer positions. The number of federal and state grant-funded positions declined from 2,919 in January 1, 2002 to 1,438 in January 1, 2013, a reduction of 1,481 or 50.7%. The Commonwealth's assumption of the responsibilities of the Suffolk County Sheriff's Department in fiscal 2010 resulted in the transfer of 1,078 employees to the state in 2009 or 72.8% of the total decrease. Other departments that lost substantial grant-funded positions were School (-130), Neighborhood Development (-49), and Elderly Commission (-39).

The School Department employs 796 grant-funded employees as of January 1, 2013 or 55.3% of the total. Further decreases are expected in calendar years 2014 and 2015 as federal and other grants for the Department are budgeted to decreased by \$21.3 million in fiscal 2014 and are projected to decrease by \$32 million in fiscal 2015. Some of these positions will be absorbed in the Department's fiscal 2015 operating budget.

## **Fiscal Controls**

As noted at the start of this section, city-funded employee levels are a barometer of the City's financial position. In times of fiscal stress, reducing workforce numbers is one of the few tools the City has to control its spending over both a short and extended period as needed. The Position Review Committee (PRC) helps control spending on personnel and the Boston Administrative Information System (BAIS) assists with position management.

The PRC reviews and approves all departmental personnel decisions, including requests for new hires, employment contracts, compensation adjustments, upgrades, out-of-grade assignments, emergency hires and position-related issues. The PRC was officially created by Executive Order in June of 2008,

although it operated unofficially since 2002. This Committee has been instrumental in making sure the City is positioned to gradually adjust to fiscal change by managing personnel levels. Lately, the PRC has been comprised of the Directors of the Departments of Human Resources and Budget Management and the Chief Financial Officer.

BAIS is an integrated financial and human resources management system that is designed to track and control daily activities and report the financial position of the City. The system supports the monitoring and reporting requirements of a position management system.

## **Classification and Compensation Initiative**

The City of Boston has begun a comprehensive multi-year study of employee job classifications, job descriptions, and salary grades to ensure salary equity and position competitiveness for union and non-union positions. Prior to this initiative, the City had not undertaken a comprehensive personnel analysis for at least 40 years. The City's previous hesitance toward this project was likely due to the cost of such an undertaking. Currently, the City's efforts to efficiently classify jobs and compensation grades have encountered difficulties which have set back the timetable. The City has employed two separate consulting firms and is preparing to request bids for a third.

The process started in fiscal 2012 in two of the smaller departments, Elderly Affairs and Veterans' Services, which have 56 and 12 employees, respectively. The original plan was to add departments to the schedule each year. The program continued in fiscal 2013 with the Treasury and Auditing Departments.

The City's Human Resources Department (HR) selected the consulting firm Fox Lawson to perform the analysis and recommendations

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#### Why does the City need to undertake a classification and compensation initiative?

Over the last decade, the City has reduced the total number of funded positions and, in some cases, remaining employees have assumed more responsibilities. In addition, technological and software advances have supported employees taking on more work and responsibilities. Consequently, job descriptions in many departments are out of date; do not reflect current job responsibilities; and salary grades have not kept pace with actual responsibilities. To counter this, employees have tried to increase their salaries by appealing for a higher position grade. Since 2010, 54 employees have appealed for a higher job grade with 20 of those appeals submitted in 2012 alone. The City initiated this program partly in response to these appeals.

- Conduct a market study in comparable cities to ensure positions and related compensation are internally equitable and externally competitive
- Prepare departmental manuals for classification and compensation for approval by employees, management, and necessary unions

Unfortunately, during the research process, the vendor encountered unforeseeable staffing issues and was not able to continue the project with the next departments. The project was re-bid to a new consulting firm, Segal Consulting, for the next two departments. Due to some differences in final expectations, the City is still working with Segal to improve recommendations and will again re-bid the project for the next group of departments.

for the first two departments. The scope of the contract involved four phases:

- Review existing classification plans through an employee survey
- Prepare revised job descriptions

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## Boston's Collective Bargaining Process

Negotiations between the City of Boston and its public unions play a critical role in the City's ability to provide basic services cost-effectively and improve the service efficiencies of its departments. The importance of collective bargaining is also heightened because almost 70% of the City's operating budget is tied to employees through salaries and benefits most of which are prime factors in contract negotiations. In fiscal 2013, salaries of \$1.207 billion constituted 70.9% of total personnel spending and 48.3% of total operating expenditures. Benefits such as health insurance and pensions accounted for \$414.8 million or 24.3% of personnel spending.

With over 17,000 employees in 2013, the salary and benefit increases negotiated in collective bargaining contracts can significantly raise the spending requirements of the City and establish the base for added costs in future contracts. For example, the Boston Teachers Union six-year contract that will expire in August 2016 is estimated to cost \$156.3 million, of which \$136.5 million is allocated for salaries.

At the same time, employee contracts are the vehicles for establishing new efficiencies or reforms that enable services to be provided more efficiently or educational achievement to be improved. Thus, contract negotiations go beyond decisions on wages, hours and conditions of employment. Over the years, compensation has involved more than salary increases as other factors have evolved that contribute to total compensation, but are almost hidden as the public's focus remains on what the salary increase is over the length of the contract. Boston's fiscal forecast is for continuing tight budget years ahead which will require the City to manage a balance of reasonable salary increases for its public employees with management efficiencies to

provide services more efficiently. Employee levels will also need to be managed carefully to make this balance work successfully.

Public employees in Massachusetts are entitled to union membership under Massachusetts General Law Chapter 150E. Public employees have the right of self-organization for the purpose of bargaining collectively on questions of wages, hours, standards of productivity and performance, and other terms and conditions of employment. The Employer's ability to appoint, promote, assign, and transfer employees are generally recognized as matters of inherent managerial policy. However, employers have a duty to bargain in good faith with respect to wages, hours, and other conditions of employment. Employees also do not have the right to strike. The City of Boston negotiates with 40 different unions that represent 91% of Boston's total workforce of 19,652 full and part-time employees as of September 2013.

Typically, employee contracts devote a page or two to changes in salaries and wages. Much more of the contract is concerned with conditions of employment as this covers a wider range of topics. A typical contract contains sections in areas such as group insurance, sick and vacation leave and other leaves of absence, holidays, grievance procedures, longevity, discipline, residency, layoff and recall procedures, and substance abuse policies where appropriate. The previous round of contracts mainly expired in June or August of 2010 and the firefighters' contract expired in 2011. The City has negotiated contract agreements with 35 of its city unions representing 86.3% of the total number of city employees represented by public unions. These unions agreed to the City's standard contract package of about 12.3% salary increase over six years, along with a uniform set of personnel

policies in areas of attendance, light duty, military leave, medical leave, and holidays. The Police Patrolmen's arbitration award provides a compensation increase of 25.4% over the same period which was approved by the City Council.

Contracts negotiated between the City and its bargaining units are legally limited to three years. Agreements for a longer period are created by combining two or three contracts as one. For example, the current contracts negotiated for six years from July 2011 to June 2016 consist of two three-year contracts.

**The Union Breakdown** The City of Boston negotiates with 40 public unions representing 17,956 employees as of September 2013. The unions consist of three general types: city unions representing most departmental employees, with a subset for public safety employees; school unions; and Boston Public Health Commission unions. The Office of Labor Relations is responsible for negotiations with all city bargaining units. Both the School Department and Public Health Commission negotiate employee contracts with their respective unions, consulting with the City's Office of Labor Relations as needed.

Of the 19 city unions, five are public safety unions consisting of four separate police unions representing 2,100 uniformed officers, and one firefighter union representing 1,478

firefighters including Lieutenants, Captains, District Chiefs, and Deputy Chiefs. The remaining 13 city unions consist of large city-wide unions such as the American Federation of State, County and Municipal Employees (AFSCME), Service Employees International Union (SEIU), and Salaried Employees of North America (SENA) (middle manager employees), a bargaining unit of AFSCME representing library assistants, three civilian police unions and smaller bargaining units.

School Department employees are represented by 12 unions which represent 10,031 teachers, administrators, school police, clerical staff, custodians, and others. The Boston Public Health Commission (PHC) is a separate entity from the City, created in 1996. The PHC negotiates with nine PHC unions, the largest of which represents the emergency medical technicians (EMTs).

**Current Status in 2014** Of the 40 unions, 35 unions representing 86.3% of all unionized employees have successfully negotiated new six-year contracts with the City. The Boston Police Patrolmen Association (BPPA) arbitration award was approved by the City Council on December 4, 2013. The notable exceptions are the remaining three uniformed police unions, the firefighters union and emergency medical technicians union. All 12 of the School Department unions have reached agreements, and eight of the nine PHC unions have reached contract agreements. (Appendix B)

### Boston Employee Breakdown

Department	Employees Represented	% of Total
School	10,031	55.9%
Public Safety	3,578	19.9%
Other City	3,519	19.6%
Total City	7,097	39.5%
BPHC	828	4.6%
Grand Total	17,956	100.0%

The recently settled contracts contain many of the same provisions, including about a 12.3% salary increase over six years. This increase will be retroactive going back to fiscal 2011 and effective through fiscal 2016 (0% in FY11, 1% in FY12, 2% in FY13, 3% in FY14, 3% in FY15, and 3% in FY16). For certain unions, an additional 0.3% is included in benefits over the 12% in salary increases. These contracts also contain language changes on a uniform set



## Boston Unsettled Employee Contracts

	Department	Employees Represented	Status	% of Total
<b>Public Safety</b>				
International Association of Firefighters, Local 718	Fire	1,478	In Negotiation	8.2%
Boston Police Superior Officers	Police	247	In Negotiation	1.4%
Boston Police Detectives Benevolent Society	Police	280	In Negotiation	1.6%
Superior Detective Benevolent Society	Police	126	In Negotiation	0.7%
<b>Total Public Safety</b>		<b>2,131</b>		<b>11.9%</b>
<b>BPHC</b>				
Emergency Medical Technicians-BPHC	BPHC	334	In Negotiation	1.9%
<b>Total BPHC</b>		<b>334</b>		<b>1.9%</b>
<b>Grand Total</b>		<b>2,465</b>		<b>13.7%</b>

of personnel policies in areas of attendance, light duty and holidays. The fact that the same policies will apply to all civilian unions, except the Boston Teachers Union, will improve the administrative efficiency of implementing these policies. Also, a stricter drug/alcohol testing procedure was negotiated for certain positions in non-public safety departments. A brief explanation of each of the uniform policies follows.

- **Holidays** Bunker Hill Day and Evacuation Day were removed as contractual holidays for new employees hired since January 1, 2013. Those hired prior to that date will receive two "floating holidays" creating both a productivity cost and financial cost.
- **Attendance** Employees must submit medical documentation for sick leave use when they exhibit patterns of absenteeism such as sick leave usage around scheduled holidays/weekends, five consecutive sick days, or 10 instances of sick leave in the prior year. Employees with no remaining sick time are no longer allowed to take unpaid sick days except for approved medical reasons.
- **Military Leave** Military leave policies are now up-to-date with state statutes and the City will make up the difference in salaries.
- **Medical Leave** The City provides a variety of different leaves depending on the specific reason for the leave of absence and the employee's length of service. The Medical Leave Policy incorporates the following: Federal Family Medical Leave Act, Massachusetts Maternity Leave, Leave as an Accommodation under the ADA, and Contractual Medical Leave pursuant to Union collective bargaining agreements.
- **Light Duty** Employees must return to light duty positions if jobs are available and once they are medically cleared.
- **Stricter Drug/Alcohol Testing** Testing can now be pursued for drivers of city-owned vehicles in incidents of vehicular or bodily damage or if a ticket is written.
- **Personnel Review System (PRS)** The new performance evaluation process defines specific criteria for each performance category and does not solely rely on

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supervisor comments, thereby addressing weaknesses of the previous system.

In October 2012 the School Committee settled a contract agreement with the Boston Teachers Union that included the standard approximate 12.3% salary increase and other factors that are estimated to cost \$156.3 million over six years of which \$136.5 million is allocated for salaries. Language changes included in the new BTU contract included good, but incremental reform measures, such as greater flexibility in teacher hiring and an improved system for teacher evaluations.

Negotiations between the Administration and library employees represented by AFSCME 1526 were protracted as the Administration sought to provide weekend service and keep the compensation consistent with the standard package that had been accepted by 30 public unions. The process extended through mediation and fact finding, leaving the Administration with the possibility of implementing its last best offer. However, at that point, the parties did agree to define the workweek for employees of the union to be Monday through Sunday, inclusive, that work on Saturday and Sundays would be paid on a straight time basis and that all personnel may be scheduled on Sundays as part of their regular schedule.

On September 27, 2013, an arbitration panel awarded the Boston Police Patrolmen a 25.4% increase in compensation at a cost of \$87 million over six years. This award was submitted to the City Council by the Mayor, and after a lengthy three-part hearing, the City Council approved the funding of the award at its meeting on December 4, 2013. The three civilian police unions have settled their six-year contracts.

The remaining three uniformed police unions are currently in some stage of arbitration, while the firefighters' IAFF Local 718 is still in the negotiation process which will carry over to

2014. The remaining five unsettled contracts, including the EMT contract, are still in the negotiation process.

**Residency** The City's residency ordinance requirement for persons employed by the City on or after July 1, 1996 (Ord. 1976, c.9 as amended) had been reinforced with similar language negotiated in collective bargaining agreements by the Administration starting with the AFSCME and SEIU contracts for 1984 to 1987. Similar language was negotiated in the BPPA contract for 1993 to 1996 as it was in the same contract period with the three sworn police unions and the firefighters' union. However, with all contracts negotiated for the period of 2006 to 2010 that contained the residency requirement, language was inserted that exempted from the residency requirement those employees who had worked ten consecutive years with the City.

**Steps of Collective Bargaining** The collective bargaining process starts with the negotiating teams of the City and the union sitting down to discuss wages or other changes in the next contract. Negotiations normally begin before the expiration of the prior contract. Both parties enter into negotiations with predetermined objectives largely based on money items and other proposed measures. In practice, however, negotiations often carry on past the expiration of the prior contract, in which case the terms of the newly expired contract remain in place until a new agreement is reached. Upon agreement of a new contract by the Administration and union negotiating teams, the union team submits the agreement to its members for ratification. Following the members' approval, the Mayor submits the contract to the City Council to appropriate funding for the contract.

The City Council's approval of funding for the current year constitutes approval for all years of the contract to be funded either from reserves for the current and prior years or in departmental budgets for future years. The

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City Council has the responsibility, as the City's appropriating authority, to ensure that the cost of each contract is reasonable and affordable and adequate funds from appropriate revenue sources are available. The City Council should also ensure that the agreement contains reasonable management and efficiency measures commensurate with the cost of the contract to the taxpayers. For public safety arbitration awards submitted by the Mayor, the City Council's approval of the funding was required by Proposition 2½ in 1980.

Should civilian contract negotiations between the two parties arrive at an impasse, Massachusetts General Law makes provisions for the resolution of this situation. Either party may petition for a declaration of an impasse from the state Division of Labor Relations. If the Division concludes that negotiations have in fact arrived at an impasse, the parties may agree on a mediator or have one appointed by the Division. The mediator will have the task of bringing the parties to a resolution and reporting the results of this process to the Division of Labor Relations. If the mediator is not successful in resolving the impasse, he or she will report to the Division.

If mediation fails, either party may petition the Division to begin a fact-finding process. A fact-finder may be chosen by the two parties from a list of qualified candidates approved by the Division or one will be appointed by the Division. The role of the fact-finder is to investigate and make recommendations for the resolution of the impasse. If after a reasonable time, the fact-finder is not able to bring the parties to agreement, he or she will request both parties to submit their last best offer. The fact finder will issue a report of findings with recommendations for a settlement within 30 days after the record is closed. If 10 days after releasing the report the impasse is not resolved, the report is made public. If after the public release of the report, the parties still cannot agree to a settlement, the employer/

municipality may then unilaterally implement its last best offer following approval of the Division.

In order to prevent the collective bargaining process from dragging on indefinitely, retroactive pay is limited to two years after the expiration on the contract. This feature of collective bargaining law provides incentive to settle, as any salary increases after two years will not be paid retroactively unless both parties agree to the payment.

**Public Safety Impasse** A different impasse negotiation process is established for police and fire contract negotiations. The State's Joint-Labor Management Committee (JLMC) facilitates negotiations between municipalities and public safety unions (Chapter 589, Acts of 1987). The purpose of the JLMC is to ensure that public safety services are not interrupted during negotiations since public employees are not allowed to strike. The JLMC consists of a Chairman, Vice-Chairman, and twelve committee members appointed by the Governor. Six of the twelve committee members are public safety employees with three police officers from nominations submitted by the International Brotherhood of Police Officers, NAGE, SEIU, AFL-CIO, and the Massachusetts Police Association, and three firefighters from nominations submitted by the Professional Firefighters of Massachusetts, International Association of Firefighters, AFL-CIO. The other six municipal members are nominated by the Advisory Commission on Local Government. The Committee oversees negotiations and facilitates the resolution of an impasse between the parties. The Committee is authorized to resolve impasses using interest arbitration awards which are subject to the appropriation of funding by the local legislative body.

Should public safety negotiations come to an impasse, the parties may individually or mutually petition the JLMC to accept responsibility to resolve the impasse. If the

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JLMC does agree, mediation is usually the first step. If mediation is not successful in resolving the impasse, one or both parties may request a 3A hearing to determine whether arbitration should be the next step. If after a full hearing, the JLMC decides that the collective bargaining process has been exhausted and this may potentially jeopardize the public welfare, it will notify the parties and report its plan for arbitration procedures within ten days.

Both parties must submit a list of issues that each desires the arbitration panel to address. After a series of hearings with the parties and meetings of the arbitration panel, an award is announced. In cities, the Mayor must submit the arbitration award to the City Council, which then evaluates whether the award is reasonable and can be funded. The results of this arbitration are binding on both parties as long as the City Council approves the funding. If the Council does not approve the funding, the parties must return to the negotiating table under the auspices of the JLMC.

**Hidden Costs** City employees receive other forms of compensation, in addition to yearly salary increases, that add to the annual cost of the contracts. These provisions include step increases, differential pay, career awards and longevity benefits as well as cash redemptions for sick leave, vacation days, and personal days. Some of these provisions are pension eligible which will add to an employee's retirement allowance. These different compensation factors are not noted and are hidden when new contracts are negotiated and costs are described only in terms of annual salary increases. However, in aggregate, these hidden compensation factors can represent an increase of a few percentage points in salary over the life of the contract and a high cost to the taxpayers.

**Step Increases** In addition to the salary increases, employees not at the maximum salary level also receive step increases each year on the anniversary of their start date. Step

increases are typically 4% to 6% and given to employees each year after completing the first year of service until reaching the maximum step of their job category. These increases are automatic regardless of employee performance, yet they add significantly to yearly personnel costs. Step increases in the most recent BTU contract were 6.2% on average. AFSCME and SEIU citywide step increases were 4% in the most recent contract. Police officers and firefighters have only three steps to reach maximum, whereas the Boston Teacher's Union contract has nine steps. For example, under the current contract, a teacher with a Bachelor's degree and fifteen credits on the first step can receive a 58% increase in salary when salary and step increases are combined over the six years of the contract. A teacher with the same educational background already at the maximum step level can receive a 12.6% increase over the life of the contract. A teacher with a Bachelor's Degree and fifteen credits on the first step who then earns a Master's degree can receive a 62.9% salary increase over six years. A SEIU employee at pay grade 10 and at the maximum step level of 10 can receive a 12.6% increase in compensation, while an employee at grade 10 and step level 5 can receive a 36.9% increase from step and salary increases over the life of the contract. Citywide, yearly step increases totaled approximately \$13 million in fiscal 2013.

**Compensated Absences** Depending on the contract, employees are able to redeem for cash specified vacation and sick days annually or upon separation from service through resignation or retirement based on the employees' current salary level. The total cost of the redemption in cash of vacation and sick leave benefits totaled \$26 million in calendar 2013.

**Sick Days** Depending on the contract terms, at the time an employee leaves city service, the City will pay out a set percentage of the total accumulated and unused sick days based on

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the employee's most recent annual salary. If an employee dies, the pay-out amount is paid to the spouse or estate. In calendar 2013, the total buy-out expense for accumulated sick days was \$13.0 million paid to 662 employees for an average of \$19,661.

A feature of all contracts enables employees to annually redeem (buy back) for cash up to the first five days for civilians and up to ten days for sworn personnel of the earned sick days each year at the current salary. The total buy-back cost for up to the five days was \$4.4 million in calendar 2013. That year, 2,566 employees received an average buy-back of \$1,718.

**Vacation Days** Vacation days are considered part of an employee's earned compensation and upon separation from employment, the City compensates all employees for any remaining vacation time based on the current salary level. City employees received annual vacation time ranging from two to six weeks depending on their union contract and the number of years served. In calendar 2013, the total vacation pay-out cash expense was \$2.8 million paid to 347 employees for an average of \$8,083.

A recent feature of the police, firefighter and middle managers' contracts is the members' ability to buy back vacation days each year depending on the years of service. For example, firefighters eligible for four or more vacation weeks annually can redeem one week for cash. For police officers, Superior Officers may buy-back up to 10 days of vacation for cash and those entitled to a fifth week of vacation may redeem all or a part of those five days also. Detectives who have accumulated at least three weeks of vacation may redeem up to 15 days. Those entitled to a fifth week of vacation may buy-back all or a part of those five days. Superior Detectives may redeem up to 15 days of vacation and those entitled to a fifth week can buy-back all or a part of those days. In their new contract, patrolmen eligible

for five weeks of vacation can redeem up to four weeks in cash and those entitled to less than five weeks of vacation annually can buy-back up to three week in cash. SENA members may redeem up to five days of vacation pay as a lump-sum payout each year after 20 years of service, subtracting one day for each personal sick day that was used that year. The total cash buy-back cost for annual vacation days redeemed in calendar 2013 was \$4.2 million which was paid to 1,509 employees for an average buy-back of \$2,757. These buy-back payments are pension eligible and therefore add to the pension liability.

The recent BPPA arbitration award provides that police officers eligible for less than five weeks can buy back or redeem up to three weeks vacation and those eligible for five or more weeks of vacation can buy back for cash up to four weeks of vacation. This is a two week increase in each case.

**Personal Days** Police officers and firefighters are entitled to personal leave days which they may redeem in an annual buy back or a payout upon resignation or termination. In calendar 2013, 88 employees received personal leave separation payouts of \$393,500, an average of \$4,472 each. This same year, 830 employees received a total of \$1.2 million in annual personal day buy backs, an average of \$1,447 per employee. There are a few restrictions on personal leave redemption however. Employees are limited in the number of personal days that they can bank, and police officers must declare their buyback by a certain date.

**Career Awards and Longevity Benefits** Similar to step increases, career awards and longevity awards reward employees for years of service with employees in certain unions with varying schedules and amounts. For unions with step increases, career awards are designed so employees seamlessly transfer from step increases into career awards at designated time intervals. BTU members, for example, receive



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a \$1,250 addition to their annual salary in their tenth year after reaching the maximum ninth step with increases every five years until their 44th year of service. The three expired police union contracts for Superior Officers, Detectives and Superior Detectives provided career awards of \$2,000 annually for officers who have five years of service and \$4,000 annually for officers who have 20 years of service and are not otherwise eligible for Quinn Bill benefits.

The recent police arbitration award will institute longevity benefits of \$2,000 per year for patrol officers with five years experience, increasing by \$2,000 every five years up to 20 years of service. This award also makes provisions for Cumulative Risk Enhancement adjustments of \$3,000 for officers with 20 or more years of service and \$6,000 for officers with 25 or more years of service.

The **Transitional Career Award Program (TCAP)** is a form of longevity award unique to the firefighters' contract which translates into an average salary increase of 0.5% each time the base wage increases. Over the four years of the current contract, TCAP is equivalent to a 2% salary increase. Currently, TCAP adds \$232.13 per week for firefighters after five years of service, and \$249.37 per week for firefighters with 25 years of service.

**Differential Pay** Police and fire contracts include forms of differential pay to all uniformed employees which contribute to total annual earnings. For example, each police officer receives, in addition to the regular salary, a weekend differential, a hazardous duty differential and a 911 response specialist differential which is factored into base pay and not visible. The BPPA contract sets assignment differentials as low as \$6.00 per hour for radio operators and as high as \$40.00 per hour for a bomb disposal squad member or a headquarters dispatcher. Police patrolmen were also eligible for a 9% night differential. All

firefighters are eligible for a 9.5% night differential as well as a hazardous duty/specialist differential.

**Quinn Bill** In the four police contracts negotiated in 1998, the Menino Administration agreed to adopt the Quinn Bill starting in fiscal 2000. Because of the cost of this program, the four police unions agreed to no salary increases in fiscal 2001 and fiscal 2002. The Quinn Bill compensates police officers with pay increases upon receiving undergraduate degrees in Law Enforcement or Criminal Justice, and a Law Degree. Uniformed officers are eligible for a 10% salary increase for an Associate's Degree, a 20% salary increase for a Bachelor's Degree, or a 25% salary increase for a Master's or Law Degree. The cost of the program was shared evenly by the City and the Commonwealth. However, in fiscal 2009, the Commonwealth contributed only \$1.9 million of its \$10.9 million one-half share and completely stopped paying its 50% share starting in fiscal 2010. The contract agreed to in 1998 by the City and the four police unions stipulated that should the Commonwealth not pay its 50% share, the City was not responsible for any payment beyond its own 50% share. This provision was upheld in a subsequent Massachusetts Supreme Judicial Court decision and the City has continued to pay its 50% share of the annual cost. In the recent BPPA arbitration award, the arbitrator did approve a provision that will increase the compensation of eligible police officers so that by the end of the contract in 2016, the City's share of the Quinn Bill payments will equal approximately 75%.

**Role of City Council** The Boston City Council does not have a passive role with regards to any collective bargaining contract. While not responsible for the negotiation of a contract, the City Council, as Boston's appropriating authority, does have the fiduciary responsibility to evaluate the cost and provisions of an agreement to determine



whether it is affordable and if the value of the operational changes in the new agreement is appropriate given the added cost to the taxpayers. The same responsibility holds true for arbitration awards. In fact, state law on binding arbitration for police officers and firefighters (Ch. 589, Acts of 1987) specifically states, “If the municipal legislative body votes not to approve the request for appropriation, the decision or determination shall cease to be binding on the parties and the matter shall be returned to the parties for further bargaining.”

**Salary Increases 2002-2013** A review of salary increases approved over the 12 years of this report and even before shows that straight salary increases negotiated with the public unions tend to reflect the City’s financial position, the degree to which meaningful reform language is included and the strength of

### Salary Increases for Selected Unions

	FY11	FY12	FY13	FY14	FY15	FY16
<b>BPPA</b>						
July	2.5%	1.0%	1.0%	3.0%	3.0%	3.0%
<b>Superior Officers</b>						
July	IN	IN	IN	IN	IN	IN
<b>Detectives</b>						
July	IN	IN	IN	IN	IN	IN
<b>Detectives Superiors</b>						
July	IN	IN	IN	IN	IN	IN
<b>AFSCME - Citywide</b>						
October	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
<b>SEIU Local 888</b>						
January	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
<b>BTU</b>						
September	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
<b>SENA</b>						
July	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
<b>Fire IAFF Local 718</b>						
July		IN	IN	IN	IN	IN
January	2.5%					
June	1.5%					

IA = In arbitration & IN = In negotiations

the union. From an economic perspective, the 12 years represent a tight fiscal period, starting at the tail end on one recession and following through the Recession of 2008 and its aftermath. (Appendix C) Civilian contracts negotiated during this period resulted in salary increases in the range of between 2.0% to 3.0% each year from fiscal 2002 to fiscal 2010. In fiscal 2002 and fiscal 2003, BTU members received 4.0% raises but subsequently generally followed the other unions to fiscal 2010. Firefighters began with 4.0% and 4.5% raises in fiscal years 2001 and 2002 and then received raises similar to the other unions. The four police unions agreed to a 0% in fiscal 2001 and a 0% in fiscal 2002 as part of the City’s acceptance of the Quinn Bill and then matched the firefighters in each year to fiscal 2010. In the better economic times of fiscal 1995 and fiscal 1996, salary increases for police officers and firefighters were 5% and 6% respectively and were less in subsequent years but still more than approved for the civilian contracts. The most recent six year contracts settled from fiscal 2011 to fiscal 2016 start with 0% and end with three consecutive years of 3%.

**Timing of Salary Increases** More recently the timing of the start of salary increases in a year is delayed in some contracts as a way of reducing the City’s cash payout in a year, but still crediting the full negotiated salary increase for each employee for that year in the next year as part of the base salary that is increased by the next year’s salary increase. Normally, salary increases start on July 1, the first day of the fiscal year, or September 1, depending on the union. However, in most of the current contracts that have been settled, the salary increases start on October 1. The City’s cash flow benefits in the year that the salary increases are delayed past the normal start of the contract. The full salary increase of the contract is credited to the employee even though the actual cash payment is less, and the full salary is acknowledged for pension benefits.

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## A Closer Look at the Property Tax

As discussed in the revenue section of this report, the City relies on net property tax revenue of \$1.719 billion for two-thirds of its General Fund revenues in fiscal 2014. In order to stay consistent with the financial sections of this report, this section will focus on trends from fiscal 2002 to fiscal 2013, the last fiscal year with actual financial data. Boston's fiscal 2014 property tax values and tax rates were approved by the Commonwealth on December 17, 2013 so this report will note the basic changes in fiscal 2014 as well. The lack of diversified revenues available to Boston has meant that the property tax is the primary revenue source for city operations and the primary source for annual revenue growth to support basic services. In fiscal 2013, the property tax increase of \$66.1 million represented 73.5% of the total year-end operating revenue increase. Nevertheless, the revenue Boston is able to generate from the property tax is limited by Proposition 2½. This section provides a comprehensive explanation of the factors involved with the property tax.

### Proposition 2½ and Tax Levy

The City's ability to raise revenue through the property tax is restricted by Proposition 2½ (Ch.59, s. 21C), which places constraints on the total tax levy the City can raise from real and personal property as well as the annual increase in the tax levy. The primary limitation of Proposition 2½ is that the property tax cannot exceed 2.5% of the total fair cash value of all real and personal property (levy ceiling). A secondary limit prohibits the tax levy from increasing more than 2.5% over the prior year's levy limit. Since Boston's property tax levy has remained below the 2.5% cap, the City has been able to raise the tax levy by the full 2.5% every year. In fiscal 2013, the property tax levy of \$1.64 billion was \$621.2

million below the levy ceiling of \$2.3 billion. If the increase of business or residential property values causes the levy to grow by more than 2.5%, the City cannot capture this value, but instead must decrease its tax rates to stay within the 2.5% levy limit set by Proposition 2½. The City is able to exceed the annual levy limit through a debt exclusion or an override, with each approved by the voters, but neither has been attempted in Boston. In fiscal 2014, the property tax levy is \$716.9 million below the levy ceiling of \$2.5 billion.

**New Growth** As explained in the "Where the Money Comes From" section of this report, new growth, primarily from new construction of taxable property, is a critical component of the annual tax levy increase. New growth consists of new development, major rehabilitation of a building, or conversion of tax-exempt property to taxable status, all of which are exempt from the levy limit. Additionally, the upgrading or expansion of utility property and audits by the Assessing Department have captured new growth of personal property (mostly equipment and other business fixtures). Condominium conversions have also generated new growth. During the last six years (FY08-FY13), new growth represented 50% or more of the total tax levy increase in three of those years and constituted 49% of the levy increase in a fourth year. The levy increase from the same time period was \$215.7

### % of Levy Limit Increase FY2008 - FY2013

	2 1/2 Levy Growth	New Growth	Total
<b>FY08</b>	50.2%	49.8%	100%
<b>FY09</b>	50.3%	49.7%	100%
<b>FY10</b>	54.2%	45.8%	100%
<b>FY11</b>	49.2%	50.8%	100%
<b>FY12</b>	51.3%	48.7%	100%
<b>FY13</b>	58.5%	40.9%	99%

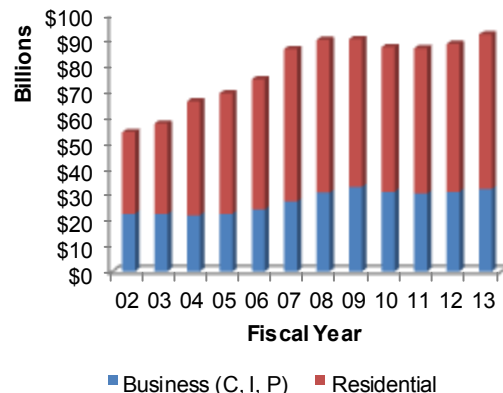
million from the 2.5% levy increase and \$197.1 million from new development. Consequently, the average annual levy increase over the six years was 4.8%, far more beneficial than an annual increase of only 2.5% without new growth. The levy increase from new growth is determined by multiplying the increase in assessed value of a newly taxable property by the prior year's tax rate for the appropriate class of property. The levy is permanently increased by the addition of new growth which can be increased by 2.5% in the following year. In fiscal 2014, new growth of \$53.1 million made up 55.8% of the levy increase, up from \$28.7 million in fiscal 2013, which represented 41.5% of the tax levy increase.

## Property Values

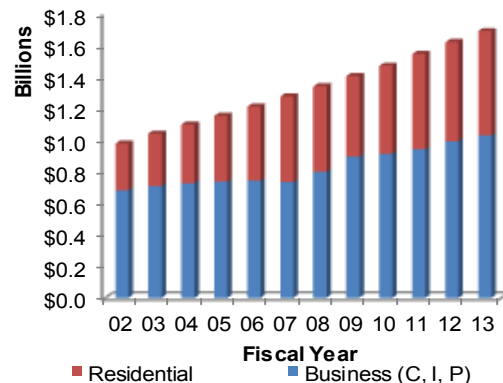
Massachusetts law requires that all property be assessed at its full market value as of January 1<sup>st</sup> before the start of the fiscal year. Thus property taxes for fiscal 2013 (July 1, 2012 – June 30, 2013) are based on the value of the property as of January 1, 2012. At \$92.2 billion, Boston's taxable value in fiscal 2013 was at its highest value since the last peak at \$90.4 billion in fiscal 2009, showing the City's property base has rebounded from the recession. Between fiscal 2002 and fiscal 2013, total property value in the City has increased by \$38.0 billion, or 70.1%. This growth has been heavily concentrated in residential property, while the growth in taxes has remained concentrated with business property due to the City's application of classification. Taxable property values for fiscal 2014 total \$99.8 billion, an increase of \$7.6 billion or 8.3% over the prior year.

**Residential Property** Residential property was valued at \$60.1 billion or 65.2% of the total property value of the City in fiscal 2013. From fiscal 2002 to fiscal 2013, residential property value rose by \$28.4 billion making up 74.7% of the \$38.0 billion increase in property value. Condominiums, which were valued at \$24.8 billion or 41.2% of residential property in fiscal 2013, have been the largest factor in the growth

## Taxable Assessed Value

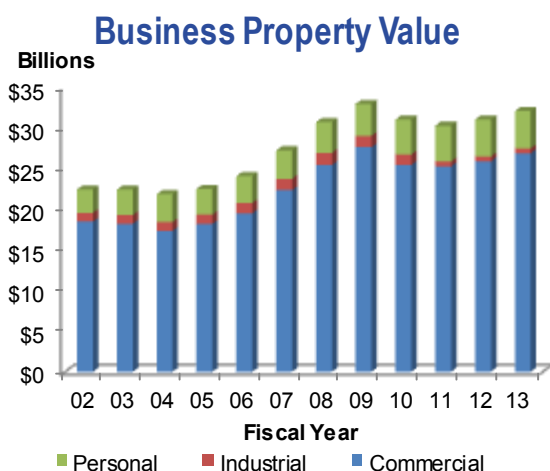


## Property Tax Levy



of residential property. The \$15.2 billion increase in condominium taxable value since fiscal 2002 represents 53.4% of the total increase in residential property value. Single-family homes, which were valued at \$12.1 billion or 20.1% of residential property, were the second largest area of growth, with the value increasing by \$5.0 billion or 17.7% of the increase in residential property. Multifamily units and apartment buildings, which represent 32.4% of residential property value, made up 22.3% of the residential property growth. In fiscal 2014, residential property value grew by \$4.4 billion or 7.3%.

**Business Property** Commercial, industrial and personal property (CIP) was valued at \$32.1 billion or 34.8% of total taxable value in fiscal



2013. From fiscal 2002 to fiscal 2013, business value increased by \$9.6 billion or 25.4% of the total value growth. Business property consists of three components: commercial real estate, industrial real estate, and personal property, which is mainly the equipment and machinery of the utilities and office equipment. Commercial property is the largest of the three categories, with \$26.8 billion or 83.8% of CIP property value in fiscal 2013. Commercial property was also the main factor driving growth in business property, with \$8.4 billion in increased value since fiscal 2002, making up 87.2% of total CIP growth. Personal property was valued at \$4.6 billion in fiscal 2013 and represented 14.3% of total business property value. From 2002 to 2013, personal property value increased by \$1.7 billion, which represented 17.6% of the CIP increase. Finally, during the same time period, industrial property value fell by \$455 million to \$623.4 million, a loss of 42.2%. In fiscal 2014, business property value grew by \$3.2 billion or 10.1%.

The concentration of real and personal business value in the Downtown, Back Bay and Seaport District of South Boston indicates the importance of development in these areas of the City. Of the total taxable business value of \$32.1 billion in fiscal 2013, \$26.6 billion or 83.1% is located in that downtown core area

of Boston. The business value of \$26.6 billion in these four Wards represents 28.9% of the City's total taxable value and \$851 million or 50.5% of the City's total tax levy.

## Classification

The Massachusetts property tax classification law allows the City to shift the property tax burden to CIP property up to 175% of what its share would be without classification, as long as the residential share of the levy is not less than 50% of its full value share. Currently, the CIP share is at 175% of its full share value. In fiscal 2013, business property represented 34.8% of the total taxable value, but paid 60.8% of the total tax levy. Generally in December of each year, the Mayor recommends and the City Council approves the lowest residential factor that shifts the maximum tax burden to business.

As a result of classification, in fiscal 2013 the business tax rate was \$31.96 per \$1,000 of value, more than double the residential rate of \$13.14 per \$1,000 of value. Therefore, new development of CIP property is more advantageous to the City in terms of revenue generation than residential property. In fiscal 2013, a commercial property valued at \$5.0 million would pay a fiscal 2013 property tax bill of \$159,800, while a residential property at the same value would pay \$65,700. To illustrate the impact of property classification and the City's ability to shift the tax burden to business property, it's worth noting that, if taxes were determined at 100% of value using a single tax rate, business taxes would have decreased by \$439.1 million or 42.9% in fiscal 2013 and be shifted to residential property.

Business property not only pays higher taxes because of absolute values and classification, but it also imposes less of a cost burden on the City. In contrast, residents consume much more in city services than they pay through the property tax. Business, especially commercial

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## Boston Property Tax Levy

Figures in millions

### Taxable Property Value

Class	FY02	%	FY13	%
Business (C, I, P)	\$22,415	41.4%	\$32,052	34.8%
Residential	\$31,775	58.6%	\$60,147	65.2%
Total	\$54,190	100.0%	\$92,199	100.0%

### Property Tax Levy

Class	FY02	%	FY13	%
Business (C, I, P)	\$680	69.9%	\$1,024	60.8%
Residential	\$292	30.1%	\$659	39.2%
Total	\$972	100.0%	\$1,684	100.0%

growth, cross-subsidizes low residential tax rates.

## Residential Exemption

In addition to the reduced tax burden from classification, Boston residents are also the beneficiaries of the residential exemption. The City adopted the residential exemption by local option when it was made available by law in 1983. The City provided the residential exemption at the maximum 20% of the average assessed value of all single-family residential property. The exemption is available to homeowners who occupy their property as the principal residence. In 2000, the City filed a home rule petition to increase the exemption from 20% to 30% which was enacted (Ch.403, Acts of 2000). The Cities of Cambridge and Somerville also increased their exemptions to 30%.

In fiscal 2013, the residential tax exemption was set at \$1,724, which was the equivalent of reducing the property value of the home by \$131,238. Over the past twelve years the individual exemption has risen by \$843.33 or 95.7%, while the total dollar amount of the exemption has increased by \$73.4 million or 127.8%. The total tax exemption in fiscal 2013 totaled \$130.9 million and the total value of the residential exemption was \$10.0 billion. The residential exemption does not reduce the residential share of the tax levy; rather the total

tax reduction is offset by an increase in the residential tax rate that shifts the tax differential to higher valued homes, apartment buildings and non-domiciled housing properties. The residential exemption in fiscal 2014 is \$1,763.84, an increase of \$39.37 or 2.3% and the total value of the residential exemption is \$10.6 million.

The combination of classification and the residential exemption reduces the tax burden on the average Boston single-family owner to less than 50% of what it would be without these tax savings. In fiscal 2013, the initial average single-family tax bill would have been \$7,234. However, classification reduced the bill by \$2,029 and the 30% residential exemption reduced it further by \$1,724, resulting in a final tax bill of \$3,481, a reduction of 51.9%. The average value of a single-family home in fiscal 2013 was \$396,115 and the tax bill represented 0.88% of the average home value. In a survey of Boston and 18 surrounding communities, Boston's average single-family tax bill ranked the 3<sup>rd</sup> lowest.

## Overlay

The City sets aside an overlay reserve each year to account for property tax abatements and non-collection of taxes. Until fiscal 2004, the City was required to set aside between 5% and 6% of the levy for the overlay. This requirement was instituted due to past experiences of insufficient overlay funding. As a result of the City's improved assessing practices and property tax collections, the City relied on the overlay for less than the required 5% level. In fiscal 2004, the City was successful in securing legislation (Ch.46, Acts of 2003), which eliminated the 5% requirement. In fiscal 2013, the overlay of \$41.1 million represented 2.4% of the total tax levy. By using a 2.4% overlay instead of 5%, the City made available an additional \$43.2 million in recurring revenues for city services.



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After an appropriate amount of time, remaining balances in prior levy year overlay reserves can be certified by the City's Commissioner of Assessing as overlay surpluses. This surplus is then included in the City's year-end fund balance and is included in the state Department of Revenue's budgetary fund balance (free cash) certification. These funds can be appropriated in a subsequent year's operating budget. The Commissioner of Assessing has instituted a procedure of annually reviewing the overlay balances of overlay accounts more than three levy years prior to the current year and certifying as surplus those funds no longer needed for active abatement cases. In June 2012, the Commissioner declared a Free Cash Surplus of \$36.1 million from overlay reserves from fiscal 2005 to fiscal 2009. These funds were included in the Massachusetts Department of Revenue's free cash certification for Boston as of July 1, 2012, from which the City appropriated \$40 million for the OPEB Trust in fiscal 2014.

## Property Tax Bills

The City of Boston issues its property tax bills on a quarterly basis. The first two quarter bills are due on August 1 and November 1 and are preliminary bills with each equal to one quarter of the previous fiscal year's tax bill. The actual property value for the current fiscal year which determines the new tax amount is reflected in the third and fourth quarter bills, which are due on February 1 and May 1 of the tax year. This division is due to the fact that the valuations for the current tax year as of January 1 of the previous year are not submitted to the Commonwealth until late November or early December and state certification is received in December. Thus, the first half of the fiscal year starting on July 1 is completed before the tax rates are set which makes it necessary to issue the tax bills due on August 1 and November 1, with each based on 25% of the prior year's total tax. Consequently, any change in tax liability for the current year is divided equally between the two tax bills due on February 1 and May 1.

The City employs a robust process for the collection of property taxes. A combination of letters and calls reminds taxpayers of the tax bill due. The City also pursues the legal steps for delinquent property tax bills, including placing a lien on the property by taking legal title. In fiscal 2013, the City succeeded in collecting 99.1% of the gross levy.

Delinquent real and personal property taxes are subject to a 14% interest charge per year. After the end of the fiscal year in which taxes are unpaid, the City can secure a lien for the taxes by taking legal title to all delinquent properties, subject to the owner's right of redemption. After this process of tax taking is complete, the interest rate increases to 16% per year on the amount of delinquent real estate taxes. If the taxes remain unpaid for a period of six months from the tax taking, the City may petition the Land Court to foreclose the owner's right of redemption. Upon foreclosure, the City may then sell the property in order to liquidate the tax liability. Pursuing this option is influenced by the fact that generally the value of the property in tax tile is substantially less than the amount of delinquent taxes, charges and interest owed.

## Revaluation

State law mandates a revaluation of all taxable property every three years. These revaluations are carefully reviewed and certified by the state Division of Local Services within the Department of Revenue. The City most recently completed its triennial revaluation for fiscal 2013 with values assessed as of January 1, 2012. This revaluation applies from fiscal 2013 through fiscal 2015. In the years between parcel-specific revaluations, the City is allowed to keep property assessments accurate through market-indexing, a process which adjusts values based on the comparability of properties with respect to land use, class and neighborhood.



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## External Revenue Funds

The City's fiscal 2013 operating budget of \$2.5 billion was complemented by \$329.9 million of external funds to produce an all-funds budget of \$2.8 billion last year. These external funds are accounted for in the Special Revenue Fund and consist mainly of federal and state grants and also private funding, all earmarked for specific purposes. Some external funds support services the City likely would not be able to include in its budget such as rent subsidies and support services for formerly homeless individuals, or an extended school year for special education students. Other grants provide services that support existing services, but target a more specific population such as the federal SPED-IDEA grant that supports special education programs in schools with a high percentage of students eligible for free or reduced federal lunches.

In the period from fiscal 2002 to fiscal 2013, available external funds increased from \$286.4 million to \$329.9 million, an increase of \$43.5 million or 15.2%. However, this time frame masks the decline of external funds that began to materialize in fiscal 2013. In fiscal 2014, estimated external funds decreased by \$23.0 million or 7.0% to \$306.9 million from fiscal 2013 and further cuts are expected in fiscal 2015.

As the City's operating budget increases each year and external funds grow at a slower pace or decline, external funds are becoming an increasingly smaller share of the City's total revenues. External funds as a percent of total city resources have decreased from 13.7% in fiscal 2002 to 11.7% in fiscal 2013. The share has declined further to 10.5% based on fiscal 2014 external revenue fund estimates. During the 2002-2013 period, the City's operating budget increased by 37.9%, while the external funds budget increased by 15.2%.

External fund revenues peaked in fiscal 2012 at \$350.1 million as a result of an influx of federal ARRA stimulus funds, but have declined rapidly, falling by \$43.3 million or 12.4% between fiscal 2012 and the fiscal 2014 budget. This decrease of external funds is expected to continue through fiscal 2015, with the School Department alone facing a cut of \$32 million in fiscal 2015, after a decrease of \$23.2 million in fiscal 2014 and \$17.2 million in fiscal 2013.

In fiscal 2013 and fiscal 2014, 24 city departments received some level of external funding to help support their services. However, six departments have received over 90% of the total external funds through most of the period of this study. The six are the School Department, the Departments of Neighborhood Development, Police and Library, and the Public Health Commission and Office of Emergency Management.

### External Fund Comparisons \*

\$ in thousands

Department	FY13	% of Total
Boston Public Schools	\$151,150	45.8%
DND	64,441	19.5%
Public Health Commission	43,507	13.2%
Emergency Management	21,094	6.4%
Police Department	10,236	3.1%
Library Department	7,806	2.4%
Other	31,631	9.6%
<b>Total External Fund Est.</b>	<b>\$329,865</b>	<b>100.0%</b>

\* Includes the majority of external grants received by the City of Boston. These figures are estimates due to the difficulty of accounting for multi-year grants.

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As with other revenue sources, external funds are linked to the economic conditions of both the state and the country, but unlike property or excise taxes, which are collected on a yearly basis, many grants are issued for multiple years, creating a gap between economic downturn and reduction in grants. The American Recovery and Reinvestment Act (ARRA) of 2009 authorized increases in federal funding for state and local governments in fiscal years 2010 and 2011 in areas of neighborhood development, education, and public safety. However, the Budget Control Act of 2011 required a round of across-the-board spending cuts known as “sequestration,” which, when combined with the expiration of ARRA funding, have contributed to a substantial decrease in federal external funds. The fiscal 2014 external funds budget projects \$306.9 million in total external funds, \$43.3 million or 12.4% less than in fiscal 2012. The pressures in Congress to continue to reduce spending are expected to result in additional cuts in federal grants over the next several years.

**School Department** The BPS’ externally funded budget in fiscal 2013 totaled \$151.2 million from several educational grants. School Department grants include reimbursement from the USDA for the School Lunch Program, SPED-IDEA funding for special education, the Title I program for low income education supplementation, Title II program funding for enhanced teacher effectiveness, Title III program funding for teaching English to non-fluent students, state funding for improved kindergarten and early education, and federal funding for programs serving at-risk students. The School Department received considerable support from ARRA stimulus funds in fiscal 2011 and fiscal 2012, especially in the form of the Education Jobs Program Fund, a program that supported over 100 teaching specialists. However, these grants have all expired with the exception of the Race-to-the-Top grant to

support education reform for which the BPS expects to spend \$13.9 million in fiscal 2013 and \$13.3 million in fiscal 2014. School Improvement Grants (SIG) to support turnaround efforts in underperforming schools of \$576,972 in fiscal 2014 will expire in fiscal 2015.

Education external funds for the School Department represented 45.8% of total external funding in fiscal 2013 and will drop to 41.7% in fiscal 2014. In fiscal 2014 external funds are projected to fall to \$127.9 million, a decrease of \$23.2 million or 15.4% from the prior year. As it prepares its budget for fiscal 2015, the BPS estimates that its external funds budget will decrease by \$32 million. The largest loss in external funds comes from the expiration of Race to the Top funds, worth \$15.4 million. School Improvement Grants also expire. Numerous other grants will experience reductions in fiscal 2015, including Title I, Title IIA, and Title III grants. When the Mayor submits his recommended fiscal 2015 operating budget to the City Council on April 9<sup>th</sup>, decisions will have to have been made about how much of the \$32 million decrease in grants will be able to be absorbed in the School Department’s operating budget and what services will have to be cut.

State external grant funds for special education services are not being fully appropriated as originally intended which translates to a cut in available funds. The state special education reimbursement program, or “Circuit Breaker,” was approved in fiscal 2004 to provide additional state funding to districts for high-cost special education students. The state has never reimbursed school districts for more than 75% of the special education costs that exceed four times the state average foundation budget per pupil cost. In fiscal 2014, the School Department is expected to receive only 60% of what should have been funded. The School Department estimated that the reimbursement due to the Circuit Breaker in

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fiscal 2013 was \$12.9 million and that it will be reduced to \$12.0 million in fiscal 2014.

**Neighborhood Development** The Department of Neighborhood Development's (DND) external fund budget of \$64.4 million in fiscal 2013 represented a decrease of \$7.2 million or 10% primarily due to the expiration of one-time federal ARRA grants such as ARRA-CDBG, ARRA Homeless Prevention, Rapid Re-housing and ARRA Neighborhood Stabilization grants as well as decreases in funding for regular CDBG and HOME grants. The DND external grant budget in fiscal 2014 is \$65.1 million, a slight increase of \$650,000 or 1.0%. The Department of Neighborhood Development is the second largest recipient of external funds and grants of \$65.1 million, which amounts to 21.2% of total external funds in fiscal 2014. Over the last two years from fiscal 2012, DND external grants were reduced from \$71.6 million in fiscal 2012 to \$65.1 million in fiscal 2014, a cut of \$6.5 million or 9.1%.

The Community Development Block Grant (CDBG) is a federally awarded grant program intended to support a variety of neighborhood activities and at least 70% of the grant must be used to benefit low- and moderate-income households. The City was budgeted to use \$20.3 million of CDBG funds in fiscal 2013 and the budget amount in fiscal 2014 is \$20.9 million, which include some funds from prior years. Other housing development grants include the Section 108 Loan Project, the Economic Development Initiative, the Emergency Solutions Grant, HOPWA, Shelter Plus Care, Supportive Housing, and the Home Investment Partnership.

Actual federal allocations to the City for CDBG and HOME grant programs have declined significantly over the past three years from fiscal 2011 to fiscal 2014. During this time, the allocation for CDBG grants decreased from \$21.3 million in fiscal 2011 to

\$16.8 million in fiscal 2014, a reduction of \$4.4 million or 20.9%. The HOME Investment Partnership Program fund for Boston decreased from \$8.5 million in fiscal 2011 to \$4.4 million in fiscal 2014, a cut of \$4.1 million or 48.1%. The annual budget for both CDBG and HOME funds exceed federal allocations due to the recovery of some funds from previous years, often due to the sale of a property or refinancing of a loan issued through these programs, which results in the City recuperating funds.

**Boston Public Health Commission** The PHC received \$43.5 million in external funding for fiscal 2013, down \$4.4 million or 9.2% from fiscal 2012. These grants are earmarked for specific health initiatives including increasing the availability of culturally and linguistically competent health care and support services, disease control and prevention, addiction services, homeless services, mental health services for children, emergency health services, and reducing racial and ethnic health inequities. The largest grant is the HIV Emergency Relief Subcontract, followed by the DHCD Long Island Homeless shelter grant. In fiscal 2014 the PHC is expected to receive \$42.9 million, a decrease of \$593,000 or 1.4%.

**Emergency Management** The Office of Emergency Management received \$21.1 million in external funds for fiscal 2013. These grants are designated to improve first responder units, public safety communications, transportation safety, and catastrophe preparedness. In fiscal 2014, the Office of Emergency Management is expecting \$27.5 million, an increase of \$6.4 million or 30.2%. This increase is due to Urban Area Security Initiative (UASI) funding, which will increase to \$24 million, up from \$11.6 million in fiscal 2013 and \$4.1 million in 2012. This federal grant is intended to address the unique equipment, planning, training and operational needs for first responders in the Metro-Boston

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Homeland Security Region (MBHSR). The Mayor's Office of Emergency Management pursues funding opportunities and manages federal homeland security grants awarded to the MBHSR.

**Police Department** The BPD received \$10.2 million in external funding for fiscal 2013. These grants from federal and state programs have generally focused on supporting community policing in Boston. Initiatives include reducing community based crime and violence, especially gun violence, as well as programs to reintegrate former inmates into society, and improving homicide clearance rates. The original ARRA COPS grant expired in fiscal 2012, but remaining funds allowed the City to retain 50 officers through fiscal 2013. A new three-year COPS grant to fund 15 veteran officers started in fiscal 2013 and will expire in fiscal 2015, with the requirement that the Police Department

maintain a uniformed force of 2,185. That force requirement will extend to fiscal 2016, but will be funded from operating revenues. The BPD is budgeted to receive \$11.3 million in external funding for fiscal 2014, an increase of \$1.1 million or 10.5%.

**Library** The Library Department received \$7.8 million in external funding for fiscal 2013. Grants awarded to the Library Department are implemented to cover personnel and research costs at the BPL. The largest source of external funds is Trust Fund Income decided by the Trustees of the Boston Public Library. Trust Funds totaled \$5 million in fiscal 2013 and are budgeted at \$4.6 million in fiscal 2014. Total external funds in fiscal 2014 are budgeted at \$7.8 million.

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## Boston's Capital Plan

Boston's capital plan is a long-term investment program for the City designed to accomplish three objectives:

- 1) The strategic use of infrastructure to promote economic development, neighborhood vitality, quality education, health care and public safety
- 2) Comprehensive planning to lay the foundation for future growth
- 3) Effective government management to deliver necessary municipal services

Each year the City updates its five-year capital plan, which organizes and funds various long-term investment projects in the City. The City Council has approved a \$1.79 billion capital plan for fiscal 2014 through fiscal 2018, including \$195.9 million in new projects. Total capital expenditures in fiscal 2014 are projected at \$216 million.

### The Process

Although the capital plan extends five years into the future, it is updated on a yearly schedule based on the needs of various departments and the available funding. Each Department may submit a proposal demonstrating their various needs and a cost estimate, a description of the scope of the work to the Office of Budget Management (OBM). The OBM must consider the merits of the request, the requests of other departments and available resources before finalizing the plan for the Mayor's approval. In order to be approved, a request must meet at least one of the following minimum criteria:

- Comply with the Americans with Disabilities Act
- Improve the health and safety of the City
- Support economic development

- Improve overall government effectiveness
- Reduce an environmental hazard
- Be responsive to a legal, legislative, or administrative mandate
- Preserve existing municipal facilities

In deciding whether or not to approve funding, the OBM considers the short-term and long-term effects on the City, any savings associated with the project, and what future operational costs will be required of the City because of the capital project. The Mayor submits the capital plan each year to the City Council on the second Wednesday of April as part of the recommended operating budget for the next fiscal year. Generally, as the City Council's Ways and Means Committee holds public hearings on departmental budgets, the Committee reviews the capital request of each department at the same time. The City Council must approve the bond issues associated with the five-year capital plan by a two-thirds vote at two separate meetings at least 14 days apart.

### Capital Funding

The City's capital plan generally is funded by four basic revenue sources: General Obligation Bonds (GO) issued by the City, federal grants, state grants and miscellaneous other funds. As the table on the next page shows, GO bonds of \$1.3 billion, including \$569.8 million in new borrowings over five years will fund 71.8% of the total estimated cost. GO expenditures in fiscal 2014 are estimated to be \$195.9 million. Other funds beyond GO bonds and federal and state funds represent 5.7% of the funding for the current capital plan. Included in the "Other" category are the Massachusetts School Building Assistance (MSBA) Program (\$37.4 million) under the Massachusetts School Building Authority, Chapter 90 funding (\$14

## Capital Funding Sources

Source	Total	%
Existing Bonds	\$722,238,575	40.2%
FY14 Bonds	\$195,892,359	10.9%
FY15-18 Bonds	\$373,886,749	20.8%
<b>Total City Bonds</b>	<b>\$1,292,017,683</b>	<b>71.8%</b>
<b>State</b>	<b>\$192,734,091</b>	<b>10.8%</b>
<b>Federal</b>	<b>\$207,131,107</b>	<b>11.7%</b>
<b>Other</b>	<b>\$102,805,663</b>	<b>5.7%</b>
<b>Total</b>	<b>\$1,794,688,544</b>	<b>100.0%</b>

million) for road and sidewalk maintenance, and the Transportation Improvement Program, a road and bridge construction advertisement program. Other sources include trust funds and bequests from private sources as well as the Street Opening Account, the Schoolyard Funders Collective, and assorted private donors. See the “Debt Management” section for more information on the City’s sale of GO bonds for capital expenses.

## Capital Spending

The City’s current five-year plan allocates capital spending in four different categories:

- 1) 33% for upkeep and maintenance of the City’s projects
- 2) 23% for upgrading the City’s existing assets
- 3) 43% for new projects and major renovations
- 4) 1% for planning or matching funds

Over the years, the bulk of the City’s capital spending has been allocated among six line departments. In the current capital plan, six departments account for 84.8% of the total funding over the five years.

**Public Works Department** The Public Works Department will receive \$621.9 million or 34.7% of the capital funding over the course of the plan. Roadway, bridge, sidewalks and street lighting projects receive the bulk of the funding.

## Total Spending by Department

FY14-FY18, \$ in millions

Department	Amount	%
1 Public Works	\$621.9	34.7%
2 School	\$288.9	16.1%
3 Property Management	\$229.5	12.8%
4 Parks and Recreation	\$192.8	10.7%
5 Library	\$94.8	5.3%
6 DoIT	\$93.6	5.2%
7 Fire	\$76.6	4.3%
8 BRA	\$21.5	1.2%
9 Transportation	\$85.4	4.8%
All Others	\$89.7	5.0%
<b>Grand Total</b>	<b>\$1,794.7</b>	<b>100.0%</b>

A major initiative in this year’s capital plan will be to replace 8,000 street lights with LED lights with support from NSTAR, which will cost \$2.5 million in fiscal 2014 and \$21.2 million over the course of the project. The Central Maintenance Facility Complex in the South End will receive extensive repairs and renovations and the addition of a new vehicle washing and storage facility. The Department will also move forward with the Crossroads Initiative of street improvements surrounding the Rose Kennedy Greenway, undertake projects to improve accessibility for disabled citizens, and expand the bicycle track network.

**School Department** The BPS is currently working on a number of capital projects, totaling \$288.9 million over the next five years. Highlights of these plans include the renovation of the New Mission Building, which will be the new location of Fenway High School and will begin construction soon. The Eliot School will be branching out into the North Bennett Street School building to accommodate its upper grades while it will continue to serve the lower grades. Major renovations at 585 Commercial Street will convert the building into an additional school building for students in the downtown area. The BPS is conducting other minor renovations in its school facilities such as widespread security improvements involving key



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card access and closed circuit surveillance, as well as numerous HVAC repairs.

The School Department faces facility challenges in multiple areas that demand capital support. The Department operates 127 school buildings of varying age and condition that, based on national standards, require a higher level of infrastructure maintenance than has been provided. Changing student demographics have caused a demand for more school seats in the early grades than exist while in the transition grades of five, six and nine, enrollment has been declining as BPS students transfer to Commonwealth charter schools or private schools. With this decline in enrollment expected to carry over to the high schools in upcoming school years, overall excess capacity in the system needs to be addressed. In addition, the Access to Excellence program aimed at expanding seats in high performing and high demand schools, especially high schools, has required capital expansion or renovation. These building pressures have resulted in decisions being made to meet current facility needs without benefit of a comprehensive long-range facilities strategic plan to guide the city and school officials making the decisions. The BPS is currently developing a four-part, five-year capital Facilities Master plan to maximize efficiency within school facilities. Three of the four parts are completed, but the strategic master plan has yet to be released.

A major new school facility project is now in the early planning stages that would be the new home of the Boston Arts Academy and the Quincy Upper School after both schools have been searching for a new site for more than a decade. The City is working with the Massachusetts School Building Authority, to determine the feasibility of the new facility that is now estimated to cost \$250 million.

### **Property and Construction Management**

Property and Construction Management is working to complete the Ferdinand Municipal

Building at Dudley Square by January 2015 at a capital cost of \$119 million. A design study of the 26 Court Street building will be conducted to determine its best use after the BPS Headquarters is relocated to Dudley Square. Work at City Hall will be undertaken to improve the efficiency of the building. Property and Construction Management will receive \$229.5 million over the five-year plan.

**Parks and Recreation** The Parks Department will receive \$192.8 million over the five-year plan to renovate the major playgrounds in Brighton, Hyde Park, Roxbury, and East Boston, install three new turf fields, improve basketball courts at multiple locations, plant 700 trees throughout the City as part of the Muddy River restoration, and improve fairways at the City's two golf courses.

**Library** The Library Department will target its \$94.8 million capital budget to open the East Boston Branch Library, renovate portions of the Roslindale Branch Library and install HVAC at the Roslindale and West End Library Branches. Moreover, the Department will be updating software for its integrated library system and making efficiency improvements at the Johnson Building in Copley Square.

**Innovation and Technology** The Department of Innovation and Technology will receive \$93.6 million over five years. Installing hardware platforms to run applications supporting City business will cost \$23.3 million, and implementing a Computer Aided Dispatch system for the Fire, Police and EMS Departments will cost \$15 million. Funds will be used to meet a federal mandate requiring public safety radio signals to be broadcast over narrower frequencies for improved privacy and security. The Department is also developing mobile applications for its new Enterprise Asset Management System and its permitting and inspections system. Additionally, the City's tax system will be upgraded and more public records will be digitized.

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## Debt Management

Debt management involves decisions regarding the amount, timing, purposes and structure of debt issuance. The City of Boston annually issues long-term General Obligation debt for two basic purposes: 1) to finance the acquisition, construction, repair and renovation of city-owned buildings, equipment and other city facilities that are necessary to provide public services and 2) to finance infrastructure improvements needed for the City's future economic development. The amount and timing of debt issuance have a significant impact on the City's annual operating budget because of required debt service payments for the principal and interest due each year.

Under the direction of the City's Chief Financial Officer/Collector-Treasurer, the Treasury Department manages all borrowings with assistance from the Office of Budget Management and the Auditing Department according to state law and the City's debt management policies. These laws and policies address issues such as the allowable purposes of bond issues for municipalities, debt burden limits, annual debt service standards, debt amortization rates and limitations on the use of variable rate debt. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing in the bond market. The Treasury Department also focuses on the timing of borrowings to take advantage of favorable market conditions and the appropriate time to refinance existing bonds.

The City has contracted with private firms to serve as its Financial Advisor and Bond Counsel. These firms provide their expertise to advise and perform duties related to the issuing of debt and the management of its debt program.

All bond authorizations require approval by the Mayor and the City Council in two separate readings two weeks apart. Bond authorizations are normally initiated by the Mayor as part of the capital budget that is included with the recommended operating budget that is submitted to the City Council on the second Wednesday of April of each year. The capital budget is a five-year plan that is modified each year as required. The City Council may also initiate a bond authorization, but no further action can be taken unless the bond issue is approved by the Mayor.

### Type of Municipal Debt

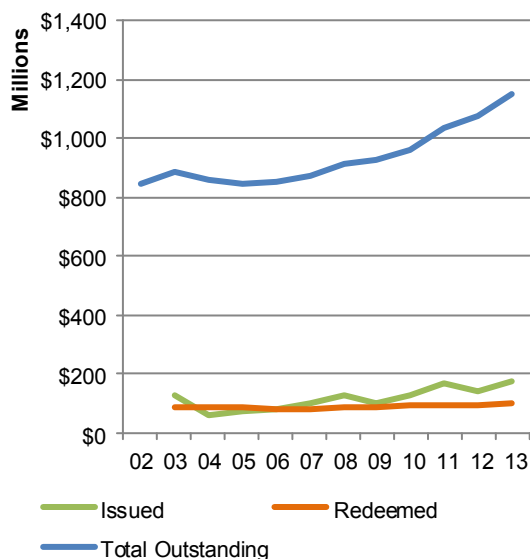
Boston's debt is classified as either General or Special Obligation. General Obligation debt is debt for which the full faith and credit of the City is pledged. To the extent not paid from other legally available revenues of the City, the bonds are payable from property taxes. General Obligation Bonds are not secured by a particular source of revenue. Special Obligation Bonds are payable from and secured solely by certain revenues of the City that are pledged, or that are annually appropriated by the City, for the purpose of paying the indebtedness.

### Outstanding Debt Burden

The City's total outstanding debt as of April 1, 2013 is \$1.15 billion. The City's net direct debt, or total outstanding debt net of the amount deemed payable from related revenues, is \$1.084 billion. Net direct debt has increased by 44.7% from fiscal 2002 to 2013. Adjusted for inflation, the net direct debt has increased by 15%. This increase has resulted from a trend of new issuance of debt consistently exceeding debt redemption from fiscal 2006 on.

A significant factor leading to the City's increased indebtedness is the economic growth

## Debt Issued, Redeemed and Outstanding



the City experienced between fiscal 2002 and fiscal 2013. During that period, economic development in the City led to a 70% increase in the total taxable value of property in the City. This change strengthened Boston's revenue stream, which contributed to the increase of its credit rating and borrowing capacity.

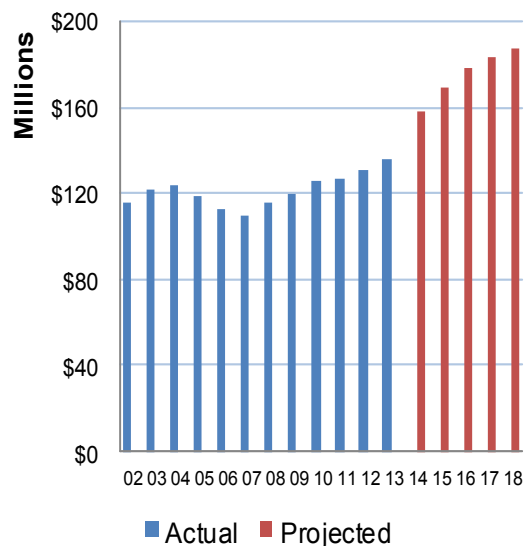
Net direct debt as a percentage of the total assessed value of taxable property, also known as net debt burden, is a good indicator of the quality of a municipality's debt. The lower a municipality's debt is relative to the assessed value of its property, the more likely that the government will be able to finance repayment through the collection of taxes, so the less risky its bonds are. Boston's net debt burden is very low at 1.18%. This figure is down from 1.38% in fiscal 2002. Boston's net debt burden is competitive compared to the Moody's Investors Service median for cities of 500,000 people or larger, which is 2.0%.

## Debt Service

In fiscal 2013, the City's actual debt service expense was \$135.6 million, or 5.4% of the City's \$2.5 billion total expenditures. The City's annual debt service cost has increased moderately since 2002, growing by 17.3% from \$115.6 million in fiscal 2002 to \$135.6 million in fiscal 2013. Debt service as a percent of the total city spending was 6.5% in fiscal 2002.

Net debt service is projected to increase by 18.9% over the next five years from \$157.6 million in fiscal 2014 to \$187.4 million in fiscal 2018, but will remain below the City's 7% debt to expenditures standard. The current capital plan anticipates higher than normal General Obligation bond issues in the early years of \$177 million in fiscal 2014 and \$140 million in fiscal 2015, followed by \$120 million in each of the three years from fiscal 2016 through fiscal 2018. Over the years, the City has managed its debt service costs during economic downturns by issuing a smaller amount of GO bonds than scheduled and applying savings from bond refinancing to reduce debt service expenses.

## Actual & Projected Debt Service Cost



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## State Debt Limit

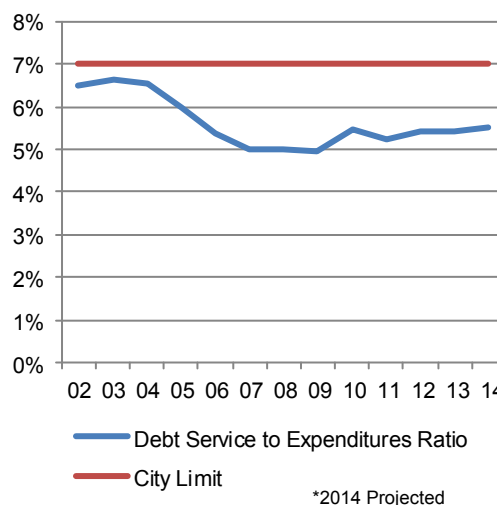
State law creates a statutory debt limit for municipalities (MGL Chapter 44). The debt limit is 5.0% of the assessed valuation of taxable property in the City as determined by the state Department of Revenue. The law also creates a double debt limit of 10.0%. The City may authorize debt over the debt limit, up to the double debt limit, only with state approval. Neither debt limit has been a factor for Boston, because the City's debt management policy is more restrictive and prevents the City from approaching these limits.

## Debt Management Policies

The City has established debt management policies that ensure a conservative approach to both the amount of bonds issued on an annual basis and the payment schedules. These policies steer the issuance of debt to investment vehicles with less risk. The City has been able to take advantage of federal programs to utilize capital funds at lower costs and as often as practical refinance bond issues to help reduce its debt service costs. The expected operating costs resulting from each bond project is required to be evaluated before the project is approved to be included in the capital budget. Adhering to these policies and practices has made Boston's bonds an attractive investment for financial institutions resulting in the City receiving multiple bids at competitive interest rates even during downturns in the economy.

The City's debt management policy limits net direct debt to 3% of total assessed value; debt service to no more than 7% of General Fund spending; aims to achieve amortization rates of at least 40% within five years and 70% within 10 years; and limits variable rate debt to 20% of the City's total currently outstanding bonded debt. Abiding by these rules allows the City to repay debt expeditiously and maintain strong municipal bond ratings essential to the continuation of the capital plan. Boston's current bond ratings from Moody's Investors

## Debt Service to Expenditures



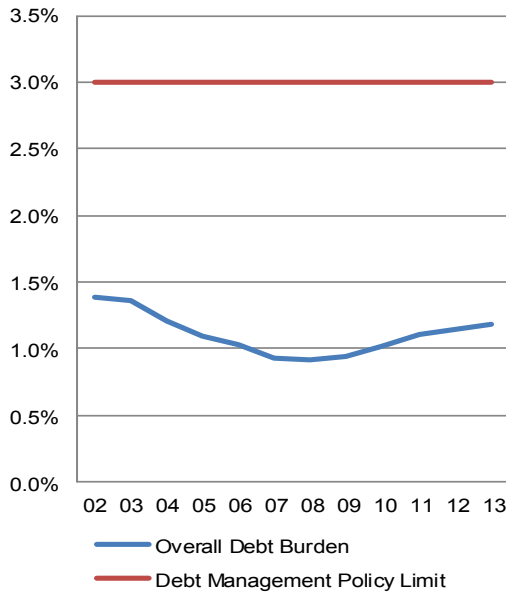
Service (Aaa) and Standard & Poor's (AA+) are the highest bond ratings in the City's history. The higher bond rating translates into lower interest rates and dollar savings for the City.

**Debt Service Limit** A key component in the City's debt policy is that debt service should not exceed 7% of total General Fund expenditures. As previously noted, Boston's actual debt service expenditure in fiscal 2013 was 5.4% of General Fund expenditures. The Moody's Investors Service median for Debt Service as a Percentage of General Fund Expenditures for cities with populations over 500,000 is 11.9%.

**Net Debt Burden Below 3%** Another debt policy is that net direct debt does not exceed 3% of Boston's total taxable assessed value. Net debt burden is calculated as overall direct debt, net of self-supporting debt, divided by the taxable assessed value of the City. As of April 30, 2013, this figure remained low at approximately 1.18 %. The Moody's Investors Service median for Net Debt Burden for cities with populations over 500,000 is 2.0%.

**Rapid Bond Amortization** The City's policy is that at least 40% of the overall debt is repaid

### Overall Debt Burden



(amortized) within five years and 70% within 10 years. From fiscal 2002 to 2013, the City has maintained amortization above these values in all but three years. The City's current debt retirement schedule shows that 41.5% of its principal will be retired before the end of fiscal 2018, 72.0% by fiscal 2023, 93.1% by fiscal 2028 and 100% by fiscal 2033.

**Limit Variable Debt** The City imposes a 20% ceiling on variable-rate debt. Variable-rate debt is subject to a floating interest rate, which creates uncertainty of future liability that can negatively affect a municipality's credit rating. At this time, the City has no outstanding variable-rate debt.

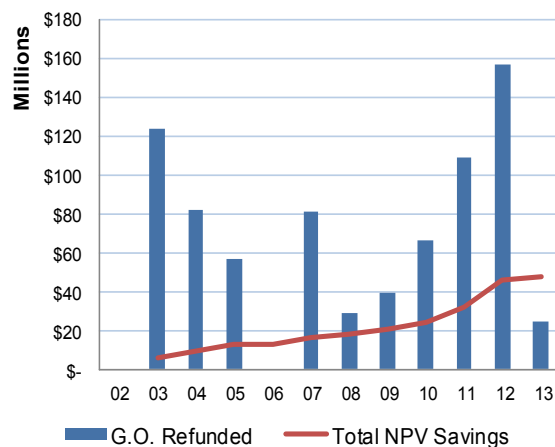
**Refinance Existing Debt** The City continues to look for opportunities to refinance prior debt in order to take advantage of lower interest rates and to restructure debt service schedules. The City can refinance debt by issuing refunding bonds, applying available reserves to redeem outstanding bonds, or a combination of the two. Between fiscal 2002 and 2013, the City issued General Obligation Refunding Bonds every year except fiscal 2002 and fiscal 2006. Using the proceeds from these

sales and other reserve funds, the City refunded a total of \$766.9 million in General Obligation debt resulting in a net present value savings of \$47.5 million. The savings from the refunding bonds are usually applied to future years' debt service costs to lower the annual expense.

Two examples of the benefits of refinancing city debt include the sale of \$31.5 million in General Obligation Refunding Bonds in June 2009 at a True Interest Cost (TIC) of 2.33% producing a Net Present Value (NPV) savings of \$1.3 million. The refunded bonds were sold between 2001 and 2003 at interest rates just under 5%. In March 2013, the City issued \$24.4 million in General Obligation Refunding Bonds for bonds issued between 2003 and 2006 with interest rates ranging from 4% to 5%. The 2013 issue had a TIC of just 2.11%, resulting in a net present value savings of \$1.9 million.

The City also took full advantage of the federal American Recovery and Reinvestment Act (ARRA) of 2009, which among its objectives, was intended to increase investment in infrastructure to stimulate the local economy during the recession. In April of 2010, the City issued \$30.9 million of Build America Bonds (BABs), \$16.7 million of Recovery Zone Bonds and \$17.4 million of Qualified School Construction Bonds (QSCBs). With the

### Refinancing General Obligation Debt



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federal subsidy, the City was able to issue these ARRA bonds at lower interest rates with an estimated NPV savings of \$9.4 million. In 2011, the City issued \$41.6 million of Qualified School Construction Bonds with a True Interest Cost (TIC) of 0.02%. Due to sequestration that level of subsidy will be reduced by 7.2% annually, but even with this reduction, it is still more cost effective than any other alternative the City could have used. With the increase in interest rates, the opportunities for refinancing debt will be more limited in the years ahead.

## Bond Ratings

Boston's bond rating is a statement by the rating agencies such as Moody's Investors Service and Standard & Poor's of the credit worthiness of the City and the bonds it is selling. The ratings assist the financial institutions in evaluating the City's fiscal health which guides them in determining the interest rates they will offer for City's bonds being sold. Boston's trend of balanced operating budgets, adherence to prudent fiscal policies and its conservatively structured debt profile have enabled the City to be relatively successful in the bond market with competitive sales without insurance to bolster the ratings even during times of economic slowdown. As a result, since the start of the Menino Administration in 1994, Boston's bond rating has been upgraded five times by Moody's Investors Service from A to Aaa and four times by Standard & Poor's from A to AA+. Both rating agencies upgraded their respective ratings for Boston's bonds two times during the period of this study.

In March 2013, Moody's Investors Service and Standard & Poor's reaffirmed Boston's credit ratings of Aaa and AA+ respectively. In March 2014, Standard & Poor's increased its rating for Boston to AAA. Thus, for the first time in Boston's history, both Moody's Investors Service and Standard & Poor's have ranked Boston's credit at Aaa/AAA. Specific factors noted

about Boston in the credit reports of both rating agencies were:

### Positive factors benefiting Boston:

- Consistently strong and proactive management with a demonstrated record of managing to balanced budgets through all economic cycles
- Conservative approach to budgeting and expenditure control
- Substantial and economically diverse tax base well-positioned for growth
- A significant but conservatively-structured debt profile, governed by prudently designed debt policies including rapid bond amortization and debt all fixed-rate with no variable rate debt exposure
- Positive financial performance with adequate reserve levels and flexibility to address future budget challenges

### Constraining factors being watched:

- Uncertainty regarding future state aid levels
- Sizable long-term unfunded liabilities for pensions and retiree health care (OPEB)
- High personnel-related costs subject to collective bargaining with strong unions
- Constraints on City to increase property tax or establish new revenue streams
- High cost of living and doing business

## Interest Rates

The interest Boston pays on its debt has decreased from fiscal 2002 to 2013, reflecting the City's increasingly competitive credit ratings. The True Interest Cost (TIC) of a bond



## City of Boston Bond Ratings

1973 - Present

Moody's			Standard & Poor's		Fitch Ratings	
Year	Date	Rating	Date	Rating	Date	Rating
1973		Baa1		A		
1974	24-May-74	A		A		
1975		A		A		
1976	27-Jan-76	Baa	23-Sep-76	A-		
1977		Baa		A-		
1978		Baa		A-		
1979		Baa		A-		
1980		Baa	2-Dec-80	BBB+		
1981	27-Mar-81	Rate w/d [1]		BBB+		
	8-Jul-81	Ba				
1982		Ba		BBB+		
1983	12-Jan-83	Ba1		BBB+		
1984		Ba1		BBB+		
1985	19-Apr-85	Baa		BBB+		
1986		Baa		BBB+		
1987	30-Apr-87	Baa1	13-Feb-87	A-		
1988	19-Apr-88	A		A-		
1989		A	14-Feb-89	A		
1990		A		A		
1991		A		A		
1992		A		A		
1993		A		A		
1994		A		A		
1995		A	27-Sep-95	A+		
1996	11-Nov-96	A1		A+		
1997		A1		A+		
1998	8-Oct-98	Aa3		A+	8-Oct-98	AA-
1999		Aa3		A+		AA-
2000		Aa3	9-Feb-00	AA-		AA-
2001	9-Apr-01	Aa2		AA-		AA-
2002		Aa2		AA-		AA-
2003		Aa2		AA-		AA-
2004		Aa2	10-Feb-04	AA		AA-
2005	8-Feb-05	Aa1		AA	9-Feb-05	AA
2006		Aa1		AA		AA
2007		Aa1	7-Mar-07	AA+		AA
2008		Aa1		AA+		AA
2009		Aa1		AA+		
2010		Aa1		AA+	30-Apr-10	AA+[3][4]
2011	15-Mar-11	Aaa [2]		AA+		
2012		Aaa		AA+	24-Jul-12	AAA[4]
2013		Aaa		AA+		
2014		Aaa	5-Mar-14	AAA		

[1] Rate withdrawn in response to passage of Proposition 2 1/2 in March and downgraded to Ba in July.

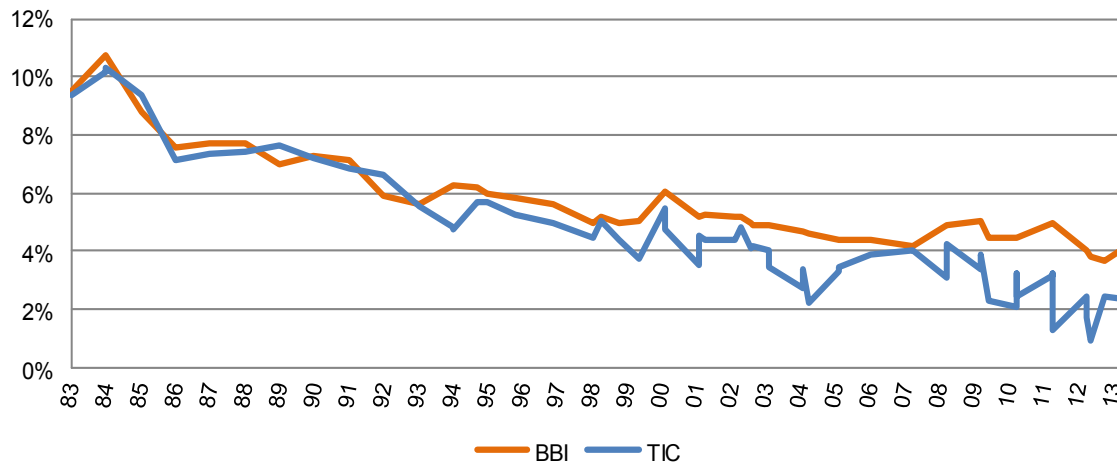
[2] Rating increase is due to Moody's recalibration of U.S. municipal rating to its global rating scale and does not reflect a change in its credit opinion for Boston's municipal debt.

[3] Upgrade due solely to recalibration

[4] Ratings apply only to bonds issued in 2008 and prior that are still outstanding

Source: Moody's Investors Service, Standard & Poor's and Fitch Ratings

## True Interest Cost Compared to Bond Buyer Index



issue is a useful figure for comparing interest rates. The TIC is the percentage rate that measures the effective cost of a bond issue by discounting the total amount of debt service payments over the life of the bond to the present value of the bond proceeds par amount issued. From 1983 through 2013, the TIC on Boston's bond issuances has dropped from a 5-year average of 8.63% in fiscal 1984–1988 to a 5-year average of 2.47% in fiscal 2009–2013, representing a 71.32% decrease.

The decline in the interest rates paid by Boston is partially attributed to a national decline in interest rates. However, Boston has seen declines in the interest rate paid on its debt that are greater than the declines in national interest rate standards. The Bond Buyer Index (BBI) also is a useful bench-mark for comparing the interest that the City received on each issue to national averages. The index measures average yields to investors for bonds maturing in 20 years. Although BBI is not directly comparable to TIC, it can be helpful in showing relative trends in Boston's interest costs over time. Comparing the 10-year averages of the BBI and TIC from 1984–2013 reveals that Boston's TIC has beat the BBI by .07% from 1984–1993, .84% from 1994–2003 and 1.61% from 2004 to 2013.

## Refunding Special Obligation Debt with General Obligation Bonds

The City has also refinanced all its Special Obligation debt with General Obligation Refunding Bonds. This strategy has two benefits. First, by refunding outstanding debt at higher interest rates with newly issued General Obligation Refunding Bonds at lower interest rates, the City is able to achieve a NPV savings which has been applied to reduce the annual debt service costs. Second, by converting Special Obligation debt for General Obligation debt, the requirement for reserves to be established for Special Obligation debt is eliminated, providing more cash flow for city finances. The refunded debt does increase the City's annual debt service costs, but the lower interest costs from the refunding and the liquidation of former debt reserves for cash flow provides a larger benefit for the City.

Prior to fiscal 2011, the City's debt burden included two outstanding Special Obligation Bond issues. As of March 2011, the City's Special Obligation indebtedness consisted of \$73.1 million Special Obligation Boston City Hospital Bonds and \$93.5 million Special Obligation Convention Center Bonds. The City has since issued General Obligation

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Refunding Bonds to repay these loans. Thus, the City currently has no outstanding Special Obligation debt.

In fiscal 1991, the City incurred \$169.3 million in Special Obligation debt for the construction and equipping of a new hospital inpatient facility and the renovation of existing facilities at the Boston City Hospital. The City refinanced this debt with Special Obligation Refunding Bonds on June 1, 1993 and August 1, 2002. In May 2012, the City sold \$26.9 million of General Obligation Refunding Bonds and with the application of \$38.3 million in available city funds, was able to fully refund the Boston City Hospital Special Obligation Bonds. The \$26.9 million issue sold at a TIC of 0.9% in replacing bonds originally issued in 2002 at interest rates of 4%, generating a NPV savings of \$6.8 million.

Boston's other Special Obligation debt was related to the financing of the Boston Convention Center. The Convention Center

Bonds of \$116.9 million were issued by the City in 2002 to permanently finance its purchase and preparation of land for the development of the Boston Convention and Exhibition Center. The bonds were secured solely by a pledge of certain excise receipts and other revenues, including all amounts received by the City from the local option room occupancy excise imposed in Boston from a portion of a surcharge imposed on vehicular rentals in Boston. The room occupancy excise has moved from 4% to 6% in fiscal 2010. In April 2011, the City refunded all of its \$93.5 million outstanding 2002 Convention Center Bonds with a combination of \$38.3 million of refunding bond proceeds and the application of \$55.2 million held in the City's Room Occupancy Excise Fund and other available monies, producing a NPV savings of \$6.6 million. The scheduled debt service in fiscal 2012 prior to the refunding was \$8.3 million, but was reduced to \$3.3 million for an annual savings of \$5.0 million.

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## Development and Management of the Budget

The City of Boston's annual process for developing the next fiscal year's operating and capital budgets starts near the end of the calendar year, long before the Mayor submits the recommended budget to the City Council the following April. These budgets are revenue driven, which requires the financial team in the Offices of Administration & Finance (now Finance & Budget), Budget Management, Auditing, Assessing and Treasury to develop revenue estimates for the next year and determine the amount of non-discretionary expenses that will be required in order to develop expenditure guidelines for the City's 47 city departments that also include the policy goals of the Mayor. Once the budget requests are submitted by the departments to the Office of Budget Management (OBM) by a time certain, they are reviewed by OBM before departmental meetings are scheduled with the Budget Director, CFO and Mayor which could lead to further adjustments before the final recommended budgets are set.

Even after the budget is formally approved in June, adjustments to revenue and mandatory expense accounts can be made up to the point that the tax rate for the fiscal year is approved by the state in December. Further modifications of the budget are made possible by the Charter through reallocations supplementary appropriations, departmental transfers and year-end transfers to close the accounts of the fiscal year. The Administration, through its Departments of OBM, Finance and Auditing, is responsible for monitoring revenue and expenditure accounts during the year and making timely adjustments if necessary with the approval of the Mayor to ensure the City ends the year in a positive position.

In accordance with state law, the City develops a balanced budget at the beginning of each year. The Charter sets the rules for the budget

process and budget and spending controls. The Charter states that no city official, "except in cases of extreme emergency involving the health and safety of the people or their property" shall intentionally spend in excess of the appropriations in a fiscal year. The Mayor retains the sole responsibility for initiating all appropriations to be met from taxes, revenue or any source other than loans. The Mayor, through the annual budget recommendation, normally initiates loan orders as part of the capital budget recommendation each year. The City Council is able to initiate a loan order or bond issue, but the Mayor must approve it before it can be fully authorized. Loan authorizations require a two-thirds vote by the City Council at two different times with at least fourteen days between the votes.

### Recommended Budget

The Mayor must submit his annual budget recommendation for the next fiscal year to the City Council by the second Wednesday in April of each year. The City Council may reduce or reject any item, but except upon approval of the Mayor cannot increase any item or add any item to the budget. The Mayor's recommended budget is presented in three volumes, but the actual appropriation order that the City Council approves for city departments consists of four pages that include a list of the summary appropriation accounts for each city department or service. The detailed budget volumes provide more explanation of the budget recommendations, but are provided for informational purposes and are not subject to City Council action, which is limited to the actual appropriation order.

The School Department's recommended budget is a separate appropriation order which

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the Council may approve, reject or reduce. The School Department's budget cycle follows a different process. The Superintendent is legally required to submit the proposed budget to the School Committee by the first Wednesday in February and the School Committee is required to take action on the budget by the fourth Wednesday in March. The Superintendent then submits the approved budget to the Mayor who may approve or reduce the total recommended budget, but cannot adjust the separate budget accounts as stipulated by Proposition 2½. The School Department budget is included in the Mayor's budget submission to the City council in April.

Some budget items not included in the appropriation order are not subject to City Council approval. These items are mainly mandatory expenditures that the City is legally required to fund each year, including funding for the annual pension obligation, debt service, remaining Suffolk County expenses, Tregor financial reserve and state assessments.

## Approved Budget

The City Council must take definite action on the Mayor's recommended budget by adopting, reducing or rejecting it by the second Wednesday in June. In the event of a failure of the City Council to do so, the items and the appropriation orders in the budget recommended by the Mayor take effect as if formally adopted by the City Council. However, in practice the City Council will reject the Mayor's recommended budget without prejudice by that date and require the Mayor to resubmit his recommended budget with any adjustments deemed appropriate. The City Council takes this step because the Council normally does not complete its budget review by the second Wednesday in June. Rejecting the budget allows the Mayor to update expenditure and revenue accounts based on more current information and address issues raised in the Council's budget hearings.

## Tax Rate Budget

The City sets its tax rate in December and at that time can modify revenue and mandatory expense estimates based on updated data before submitting the tax rate information to the state's Bureau of Accounts for approval. For example, in recent years the City's annual budget has been approved before the state budget has been finalized so the City's state aid numbers are still estimates. The December tax rate enables the City to make adjustments to include the final state aid numbers in the city budget.

## Property Tax Collection

While the property tax rates are not set until December, the City of Boston issues its property tax bills on a quarterly basis. The first two quarter bills are due on August 1 and November 1 and are preliminary bills with each equal to one quarter of the previous fiscal year's tax bill. The actual property value for the current fiscal year which determines the new tax amount is reflected in the third and fourth quarter bills, which are due on February 1 and May 1 of the tax year. Prior to fiscal 1992, when the City adopted legislation (Ch. 396, Acts of 1991) authorizing quarterly tax bills, property taxes were collected twice a year. The quarterly tax collections improve the City's cash flow position during the year.

## Budget Management

After approving an operating budget, the City has an obligation to manage its budget so that annual expenditures stay within available revenue to end the year with an operating surplus. The City of Boston has succeeded in ending each year with a positive balance since fiscal 1986. Achieving this feat starts with developing the budget with conservative revenue estimates and realistic spending plans. A structure for carefully reviewing personnel levels is necessary given the large extent to

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which total spending is tied to employee costs. Even so, unexpected revenue or expenditure issues can arise for which the Charter provisions described below exist to provide the City with flexibility to manage the budget during the year. Longer-range initiatives to control city spending are described in the “Where the Money Goes” section.

**Supplemental Appropriation** After the City Council has approved an appropriation of funds for any city department or budget account, no transfer of any part of the funds so appropriated, can be made to another department or budget account unless it is approved by a vote of two-thirds of the City Council. The most common use of a supplementary appropriation is the transfer of funds from the Collective Bargaining Reserve to the department affected once the funding for a new employee contract has been approved by the City Council. Otherwise the use of supplementary appropriations is limited.

**Departmental Transfers** After an appropriation of money has been made, transfers between one department or office can be made to another department or office, but the Mayor first must submit a written recommendation of the transfer to the City Council, which must approve the transfer by a two-thirds vote of all members. These inter-departmental transfers have been rarely used in recent years.

In addition, the City Auditor, with approval of the Mayor, may make transfers, other than for personal services, from any budget account to any other account within a department’s appropriation. For example, a transfer of funds may be made from a department’s personal services account to its contractual services account, but funds cannot be transferred from the supplies and materials account to the personal services account. City Council approval is not required for these

intra-departmental transfers since they do not change the total approved appropriation amount.

**Year-End Transfers** After the close of the fiscal year, the City Auditor, with the approval of the Mayor, may apply any income, taxes and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose only of closing the accounts of the fiscal year. Income, taxes and funds not disposed of would be generated if operating revenues exceeded budget estimates or expenditures were less than appropriations. City Council approval is not required for these year-end transfers, but the Auditor does report the transfers to the Council. This transfer authority gives the Mayor greater flexibility in making final budget adjustments to insure that budget accounts are balanced at the end of the fiscal year where required. Police and Fire Department spending for emergency situations involving the health and safety of people or their property, snow removal costs and Execution of Court expenses from court decisions are legally allowed to exceed their appropriations, but still need to be paid from city resources.

## Tregor Amendments

Legislation (Ch. 701, Acts of 1986) enacted in 1986 included a series of budget and accounting reform measures for the City of Boston intended to strengthen requirements to manage its budget and establish tools to protect it from operating deficits. A few of the provisions of the law are described below. The legislation was enacted in response to a fiscal crisis that faced the City of Boston in the early 1980s. Proposition 2½ was approved in 1980 and starting in fiscal 1982, the City was required to significantly reduce its property tax levy over three years. At around the same time, the City was required to pay abatements over \$100 million to commercial property owners as a result of a state court decision in



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1979 (*Tregor v. Assessors of Boston*) that found the City had been disproportionately assessing different classes of property at varying percentages of fair cash value. This case was initiated by Norman Tregor, a commercial property owner in Boston, after repeated abatement applications by him were not approved by the City.

The court decision's remedy was that the City was required to reduce commercial property values so that they were proportional to the average of residential property. The City was not able to make abatement payments of this magnitude when at the same time it was required to reduce its property tax levy by 15% in fiscal years 1982 and 1983 and a lesser amount in fiscal 1984. Consequently, the City sought and eventually received approval of a special act (Ch. 190, Acts of 1982) that authorized it to borrow \$45 million to fund a portion of the abatement obligation. As a follow-up to this special act, the Tregor Amendments contained in Chapter 701 of the Acts of 1986 were approved to improve the City's management of its operating budget.

The remedy of the Tregor court case that required the City to reduce commercial property value so that it was proportional to the average of residential property would have resulted in a significant shift of the property tax burden from commercial property to residential property. To protect homeowners from a huge tax increase and maintain the status quo, the White Administration was successful in its statewide campaign that led a constitutional amendment approved by the voters of the Commonwealth in 1978 that authorized the classification of property for tax purposes. Today, classification is fully utilized by the City to shift as much of the tax burden on to business property as allowed. Three Tregor amendments related to budget management are described below.

**Personnel Allotment** City officials in charge of departments or agencies, including the School Department are required to submit an allotment schedule of the appropriations of all personnel categories in the budget to the City Auditor for review. This requirement was first established in the Bond Procedures Act (Ch. 190, Acts of 1982) and amended in Chapter 701 of the Acts of 1986. The allotment schedule must be submitted "on or before August first of each year, or within ten days of the annual appropriation order for such fiscal year, whichever shall occur later." These submissions must indicate the amounts to be expended by the department or agency for specific purposes during each of the quarters of the fiscal year. If, upon receipt of these reports, the City Auditor determines that any department or agency will exhaust its quarterly allotment, the City Auditor must provide notice of this determination to the department head, the Mayor and the City Council.

Within a week of such a determination, the Mayor must decide whether to waive or enforce the allotment. If the allotment is waived, the department or agency head must reduce the subsequent quarter's allotments appropriately. In this case, the Collector-Treasurer must provide a written statement to the City Council and the City Clerk detailing reductions in each subsequent quarter's allotment to be enforced.

If the allotment for a given quarter is enforced and not waived, the department must terminate all personnel expenses for the remainder of the quarter. In such a case, no personal expenses may be paid from the department's or agency's allotment of a subsequent quarter without approval by the Mayor. However, retroactive compensation adjustments may be distributed.

**Mayoral Reallocation** The Mayor has the ability to authorize the reallocation of up to \$3.0 million from non-personnel appropriations, other than school

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appropriations, to other departmental purposes by April 15th in any fiscal year for the purpose of insuring that the overall city spending program remains in balance. The intent of this requirement is that the allocations would be taken from non-personnel departmental appropriations. However, the practice has been that the funds used are transferred from the City's debt service account. By April 30th of each fiscal year, the City Auditor must provide a report of each reallocation made by the Mayor to the City Council and the City Clerk. The report must detail accounts from which the transferred funds were taken, the accounts to which the funds were reallocated, and the reasons for the reallocation.

**Tregor Reserve** The City is required to maintain a reserve fund equal to 2.5% of the preceding year's appropriations for all city departments except the School Department. The purpose of this reserve is to ensure that funds are available to help offset any possible year-end operating deficit. The City is required to include the segregated reserve in the appropriations for each fiscal year. The fund is intended to be applied to extraordinary and unforeseen expenditures after June 1st in any fiscal year with the approval of the Mayor and the City Council. The Mayor, with the

approval of the City Council, may make direct drafts or transfers against the reserve fund so long as any transfer is accompanied by written documentation detailing the amount and explanation of the transfer. To date, this budgetary reserve has not been utilized. As of June 30, 2013, the reserve fund had a balance of approximately \$29.0 million. Any funds transferred from this reserve are required to be restored in the next fiscal year.

The section also requires the establishment of a segregated reserve fund of not less than 1.0% of the School Department's budget each year. No expenditures may be made from the School Department reserve fund before May 1st in any fiscal year. After then, any expenditure requires approval of the Mayor and the City Council. Because the reserve is created from existing budget accounts appropriated for specific purposes rather than as a segregated reserve, the reserve does not provide additional funds to cover unanticipated expenses. This limitation makes the school budget reserve ineffective as a true reserve and creates a budget administration nightmare for the Department.

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## Boston's Organizational Structure

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## Boston's Organizational Structure

The City of Boston is a municipal corporation. Like all corporations, an efficient organizational structure is essential to the City's ability to provide quality services at a low cost. Over the nearly 200 year history of the City of Boston, the organizational structure has constantly evolved to address changes in the city and its service needs. Thus, the City government looks, today, very different from the government described in the Charter and the Municipal Code.

This section provides a historical and present day perspective on the structure of Boston's government and how the administrative and legal structures function together. This section was previously released to Mayor Walsh's transition team as a comprehensive look at the cabinet structure. Most of the cabinet structure remains the same as of the printing of this report.

**The City Charter** The Boston City Charter is not contained within a single document. Rather, the Charter comprises a series of state laws enacted over the past century. The Charter has also been modified by Massachusetts general laws affecting all municipalities, local options as enacted by the State Legislature and Governor and accepted by the City, and home rule legislation or petitions passed by the Mayor, the City Council, the state Legislature and the Governor. The History of the Boston City Charter shows a trend of revisions and reenactments that strengthen the executive power of the Mayor.

The Massachusetts Legislature enacted special legislation creating the first Boston City Charter in 1822. The original governmental structure called for a Mayor, a Board of Aldermen and a Common Council. Under this scheme, the Mayor had very little power

over the affairs of the city. In 1854, the Charter was amended to give the Mayor limited appointment and veto powers. As the city continued to grow, efficient governance necessitated a more centralized governing power. As a result, the Charter was amended, once in 1885, allocating essentially all executive powers to the Mayor, and again in 1909, abolishing the Board of Alderman and the Common Council. In 1948, Boston residents were given the opportunity to vote on which form of government would run the City. The voters chose a "Plan A", or "strong Mayor", form of government, which was implemented in the 1951 and 1953 Charter amendments and remains to modern times.

As the role of the Mayor strengthened over time, new layers of state supervision were added as a check on the Mayor's power. In 1909, a Finance Commission was established to "investigate any and all matters relating to appropriations, loans, expenditures, accounts and methods of administration affecting the city". Also in 1909, the state Civil Service Commission was given the power to approve mayoral appointees. Other state limitations on Boston's autonomy from this period include statutory limitations on the City's power to tax, spend, borrow, or increase assessments without state authority.

**Home Rule in Massachusetts** In 1966, the Massachusetts Legislature adopted Amendment Article 89, commonly known as the Home Rule Amendment and M.G.L. Chapter 43B, commonly known as the Home Rule Procedures Act. The amendment and statute grant Boston the right of self-governance in local matters. The power granted can be classified in three ways: (1) the power to create a Charter, (2) general Home Rule authority, and (3) Home Rule petition authority. Despite these three grants of power,

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Boston remains largely dependent on the state Legislature in exercising its legal power.

Home Rule gives Boston the power to establish a Charter for itself. Boston has yet to exercise this power and continues to operate under the Charter established in 1951. Boston's reluctance to apply the charter-creating power is because of the uncertainty involved in the process. Under the Home Rule Amendment and Home Rule Procedures Act, Boston can replace its Charter only by placing the whole of its governmental structure in the hands of a separately elected Charter commission. This commission may pursue any reform it deems beneficial, before submitting its proposal to the residents for a vote. Historically, Boston officials have been wary of putting the entire governmental structure of the City up for reform in this manner.

As an alternative to establishing a new Charter, the Home Rule Petition grants Boston the ability to make "minor amendments" to its Charter. The City Council, with a two-thirds vote, may propose a change that voters can approve by referendum. However, this procedure is only permitted for minor changes to the Charter.

In addition to the charter and establishment power, Section 6 of the Home Rule Amendment vests general Home Rule Power in the City. Section 6 authorizes Boston to exercise "any power or function which the general court has the power to confer" subject to a number of limitations. This authority is generally limited by Section 6, which prevents any exercise of Home Rule Power that would conflict with or be preempted by State law. It is also specifically limited by Section 7. Pursuant to Section 7, Home Rule cannot be used to (1) regulate elections; (2) levy, assess and collect taxes; (3) borrow money or pledge the credit of the City; (4) dispose of park land; (5) enact laws governing civil relationships except as incident to an exercise of municipal power; or (6) define

### What is Civil Service?

Civil Service is a merit system under which State and municipal employees may be hired and promoted. Qualifying state and municipal employees are hired, promoted and terminated subject to procedures set forth in M.G.L. c. 31 and the *Personnel Administration Rules* (PAR's). These standards ensure that all employment decisions are based on the relative ability, knowledge and skills of the public employee, and that all individuals receive fair and impartial treatment.

and provide for the punishment of a felony or to impose imprisonment. For these six areas, Boston may only act if it has been specifically authorized to do so by a state statute.

For situations where Boston's general Home Rule power has been limited, Section 8 of the Home Rule Amendment authorizes the City to use a "home rule petition" to achieve changes in structure. Under Section 8, the Mayor and City Council can petition the state Legislature to enact a special law affecting only Boston. The legislature may deny, enact, or enact subject to a referendum vote of the residents of Boston. Any law enacted pursuant to Home Rule Petition can be modified only by further action by the state Legislature.

**Mayoral Powers** Boston operates under a "strong mayor" form of government. Nearly every action taken by the City Council must be approved by the Mayor. The Mayor may require the City Council to meet whenever he or she deems it necessary. The City Council, with the approval of the Mayor, may create new departments or agencies; eliminate or reorganize all or part of any department or agency; increase any department or agency's duties or powers; move duties, powers and funds within a department or agency or between departments or agencies; and change,

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create or eliminate the salary of any department or agency head. Additionally, the Mayor may create divisions, boards or commissions within the Mayor's Office Cabinet without authorization from City Council.

In addition to the Mayor and the City Council, the Charter provides authority for a City Clerk, Finance Commission, Election Commission, City Auditor, Audit Committee, Public Facilities Commission, School Committee and Superintendent of Schools. All positions, departments, offices, boards and commissions not enumerated in the City Charter have been created by special law, ordinance, executive order or administrative act.

The Mayor has broad powers of appointment. All department heads are appointed by and serve at the pleasure of the Mayor. Most serve coterminous to the Mayor, meaning their terms end on the first Monday of a municipal year in which a new Mayor is elected. Within departments, all managerial positions are appointed by the department head, usually with approval of the Mayor. For a list of all appointed positions, see Appendix D.

Unless otherwise specified in the enabling legislation or Charter all non-*ex officio* members of boards and commissions in City Hall are appointed by the Mayor to specific length terms. In certain situations, mayoral appointments must be made subject to a statutorily defined nominating process or subject to City Council approval. For more on the specific appointment authority of the Mayor, see sections below outlining the departmental layout of the modern organizational structure.

There are limitations on the power of appointment of a Mayor prior to leaving office. Chapter 332 of the Acts of 1939 provide that all appointments made after a mayoral election

but before a new mayor takes office, the appointment automatically terminates of January 31<sup>st</sup> of the new municipal year.

**City Council Powers** The legislative body of the City is the thirteen-member City Council. The City Council comprises four at-large members who are elected by, and represent, the entire city, and nine district councilors who are elected by, and represent, specific districts of the city. The City Council enacts ordinances, adopts orders, adopts home rule petitions, conducts hearings, oversees the operations of city departments, approves of the annual budget and approves of other City business subject to state law. The Council may sit as a Committee of the Whole, or may divide into committees.

**Legislative Process** The city council enacts ordinances subject to the Mayor's approval. Proposed legislation is first assigned to the various committees for review. When the committee chair elects to hold a hearing on a particular docket, a written invitation with at least forty-eight hours notice is sent to all Councilors, the press, and interested parties providing the date, time and place of hearing. A hearing held by a committee of the Council must always be open to the public. After those most interested or affected by the subject matter, either pro or con, have testified anyone present may give their testimony either orally or in writing to the committee assembled. When the hearing is concluded, the chair, with assent of the majority of the committee, may submit a committee chair report to the full Council containing its recommendations as to whether the docket ought to pass.

A committee chair will report its findings on a proposed ordinance to the full Council. If a committee chair recommends that a docket should not pass and a majority of the Council accepts the recommendation, the issue is defeated. If a committee chair recommends that a docket should pass, or should pass in a



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new draft, and a majority of the Council accepts the recommendation, it is then presented to the Mayor. If the Mayor approves it and signs it, it is in full force.

If, after fifteen days, the Mayor has taken no action on a docket approved by the full Council, the matter shall be in force. If the Mayor vetoes a the matter passed by the Council, he shall state in writing his objections and submit it to the Council through the City Clerk. The Council may assign the matter for further action. In most cases, an ordinance may enacted by the City Council over the Mayor's veto by a two-thirds vote at least seven days following the veto.

The exception to the two-thirds override rule is orders for the borrowing or appropriation of money and the reorganization of City departments, may not override a Mayoral veto. In the case of the annual budget, the Council may reject or reduce, but may not increase, a budget submitted by the Mayor .

## Origins of the Cabinet Structure

In November of 1993, Mayor-elect Thomas M. Menino formed a transition committee to help shape his new administration. The committee was tasked with examining the various city departments, boards and commissions in order to find ways to improve the delivery of government services. In its report, the transition committee found a resistance to interdepartmental communication, cooperation, or strategic planning created in part by a territorial culture within city hall. To combat these administrative shortcomings, the report recommended that the Mayor adopt a cabinet-style organizational structure that would align personnel and resources along functional lines of command.

Following the model set forth in the transition report, then Mayor Menino presented his recommended fiscal year 1995 budget to the

City Council featuring an “aggressive restructuring of city agencies to consolidate functions and increase the opportunities for service improvements and cost savings.” In its original formation, the Mayor's Cabinet consisted of nine cabinet positions, the Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Economic Development Officer (CEDO), Chief of Education, Chief of Health and Human Services, Chief of Basic Services, Chief of Environmental Services, and the Chiefs of Public Safety. By the fiscal 1996 budget, the Mayor had added the Chief of Staff and Corporation Counsel to the cabinet. Although the cabinet structure has never been codified, it has informed the programmatic and budgetary organization of City Hall since it was instituted in fiscal 1995.

The COO was the individual responsible for the daily administration of City Hall. The Operations Cabinet also included the Departments of Human Resources, Printing, Purchasing and Health and Hospitals, as well as a newly formed Management and Information Services Department.

The CFO also served as the Collector-Treasurer and oversaw all of the City's financial matters. The Finance Cabinet included Treasury, Assessing, Auditing, Labor Relations, and Worker's Compensation departments, the Office of Budget Management and the Retirement Board.

The CEDO also served as the Director of the Boston Redevelopment Authority and was accountable for planning, development, housing and marketing functions of the City. The Economic Development Cabinet included the Boston Redevelopment Authority, the Economic Development and Industrial Corporation (EDIC) of Boston, the Boston Housing Authority, the Public Facilities Department, the Office of Minority and Women Business Enterprises, the Rent Equity Board and the newly formed Office of Special

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Events and Tourism.

The Chief of Education was the Superintendent of the Boston Public Schools, who was appointed by the School Committee. The School Committee consisted of seven members who were appointed by the Mayor. The Education Cabinet was responsible for managing the Boston Public School System.

The Health and Human Services Cabinet was responsible for providing health and other supportive services for all of Boston's citizens. The cabinet contained the newly formed Office of Cultural Affairs, the Public Facilities Department's Community Centers Division, the Mayor's office of Neighborhood Services, the Safe Neighborhood Program, and the public health programs of the Department of Health and Hospitals. The Cabinet also included the Elderly Commission, the Emergency Shelter Commission, the Women's Commission and the Veteran's Services Department, and a newly formed Office of Civil Rights. The Office of Civil Rights included the Fair Housing Commission, the Commission for People with Disabilities, and the Human Rights Commission.

The Basic Services Cabinet was in charge of Boston's infrastructure and public service activities. The cabinet included the Public Works Department, the Parks and Recreation Department, the Property Management Department, the Election Department, the Registry Division, the Office of Consumer Affairs and Licensing, the Boston Public Library and the Youth Fund. The duties of the Real Property Department were divided between the newly created Property Management Department and the Public Facilities Department.

The Environmental Services Cabinet included the Transportation Department, Environment Department, the Inspectional Services Department, and the Recycling Division of the Public Works Department. The Chief of

Environmental Services was responsible for overseeing the City's relationships with the MBTA, EPA, and Massachusetts Executive Office of Environmental Affairs.

Finally, the Public Safety Cabinet was led by the City's Police Commissioner and the City Fire Commissioner as Co-Chiefs.

## **A Changing Cabinet Structure**

The Cabinet has further evolved over the past two decades. In fiscal 1996, the Mayor elevated the Administrator of the Boston Housing Authority to a cabinet-level post of Chief of Public Housing. The Mayor also created a new department in the Economic Development Cabinet to implement the Boston Residents Jobs Policy and consolidated the fleet management functions of six independent departments into a Fleet Maintenance Division under the Transportation Department.

In fiscal 1997, the Mayor again reorganized the Fleet Maintenance responsibilities by moving the Transportation Department from the Environmental Services Cabinet to the Basic Services Cabinet. The Mayor also established a separated Central Fleet Maintenance Department within the Basic Services Cabinet. The Department was staffed by employees from the Transportation, Public Works, and Parks and Recreation Departments.

In response to the phasing out of rent control in the City of Boston, the Rent Equity Board's responsibilities changed in the fiscal 1997 budget from adjudicating applications and hearings concerning the rights and responsibilities of landlords and tenants, to moderating the consequences of the loss of rent control. These responsibilities included informing affected parties to the changes in their rights and responsibilities, and mediating new disputes that arose due to the phasing out

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of rent control. These tasks were organized under the Rental Housing Resource Center, within the Economic Development Cabinet.

In fiscal 1998, the Department of Health and Hospitals (DHH) ceased to exist due to a the merger of the public Boston City Hospital and University Hospital, affiliated with Boston University, into the private Boston Medical Center. The Public Health Commission was formed as a successor to the DHH. This change called for a reorganization of the Mayor's Health and Human Services (HHS) Cabinet. The Mayor split the HHS Cabinet in two, creating the Public Health Cabinet and the Human Services Cabinet. The Executive Director of the Boston Public Health Commission was named Chief of Public Health. The Chief of Public Health oversaw the implementation of public health programs, the Emergency Medical Service for the City, Communicable Disease Control Programs, Substance Abuse Services, Community Health initiatives, and Child and Family Health development. The Chief of Human Services retained authority over all departments and commissions formerly under the HHS Cabinet.

In fiscal 1999, the Mayor created a Cabinet-level post for Chief of Housing and Neighborhood Development. The Chief of Housing and Neighborhood Development was responsible for overseeing the newly-formed Department of Neighborhood Development (DND) and the Rental Housing Resource Center. The DND was responsible for business development, homeowner and homebuyer programs, housing development, and surplus land and building management and disposition.

In fiscal 2004, the Mayor divided the duties of the Basic City Services Cabinet between the existing cabinet and a newly formed Streets, Transportation and Sanitation Cabinet. The newly formed cabinet included the Public

Works Department, the Transportation Department, Central Fleet Maintenance and Snow Removal. The Chief of Basic City Services retained control over the Parks and Recreation Department, the Office of Special Events and Tourism, the Election Department, the Public Facilities Commission, and the Property and Construction Management Department.

In fiscal 2005, the Office of Homeland Security was created and funded with a federal grant. The Mayor added the Director of that office to his cabinet. The Office was later renamed the Office of Emergency Preparedness. Also in fiscal 2005, the Office of Special Events and Tourism and the Office of Cultural Affairs were merged to create a new Mayor's Office of Arts and Cultural Development.

In fiscal 2006, the Environmental Services department was expanded to include the Boston Energy Board. The Cabinet was renamed the Environmental and Energy Services Cabinet. Also in fiscal 2006, the Rental Housing Resource Center was folded in to the Department of Neighborhood Development.

In fiscal 2007, the Streets, Transportation and Sanitation Cabinet was renamed the Public Works and Transportation Cabinet, and the Basic Services Cabinet was renamed the Public Property Cabinet.

In fiscal 2008, the Mayor created the Information Cabinet, headed by the Chief Information Officer, to implement Management and Information Services to improve the business of government and delivery of services. Also in fiscal 2008, following the retirement of the Chief Operating Officer, the Operational Cabinet and Finance Cabinet were merged to create the Administration and Finance Cabinet. The Chief Financial Officer assumed the position

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of Director of Administration and Finance. In this role, the Director of Administration and Finance continued to hold the position of Collector-Treasurer.

In fiscal 2010, the Emergency Shelter Commission ceased to exist as an independent department, and its duties were transferred to the Public Health Commission. Also in fiscal 2010, the Printing Department, which had been renamed the Graphic Arts Department, was disbanded.

In fiscal 2011, the Mayor created the Advocacy and Strategic Investment Cabinet headed by the Chief of Advocacy and Strategic Investment, who also serves as Director of Intergovernmental Relations. The Cabinet was formed to better address the Mayor's initiative of providing constituents with services centered on job creation and small and local business development. This newly created Cabinet comprised the Department of Intergovernmental Relations, the Office of New Bostonians, and the Small and Local Business/Boston Jobs for Boston Residents Policy Offices.

In fiscal 2012, the Mayor created a Cabinet level position of Chief of Personnel and Labor Relations, to serve as Co-chief of Administration and Finance alongside the Chief Financial Officer/Collector-Treasurer. Also in fiscal 2012, the Commission for Persons with Disabilities was separated from the Civil Rights Department and became its own Department within the Human Services Cabinet.

## Recent Cabinet Structure

The cabinet structure at the end of the Menino Administration comprised 20 members, of which four are members of the Mayor's Office Cabinet.

## 2013 Cabinet Members

Mayor's Chief of Staff \*

Corporation Counsel \*

Chief of Policy and Planning \*

Director of Emergency Preparedness \*

Chief of Advocacy and Strategic Investment

Chief of Public Property

Chief Information Officer

Chief of Education/Superintendent of Schools

Chief of Economic Development

Chief of Housing and Neighborhood Development

Chief of Environment and Energy

Chief of Human Services

Chief of Public Health

Chief Financial Officer and Chief of Personnel and Labor Relations who serve as Joint Chiefs of the Office of Administration and Finance

Public Works and Transportation Commissioners who serve as Joint Chiefs of Public Works and Transportation

Fire and Police Commissioners who serve as Joint Chiefs of Public Safety.

Chief of Public Housing/Administrator of the Boston Housing Authority

\* Member of Mayor's Office Cabinet

## Mayor's Office Cabinet

The Mayor's Office Cabinet consists of a collection of agencies representing the Mayor and the City in legal matters, public relations, intergovernmental relations and neighborhood concerns. Departments in this cabinet need not be created by legislative act or executive order, but may be created by administrative act pursuant to a 1981 Supreme Judicial Court Case, *City Council of Boston v. Mayor of Boston*, (383 Mass. 716). In that case the SJC held that the Mayor is vested with full supervision of subordinate officers in the discharge of their duties and the size and salary of the Mayor's staff. The Mayor has exercised this power to create ad hoc committees and offices within his

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staff without going through the formalities of an executive order or City Council approval. The Mayor's Office Cabinet includes the following departments:

### Mayor's Office Cabinet

Office of the Mayor

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Neighborhood Service

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Public Information

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Emergency Management

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Law Department

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Within these departments the following offices/programs are found: Office of Policy and Planning, the Graduate Fellowship Program/Policy Institute, the Office of New Urban Mechanics, the Mayor's 24-Hour Constituent Service Line and the Mayor's Problem Properties Task Force. Some of these predate the current administration and others have been created by Mayor Menino. Additionally, the City of Boston Law Department is programmatically housed within the Mayor's Office. The following is a summary of these departments role and responsibilities in the Menino Administration.

The **Office of the Mayor**, is also included in the Mayor's Office Cabinet and provides executive leadership, as well as sets priorities and goals for the City and its neighborhoods. The Mayor's Chief of Staff and the Chief of Policy and Planning are found in the Office of the Mayor. Both of these positions are members of the Mayor's Cabinet. The Chief of Staff has an advisory role over all operations within City Hall. The Chief of Staff is charged with supervising and directing the operations of the Office of the Mayor, including scheduling security, policy and planning, press and constituent services.

#### The Mayor's Office of Policy and Planning

supports the Mayor in setting policy priorities for his administration and implementing initiatives in furtherance of those priorities. Both the Chief of Staff and the Chief of Policy and Planning are appointed by and serve at the pleasure of the Mayor. The Mayor's Office department also employs the Chief of Programs and Partnerships, Deputy Chief of Staff, Director of the City Hall to Go Program, Director of Speechwriting, Manager of Administration and Finance, and several Advisors and Special Assistants to the Mayor.

The **Graduate Fellowship Program/Policy Institute** was formed within the Office of the Mayor, to recruit new talent to work in city government. The year-long Graduate Fellowship Program supports a Harvard Business School Service Leadership Fellow and two Boston Urban Mechanics Program (BUMP) Fellows. In addition, the BUMP Policy Institute accepts several graduate students to an 8-week summer internship program. The HBS Service Leadership Fellows is supported by financial and personnel resources from Harvard Business School, the BUMP Fellows are paid as fulltime employees of the Mayor's office, and the Bump Policy Institute interns are paid out of the emergency employee allocation in the Human Resources Department Budget.

The **Fellowship Program/Policy Institute** functions as a recruiting tool. Ninety percent of full-time fellows join the administration after their fellowship concludes. The program is also a workshop to test new and innovative solutions to municipal issues. Successful experimental programs run by the Fellowship Program are scaled for citywide implementation in Boston or other participating cities.

For example, the **Mayor's Office of New Urban Mechanics** was developed through the fellowship program. The project began in 2010 as part of an initiative to "transform [the]



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delivery of basic city services and usher in a wave of municipal innovation” in Boston. The Office was created by assigning members of the Department of Innovation and Technology (DoIT) and the Office of Policy and Planning to a team that could explore new ideas and means of service delivery for the 21<sup>st</sup> Century. Aside from employee salaries, which are paid through DoIT and the Office of Policy and Planning, the Office of New Urban Mechanics has been supported by private grants and partnerships. A budget account for the Office of New Urban Mechanics is established in the City’s fiscal 2014 budget for the first time.

The **Office of Neighborhood Services (ONS)** was created in 1984 by administrative act. The ONS serves to implement policy initiatives among city departments and facilitate citizen input and participation in government through service requests, neighborhood meetings, mailings and emergency responses. The Executive Director of Neighborhood Services is appointed by the Mayor. For more appointed positions within the Office of Neighborhood Services, see Appendix D.

On July 11, 1984, the City Council rejected an ordinance proposed by Mayor Kevin White that would create an Office of Neighborhood Services. In December 1984, the Budget Director advised the Mayor that he could defund one or more departments (without City Council approval) and reallocate those funds to create the Office of Neighborhood Services. The Office first shows up in the budget for fiscal 1985.

The **Mayor’s Problem Properties Task Force** was created in 2011 by City Council ordinance (CBC Ord §16-57). The Task Force includes several Cabinet chiefs and department heads and is chaired by the Chief of Policy and Planning. Members work together to identify properties that have a long-established record

of criminal incidents and code violations. Any property in the City that is found by the Task Force to be a Problem Property will also be considered a public nuisance.

In the event a property is designated as a Problem Property, the property could incur increased surveillance by the Boston Police Department, expedited health code enforcement proceedings by the Public Health Commission, proceedings for injunctive relief of noise violations by the Air Pollution Control Commission and the Law Department; foreclosure proceedings if such property has delinquent real estate taxes, or increased fines for code violations by the Inspectional Services Department.

The **Office of Public Information**, known also as the Press Office, was established by City Council ordinance in 1982 (CBC Ord. §15-8.1), although the position of Press Secretary existed as early as the Curley administration in 1914. The office coordinates and manages the dissemination of information to the public on behalf of all City Hall departments. The Director of the Office of Public Information, also known as the Press Secretary, is appointed by the Mayor and is a member of the Mayor’s Cabinet. For more appointed positions within the Office of Public Information, see Appendix D.

The **Mayor’s 24-Hour Constituent Service Line** strives to connect residents to city services 24-hour a day, seven days a week and is part of the Office of Public Information. The service line may be reached online, by telephone, through the *Citizens Connect* application, or in person at City Hall or at one of the “City Hall to Go” sites. The Director of the Mayor’s 24-hour Service Line is appointed by the Mayor.

The **Office of Emergency Management (OEM)** coordinates the City’s emergency management, emergency preparedness and



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homeland security programming. The Office is responsible for state and federal funds that support the City's emergency preparedness strategy. The Director of the Office Emergency Management is appointed by and serves at the pleasure of the Mayor, and serves on the Mayor's Cabinet. For more appointed positions within the Office of Emergency Management, see Appendix D.

The **Law Department** exists to provide legal services to the Mayor, City Council and City Departments, supporting all official capacities within City government (CBC Ord. §5-8.1). The Law Department provides litigation support; consultation services; drafting of contracts, agreements, licensing and indemnity agreements; public records request and subpoena responses. The Corporation Counsel, who is appointed by the Mayor and is a member of the Mayor's Cabinet, is the department head. The Department is divided into the Litigation Division, Claims Division, Government Services Division, Tax Title Division, the Office of the Legal Advisor to the Boston Public Schools and Office of the Legal Advisor to the Boston Police Department.

The **Litigation Division** defends the City of Boston's interests in approximately 1,600 civil lawsuits filed against the City each year. The division supervises litigation matters including personal injury cases, tort and road defect cases, employment claims, medical malpractice, civil rights claims and contract disputes. The Division is managed by the First Assistant Corporation Counsel/Chief of Litigation.

The **Claims Division** handles pre-litigation claims filed by the public, private entities, or insurance companies against the City of Boston, including tort claims under M.G.L. c. 258, including motor vehicles accidents, and M.G.L. c. 84, including defects in the public way. The Division is managed by the Senior Assistant Corporation Counsel for Claims.

The **Government Services Division** advises the Mayor, City Council, and department heads on issues of municipal law. Division attorneys also litigate cases on behalf of the City in numerous areas including zoning and land use, contract, construction, tax and procurement disputes, and challenges to city administrative determinations and legislation. The Division is managed by the First Assistant Corporation Counsel/Chief of Governmental Services.

The **Tax Title Division** oversees the litigation of foreclosure proceedings and the collection of delinquent real estate taxes. The Division assists with the City's collection of property taxes when the Collector-Treasurer's Office issues a tax taking and the taxpayer fails to remit full payment. The Division is managed by the Senior Assistant Corporation Counsel for Tax Title.

The **Office of the Legal Advisor to the Boston Public Schools** is a division of the Law Department that provides representation and advice to the School Committee, Superintendent, and administrators of the Boston Public Schools. Attorneys provide guidance to BPS on a variety of matters involving school and education law.

The **Office of the Legal Advisor to the Boston Police Department** is a division of the Law Department that provides legal advice to the Police Commissioner and the Boston Police Department. The office provides legal guidance to the Commissioner and the Department's command staff on a variety of issues, including general legal advising and transactional document review. The office also handles a variety of litigation matters including discrimination cases, internal employee discipline cases, police recruit bypass cases, firearms licensing appeals, and hackney carriage license appeals.

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## Administration and Finance Cabinet

The Administration and Finance Cabinet has undergone several transformations since it was created in 1993. The statutorily created authorities responsible for the Administrative Services Cabinet, namely the Director of Administrative Services and Administrative Services Board, are currently inactive and their duties have been replaced by newly created position of Chief Financial Officer (CFO)/Collector Treasurer. This change in authority has progressed administratively, and is not represented in City Council records, Executive Orders or the Boston Municipal Code. From 2011 to 2013, control over the Cabinet was split between the CFO/Collector-Treasurer and the Chief of Personnel and Labor Relations at that time.

Under the Chief Financial Officer were the Departments of Assessing, Auditing, Budget Management, Public Library, Purchasing, and the Treasury as well as oversight of the many public charitable funds. Under the Chief of Personnel and Labor Relations are the Offices of Human Resources, Labor Relations, and Health Benefits and Insurance, as well as the Employee Assistance Program, and Boston Residency Compliance Commission.

Since November 2013, control over the Administration and Finance cabinet has been solely under the CFO/Collector-Treasurer. The CFO/Collector-Treasurer holds the position of Director of Administrative Services for purposes of budget and personnel management. The CFO/Collector-Treasurer is appointed by, serves coterminous and serves at the pleasure of the Mayor.

The **Assessing Department** is responsible for determining the fair market value of all real and personal property for the purpose of taxation by the City (CBC Ord. §6-2.1) and abatement appeals of the values established.

The **Commissioner of Assessing** and two

Assistant Commissioners of Assessing are appointed by, serve coterminous to, and serve at the pleasure of, the Mayor.

The Commissioner of Assessing also negotiates, along with the Boston Redevelopment Authority, the terms and conditions of contract payments under Chapter 121A, Section 6A. Additionally, this department spearheaded the recent revamp of the Payment in Lieu of Taxes program for the City. The Assessing Department negotiates PLOT agreements, ensures implementation of the overall program and calculates tax-exempt values.

The **Assessing Board of Review** reviews applications for the abatement of a real estate or personal property tax and reports suggested settlements to the Commissioner of Assessing. The Board of Review consists of three members: one member from the Real Estate Appraisal Division of the Assessing Department appointed by the Mayor to serve *ex officio* as Chairperson, one member from the Statistical Research Division of the Assessing Department to serve *ex officio* and one member from the public at large appointed by the Mayor. The public appointee serves coterminous to the Mayor. For more appointed positions within the Assessing Department, see Appendix D.

The **Auditing Department** prepares the City's annual financial statements, implements fiscal controls over spending, provides technical assistance to departments, and reviews and processes all financial transactions for accuracy and compliance (CBC Ord. §6-1.1).

The **City Auditor** is appointed by the Mayor and holds office subject to the Civil Service laws, meaning the Auditor cannot be removed from office without proper cause. The Auditor may be held personally liable for any City expenditure approved that the Auditor knows is contrary to the provisions of a City ordinance.

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### What happened to the Administrative Service Department?

The Administrative Service Department was responsible for coordinating the financial operations of the City of Boston. The department oversaw the operations of the Collector-Treasurer, Chief Financial Officer (called the Deputy Director of Administrative Services for Fiscal Affairs), Supervisor of Budgets, Supervisor of Labor Relations, Supervisor of Personnel, Purchasing Agent, Commissioner of Assessing, and the City Auditor. The fiscal 1994 budget, the last before the Cabinet structure was instituted, describes the Director of Administrative Services as also being the Chief Operating Officer of the City.

When the cabinet structure was introduced in fiscal 1994, oversight of the various departments formerly under the Director of Administrative Services was divided between the Chief Operating Officer (COO) and the Chief Financial Officer (CFO)/Collector-Treasurer. In fiscal 2008, following the retirement of the Chief Operating Officer, the supervisory duties of the COO were absorbed by the CFO cabinet to create the Administration and Finance Cabinet, which currently is chaired by the CFO/Collector Treasurer.

The **Deputy City Auditor** is appointed by the City Auditor subject to the Mayor's approval and also holds office subject to the Civil Service law. The Deputy City Auditor was a provisional position created in 1934 that was made permanent by Chapter 282 of the Acts of 1988 which made permanent any provisional position held for more than 6 months.

Additionally, the city hires an independent, certified public accounting firm to annually audit the accounts of the city (Chapter 190 of the Acts of 1982). The **Audit Committee of the City of Boston (ACCB)** comprises five members, who the Mayor appoints and the City Council affirms, that are responsible for monitoring the progress of the independent audit. The ACCB meets with the auditing firm at least quarterly, reviews the recommendations of the accounting firm and presents its recommendations to the Mayor and City Council. For more appointed positions within the Auditing Department, see Appendix D.

The **Office of Budget Management** prepares the operating budget and capital plan, assembles analyzes and presents data with respect to revenue and debt management, and uses data to analyze performance. The **Budget Director** is responsible for the preparation of

the annual and supplementary budgets, and financial reports to be used by department heads in managing the budget (CBC Ord. §5-1.5). For more appointed positions within the Office of Budget Management, see Appendix D.

The **Treasury Department** collects all revenues due to the City, pays all amounts due for payrolls and outside vendors, and manages the investment of city funds and city borrowings (CBC Ord. §6-3). The Treasury Department is under the control of the Chief Financial Officer/Collector-Treasurer (CFO). The CFO is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. The CFO is responsible for overseeing the financial management of the city and makes monthly reports to the Mayor regarding the City's financial situation. The Treasury is broken down into two divisions, The Collections Division and the Treasury Division. For each division, the Treasurer, with written approval by the Mayor, may appoint a First-Assistant and Second-Assistant, or may appoint a Deputy Treasurer as needed.

The **Trusts Division** provides technical and financial assistance to the City's various boards of trustees in the oversight of the investment programs for more than 250 testamentary trust funds that have been granted to the City. The

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CFO/Collector-Treasurer serves as the default managing trustee for city-managed charitable funds.

The **Boston Public Library (BPL)** was founded in 1848, making it the first free municipal library in the United States. The Department now has 26 branch libraries and three million visitors a year. The BPL is under the direction of a **Board of Trustees** consisting of nine individuals, appointed by the Mayor to five-year terms beginning the first day in May (CBC Ord. §11-8.1; Chapter 114 of the Acts of 1878 as amended in 1887, 1953, and 1995). The **Boston Public Library Administrative Council**, the leadership body of the BPL, comprises the President and several other administrative officers of the Library, who are all appointed by the Board of Trustees. For more on the appointed positions within the Boston Public Library, see Appendix D.

The **Purchasing Department** procures all supplies, materials and equipment, selects vendors through public bidding, and processes purchase orders and contracts (CBC Ord. §5-1.8). Additionally, the **Central Services Unit** ensures the efficient disposal of all surplus city supplies and processes all outgoing, inter-office, and incoming mail. The Purchasing Department is under the management of the Purchasing Agent, who is appointed by, and serves coterminous to, the Mayor. The Purchasing Department also assumed responsibility for procuring printing services and operating the central copy center due to the disbanding of the Boston Graphic Arts (Printing Department) in fiscal 2011.

The **Registry Division** issues, registers, amends, maintains and certified copies of birth, marriage and death records (CBC Ord. §2-10.5). The City Registrar is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. Despite being called the Registry “division”, the Registry is a department within the Administration and

Finances Cabinet.

The **Office of Human Resources** deals with recruiting, motivating, retaining, managing, and developing qualified and productive employees to work for the City. The Office is managed by the Director of Human Resources, who is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. Statutorily, the Director of Human Resources is defined as the Supervisor of Personnel. For more appointed positions within the Office of Human Resources, see Appendix D. Additionally, the Office of Human Resources comprises the Boston Residency Compliance Commission, Compensation Advisory Board, Employee Assistance Program and the Office of Health Benefits and Insurance.

The **Boston Residency Compliance Commission** was established in 1994 to enforce the Boston Residency Ordinance (CBC Ord. §§5-5.1~3). The Ordinance requires that “Every person first employed by the City of Boston...shall be a resident of the City of Boston, and shall not cease to be a resident of the City of Boston during his [or her] employment by the City.”

However, large number of union employees are exempt from this ordinance. By state statute, teachers, aides, principals and assistant principals, directors, supervisors, and deputy superintendents are exempted from the residency requirement (M.G.L. Chapter 71, Section 38). Further, the last round of collective bargaining contracts with the public safety unions, in response to concerns about the raising cost of workforce housing, included language that lessened the time that police officers and firefighters were required to live in the City to 10 years.

The Commission conducts hearings and investigations as to whether an employee who is subject to the Residency Ordinance resides within the City of Boston. The Commission

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comprises seven members who serve coterminous with the Mayor. The City Council President, or his designee on the Council, and the City's Affirmative Action officer serve *ex officio*. The remaining five members are appointed by the Mayor, provided that one is a city union representative and two are members of pro-residency citizens groups.

The **Compensation Advisory Board** was created by City Council Ordinance in 1986 to study the adequacy of salaries of the Mayor, the City Council, senior leadership and those positions that are listed under the salary ordinance (CBC Ord. §5-5.10). The Board consists of five members, appointed by the Mayor to five-year staggered terms. The Director of Human Resources serves as a non-voting member and provides secretarial and support staff to the Board.

The **Employee Assistance Program (EAP)** was established to focus on the wellness of Boston City employees and their families. EAP staff provides a wide range of services including assessment, referral, supervisory and management consultations, brief treatment, case management, advocacy, crisis intervention, and the prevention, recognition, and treatment of drug and alcohol dependence. The Director of the EAP is appointed by and serves at the pleasure of the Mayor.

The **Office of Health Benefits and Insurance** manages the Health, Life, Dental and Vision insurance plans available to City of Boston Employees. The Director of Health Benefits and Insurance is appointed by, and serves at the pleasure of, the Mayor.

The **Department of Labor Relations** represents the Mayor, the City of Boston and City Departments in all labor disputes before state courts, state agencies, and various other forums (CBC Ord. §5-1.4). The Office is also responsible for negotiating and administering the collective bargaining agreements with the

forty units representing nearly 18,000 union employees working for the city. In addition, the department of Labor Relations comprises the Comparable Worth Commission. The Director of Labor Relations is appointed by and serves at the pleasure of the Mayor. Statutorily, the Director of Labor Relations is defined as the Supervisor of Labor Relations.

## Advocacy & Strategic Investment Cabinet

The Advocacy and Strategic Investment Cabinet was created in fiscal 2012 to focus on providing constituents with services centered on job creation and small and local business development. The Cabinet, which has a total operating budget of \$2.7 million, ensures that “the city’s efforts to strengthen education, foster job creation and serve Boston’s diverse communities are supported by local, state, and federal partners.” The Director of Intergovernmental Relations serves as the Cabinet Chief.

The **Department of Intergovernmental Relations** coordinates the City’s dealings with federal, state and other local governments. There is no statutory authority for the Department of Intergovernmental Relations. Its presence in the budget dates back to 1980, and it was a sub-department of the Law Department prior to this date. The Department also serves as a liaison between the Mayor and the Boston City Council. The Director of the Department of Intergovernmental Relations also serves as the Chief of Advocacy and Strategic Investment and is a member of the Mayor’s Cabinet.

The **Boston Employment Commission (BEC)** was created in 1986 for the purpose of implementing compliance of the Boston Residents Jobs Policy (BRJP). The BRJP was established in 1983 to insure that Boston residents, minorities, and women receive job



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preference in projects that have city funds, state or federal funds administered by the City, or in which the City is a signatory to the construction contract. (CBC Ord. §8-9.1)

Enforcement of the BRJP was originally delegated to the Neighborhood Development and Employment Agency (Chapter 30 of the Acts of 1983). These duties were passed on to the Boston Employment Commission and the Mayor's Office of Jobs and Community Service ("OJCS") in 1986. The Director of OJCS was named the Executive Director of the Boston Employment Commission. The Employment Commission later formed the Office of the Boston Residents Jobs Policy to support its role in enforcement. Between 1986 and 2012, the enforcement duties of the OJCS gradually shifted to the Office of BRJP through administrative act. In 2012, when the Boston Employment Commission and Office of the Residents Jobs Policy were transferred from the Economic Development Cabinet to the newly-created Advocacy and Strategic Investment Cabinet, all enforcement of the Boston Residents Jobs Policy was transferred along with the Office/Commission.

The BEC, along with the **Office of the Boston Residents Jobs Policy**, monitors projects for BRJP compliance, and administers sanctions as provided by the Jobs Policy. The BEC is under the authority of the Director of the Office of the Boston Residents Jobs Policy who also serves as Director of the Office of the Small and Local Business Enterprises.

The Office of the Boston Residents Jobs Policy provides support to the BEC by conducting preconstruction conferences, site visits and quarterly reviews of projects. In addition, the office monitors federally-assisted projects for federal labor and wage standards, targets underperforming contractors and conducts corrective measures to improve compliance with the BRJP. The Director of BRJP now serves as the Executive Director of the BEC.

The Boston Jobs Bank assists Boston residents, minorities and women who are seeking construction employment and contractors who are seeking to employ Boston residents, minorities or women on monitored projects.

The **Mayor's Office of New Bostonians (MONB)** helps diverse cultural and linguistic communities to play an active role in the civic, economic, social and cultural life of Boston. The Office was formed by Mayor Menino in 1998 to improve new Bostonians' access to city government, constituent services, and community resources. The **Director** of the Office of New Bostonians is appointed by the Mayor. For more appointed positions within the Mayor's Office of New Bostonians, see Appendix D.

The **Office of Small and Local Business Enterprises (SLBE)** advocates on behalf of small, minority-owned or woman-owned business enterprises in Boston. SLBE strives to make these businesses more successful in competition for city contracts and in the Boston area's economy as a whole. The SLBE is under the authority of the Director of the Office of the Boston Residents Jobs Policy/Director of the Office of the Small and Local Business Enterprises, who is appointed by the Mayor. The Deputy Director is appointed by the Director subject to the Mayor's approval.

## Public Property Cabinet

The Public Property Cabinet comprises the Property and Construction Management Department, the Mayor's Office of Arts, Tourism and Special Events, the Departments of Consumer Affairs and Licensing, the Election Department, and the Department of Parks and Recreation. The Cabinet is aimed at providing access to information, administrative functions, and maintenance of the City's physical assets. The Commissioner of Property and Construction Management serves as the



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Chief of Public Property.

The **Department of Property and Construction Management** has existed in some form since the Office of the Superintendent of Public Buildings was established by ordinance in 1850. Between 1943 and 1954, the Public Buildings Department was abolished and its duties transferred to the recently created Real Property Department, run by the Board of Real Estate Commissioners (Chapter 434 of the Acts of 1934; Chapter 2 of the acts of 1954). In 1994, a reorganization of the Real Property Department and the Public Facilities Department was implemented (Chapter 6 of the Ordinances of 1994). The Real Property Department was renamed the Property Management Department and consolidated responsibilities for maintenance, alteration, repair and security of municipal buildings. In 2002, the Capital Construction Program was added, and the department was renamed the Department of Property and Construction Management.

By law, the Department of Property and Construction Management is under the authority of a Property Management Board, consisting of a Commissioner, an Assistant, and three Associate Commissioners (CBC Ord. §11-7.1). In practice, the Property Management Board is dormant, and authority rests solely with the Commissioner of Property and Construction Management, who also serves as the Chief of Real Property. For more appointed positions within the Department of Property and Construction Management, see Appendix D.

The **Boston Municipal Protective Services Department (BMPS)** is an unarmed police force organized under the Property and Construction Management Department that patrols properties owned and controlled by the City of Boston. The BMPS was created in 2007 following the dissolution of the Boston

Municipal Police. At its dissolution, the Boston Municipal Police had approximately 60 employees. Half of the force was absorbed into the Boston Police Department. The remaining half was either laid off or absorbed into the Municipal Protective Services. The department is under the authority of the Director of Security, who is a specially assigned Sergeant in the Boston Police Department. The department comprises six Boston Municipal Protective Services Sergeants and approximately 60 officers.

The **Mayor's Office of Arts, Tourism and Special Events (MOATSE)** was created in 2004 by a merger of the Office of Arts and Humanities and the Office of Business and Cultural Development. The Office of Business and Cultural Development was established in 1984 to provide assistance to the cultural, business, and residential communities of Boston and the market and to promote the City of Boston as a visitor destination. (Chapter 15 of the Ordinance of 1984). The Office of Arts and Humanities was established in 1986 to stimulate and support efforts to preserve and develop cultural facilities in the City of Boston. (CBC Ord. §15-9)

The MOATSE serves as an umbrella office for the Boston Art Commission, the Boston Cultural Council, the Boston Arts Lottery Council, and the Office of Special Events, Tourism, and Film. The Director of the Mayor's Office of Arts, Tourism and Special Events is appointed by, and serves at the pleasure of, the Mayor. Statutory authority for this position falls under the position of Executive Director of the former Office of Arts and Humanities. (CBC Ord. §15-9.1)

The **Boston Art Commission (BAC)** was created by the state Legislature in 1898, making it the oldest municipal art commission in the United States (Chapter 410 of the Acts of 1898). The BAC approves and sites new

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public art on property owned by the City. The Commission consists of the Director of the MOATSE, who serves *ex officio*, and four other members appointed by the Mayor subject to special recommendations: “one from three candidates nominated by the Boston Society of Architects, one from three candidates nominated by the Copley Society of Boston, one from three candidates nominated by the Museum of Fine Arts, one from candidates nominated by the Trustees of the Public Library of the City of Boston” (CBC Ord. §5-2.1). Additionally, the Mayor and the Director for Urban Design at the Boston Redevelopment Authority currently serve *ex officio*.

The **Boston Cultural Council (BCC)** was created by City Council in 2012 in pursuant to M.G.L. c. 10 §58, which allows for the distribution of state funds allocated by the Massachusetts Cultural Council to support innovative arts, humanities, and interpretive sciences programming within the City of Boston. The BCC consists of at least fifteen and not more than twenty-one members appointed by the Mayor, appointed to three year terms, with no member serving more than two consecutive terms. At least one member must be appointed from each of the nine districts within the City of Boston. Further, BCC members must have “demonstrated scholarship or creativity in, or distinguished service to, the arts, humanities, or interpretive sciences and shall be broadly representative of all fields of the performing arts, the fine arts and humanities.” (CBC Ord. §5-9.1)

The **Fund for Boston Neighborhoods, Inc. (FBNI)** is a non-profit 501(c)(3) that supports civic life in Boston through public programming. The fund is a depository for charitable donations that is not bound by public procurement requirements. The mission of FBNI is to coordinate educational, charitable, recreational, literary, scientific, artistic, theatrical and musical functions for

residents and visitors. FBNI works with MOATSE to foster the growth of the cultural community, promote participation in the arts and public celebrations and increase cultural tourism in Boston. The members of the FBNI are appointed by the Mayor, and the Director of MOATSE serves *ex officio* as the President of the Fund. The members elect a Vice President, Treasurer and Clerk.

The **Department of Consumer Affairs and Licensing** was created by City Council in 1984 (CBC Ord. §15-5). The Department is made up of two divisions. The Licensing Division is responsible for the regulation of Boston's entertainment industry. The Licensing division is not responsible for alcohol, food or lodging licenses, which are controlled by the City of Boston Licensing Board. The Consumer Affairs Division is responsible for mediation, education and advocacy on behalf of the City's consumers. The Executive Director of Consumer Affairs and Licensing is appointed by and serves at the pleasure of the Mayor. For more appointed positions within the Department of Consumer Affairs and Licensing, see Appendix D.

The **Boston Election Department**, also known as the Department of Voter Mobilization, oversees the conduct of elections in the City of Boston in accordance with federal, state, and municipal laws (CBC Ord. §2-3). The Department is governed by a four-person Board of Election Commissioners with the Chairman serving as Department Head. Commissioners are appointed by the Mayor to four-year staggered terms. Commissioners are selected from a list provided by the Republican City Committee and by the Democrat City Committee, such that Commission membership is evenly divided among the two major political parties.

The **Boston Listing Board** is tasked with producing a listing of all residents in the city who are aged 17 or older to be provided to the

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Jury Commissioner each year. The Board prepares an annual Listing of Residents and a Jury List, and verifies voters eligible to vote in elections.

The **Department of Parks and Recreation** is responsible for the care and maintenance of more than 2,200 acres of land throughout the city including 272 parks, playgrounds, athletic facilities, city squares, and miscellaneous cites, three active cemeteries, 16 historic burying grounds, two golf courses and approximately 33,600 street trees. The Department also operates the Fund for Parks and Recreation.

The **Boston Parks and Recreation Commission**, which governs the Department of Parks and Recreation, was created by a vote of the citizens of Boston in 1875. The Commission consists of the Parks Commissioner, who is the department head, the Assistant Commissioner for Administration and Finance, and three Associate Commissioners, all appointed by the Mayor. The Boston Municipal Code calls for 5 Associate Commissioners but two of those slots are currently vacant. In addition, the Code provides for appointment of a Deputy Commissioner, the Assistant Commissioner for Internal Operations and the Assistant Commissioner for Regional Administration, to help implement the policies of the Commission. For more appointed positions within the Parks Department, see Appendix D.

The **Fund for Parks and Recreation in Boston** is a non-profit 501(c)(3) fund that was formed in 1983 for the purpose of furthering the maintenance and preservation of parks in the City of Boston and providing recreational facilities and programs to the residents in Boston. The fund is a depository for charitable donations that is not bound by public procurement requirements. The Managing Committee is made up of the Commissioner of Parks and Recreation, who serves as

chairman, the Collector-Treasurer of the City, and a Member of the City Council. All members serve *ex officio*.

## Information Cabinet

The Information Cabinet consists of the **Department of Innovation and Technology (DoIT)**, which provides systems and technology support for the city departments. DoIT ensures that networks, desktop computers, e-mail systems and applications that support the efficient functioning of Boston city government. DoIT also provides support staff for the innovation initiatives such as the Mayor's Office of New Urban Mechanics. The Chief Information Officer (CIO), the head of DoIT and Chief of the Information Cabinet, is appointed by, and serves at the pleasure of, the Mayor. For more appointed positions within the Information Cabinet, see Appendix D.

## Education Cabinet

The Education Cabinet includes the Boston School Committee and the Superintendent of Schools, who serves as Chief of Education. The School Committee sets policy for the school district and approves the annual operating budget. The Mayor and the City Council approve the total appropriation to the Boston Public School (PBS) and the School Committee then has authority over the allotment of those funds within the department.

The **Boston School Committee** has been appointed by the Mayor since 1991, when the state legislature approved a home rule petition replacing the elected School Committee with a seven member, Mayor-appointed board (Chapter 108 of the Acts of 1991). The Mayor's power to appoint members is subject to a nomination process whereby a list of candidates is recommended by a 13-member Nominating Panel composed of nine members

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### School Committee Nomination Process

On the first Wednesday of October every year, a nominating panel meets to select nominees for each office of School Committee member that is set to become vacant in the next municipal year. No later than the first Monday in December of each year, the panel must present to the Mayor a list containing the names and addresses of the said nominees. For each vacancy, the panel must recommend to the Mayor no less than three nominees and no more than five from which the Mayor must select one to fill the seat on the School Committee.

who are designees of offices, organizations and institutions specified in the enabling legislation, and four at-large nominees appointed by the Mayor. The nomination and appointment process for the Boston School Committee takes place between October and December of each year. Under the legislation that established the appointed School Committee, "the Mayor shall strive to appoint individuals who reflect the racial, ethnic, and socioeconomic diversity of the city." School Committee members serve staggered four year terms, commencing on the first Monday in January of each year.

The **Superintendent of Schools** is appointed by the School Committee in collaboration with the Mayor. As the Chief Executive Officer of the Public Schools, the Superintendent is responsible for the development of a plan to guarantee that Boston's children succeed in meeting high standards of performance in school. For more appointed positions within the School Department, see Appendix D.

### Economic Development Cabinet

The Economic Development Cabinet is charged with developing and implementing an economic development strategy within the City

of Boston. Included in this Cabinet are the Boston Redevelopment Authority (BRA) and the Economic Development Industrial Corporation (EDIC). The BRA/EDIC Director serves as the Chief of Economic Development.

The BRA was established in 1957 under the former G.L. c. 121, §26QQ and a certificate of organization signed pursuant to a vote of the Boston City Council. In 1960, the state legislature abolished the Planning Board and transferred its powers and staff to the BRA (1960 Mass. Acts c. 652, §12). Also in 1960, the legislature conferred the Boston Housing Authorities redevelopment powers under G.L. 121A. In 1993 the BRA merged with the Economic Development and Industrial Corporation of the City of Boston (Chapter 341 of the acts of 1993).

The BRA and EDIC function as a single entity for operational purposes, despite remaining legally separate public instrumentalities. Although BRA and EDIC are technically governed by separate boards, the membership of the boards is the same for both agencies. The five-member BRA/EDIC board consist of four members appointed by the Mayor subject to City Council approval and one member appointed by the Governor. The BRA and EDIC function as a single entity for operational purposes, despite remaining legally separate public instrumentalities. The BRA and EDIC are technically governed by separate boards, but the membership of the boards is the same for both agencies. The five-member BRA/EDIC board consist of four members appointed by the Mayor subject to City Council approval and one member appointed by the Governor.

The two agencies similarly operate under two separate budgets, but engage in inter-agency fund transfers and loan forgiveness allowing the them to operate financially as one when appropriate. The BRA continues to fully fund

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its operation costs from BRA revenue without support from the City's General Fund. However, the BRA does access funds in the capital budget to make investments in economic development areas under its control. For more on these two agencies and the development process in Boston, see the *Development Process* section of this report.

## Housing and Neighborhood Development Cabinet

The Housing and Neighborhood Development Cabinet is responsible for building strong neighborhoods through the investment of public resources in economic and business development. "Leading the Way III", the City's primary housing policy program, is coordinated through the Cabinet. The Cabinet comprises the Department of Neighborhood Development. The Director of Neighborhood Development serves as the Chief of Housing and Neighborhood Development.

The **Leading the Way III** program is the City's comprehensive housing initiative. The program ensures cross-cabinet collaboration of several City of Boston agencies, including the Department of Neighborhood Development (DND), the Boston Redevelopment Authority (BRA), the Boston Housing Authority (BHA) and the Inspectional Services Department (ISD). There is a \$5 million earmark in the annual operating budget for city-issued grants to achieve the goals of the program. Although the program incorporates many agencies, the Chief of Housing and Neighborhood Development is in charge of overseeing its implementation, and administrative work is done by the DND staff.

The program has four main initiatives: 1) housing Boston's workforce, 2) addressing the foreclosure crisis, 3) reversing the rise in homelessness, and 4) preserving and stabilizing Boston's rental housing market.

The **Department of Neighborhood Development (DND)** aims to strengthen Boston's neighborhoods by driving economic and business development in Boston's neighborhoods. The Director of DND is appointed by the Mayor and serves as the Chief of Housing and Neighborhoods. All other management-level positions within DND are appointed by the Director of DND, subject to the Mayor's approval.

The Department of Neighborhood Development houses the Boston Home Center, Neighborhood Housing Development, Office of Business Development, and Real Estate Management and Sales, Boston Rental Housing Agency and many programs for the homeless, people with AIDS and at risk populations.

The **Boston Home Center (BHC)** provides first-time homebuyers with educational courses, financial assistance, and development of new homes for first-time buyers. The BHC also assists homeowners with foreclosure prevention counseling, and financing and technical assistance to maintain and improve their homes.

**Neighborhood Housing Development (NHD)** works with non-profit and for-profit partners to develop and preserve affordable housing and create neighborhood open spaces. NHD advances homeownership development through the Homeowner, affordable rental housing, and elderly housing, as well as renovation of abandoned buildings and land.

The **Office of Business Development (OBD)** provides entrepreneurs and existing businesses with access to financial and technical resources. OBD also supports the Boston Main Streets program, which promotes revitalization of the City's neighborhood commercial districts through public and private partnerships.

**Real Estate Management and Sales (REMS)** is



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## Where does the Department of Neighborhood Development get its authority?

The Department of Neighborhood Development is the name now used for the former Public Facilities Department (PFD). The PFD was created in 1966 (Chapter 642 of the Acts of 1966) to assume responsibility over maintenance of public schools from the Department of School Buildings, which was abolished that year. The PFD was under the control of a board known as the Public Facilities Commission, which was appointed by the Mayor. The original mission of the PFD was the efficient and economical construction and alterations of municipal buildings. However, this goal shifted over the years as the Department assumed more responsibility for the creation of housing and economic development. Several city agencies were formed in the late 1970s and early 1980s to deal with housing and economic development in Boston's neighborhoods. These agencies were subject to a number of mergers in response to changing regulations and community needs, with all agencies eventually ending up under the control of the PFD.

The Mayor's Office of Community Development (OCD) was created by Mayor White in 1974 to oversee programs funded under the federal Housing and Urban Development block grants. In 1977, Mayor White created the Employment and Economic Policy Administration (EEPA) to receive and administer federal grants for direct employment and job training. In 1980, Mayor White formed the Neighborhood Development Agency (NDA). The NDA was tasked with the administration of federal Community Development Block Grants, as well as with planning and development activities in neighborhood. The goals of the NDA were to strengthen the economic base of the City and create jobs and housing.

The Neighborhood Development and Employment Agency (NDEA) was formed in 1982 through the consolidation of the OCD, NDA, and the EEPA. The goal was to maximize the efficient use of resources in neighborhood economic development, housing rehabilitation, job training and employment services for residents of Boston. In 1985, the NDEA was merged under the PFD. In 1992, the Office of Capital Planning was incorporated into the department and in 1995 it moved into the Office of Budget Management.

In fiscal 1995, Mayor Thomas M. Menino, renamed the Real Property Department the Property Management Department (PMD). At this time, the Public Facilities and Property Management Departments traded responsibilities in an attempt to find a more efficient division of responsibilities (Chapter 6 of the Ordinances of 1994). The Property Disposition Division of the PMD was transferred to the PFD, and the Alterations and Repair and the Enforcement and Communication Divisions of the PFD were transferred to the Real Property Department. In 1995, the Property Disposition Program was also transferred from the PMD to PFD.

In 1997, the PFD changed its name to the Department of Neighborhood Development (DND) to better clarify its functions to the public. However, the PFD title was retained for all legal purposes. For example, the Director of the DND holds the position in the city payroll left vacant by the Commissioner of Public Facilities. Further, when DND seeks federal or state grants for projects, the grant must be processed and approved by the PFC. Further, the PFC must also maintain a legal existence within the PMD, now called the Property and Construction Management Department following the addition of the Capital Construction Division in the fiscal 2003 budget. Public notice and requests for proposals put out by the Property and Construction Management Department must be processed through the PFC. In dealing with the bidding process, the Director of Property and Construction Management temporarily assumes the role of Commissioner of Public Facilities.



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responsible for the maintenance, site assessment and disposition of the City's tax foreclosed and surplus property, which include vacant parcels, as well as residential, commercial and industrial properties. REMS manages the process through which land and buildings are disposed, which often entails community meetings, crafting and issuing requests for proposals and overseeing the review selection process of bidders.

The **Boston Rental Housing Center (BRHC)** was created in 1995 to provide advice, information and assistance to Boston landlords and tenants who have problems or questions about rental housing issues. The BRHC provides free mediation of rental housing, informs landlords and tenants of their rights and responsibilities under the law and educates landlords and tenants about rental housing matters through seminars and community meetings.

Prior to 1994, the Rent Equity Board in Boston administered rent control and provided assistance to renters and landlords on disputes. The BRHC replaced all functions of the Rent Equity Board, which was disbanded in 1994 following the end of rent control, that did not pertain to rent control in the City of Boston.

The DND also supports various programs for homeless, people with AIDS, and at-risk populations.

- The **Supportive Housing Program** funds transitional and permanent housing, and employment, case management, mental health, substance abuse, and housing services for homeless persons.
- **Shelter Plus Care** provides project-based and scatter-site rental assistance to disabled homeless individuals in conjunction with supportive services.
- **Housing for Persons with AIDS (HOPWA)** funds rental assistance,

supportive services, housing search, and technical assistance for people with AIDS.

## Public Works & Transportation Cabinet

The Public Works and Transportation Cabinet is tasked with providing infrastructure for vehicular and pedestrian traffic. The Cabinet comprises the Department of Public Works, Central Fleet Maintenance, Public Improvement Commission, and the Transportation Department, which includes the Office of the Parking Clerk and the Traffic Division. There is currently no Chief of Public Works and Transportation, so the Commissioners of Public Works and Transportation serve as Joint Chiefs of the Cabinet.

The **Public Works Department (PWD)** maintains street lights, traffic signals, snow removal, garbage collection and recycling and ensures that streets, bridges and tunnels are in good condition and maintained. The Department manages approximately 800 miles of roadways, 68,000 city-owned streetlights, 784 signalized intersections, and ensures the removal and disposal of 260,000 tons of solid waste. The Department is divided into the Facility and Building Maintenance, Engineering, Construction Management, Highway Field Operations, Bridge Maintenance, Street Light and Signals, Snow Removal and Waste Reduction. The Department oversees the Central Fleet Maintenance Division and the Public Improvement Commission. In 2009, the PWD launched the Recycle More campaign in order to increase its recycling efforts and reduce the amount of trash the City pays to dispose. The PWD is managed by the Commissioner of Public Works, who is appointed by, and serves at the pleasure of, the Mayor. For more appointed positions within

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the Public Works Commission, see Appendix D.

**Central Fleet Maintenance (CFM)** was established in 1996 as the Motor Vehicle Management Bureau (CBC Ord. §7-8.1). CFM is responsible for the acquisition, assignment, maintenance and disposal for all motor vehicles owned by, or leased, loaned or otherwise provided to the City. CFM maintains vehicles for all city departments except for the public safety departments. The Director of CFM is appointed by the Commissioner of PWD.

The **Public Improvement Commission (PIC)** is responsible for the laying out, altering, widening, relocation, discontinuance, construction, or changing the grade of public streets in the City of Boston (CBC Ord. §9-71). PIC approval is also necessary for temporary and permanent encroachments on the public way including access to streets and sidewalks and structural overhangs. Accordingly, if a development requires performing work within a public way, contains architectural features that extend beyond the property into a public way, or includes outdoor seating situated on public property, the developer or owner will need PIC approval for their project.

The PIC consists of the Commissioner of Public Works, the Commissioner of Property Management, the Commissioner of Inspectional Services, the Commissioner of the Transportation Department, and the Executive Director of the Boston Water and Sewer Commission. All Commissioners serve *ex officio*. The Public Works Commissioner serves as Chairman and the Department provides support staff and engineering services.

The **Boston Transportation Department (BTD)** regulates car and bicycle traffic and parking in the City of Boston. The BTD strives to promote and enhance public transportation, improve traffic circulation, facilitate ride-sharing and car-supply, and increase the quantity and efficiency of parking resources.

The Commissioner of Transportation is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. The Fire Commissioner, Police Commissioner, Commissioner of Public Works and the Commissioner of Property and Construction Management serve *ex officio*, as Associate Traffic Commissioners (Chapter 608 of the Acts of 1986). For more appointed positions within the Boston Transportation Department, see Appendix D. The Transportation Department also comprises the Traffic Division and the Office of the Parking Clerk.

The **Traffic Division** develops, implements, supports and manages all transportation programs undertaken by the BTD aimed at improving the flow of vehicles and pedestrians in the city. The Traffic Division also maintains traffic signs and parking meters, and implements measures to promote safety pedestrian and cyclist safety, particularly in school zones and on neighborhood streets. The Traffic Division is managed by the Commissioner of Traffic, who is appointed by the Transportation Commissioner.

The **Office of the Parking Clerk** oversees and manages the City's Parking Violation System, issues resident parking permits, responds to customer inquiries and adjudicates the issuance of parking citations. The Parking Clerk issues citations through the Parking Violation System, a computer-based ticketing system. The Parking Clerk is appointed by the Mayor and approved by the City Council. The Assistant Parking Clerk is appointed by the Parking Clerk.

## Environment and Energy Cabinet

The Environment and Energy Cabinet was formed in 2006 to bring together city departments intended to enhance sustainability, preserve historic and environmental resources, and protect the health, safety and environment of Boston. The

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Cabinet comprises the Environment Department and the Inspectional Services Department. The Chief of Environment and Energy is appointed by, and serves at the pleasure of, the Mayor.

The **Environment Department** strives to protect the air, water, climate, architectural and historic resources of Boston. The Department is responsible for administering local, state and federal regulations, including local preservation district guidelines, Air Pollution Control Commission regulations and the Massachusetts Wetland Protections Act. The Department comprises the Conservation Commission, Boston Waterways Board, Boston Groundwater Trust, Air Pollution Control Commission, Boston Landmarks Commission and the nine local Historic District Commissions. The Department also supports the “Renew Boston” and “Greenovate Boston” initiatives. The Commissioner of the Environment Department is appointed by the Mayor. For more appointed positions within the Environment Department, see Appendix D.

The **Boston Conservation Commission (BCC)** preserves open space, wetlands and other natural areas of the City (CBC Ord. §7-1.1). The BCC is the primary city agency tasked with administration of the Massachusetts Wetlands Protection Act, the Massachusetts Rivers Protection Act, and the Conservation Commission. The Commission comprises the Commissioner of Parks and Recreation, who serves *ex officio*, and six other Commissioners appointed by the Mayor. Two of the six Commissioners must be nominated by local environmental groups: the Massachusetts Audubon Society, Inc., the Massachusetts Forest and Park Association, the Massachusetts Roadside Council, the Trustees of Reservations, the Eastern Massachusetts Group of the New England Chapter of the Sierra Club, Boston Green Space Alliance, the Boston Harbor Associates, Boston Urban

Gardeners, Friends of the Boston Harbor Islands, Save the Harbor/Save the Bay, the Boston Natural Areas Fund, the Charles River Watershed Association, and the Neponset River Watershed Association each submit one nomination from their respective boards.

The **Boston Waterways Board** establishes fees, policies, rules, and regulations to promote the greatest public access to and public use of the city waterways by residents, visitors and businesses. The Waterways Board comprises the Harbormaster, *ex officio*, and eight members representing a variety of classes of users of city waterways appointed by the Mayor with the approval of the City Council.

The **Boston Groundwater Trust (BGT)** was established in 1986 to monitor groundwater levels in Boston and to make recommendations to protect the water table in the City. The BGT works with the Inspectional Services Department and the Boston Redevelopment Authority to understand and mitigate any negative impacts of development projects on groundwater levels. BGT consists of nine constituent trustees appointed by the Mayor upon recommendation from the various neighborhood councils. Three Trustees are appointed by the Mayor from the executive branch of the City, and one member of the City Council is appointed by the City Council President, to serve *ex officio*.

The **Boston Air Pollution Control Commission (APCC)** regulates air and noise pollution in Boston and oversees the Downtown, South Boston and East Boston parking freezes under the federal Clean Air Act (CBC Ord. 7-2.1). Originally part of the Board of Health, the APCC was made part of the Environment Department by a special act of Legislature in 1978. The Board consists of the Director of the Environmental Hazards Program at the Boston Public Health Commission, the Transportation

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Commissioner, and three members appointed by the Mayor. The statute calls for the Commissioner of Health and Hospitals and the Commissioner of Traffic and Parking, but these two positions no longer exist

The **Boston Landmarks Commission (BLC)** was established in 1975 as the municipal preservation agency for Boston's historic buildings, places, and neighborhoods. The Commission identifies and preserves historic properties, reviews development and demolition activities proposed in the City, informs and assists the public on historic preservation practices, administers the City's Demolition Delay process under Article 85 of the Zoning Code, and provides support staff to the nine local Historic District Commissions.

The Commission consists of nine members and nine alternates, all appointed by the Mayor, subject to a nomination process and approved by the City Council. The Mayor must appoint: two registered architects who were nominated by the Boston Society of Architects; one architectural historian nominated by the Society for the Preservation of New England Antiquities; one experienced city planner nominated by the Regional Chapter of the American Institute of Planners; one landscape architect registered in the commonwealth nominated by the Boston Society of Landscape Architects; one commissioner nominated by the Greater Boston Real Estate Board; one commissioner nominated by the Greater Boston Chamber of Commerce; and two commissioners selected at large by the Mayor who by reasons of experience or education have demonstrated knowledge and concern for conservation and enhancement of those physical features of the city which are important to its distinctive character.

The **Historic Landmark Commissions (HLCs)** review proposed exterior design changes to properties located within the boundaries of

each of the City's nine Historic Districts, including: the Aberdeen Architectural Conservation District, Back Bay Architectural District, Bay State Road/Back Bay West Architectural Conservation District, Bay Village Historic District, Historic Beacon Hill District, Fort Point Channel Landmark District, Mission Hill Triangle Architectural Conservation District, South End Landmark District, and St. Botolph Architectural Conservation District.

The HLCs review any proposed construction, demolition, alteration or movement of any building in or out of a Historic District. Any such project must obtain a Certificate of Appropriateness, a Certificate of Hardship or a Certificate of Non-Applicability from the HLC in order to file for a building permit from the building inspector. Commissioners are appointed by the Mayor with City Council confirmation subject to nomination by neighborhood groups, professional organizations, or the Boston Landmarks Commission.

The **"Renew Boston"** initiative was created in 2009 by Mayor Menino to promote the benefits of energy efficiency and alternate energy. "Renew Boston" is a network of energy efficiency and alternative energy service providers organized by the Environmental Department that coordinates local utilities, job training programs, for-profit and non-profit partners to help Boston residents, businesses, and institutions save energy and money. The program was initially supported by the City's \$6.5 million Energy Efficiency and Conservation Block Grant (EECBG) appropriated under the American Recovery and Reinvestment Act and administered by the U.S. Department of Energy and is now supported by outside funding.

The **"Greenovate Boston"** initiative was established in response to the Mayor's Climate Action Plan, which called for reducing the

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City's greenhouse gas emissions 25% by 2020 and 80% by 2050. Working with representatives from all sectors and neighborhoods, the "Greenovate Boston" team developed strategies to reduce greenhouse gas emissions, create jobs and prepare for the effects of climate change.

In March 2009, Mayor Menino announced the formation of the Boston Climate Action Leadership Committee and Community Advisory Committee. In 2010, the committees presented Mayor Menino with a consensus report entitled Sparking Boston's Climate Revolution. Later in 2010, Boston's top business, civic, and institutional leaders formally joined forces in the Green Ribbon Commission to share best practices, fight climate change, and support the City of Boston's climate plan, "A Climate of Progress". In September 2013, the American Council for an Energy-Efficient Economy (ACEEE) ranked Boston first in US major cities for energy saving programs and policies.

The **Inspectional Services Department (ISD)** administers and enforces building, housing, health, sanitation and safety regulations mandated by city and state governments (CBC Ord. § 9-9). The Commissioner of Inspectional Services, is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. For more appointed positions within the Inspectional Services Department, see Appendix D. The Department is divided into five regulatory divisions: Building, Health, Housing, Environmental, and Weights and Measures. ISD also comprises the Board of Appeal, Board of Examiners and Code Enforcement Police.

The **Building Division** oversees the issuance of all building permits, inspection activities, and plan and zoning reviews.

The **Housing Division** enforces the state

Sanitary Code and the city ordinances that regulate the quality of Boston's public and private housing stock.

The **Health Division** annually inspects food establishments such as food stores, restaurants, caterers, commissaries, day care facilities, hospitals, nursing homes, mobile vendors, camps for children, swimming pools, baths and funeral homes.

The **Environmental Division** enforces the State Sanitary Code, the Site Cleanliness Ordinance and other regulations on dumping, vending, posting of signs, snow removal, rodent activity, dumpster and refuse maintenance, and construction site maintenance and sanitation.

The **Weights and Measures Division** enforces state regulations of commercial weighing and measuring devices and annually inspects taximeters, gasoline dispensers, home heating oil truck meters and scales of all types for accuracy. The Division also inspects scanner price accuracy, unit pricing, item pricing, motor fuel quality and pricing and delivery of home heating oil.

The **Code Enforcement Police (CEP)** enforces the state and city sanitary codes related to illegal dumping, improper storage of trash, illegal vending and posting, and unshoveled sidewalks. CEP maintains a presence in the City by patrolling the streets of Boston on foot, bike, or car.

The **Board of Appeal** hears requests for conditional use permits, variances, and other zoning relief (CBC Ord. §9.4). If a project does not comply with the use or dimensional requirements of the Zoning Code, the Board can grant relief from strict interpretations of the Code after a public hearing and a finding that the proposed project conforms to the legal zoning of that neighborhood.



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The Board comprises seven members who are appointed by the Mayor to serve staggered three-year terms. Five members are appointed by the Mayor as follows: one member from two candidates nominated, one by The Boston Society of Architects and one by the Boston Society of Civil Engineers, one member from two candidates nominated by the Building Trades Council of Boston and Vicinity, one member from two candidates nominated, one by the Greater Boston Real Estate Board and one by the Massachusetts Real Estate Association, one member from three candidates nominated, one by The Master Builders' Association of Boston, one by the Building Trades Employers' Association of the City of Boston and one by the Associated General Contractors of Massachusetts, and one member selected at large by the Mayor.

The **Board of Examiners** is responsible for issuing Boston Builders Licenses to applicants who complete the application process and pass an examination in compliance with section 120 of the Boston Building Code (CBC Ord. §9-8). Although housed within the ISD, the Board of Examiners is not subject to the supervision or control of the Commissioner of Inspectional Services. The Board consists of three members appointed by the Mayor to serve staggered three-year terms. One member must be an architect or engineer with at least five years experience in the City, another member must be a contractor with at least five years experience in the City, and the third must be a lawyer.

The **Zoning Commission** maintains and updates Boston's zoning code (CBC Ord. §9-5). The Zoning Commission consists of eight members, appointed by the Mayor and nominated by specified organizations representing architects, builders, labor unions and residential neighborhood organizations. The city is currently undergoing a comprehensive rezoning process.

## Human Services Cabinet

The Human Services Cabinet promotes the health and well-being of the residents of Boston, particularly the homeless, women, the elderly, veterans, youth and people of color, through social, recreational and support services. The Cabinet enforces all antidiscrimination laws and protections under the jurisdiction of the City and advocates for the advancement of policies and legislation to address the needs of individuals and groups within the City. The Chief of Human Services is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. The Chief of Human Services also serves as Executive Director of the Boston Center for Youth and Families. For more appointed positions within the Human Services Cabinet, see Appendix D.

The **Boston Center for Youth and Families (BCYF)** partners with community center councils, agencies and businesses to provide programming and services for youth and families. BCYF provides programming for Boston residents at 29 community centers, 17 pools and one beach. BCYF programs includes childcare, after-school, alternative educations, computer instruction, preschool, youth leadership and skills development, adult education, senior programs, sports, fitness and recreation programming. The Executive Director of the BCYF is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. The Executive Director also serves as Chief of Human Services. For more appointed positions within the Boston Centers for Youth and Families, see Appendix D.

BCYF also hosts the **Mayor's Youth Council (MYC)**. The Council consists of approximately forty high school juniors and seniors representing of every neighborhood in the city. Members are appointed each spring for one year terms. The MYC meets twice a month to participate in team building trainings,



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leadership seminars and public speaking workshops.

The **Office of Civil Rights (OCR)** was created in 1995 in an effort to eliminate discrimination and ensure fair and equal access to housing, public services, accommodations and participation in civic activities. The Commission is also tasked with coordinating the City's compliance with the Americans With Disabilities Act (ADA). The OCR comprises the Fair Housing Commission and the Humans Rights Commission. The Executive Director of Civil Rights is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. For more appointed positions within the Office of Civil Rights, see Appendix D.

The **Boston Fair Housing Commission (BFHC)** was founded in 1982 to eliminate discrimination and increase access to housing for all Boston residents (Chapter 37 of the Acts of 1994). In 1994, the Commission was empowered with judicial enforcement authority and the ability to impose civil penalties pursuant to state legislation. (Chapter 37 of the Acts of 1994, as amended by Chapter 165 of the Acts of 1998).

The BFHC monitors housing programs to measure compliance with fair housing laws. The Commission may, as a result of investigation or research, take appropriate action to implement the City of Boston's policy to eliminate discrimination and promote equal access to housing. The BFHC comprises five Commissioners, appointed by the Mayor to staggered three-year terms. The Mayor annually appoints a Chairperson to serve for the year. The Director of the Fair Housing Commission is selected by and serves as the Executive Officer to the Commission.

The **Human Rights Commission (HRC)** was created to ensure that all persons are treated fairly and equally regardless of religious creed,

race, color, sex, gender identity or expression, age, disability, national origin, ex-offender status, prior psychiatric treatment, sexual orientation, military status, marital status or parental status, and any other protected category of persons (CBC Ord. §12-9.9). The HRC comprises seven Commissioners, appointed by the Mayor to staggered three-year terms. The Mayor annually appoints a Chairperson to serve for the year. The Executive Director of HRC is appointed by, serves coterminous to and serves at the pleasure of the Mayor.

The **Commission for Persons With Disabilities** was created by City Council ordinance in 2008 pursuant to state law. (M.G.L. c. 40, §8J). The Commission split from the Office of Civil Rights in 2012 to form a separate department. The Commission facilitates equal participation in all aspects of city life by persons with disabilities in Boston by reducing architectural, procedural, attitudinal and communication barriers that affect such persons. Commission members are appointed by the Mayor to three-year, staggered terms.

The Commission consists of the Disability Commissioner, and eleven other Associate Commissioners, all appointed by, and serving coterminous to, the Mayor. The Disability Commissioner serves as the ADA Title II Coordinator for the City of Boston, overseeing the City's Transition Plan by monitoring facilities, programs, and activities of the City for compliance with the Americans with Disability Act. The Commission also has a volunteer Advisory Board, made up of nine city residents, who meet monthly to provide input on issues of importance within the disability community.

The **Elderly Commission**, also known as the Commission on Affairs of the Elderly, strives to enhance the quality of life for Boston's Senior Residents through planning,

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coordinating, and monitoring the delivery of services (CBC Ord. §12-3). The Commission consists of a Commissioner on Affairs of the Elderly and 10 Associate Commissioners, all appointed by the Mayor. The Commissioner serves coterminous with the Mayor, while Associate Commissioners serve four-year terms. The Commissioner is responsible for ensuring that the City is in compliance with state and federal regulations regarding financial assistance, information exchange, and planning for better community programming for the elderly.

The **Veterans' Services Department** provides services and support programming, and lobbies the state legislature and executive departments to ensure that the needs of Boston's veterans and their families are met (CBC Ord. §12-2). The **Commissioner of Veteran's Services** is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor.

The **Commission on Women** advocates for increased attention to public policy initiatives that affect women's equal participation, economic security, family commitments, health, and safety, and promotes educational programs and opportunities for girls (CBC Ord. §15-1). The Executive Director is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor.

The **Boston Youth Fund (BYF)** provides thousands of Boston teens between the ages of 15 and 17 with job opportunities after school and during the summer months. Youth Fund participants work in a variety of jobs within community, faith-based, and government agencies. Approximately \$4.8 million of the BYF's \$6 million fiscal 2014 budget is supported by the City of Boston. The remaining funds are provided by Federal, State and private contributions. The Director of the BYF is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor.

## Public Health Cabinet

The Boston Public Health Cabinet promotes the health and well-being of all Boston residents, by providing and supporting disease and injury prevention, emergency services, health promotion, and health education services. The Cabinet comprises the **Boston Public Health Commission (BPHC)**, an independent public agency providing a wide range of health services and programs to Boston residents. It is governed by a seven-member Board of Health, which is appointed by the Mayor. The Executive Director of the Boston Public Health Commission is appointed by, serves coterminous to, and serves at the pleasure of, the Mayor. The Executive Director also serves as Chief of Public Health.

The BPHC collaborates with area hospitals, community health centers, and community-based organizations to ensure the availability and accessibility of health care, disease and injury prevention, health promotion, health education services and emergency medical services for the City. The functions of the BPHC are split into six bureaus: Addictions Prevention, Treatment and Recovery Support Services; Center for Health Equity and Social Justice; Child Adolescent and Family Health; Community Initiatives; Emergency Medical Services; Emergency Shelter Commission; Homeless Services; Infectious Disease. Additionally, the Cabinet comprises the Burial Permits Office.

The **Addictions Prevention, Treatment and Recovery Support Services Bureau** provides a variety of addiction services including treatment, prevention, advocacy, and harm reduction to Boston's residents and families who are adversely affected by drug abuse. The Bureau absorbed the power and responsibilities of the Drug Abuse Coordinating Council, which was created by City Council ordinance in 1969 but has been

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inactive since the mid-1980's (CBC Ord. §12-7).

The **Child, Adolescent and Family Health Bureau** addresses the public health needs of children, youth and families through school-based health programming, Healthy Start, and violence prevention. The Bureau also comprises the Boston Area Health Education Center (BAHEC), which aims to diversify the pool of health professionals in Boston by encouraging youth to pursue careers in health and public health.

The **Community Initiatives Bureau** works with community residents and organizations, health care institutions, city agencies, elected officials and policymakers to identify and address health concerns, advocate for healthy communities, and educate and empower the community. The Bureau advances cancer prevention, healthy eating, oral health, environmental hazards, lead poisoning prevention, tobacco control, asthma prevention and other educational initiatives.

The **Boston Emergency Services Bureau**, also known as **Boston EMS**, employs over 350 EMTs and Paramedics who respond to an average of 300 emergencies per day and more than 100,000 per year. In addition to emergency response, Boston EMS coordinates Boston's emergency preparedness and Homeland Security efforts. The Emergency Preparedness division of Boston EMS, through the DelValle Institute for Emergency Preparedness, offers expanded and continuing education for city staff, community center, health center and hospital staff, and for area Police and Fire departments. Emergency Preparedness also manages aspects of the City's Urban Area Security Initiative (UASI) and coordinates the region's Metropolitan Medical Response Service (MMRS).

The **Homeless Services Bureau** offers over 800 beds in the City of Boston and a broad range

of services aimed at helping individuals with any challenges that may have led to homelessness. These services include community re-entry programs, job training, substance abuse treatment, and health and social services for the homeless. The Bureau comprises the Emergency Shelter Commission and Friends of Boston's Homeless.

The Boston Emergency Shelter Commission provides information and referral for constituents seeking emergency shelter, affordable housing opportunities, street outreach and other services from the wide array of community-based organizations that serve homeless and low-income households in Boston. The Commission was created in 1983 by the City Council under the authority of an independent 5-member body and was later brought under the management umbrella of the Public Health Commission.

Friends of Boston's Homeless is a 501(c)(3) non-profit that was founded in to support the Boston Public Health Commission's Homeless Services. The Friends of Boston's Homeless help develop and support programs to help the homeless move beyond shelter and back into the community as independent citizens. In addition Friends of Boston's Homeless seeks to increase the public's awareness and understanding of the realities of homelessness through advocacy and education.

The **Infectious Disease Bureau** provides surveillance, investigation of cases and outbreaks, funding for a continuum of HIV care through funds received under the Ryan White HIV/AIDS Treatment Modernization Act. The bureau also promotes education related to HIV and other communicable diseases, and operates a tuberculosis clinic.

## Public Safety Cabinet

The Public Safety Cabinet comprises the Fire

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and Police Departments. The Boston Fire Commissioner and Boston Police Commissioner serve as Joint Chiefs of Public Safety.

The **Boston Fire Department** provides fire protection, emergency medical services, and first-response to motor vehicle accidents, hazardous material spills, electrical hazards, floods, and construction accidents. The Department is divided into the Divisions of Fire Suppression; Fire Prevention; Training, Fleet and Facilities; Special Operations Command; Emergency Planning and Preparedness; Fire Alarm; and Personnel.

The Department has approximately 1,550 uniformed and 75 civilian personnel. The **Boston Fire Commissioner** is appointed by and serves at the pleasure of, the Mayor. The following civilian positions are appointed by and serve at the pleasure of the Fire Commissioner: the Deputy Commissioner of Administration and Finance, Deputy Commissioner of Labor and Legal Affairs, Deputy Commissioner of Planning and Organizational Development, Director of Transportation and Director of Human Services. All uniform officers, except the Chief of Department are members of IAFF, Local 718.

The **Boston Police Department** is responsible for law enforcement and investigation in the City. The Department is divided into the Office of the Legal Advisor, Bureau of Professional Standards, Bureau of Field Services, Bureau of Administration and Technology, Bureau of Investigative Services, Bureau of Professional Development, and Bureau of Intelligence and Analysis.

The Department has approximately 2,100 officers and 900 civilian personnel. The **Boston Police Commissioner** is appointed by and serves at the pleasure of, the Mayor. The following positions are appointed by and serve

at the pleasure of the Commissioner of Police: Superintendent-in-Chief, 7 Superintendents, 10 Deputy Superintendents, Chief of Staff, Chief of Public Information, Director of Public Information, Director of Crimalistic Services, Director of Licensing Division, Director of Strategic Initiatives and Policies, Director of Human Resources, Director of Finance, Director of the Office of Research and Development, Director of the Physical Comparison Unit, Deputy Director of Labor Relations, and Deputy Director of Administration and Technology.

## Non-Mayoral Departments

The non-mayoral departments are funded by the City through the General Fund budget. However, the Mayor does not have any direct responsibility over appointing the department heads of these departments. Non-mayoral departments include: City Clerk, the City Council, the Finance Commission and the Licensing Board.

The Boston **City Clerk** is elected by the City Council (M.G.L. c. 41). The City Clerk's office accepts, files, records, and maintains all municipal records; publishes the agenda for all City Council meetings; records all Council and related Mayoral actions; edits and compiles the minutes of Council meetings; maintains the City Council document system database; publishes all ordinances and amended codes on a yearly basis. The Clerk also provides clerical support to the public, including the sale of various licenses and permits, notarizing and attesting to documents, filing, recording, and copying papers in the custody of the Clerk and performing marriages.

The City Clerk is also responsible for overseeing the work of the Archives Commission. The Archives Commission oversees the protection of city records, files, and other items of historic interest.

The **Boston Finance Commission** is an independent agency that monitors the business of Boston to ensure an efficient and transparent government. The Finance Commission reviews, and if necessary investigates, contracts, appropriations, loans, expenditures, accounts and methods of administration and reports its findings and recommendations to the Mayor, the City Council and the general public. The Commission was established in 1909 “to investigate any and all matters relating to appropriations, loans, expenditures, accounts, and methods of administration affecting the City of Boston.” (Chapter 486 of the Acts of 1909). The Commission comprises five Commissioners appointed by the Governor and confirmed by the Executive Council for five-year terms. The agency is funded by the city .

The **City of Boston Licensing Board** regulates all licenses for retail sales of alcoholic and non-alcoholic beverages, restaurant food, and lodgings (CBC Ord. §14-1). The Licensing Board conducts business hearings, disciplinary hearings, and public meetings. The Licensing Board consists of three Commissioners, who are appointed by the Governor to serve 6-year terms. The Executive Secretary is appointed by the board.

The Licensing Board was established as part of a greater effort by a predominantly non-Irish State Legislature in an effort to take power away from the Irish-run City Hall (Chapter 291 of the Acts of 1906). On February 18, 2011, Governor Patrick filed House Bill 1850, "An Act relative to the appointment of members of the Boston Licensing Board", which proposed to return appointing authority of the Boston Licensing Board to the Mayor of Boston. On February 22, 2011, the bill was referred to the Joint Committee on Consumer Protection and Professional Licensure, where it remained for the duration of that session.

City of Boston Licensing Board	Office of Consumer Affairs and Licensing
Food/Alcohol licenses for restaurants, nightclubs, private clubs, etc.	Arcades
Common victualler license (food service)	Automatic amusement devices (coin-controlled games)
Package stores	Cabaret shows
Hotel	Carnivals
Inns	Carousels
Lodging houses	Concerts
Fraternities	Public dances
Dormitories	Dance schools
Billiards	Entertainments
Pool tables	Exhibitions and shows (outdoor and indoor)
Sippio tables	Ferris wheels
Bowling alleys	Jukeboxes
Fortune tellers	Live entertainment
	Theaters

The Licensing Board does not regulate entertainment licenses in the City. Entertainment licenses are issued by the Licensing Division of the Office of Consumer Affairs and Licensing.

## Additional Departments

Within Boston’s government structure are three departments that are independent of the City’s budget, yet are connected via appointments that the Mayor statutorily has the responsibility to make to these various agencies. The departments are: Boston Retirement Board, Boston Water and Sewer Commission and the Boston Housing Authority (BHA). The Boston Retirement Board administers the State –Boston Retirement System (SBRS). Additionally, the Administrator of the BHA is Chief of Public Housing in the Mayor’s cabinet.

The **State-Boston Retirement System** provides pension benefits to retired city employees and beneficiaries under a defined-benefit



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retirement plan. Established under Chapter 32 of the Massachusetts General Laws, SBRS manages a portfolio of pension assets with a market value of \$3.5 billion as of December 31, 2012. The SBRS is legally separate and fiscally independent from the City of Boston, but works collaboratively with the City administration. Further, the system is reported in the City of Boston Comprehensive Annual Financial Report as if it were part of the primary government.

Most City employees who work at least 20 hours per week are required to become members of the State Boston Retirement plan. There are over 13,951 active and over 10,000 retired members and beneficiaries of the SBRS. Employees contribute to the State Boston Retirement System instead of contributing to the Federal Social Security System. The system provides defined-benefit pensions to workers who have retired after reaching a threshold combination of years of service and age or who have become disabled.

The **Boston Retirement Board** administers the SBRS (CBC Ord. §5-7). The Board determines the size of the City's required annual contribution to the fund and manages the fund's investment. The board reports to The Public Employee Retirement Administration Commission (PERAC). PERAC is the state's regulatory body charged with monitoring the funding, investment, and administrative practices of each retirement system. PERAC reviews each system's actuarial valuations, funding status, financial statements, and certifies the amount each government entity must appropriate annually.

The Board also provides administrative services for retirees of all city departments and agencies as well as the School Department, the Boston Redevelopment Authority, the Boston Housing Authority, the Public Health Commission, and the Boston Water and Sewer Commission. Even so, the State, and not the SBRB, is

responsible for funding and managing investments for teacher retirement plans. The Board consists of two members elected by active and retired members of the system; one member appointed by the Mayor; the City Auditor, who serves *ex officio*, and one member who is elected by the other four members of the Board. If the four members can not agree on the fifth member, the Mayor is authorized to make the appointment. Prior to fiscal 1998, the Retirement Board was part of the City's General Fund operations.

In fiscal 1998, changes in the state pension law required local retirement boards to be funded through pension investment income. Thus, the City no longer supports the \$1.4 million in operating expenses.

The **Boston Water and Sewer Commission (BWSC)** is an independent Commission established in 1977 pursuant to a "home rule" petition adopted by the City of Boston and enacted by the Massachusetts Legislature as the Boston Water and Sewer Reorganization Act (Chapter 436 of the Acts of 1977). The BWSC is overseen by a three-member Board of Commissioners, appointed by the Mayor of Boston subject to confirmation by the City Council to staggered four-year terms. The Board's primary responsibility is to ensure the sound, economical and efficient maintenance of the water and sewer systems for the citizens of Boston.

The **Boston Housing Authority (BHA)** was established by order of the Boston City Council on October 1, 1935, pursuant to state law empowering cities and towns of Massachusetts to establish housing authorities. (Chapter 449 of the Acts of 1935) The BHA is responsible for providing decent, safe and sanitary housing for families unable to afford housing without public subsidies. To carry out these responsibilities BHA develops and manages housing projects and leases housing when necessary.



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The management and governance of the BHA has changed several times since 1975, when BHA was sued in Boston City Housing Court by a group of BHA tenants, represented by Greater Boston Legal Services, over poor conditions in housing projects under the authority's control. As a result of the ruling in favor of the tenants, a court-appointed "Master" prepared a report listing recommendations that provided the basis for a consent decree signed in 1977 by BHA, Greater Boston Legal Services and the Boston Public Housing Tenants Policy Council. The decree detailed a series of improvements that BHA was to make over the course of three years. The Master, responsible for monitoring BHA's compliance with the consent decree, gave approval for all major decisions made by the BHA Board and administrator. In 1979, the judge ruled that BHA had failed to satisfactorily fulfill the terms of the consent decree and BHA was placed in receivership, with its Board of Commissioners and administrator replaced by a court-appointed receiver. Since 1990, when the receivership ended, BHA has been directed by an Administrator whose activities are reviewed by a nine-member monitoring committee appointed by the Mayor of Boston. The administrator of the BHA serves on the Mayor's Cabinet as Chief of Public Housing.

## **Suffolk County Government**

Suffolk County was established by the Massachusetts General Court in 1643. Suffolk County includes Chelsea, Winthrop, Revere and Boston, the seat of Suffolk County. Suffolk County exists today only as a historical geographic region, and no longer has a

functioning county government. The governmental structure of Suffolk County was abolished in part in 1999 through M.G.L. Chapter 34B and later through Chapter 61 of the Acts of 2009. The abolished functions of the county government were transferred to the Commonwealth.

Chapter 34B transferred the operation and management of the Registry of Deeds of Suffolk County to the Commonwealth. Later, the passage of Chapter 61 of the Acts of 2009 completed the transfer of the offices and functions of Suffolk County to the Commonwealth. The Registry of Deeds is now administered by the Secretary of the Commonwealth's office and the Sheriff's office and Suffolk County Houses of Corrections have been administratively placed under the Executive Office of Public Safety.

The City of Boston continues to pay off Suffolk County pension liabilities for previously retired county employees. Employees who were retired prior to this transfer remain members of the SBRS. The State annually assesses the City for the remainder of the unfunded portion of this liability. The annual amount of this assessment will be approximately \$3.9 million for the fiscal years 2012–2025. Once the pension liability of these employees is fully funded, the assessment will terminate. Employees that were active at the time of transfer were transferred to the State Retirement System along with their annuity saving funds. Their pension liability is now a liability of the State Retirement System.



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# 3. Boston's Development Process

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## Boston's Development Process

As a City that relies on the property tax for two-thirds of its operating revenue and depends on its property tax revenue to increase by more than 2.5% each year to fund its operating budget growth, Boston requires a steady flow of new development to maintain its fiscal health, balance its budget, provide basic services and finance any new initiatives. New business development, especially for commercial development in the high-value urban core and now the Seaport District, is most beneficial to the City in terms of revenue generation. Business properties also impose less of a cost burden on their requirements for city services, thus providing a cross-subsidy to the neighborhoods of the City.

Boston's approach to development, along with disciplined financial management, plays a critical role in maintaining the City's fiscal health as the demands on city services increase and unfunded liabilities are addressed. Important to development success in Boston are policies regarding the operation of the Boston Redevelopment Authority (BRA) and refinements to the City's Zoning Code. These policies, which include real estate tax incentives, development exactions, and mitigation review, have and will continue to affect the growth of new development projects in Boston. This section provides an overview of the development process, including the history and authority of the BRA, Zoning Process, key policies of the City and the role of city Departments and Commissions in the development process.

### The Boston Redevelopment Authority

The Boston Redevelopment Authority (BRA) was created in 1957 to oversee urban renewal projects in Boston (M.G.L. c. 121 §26QQ). In 1960, the BRA's responsibilities grew to include the redevelopment powers formerly

conferred on the Boston Housing Authority and the function of the Boston Planning Board. In 1993, the BRA administratively merged with the Economic Development and Industrial Corporation of the City of Boston, which was created in 1971 under Chapter 121C to implement local economic development plans and projects. Consequently, the BRA has become the agency responsible for most of the City's planning, zoning, and economic development.

As the City's planning agency, the BRA is responsible for the City's ongoing comprehensive rezoning effort. BRA staff members conduct special planning studies and solicit community involvement. Following this, the BRA Board may petition the Boston Zoning Commission to adopt new neighborhood zoning districts, special overlay districts or other zoning amendments.

The BRA also reviews large and complex development projects. Under Article 80 of the Boston Zoning Code, the BRA is responsible for comprehensive review of all development projects over 20,000 square feet or containing 15 or more units. The BRA conducts design, impact, and zoning review; coordinates the public comment and review processes; and enters into Cooperation, Affordable Housing, and other regulatory agreements with developers. Finally, the BRA makes recommendations to the Boston Board of Appeal, which issues conditional use permits, variances, and other zoning relief.

Finally, as the City's urban renewal and economic development authority, the BRA is responsible for guiding real estate and business development throughout the City. This function is achieved in a number of ways. The BRA guides development through its urban renewal powers granted under M.G.L. Chapters 121A and 121B. Chapter 121A may

provide tax incentives for redevelopment of substandard areas by private developers. Similarly, Chapter 121B grants the BRA power to administer urban renewal plans and develop properties throughout the City (MGL c. 121B, §§46–48). Further, Section 46(f) of Chapter 121B grants the BRA authority to exercise urban renewal authority independent of an urban renewal plan or project. urban renewal powers also enable the BRA to facilitate development through eminent domain and land disposition.

## The Boston Zoning Code

In 1956, the Massachusetts legislature passed the Zoning Enabling Act in an effort to attract new development and capital investment in the City and keep pace with changing metropolitan growth trends (Chapter 665 of the Acts of 1956). The Enabling Act gives the Boston Zoning Commission authority to adopt and amend zoning regulations for the City of Boston. The Zoning Commission comprises 11 members, appointed by the Mayor and nominated by specified organizations representing architects, builders, labor unions and residential neighborhood organizations. In 1963, the Zoning Commission adopted the collection of zoning regulations now known as the Boston Zoning Code.

At the time of the enactment of the Zoning Code in 1963, the City's economy was largely manufacturing and saw little demand for development or expansion. By the mid 1980s, however, the City had experienced a boom in the commercial, service, technology, medical and academic sectors. This increase led to real estate development of institutional and commercial spaces, particularly in the downtown core of the Financial District and Back Bay. The growth of these industries, and the decline of the manufacturing base, led to an influx of professionals and high technology

### Elements of the Flynn Administration's Comprehensive Rezoning Plan

- 1) Rezoning the entire City
- 2) Increasing citizen participation in planning and development
- 3) Tougher downtown development restrictions
- 4) The creation of targeted development areas
- 5) Expansion of the linkage program relating development to housing and job production
- 6) Incentives for housing production
- 7) Measures to preserve and improve open space
- 8) Preservation of about 255 buildings
- 9) Improvement of the City's transportation facilities.

work forces and a demand for housing development downtown.

The widespread boom in housing and commercial development created concerns about its impact to Boston's neighborhoods, historic resources and public space and as to whether the 1964 Zoning Code was too outdated to deal with these impacts. In response to these concerns, in June 1985, the Flynn Administration announced a comprehensive growth management plan to regulate new development. Among other initiatives, the plan called for a rezoning of the entire City and expansion of citizen participation in the development process. Shortly thereafter, the Boston Redevelopment Authority and the Zoning Commission began a comprehensive rezoning effort.

From the mid-1980s through present day, sections of the City have been rezoned with district-specific zoning regulations. These districts are often further amended in response to planning initiatives or to drive development.

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**Comprehensive Rezoning** Since the mid-1980s, the BRA and the Zoning Commission have been engaged in an effort to rezone the City's neighborhoods. As part of the rezoning effort, the BRA and Zoning Commission create customized zoning articles and amendments to reflect and preserve the character of Boston's many neighborhood and geographical areas. The current Boston Zoning Code contains both the new provisions adopted in the rezoning process and the earlier portions of the Zoning Code affecting areas that have not yet been rezoned, known as the "base code".

New district regulations have been adopted for the City's downtown and waterfront areas and for most of the neighborhoods. Planning is underway or anticipated for rezoning the remaining neighborhoods. Since 1989, and as of the time of this writing, approximately 90% of the land area of the City has been rezoned.

The rezoning process takes approximately four years per district. A planning representative from the BRA is assigned a neighborhood or area undergoing rezoning, who then meets with the local neighborhood group and makes recommendations about zoning and mapping to the BRA Board. The Board then reviews the recommendation and, if approved, submits them to the Zoning Commission. The Zoning Commission then holds public hearing to make a final decision.

Each new district is recorded as a separate article in the Zoning Code. Volume II (Articles 38 through 49) and Volume III (Articles 50 through 73) of the Code comprise the district zoning articles for the Downtown and Neighborhood districts, respectively. These district articles are frequently amended by the Zoning Commission. Amendments can be citywide zoning changes, i.e. permitting a newly legalized use, or district/sub-district specific, i.e. modifying height and density requirements in a district/sub-district to spur development.

### Interim Planning Overlay Districts (IPODs)

To prevent harmful development from occurring during the rezoning process, the BRA and Zoning Commission create interim planning overlay districts (IPODs). IPODs control zoning until the rezoning process is complete. They protect neighborhoods from inappropriate development during the planning process and until permanent zoning regulations can be prepared and adopted. IPODs require that all new development meeting specific thresholds, obtain an IPOD permit from the Zoning Board of Appeal in order to conform with the standards, and provisions of the IPOD. IPODs are generally in effect for 36 months or until the adoption of new zoning regulations. However, the Downtown Boston IPOD has been extended by the Zoning Commission since its enactment in 1987.

Appendix E lists all of the Downtown and Neighborhood districts with dates of approval.

**Strategic Planning** The BRA also conducts planning initiatives, which often lead to zoning changes in specific areas within a district. To institute a planning initiative, the Mayor or BRA identifies an area that is poised for growth. The BRA planning staff, with community involvement, then formulate principles and strategies regarding land use, urban design, transportation, and economic development, including recommendations for new zoning text and map amendments. The BRA Board then adopts a final strategic plan incorporating these principles and strategies. The Process concludes with the Zoning Commission adopting zoning amendments based on the recommendations in the strategic plan.



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For example, following three years of community planning, the BRA Board adopted the Harrison-Albany Corridor Strategic Plan in November 2011. The Boston Zoning Commission adopted amendments to Article 64, *South End Neighborhood District*, (the South End's zoning article and map) in January 2012 based on this plan. The plan modified zoning in the section of the South End from the Massachusetts Turnpike to Massachusetts Avenue, between Harrison Avenue and Albany Street, to raise the height limit and called for infrastructure investment to rebuild pedestrian ways. The initiative contributed to new development plans in this area totaling approximately \$650 million for rental apartments, condominiums, commercial offices and retail space.

### **Public Involvement in the Zoning Process**

The rezoning effort has proceeded incrementally and gradually to allow for extensive public participation in shaping the regulations. The Boston Zoning Code was amended in 1993 to make it easier for neighborhood residents to participate in the zoning process (Chapter 461 of the Acts of 1993). These amendments increased representation on the Zoning Commission and Board of Appeal and broadened public access to the process.

For example, the 1993 amendments required the Board of Appeal to schedule evening hearings when requested, and authorized the Board to continue hearings over several days to allow the appellant to meet with neighborhood organizations. The amendments also broadened the standing for private individuals to petition the Zoning Commission for zoning amendments. Under the amended provisions, any person who either resides in Boston or owns property in the City may petition the Zoning Commission to adopt an amendment to the Zoning Code. Formerly, such petitions could be brought only

by owners of property that would be affected by the proposed amendment. The amendments also made access to judicial review of Board of Appeal decisions more readily available.

To ensure that neighborhoods receive proper representation, each area subject to rezoning forms a Planning and Zoning Advisory Committee (PZAC). PZAC's are "any neighborhood-based committee appointed by the Mayor to render advice to neighborhood residents, the Mayor, city departments, and the Boston Redevelopment Authority regarding land use planning and zoning issues." (Zoning Code §2-36AA). PZACs are made up of residents and business leaders from a neighborhood.

Although responsibility for advising the City on new zoning and planning initiatives generally rests with a neighborhood's PZAC, other citizen's groups may serve in place of a PZAC in cases where there is already an existing group that can represent the interests of the neighborhood. For example, some neighborhoods may have existing Neighborhood Councils. Neighborhood Councils are citizens' groups, sometimes elected and sometimes appointed, that advise the Mayor and city departments on any issue of municipal concern.

### **Article 80 Development Review Process**

In addition to the comprehensive rezoning effort, the Zoning Commission addressed citizen concerns throughout the development cycles of the 1980s by establishing issue-specific development review requirements in the Code. Over time, these development review procedures became redundant and confusing.

In response to this, in 1992, then-Mayor Raymond Flynn appointed a commission to

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### Types of Impacts and the BRA requirements under Large Project Review

- 1) **Transportation impact:** Transportation Access Plan to analyze the projects impact on the area's transportation network and parking supply, both during and after construction.
- 2) **Environmental impact:** Studies to determine the projects impact on wind, shadow, solar glare, air and water quality, effect on groundwater levels, relationship to wetlands, flood hazards, geological impacts, solid and hazardous waste, noise levels, construction impact and compliance with "green building" energy and design standards.
- 3) **Urban design impact:** Studies as to whether the project is architecturally compatible with surrounding structures, exhibits an architectural concept that enhances the urban design features of the area, augments the quality of the pedestrian environment and is consistent with the urban design guidelines established by the zoning for the projects location.
- 4) **Historic impact:** Analysis of a project's impacts on historical, architectural, archaeological or cultural resources of a district, site, building or structure listed in the State Register of Historic Places.
- 5) **Infrastructure systems impact:** Projections of the projects expected water and energy consumption and sewage usage along with the expected impacts on the capacity of water, sewer and energy infrastructure systems in place at the project site.

review the City's development process. This commission, known as the Walsh Commission, recommended a new zoning article to streamline the development review process.

Article 80, *Development Review and Approval*, was passed in 1996 under Mayor Thomas Menino "to provide clear, predictable, and unified requirements for the review of development projects throughout the City." The article consolidated a number of requirements for BRA and other agency review of real estate development and eliminated conflicting or unnecessary steps.

#### Four Types of Article 80 Project Review

Article 80 provides for two project impact reviews and two long-term planning reviews. Large Project Review and Small Project Review are project impact reviews and apply to individual projects of 20,000 or more square feet or 15 or more units. Planned Development Area Review and Institutional Master Plan Review are long-term plan reviews,

which include approval of comprehensive plans and zoning amendments. Projects may or may not be subject to both an impact review and a plan review before final approval. How the review process is managed and how many development exactions are imposed can have a real influence on the timeline for a project to receive final approval and on the ultimate feasibility of the proposed development.

**1) Large Project Review** applies generally to new development projects of 50,000 or more square feet, or rehabilitation projects of 100,000 or more square feet (Zoning Code §80B-2). The review process requires a developer to examine many different impacts of a proposed project and work with the BRA to mitigate those impacts. These impacts include impacts on traffic and parking, the environment, urban design, historic districts and structures, and water, sewer, electricity and other infrastructure.

The Large Project Review consists of four main stages: 1) Project Notification and Scoping Determination; 2) Draft Project Impact Report

and Preliminary Adequacy Determination; 3) Final Project Impact Report and Final Adequacy Determination; and 4) Certification and Implementation (Zoning Code §80B-5).

Article 80 encourages applicants to request a pre-review planning meeting with BRA staff members to discuss issues that may be raised by the proposed project. In the case of certain affordable housing or industrial projects, the BRA may determine that the proposed project qualifies for a waiver under Zoning Code §80B-2 and recommend that the BRA Board grant a waiver of the Article 80 process. Assuming the project is not subject to such a waiver, the project proponent will submit a Letter of Intent outlining the basic features of a project so that the BRA may begin to assemble groups for the review process.

Next, to initiate the Article 80 review process, a proponent will submit a Project Notification Form (PNF), which summarizes the project proposal. Upon its receipt, the BRA will publish notice of the PNF and initiate a 30-day development review/public comment phase. Within 5 days, the BRA will also forward the PNF to various city agencies for review, including the Boston Civic Design Commission (BCDC) if the project falls under BCDC jurisdiction.

During the development review/public comment phase, the developer receives comments from BRA staff members at BRA review meetings, and from public agencies at a city scoping session. The BRA must also hold a mandatory public meeting, after which the public is encouraged to submit written comments.

At the BRA review meetings, BRA staff members give direction to the project proponent on the urban design and planning elements of a project. At the city scoping session a project proponent presents the project to representatives of the City of

### Article 80 Review, Step-By-Step

- 1) Pre-review Meeting with BRA Staff (Optional)
- 2) Proponent issues Letter of Intent
- 3) Proponent files PNF; BRA publishes notice
- 4) 30-day Development Review/Public Comment Period
- 5) Scoping Determination within 45 Days after PNF Filed—*Possible waiver of steps 6-10.*
- 6) If no waiver: Proponent files DPIR; BRA publishes notice
- 7) Public Comment Period for 30, 45 or 75 days
- 8) BRA issues Preliminary Adequacy Determination within 15 days of end of Public Comment Period—*Possible waiver of steps 9-10.*
- 9) If no waiver: Proponent issues FPIR; BRA publishes notice
- 10) Public Comment Period for 30, 45 or 75 days
- 11) BRA Board holds public meeting and votes on Final Adequacy Determination within 15 days of end of Public Comment Period
- 12) Applicant enters into cooperation agreement and other regulatory agreements to implement mitigation commitments and other obligations of FPIR .
- 13) BRA issues Certification of Compliance.

Boston's public agencies, who ask questions and make recommendations. These agencies include the Boston Redevelopment Authority, Transportation Department, Environment Department, Landmarks Commission, Parks and Recreation Department, Public Works Department and a group of nominated neighborhood representatives known as an Impact Advisory Group (IAG). Further, during the development review phase, the BRA posts the PNF on its website and solicits comments on the project from the public.

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Within 45 days of the filing of the PNF, the BRA will issue a Scoping Determination based on the PNF and on comments from the public, BRA staff members and city agencies. The Scoping Determination may waive the remainder of the Article 80 process or may require further review. In either case, the Scoping Determination may also include conditions for the mitigation of project impacts.

If the BRA determines that the PNF, together with any additional materials and comments received by the BRA, adequately describes the project's impacts, the Scoping Determination may recommend that the BRA Board waive further review and issue a Final Adequacy Determination. Prior to issuing such a determination, the BRA Board must provide public notice and allow for a 14-day public comment period. The BRA may attach mitigation conditions to this determination.

If the BRA deems that the project needs further review, the Scoping Determination may require the developer to modify the project's size, mass or design and prepare a Draft Project Impact Report (DPIR).

A DPIR presents technical analyses of project impacts in the areas identified by the Scoping Determination. Upon its receipt, the BRA will publish notice of the DPIR and take written comments from the public and public agencies. In response to this report, the BRA issues a Preliminary Adequacy Determination, which evaluates the DPIR against the Scoping Determination. The schedule for issuance of the Preliminary Adequacy Determination varies from 45 days to 90 days depending on the project's size and location. The public review period runs until 15 days before the Preliminary Adequacy Determination is due.

The Preliminary Adequacy Determination may reach one of two conclusions. If the BRA determines that the DPIR meets all of the

requirements of the Scoping Determination, the Preliminary Adequacy Determination may recommend that the BRA Board waive further review and issue a Final Adequacy Determination. As is the case with waiver by the Scoping Determination, a waiver at this stage may attach mitigations conditions, requires a 14-day public comment period, and is subject to approval by a vote of the BRA Board.

Alternatively, the Preliminary Adequacy Determination may require that the applicant submit a Final Project Impact Report (FPIR), which presents the technical analyses of project impacts in the areas identified by the Scoping and Preliminary Adequacy Determinations. The BRA will publish notice of the FPIR and hold a public meeting, or a public hearing if the project is subject to Development Impact Project exactions.

If BRA staff members approve of the FPIR, they will recommend that the BRA Board vote to issue a Final Adequacy Determination. (Zoning Code § 80B-5.5). The schedule for issuing the Final Adequacy Determination is the same as that for issuing the Preliminary Adequacy Determination. If the BRA Staff disapproves the FPIR, the applicant may submit a revised FPIR for review. The revised FPIR receives the same review as an original FPIR.

When authorizing a Final Adequacy Determination, the BRA Board will grant the Director authority to enter into a Cooperation Agreement with the developer and any other agreements necessary to enforce the mitigation measures outlined in the FPIR. The Cooperation Agreement may incorporate the terms of any other agreements that the developer may be required to enter into. The Cooperation Agreement either includes the Transportation Department as a party, or requires the Applicant to execute a separate agreement with the Transportation

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Department, to ensure continued compliance with transportation provisions as specified in the FPIR. This agreement is known as a Transportation Access Plan Agreement (TAPA).

Upon satisfactory performance of its obligations under the terms of the Cooperation Agreement and any other agreements executed by the developer and the BRA, the Director of the BRA will issue a Certificate of Compliance to the developer. Once in possession of this certificate, the developer may apply for a building permit with the Commissioner of Inspectional Services.

**2) Small Project Review** applies to minor projects in Boston, defined by the BRA as projects that add between 20,000 and 49,999 square feet of gross floor area or result in the construction of fifteen or more new residential units. The purpose of Small Project Review is to provide a concise procedure for reviewing the design of projects that do not require Large Project Review but that can be expected to affect the surrounding area and public realm because of their size. Many of the requirements set forth by the BRA for small project approval are not taken from Article 80. Rather, the BRA has gone above and beyond the text of Article 80 to increase transparency and regulatory control in the development of small projects.

Small Project Review determines whether a project is consistent with the design guidelines and site plan standards established for the project location and for the City as a whole (Zoning Code § 80E-1). Unlike Large Project Review, the BRA does not require that a proponent of a small project file a Letter of Intent and there is no scoping session to determine project impacts.

Rather, a proponent of a small development project files an application similar to a Project Notification Form. Following this, the BRA

### What is PDA Eligibility?

The maps contained in the Zoning Code designate certain areas that the BRA deems able to accommodate more massing or height as PDA-eligible areas. These areas tend to be in the urban core of the City, but can be located anywhere that the Zoning Commission seeks to establish a more flexible zoning law and encourage large-scale private development. If a proposed project is not located on a PDA-eligible site, the developer may petition the Zoning Commission to make a map and text amendment to create a PDA-eligible area. This would require public notice and a hearing before the Zoning Commission prior to the PDA review process beginning.

elicits comments during a 30-day comment period on the project design from city agencies and the public. After 30 days, the BRA will either grant a certificate of approval, or signify design components that must be modified by the developer for approval.

**3) Planned Development Area (PDA) Review** allows for the creation of special purpose zoning overlay districts based on comprehensive plans for major projects. (Zoning Code § 3-1A). PDA planning allows for zoning relief for large phased projects without requiring piecemeal review. To do this, PDA development plans create new zoning regulations for land within a specified area and describe all projects that may be built within that area both now and in the future. PDA development plans require that a project area be at least one acre in size and be located in a “PDA-eligible” area.

PDA Review is required to establish a PDA, if a project described in a PDA is changed, or if a project is added to a PDA plan. To initiate the PDA review process, a PDA proponent files a development plan application with the BRA. After such a filing, the BRA publishes notice



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and circulates the application to city agencies, initiating a 30-day public comment window.

Once the BRA has assessed the application and received public comments, the BRA Board holds a public hearing to consider and vote on the development plan. If the Board determines that the application adequately articulates the proposed concept, and such a plan will not be “injurious to the neighborhood or otherwise detrimental to the public welfare,” it will approve the plan.

Subsequent to approving a PDA development, the BRA will recommend that the Zoning Commission adopt the plan and an accompanying special purposes overlay district for the project area. These districts specify special zoning controls for the project, which may deviate from the general zoning in terms of use, dimensions and parking. The Zoning Commission will hold a public hearing, after giving 20 days notice, and vote on the plan and overlay district. If approved by both the BRA and the Zoning Commission, the development plan and accompanying overlay district go to the Mayor for approval.

In addition to recommending special overlay zoning, a PDA development plan outlines the location, density, dimensions, appearance, types of use, open spaces, landscaping, traffic, and public transportation factors for any projects in the area. No project may be built within a PDA unless it is described in detail in the PDA development plan. The Commissioner of Inspectional Services enforces this provision by requiring a Certification of Consistency-issued by the BRA indicating that the project is consistent with the development plan-before issuing a building, use, or occupancy permit for any proposed project.

For a site of more than five acres, an applicant may seek designation of a PDA master plan rather than a PDA development plan. PDA master plans provide an approval of a general

development concept, including changes to the underlying zoning, but do not describe individual development projects in detail. In order to develop within a master plan, a proponent must also obtain a PDA development plan addressing all other aspects of a project. The approval process for PDA master plans is the same as for PDA development plans.

In addition to the PDA approval process, each individual project within the PDA must undergo either Large or Small Project Review, as described above, to assess the individual impacts of a particular project design to the surrounding area. However, these projects can proceed as-of-right if they comply with the zoning of the PDA.

**4) Institutional Master Plan Review**, similar to PDA review, is designed to provide for long-range planning of institutional expansion. Boston is home to 22 hospitals and 34 colleges and universities. These uses, known as institutional uses, require renovation and expansion of facilities more frequently than do other uses. It is important that growth in this area is not stifled by the zoning process, but also that this growth does not come at the expense of Boston’s neighborhoods.

IMP Review provides a special public review process for large institutions to balance these concerns (Zoning Code §80D-2.1). As with PDA review, IMP review allows for use, dimensions and parking requirements that vary from the underlying district zonings. However, unlike PDA development review, IMP review does not require a contiguous parcel. Rather, IMP review applies both to projects within one main development area, known as on-campus projects, as well as projects apart from that area, known as off campus projects.

Qualifying institutions are required to submit long-term development programs covering a minimum of ten years. Institutions must also



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submit biennial updates including statistics on enrollment, employment and economic impacts. These plans allow the BRA and the community to evaluate an institution's proposed projects and the potential effects of institutional growth in the surrounding area. An IMP describes all planned development projects with specificity as to zoning relief that will be required. Once approved by the BRA and Zoning Commission, projects found to be in conformity with an IMP may precede as-of-right, subject only to Large or Small Project Review where necessary.

### **Public Involvement in Article 80 Review**

The public plays an important role in the Article 80 development review process through the formation of Impact Advisory Groups (IAGs). IAGs advise the BRA on project impact and mitigation, review Corporation Agreements, and are encouraged to take part in community meetings for public review and discussion of proposed projects.

In October 2000, then-Mayor Thomas Menino outlined the IAG process in an Executive Order entitled "An Order Relative to the Provision of Mitigation by Development Projects in Boston". This Executive Order, which was adopted by the BRA Board, provides a framework for the members of the community to advise the BRA on impacts of a project. The Mayor further amended the process in April 2001, in "An Order Further Regulating the Provision of Mitigation by Development Projects in Boston", which increased the representation by local elected officials.

For both project impact reviews and long-range plans, Article 80 requires public notification at the outset, both through the neighborhood groups and through published notices. At the outset of the Article 80 review process, the Mayor may appoint an IAG to advise the BRA during the Article 80 process. IAGs contain up to 15 members. Two members are nominated

each by the State Senator, State Representative and District City Councilor of the area impacted. The remaining members of the IAG are appointed by the Mayor from recommendations by residents, businesses, community organizers and City Councilors. The IAG must be invited to attend the project scoping sessions and must be consulted prior to execution of any cooperation agreement between the BRA and an applicant.

Institutional Task Forces and Citizens Advisory Committees (CACs) provide further public review. Institutional Task Forces are created to review projects compliance with Institutional Master Plans (IMP), as part of the Article 80 Large project review of institutional projects. CACs have been created to review projects proposed on Massachusetts Turnpike Air Rights Parcels. CACs may also advise in place of IAGs for certain large projects that are particularly complex or require multiple phases. Institutional Task Forces and CACs are appointed by the Mayor subject to nomination by elected officials, the Mayors Office of Neighborhood Services and the BRA.

**Article 80 Agreements** Following BRA Board approval, certain agreements must be executed by a developer before a project may commence. These agreements bind the City and developer to agreements reached as part of the development review.

**Cooperation Agreement** Executed by the developer and the BRA after the completion of the Article 80 review process. The Cooperation Agreement covers design review, modifications to the project, and mitigation.

**Construction Management Plan (CMP)** Executed by the developer and the Boston Transportation Department. The CMP memorializes construction-related parking and traffic impacts and mitigation measures to be implemented during construction.

**Transportation Access Plan Agreement (TAPA)** Executed by the developer and the Boston Transportation Department. The TAPA memorializes monitoring mechanisms and mitigation measures to address any negative transportation impacts from the construction and operation of the project.

**Boston Residents Construction Employment Plan** Executed by the BRA, Boston Employment Commission and the developer that sets forth the developers path of compliance with the Boston Residents Jobs Policy (BRJP). The BRJP requires developers seek best efforts to ensure 50% of all workers on the project be Boston residents, 25% of all workers on the project be minorities, and 10% of all workers on the project be women.

**Boston Permanent Employment Agreement** Executed by the Mayor's Office of Jobs and Community Service and the developer. The Permanent Employment Agreement ensures employment opportunities in the project are available to Boston residents.

**Affirmative Marketing Plan** Executed by the Boston Fair Housing Commission and the developer. The Affirmative Marketing Plan ensures compliance with the City's Affirmative Fair Housing Marketing Program, which ensures access to housing for all Boston residents.

**Development Impact Project (DIP) Agreement, Affordable Housing Agreement, Affordable Rental Housing Agreement and Affordable Housing Contribution Agreement** Executed as part of the housing and jobs mitigation measures.

## Mitigation Mechanisms

Development in the City, particularly in the Downtown, Back Bay and Seaport Districts, provides an opportunity for the City to share the resulting financial benefits with other parts

## What is a Development Impact Project?

*Boston Zoning Code § 80B-7(2)(a):* "Development Impact Project" is a proposed project that:

- (i) Requires Zoning Relief; and
- (ii) Proposes to include one or more Development Impact Uses [including office, retail business, service, institutional, educational, hotel/motel, or other uses that result in the reduction in the supply of low and moderate income dwelling units] occupying an aggregate gross floor area of more than one hundred thousand (100,000) square feet; and
- (iii) Proposes to: (i) erect a structure or structures having a total gross floor area of more than one hundred thousand (100,000) square feet; (ii) enlarge or extend a structure or structures so as to increase its (or their) gross floor area by more than one hundred thousand (100,000) square feet; or (iii) substantially rehabilitate a structure or structures having, or to have after rehabilitation, a gross floor area of more than one hundred thousand (100,000) square feet.

of the City as well as mitigate impacts in the areas of the development

The Linkage Program and the Inclusionary Development Program (IDP) exist in Boston's development process to ensure that the benefits of real estate development are shared in the neighborhoods to address the affordable housing and employment training needs of city residents. The Linkage program applies to commercial and institutional development, while the IDP applies to residential development.

**Linkage Program** Linkage is a legislatively authorized program that requires large scale commercial and institutional developers in Boston in need of zoning approval to make exaction payments for housing and jobs to the

City for every square foot a project is over 100,000 square feet. The program started in 1983 with the adoption of Article 26 of the Boston Zoning Code. Article 26 sought to balance new large-scale commercial development in Boston with increased housing needs. Real estate developers in need of zoning approval were required to contribute to the creation of low and moderate income housing. In 1986, Articles 26A and 26B expanded the program to include linkage payments for job training and to focus on mitigating impacts in specific areas where development occurred. Also in 1986, the Neighborhood Housing Trust (NHT) was established to manage linkage funds directed at housing. In 1987, the Neighborhood Jobs Trust (NJT) was established to manage linkage funds directed at job training.

The Linkage program was given further statutory authority through the passage of Chapter 371 of the Acts of 1987, which encompassed provisions of Articles 26, 26A and 26B. In 1996, the linkage program was incorporated into Article 80 of the Boston Zoning Code as part of an effort to streamline several zoning requirements into one article to facilitate the development process.

In 2001, Mayor Menino convened a panel of developers and advocates to study the successes of the Linkage Program. The recommendations of the panel led to a home rule petition, adopted in December of 2001, that raised both linkage fees by approximately 44% (Chapter 179 of the Acts of 2001). The petition updated the statute to allow for linkage fees to be raised based on a combined consumer price index ("CPI"), but not more frequently than at 3-year intervals (Chapter 170 of the Acts of 2001). Effective April 2006, the linkage fees were again increased by 10%. On October 17, 2013, the BRA Board authorized the Director to petition the Zoning Commission to increase the linkage fees again by approximately 6%. The Zoning Commission voted to approve the increase on November 13, 2013. The linkage exactions are

### Affordability Standards

For purposes of affordable housing creation in the City of Boston, a unit is considered "affordable" if total housing costs, including either rent or estimated mortgage payments, do not exceed 30% of income. Income standards are defined in terms of Area Median Income (AMI). AMI is a statistic published by the United States Department of Housing and Urban Development for each Metropolitan Statistical Area (MSA). The figure represents the median income for the Boston area pursuant to standards in the Housing and Community development Act of 1974. Households earning between 80 and 120 percent AMI (\$75,500 to \$113,300 for a family of four) are considered "moderate-income"; below 80 percent AMI (less than \$75,000 for a family of four) "low-income"; below 50 percent AMI (less than \$47,200 for a family of four), "very low-income" and below 30 percent AMI (less than \$28,325 for a family of four), "extremely low-income." The 2013 AMI figures used by the BRA are presented in Appendix F.

currently set at \$8.74 per square foot for housing and \$1.67 per square foot for jobs creation.

The Boston Zoning Code outlines the City's linkage program (Zoning Code §80B-7). The program requires developers to sign a Development Impact Project (DIP) agreement with the Boston Redevelopment Authority (BRA) for proposed projects that meet certain criteria. Development Impact Projects include expansion, rehabilitation or new development projects that require zoning relief and devote more than 100,000 square feet to certain uses. DIP uses include commercial, office, institutional, hotel, or other uses that directly reduce the supply of affordable housing.

The BRA is responsible for the review of development projects. The BRA Board, upon the recommendation of BRA staff members,

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holds a public hearing on the project and votes to authorize the Director of the BRA to enter into a DIP agreement.

The DIP agreement is a contract in which the developer agrees to pay a linkage fee, also known as a DIP exaction, over a specified number of years at a set rate. DIP exactions are paid to the Collector-Treasurer as the Managing Trustee of the two charitable trusts in the City, the Neighborhood Housing Trust (NHT) and the Neighborhood Jobs Trust (NJT). In lieu of paying a DIP exaction and with certain approval, a developer may choose to build housing or create job training programs directly.

Once a DIP agreement has been executed, the BRA Executive Director/Secretary certifies to the Boston Zoning Commission or the Board of Appeal, as appropriate, that the developer has signed a DIP agreement. Zoning relief can then be granted. The executed DIP agreement is also sent to the Collector-Treasurer.

**Housing Linkage Exaction** A housing exaction of \$8.74 for each square foot of gross floor area in excess of 100,000 square feet dedicated to DIP use is required to be paid by the respective developer. The housing exaction is made in equal annual installments, over seven years for developers of downtown projects and over 12 years for developers of neighborhood projects. If a developer elects, the present value of the entire amount due may be paid in year one. Otherwise, for developers of neighborhood projects, the first DIP payment is due upon the sooner of the issuance of a certificate of occupancy and 24 months after the issuance of a building permit. Developers of downtown projects must begin DIP payments when the building permit is issued. The remaining installments are due and payable annually on the anniversary of the first payment.

As an alternative to a direct payment, developers may fulfill their linkage obligation through direct involvement in housing

creation. The housing creation option requires developers to create new housing for low and moderate income residents of the City.

A developer may fulfill this by directly creating housing or by “causing to be created” housing units for occupancy. The cost of this creation must be equivalent to the housing payment the developer would have made. Homeowner units must be affordable for a minimum of 50 years and rental units must be affordable in perpetuity.

All housing creation proposals must be recommended by the Neighborhood Housing Trust and approved by the BRA after a public hearing. The Department of Neighborhood Development (DND) is charged with managing housing projects and ensuring that a developer complies with the conditions put forth by the NHT and the BRA in the DIP agreement.

**Jobs Linkage Exaction** Similarly, a jobs exaction is required by developers in the amount of \$1.67 for each square foot of gross floor area in excess of 100,000 square feet dedicated to DIP use. The jobs exaction is paid in two equal installments, one prior to the issuance of a building permit for the project and a second due one year later.

As with the housing exaction, developers may opt to create jobs directly instead of paying the jobs exaction. Developers may create a job training program for city residents who will be employed on a permanent basis at the proposed project. The job creation option requires approval by the Director of the Mayor’s Office of Jobs and Community Service, which is housed within the BRA, and the Neighborhood Jobs Trust.

**Distribution of Linkage Funds** The guidelines for awarding DIP linkage funds are found in Zoning Code Article 80B-7. No less than 10% of housing linkage payment on projects located downtown and no less than 20% of such payments made by projects in the

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neighborhoods must be reserved for use in the area directly impacted by the project. However, these housing quotas are only applied if the NHT finds that proposals for feasible housing projects can be developed in impacted areas. Similarly, no less than 20% of any job linkage payment must be reserved for use in the area surrounding the development project. The Neighborhood Housing Trust and the Neighborhood Jobs Trust are responsible for approving the distribution of funds for housing and job creation projects.

**The Neighborhood Housing Trust (NHT)** was established by ordinance in 1986 and confirmed by Chapter 371 of the Acts of 1987. The purpose of the Trust, as stated in the Declaration of Trust, is “to mitigate the extent to which Boston’s low or moderate income households are unable to afford decent, safe and sanitary housing within the City of Boston...[through the creation and retention] of housing for low and moderate income residents.” Toward that end, the NHT is entrusted with disbursing DIP funding. From its inception through December 31, 2012, the Neighborhood Housing Trust has committed \$133,804,969 in linkage funds. These funds have helped create or maintain 10,176 affordable housing units in 193 development projects throughout the City.

The NHT consists of seven Trustees: the President of the City Council or his or her designee, the Collector-Treasurer/Chief Financial Officer, and five mayoral appointees. The Collector-Treasurer serves as Managing Trustee and is responsible for maintaining the financial records and administering the Trust.

To receive NHT funding, an affordable housing project must meet eligibility and competitive criteria. All NHT awards must be used for housing development or rehabilitation for low or moderate income residents. Projects may be for homeownership, rental, cooperative or other forms of permanent or transitional housing. They may be new construction,

rehabilitation of abandoned or occupied rental property, or conversion of non-residential property.

A project must also be administered by an eligible entity. Any private, public, non-profit or for-profit development entity is eligible for NHT funding so long as the entity is 1) current on its taxes, 2) has no record of arson, and 3) has no record of fair housing violations. A developer must have full site control, and must present findings that the project is financially feasible and the developer is financially sound. Prior to receipt of Trust funds, a developer must agree to rules and regulations promulgated by the NHT for the use of funds.

In evaluating which applications the NHT will select for funding, special weight may be given to the number and percentage of affordable units, including units below 50% of median income or number of units beyond requirement; the number of units for special needs populations; the amount of NHT funds requested per affordable units; the developers capacity, track record, and readiness to proceed; the extent to which a project will provide employment, financial or managerial participation by minority- or woman- owned business enterprises; and the extent to which the neighborhood has or has not previously received linkage funds.

**The Neighborhood Jobs Trust (NJT)** was established by ordinance in 1987. The NJT’s purpose is to promote the public welfare by mitigating the extent to which Boston’s low or moderate income residents are unable to successfully compete for new employment opportunities resulting from DIP projects in the City. Because the DIP exaction for jobs is approximately 1/5 of the housing exaction, the NJT’s best use of its limited resources is to supplement already existing programs.

The NJT consists of the Collector-Treasurer of the City, who serves *ex officio*, one City



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Councilor and one Trustee, who are both appointed by the Mayor.

NJT funding provides support for adult literacy programs, alternative education or GED programs, entry level job training, employee recruitment services, retraining programs for those in low-growth industries, employment counseling and job placement programs. The NJT specifically looks to support cutting-edge training activities that lead to high wage or non-traditional employment opportunities.

As with NHT awards, requests for NJT awards are evaluated by the Trustees with staff support from the Mayors Office of Jobs and Community Services (JCS), which is housed within the BRA. Any grant for jobs creation purposes is accompanied by a written agreement between the awardee and the JCS expressly ensuring grant money is spent in furtherance of the charitable purposes of the trust.

**Inclusionary Development Policy (IDP)** In 2000, Mayor Menino established the Boston Inclusionary Development Policy (IDP) through Executive Order as a response to rapidly raising home prices and a shortage of funding to provide affordable housing. The program was modified by subsequent Executive Orders in 2003, 2005, 2006 and 2007. In 2013, the Menino Administration presented a home rule petition to the City Council that would codify the IDP, which has not yet been acted on by the Council.

Prior to 2014, the IDP program had been administered by the Boston Redevelopment Authority (BRA). That responsibility recently has been transferred to the Department of Neighborhood Development, which is already responsible for the management of the Linkage program. The transfer of accountability for IDP payments to DND was intended to centralize the administration of both housing programs in one department. Despite this

transfer, the BRA continues to be central to the negotiation of IDP mitigation measures, because such negotiation is imbedded in the mitigation negotiations of Article 80 review.

The IDP program applies to residential developments with 10 or more units that require zoning relief, are financed by the City or one of its agencies, or are developed on land owned by the City or one of its agencies. Due to the restrictive nature of zoning laws in the City, the program affects virtually all developments above the size limit.

Development projects that fall under IDP guidelines are required to provide affordable housing units equal to 15% of the market-rate units, or approximately 13% of the total units of the project. Affordable units are required to be comparable in size and quality to the average of all market-rate units in a development.

At least half of the affordable ownership units built under the IDP program must be affordable to households earning at or below 80% of the Area Median Income (AMI) of the Boston Metropolitan Statistical Area, which is \$75,500 for a family of four. The remainder of households must be affordable to households earning at or below 100% of AMI (\$94,400 for a family of four). In addition, the average of the prices must be affordable to house holds at or below 90% of AMI (\$84,950 for a family of four). All affordable rental units must be affordable to households earning 70% of AMI (\$66,100 for a family of four). The 2013 AMI figures used by the BRA are presented in Appendix F.

The IDP gives developers some flexibility in alternatives to compliance. When a developer can clearly demonstrate that building the affordable housing units on-site would make a project financially infeasible, the program allows for a payment of fees-in-lieu. The fees-in-lieu of affordable units are calculated in one of two ways. Developers must pay either



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## Benefits of Chapter 121A Projects

### Chapter 121A entities receive:

- Exemption from M.G.L. c. 59 for local real estate taxes
- Predictable and consistent §10 and §6A payments
- Zoning deviations
- Federal and state financing
- Limited eminent domain powers

### City of Boston receives:

- Development of substandard areas
- Predictable and consistent §10 and §6A payments
- Control over Project—Any project change, sale or transfer must be approved by BRA and Mayor
- Increased control over affordability requirements
- Transparency—Project proponent must disclose all beneficial interests

\$200,000 per unit, or the difference between the market price and the affordable price of the units, whichever is greater. The \$200,000 fee is based on the average subsidy that the DND must provide to create an affordable unit in the City. These funds are used to subsidize other affordable housing projects and programs in Boston.

Since 2006, the program has also allowed construction of off-site affordable housing units as a means of compliance. This change was instituted in order to prevent development of affordable units in luxury projects having costly amenities and located downtown away from neighborhood services. The DND exercises discretion over when a developer may provide off-site units, pay fees-in-lieu or a combination of the both.

**Buying/Renting Affordable Units** To be eligible for inclusionary units, buyers must earn less than the permitted household income for that unit, and have assets of less than \$100,000. Eligible buyers must enter into a lottery to

purchase affordable units. Within the lottery selection process, the BRA gives preference to individuals displaced by urban renewal, city residents and first-time homebuyers.

Affordable units developed and sold under the IDP are subject to affordability controls for up to 50 years. During this time, the units may be resold only to eligible households or to the DND. Affordable units may be resold at the initial sales price plus an increase of 5% per year, plus capital improvement and realtor fees.

These restrictions are enforced through title and mortgage covenants. Developers and buyers must use a standard legal agreement drafted by the DND. Registering the agreement on the mortgage helps the DND exercise its right of first refusal in anticipation of a default foreclosure, as well as protect owners from predatory lending and refinancing.

## Urban Renewal Powers

The BRA is vested with urban renewal powers under M.G.L. Chapters 121A and 121B. Under Chapter 121A, the BRA may approve a specifically authorized Urban Redevelopment Entity to which the BRA may grant tax abatements, financing or eminent domain powers. 121A entities are created for the purpose of redeveloping specific projects in substandard areas. Under Chapter 121B, the BRA has power to create and administer urban renewal plans throughout the City. The BRA may utilize urban renewal powers-tax abatements, eminent domain and land disposition-to drive development within these planned areas. More recently, Section 46(f) of Chapter 121B has been utilized to allow the BRA to exercise 121B authority outside of urban renewal plans on a project-by-project basis. These so-called “demonstration projects” operate in much the same way as 121A projects, but without some of the regulatory complexities.

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### Examples of 121A Projects in Boston

- State Street Bank & Trust is redeveloping a vacant parking lot in the innovation district into a 500,000 square foot office building and parking garage. The deal will provide State Street with a projected \$11.5 million in tax relief, but is projected to generate \$43.3 million in new property tax revenue for the City in the first 15 years.
- In December 2013, the BRA Board approved a projected \$7.8 million dollars in tax relief over 15 years for a \$950 million complex at the TD Garden that will contain a 306-room hotel, 668,000 square feet of offices, nearly 500 residences, an underground grocery store, and 800 parking spaces. The project is projected to produce \$32.2 million in new tax revenue for the City

**Chapter 121A** Chapter 121A of the General Laws authorizes designation of special Urban Redevelopment Entities, or Chapter 121A entities, for redevelopment of projects in areas that are deemed by the BRA to be substandard. Chapter 121A entities are private, limited-dividend business entities that are formed to develop specific properties (M.G.L. c. 121A, § 3). These entities, because they serve public purposes, may be provided tax concessions (M.G.L. c. 121A, § 10). Projects that are subject to 121A contracts are not included in the tax base for assessment purposes by the City and are therefore not subject to local real estate taxes under Chapter 59.

The BRA has authority to approve 121A projects subject to further approval by the Mayor. The BRA reviews and approves the developer's application by adopting a Report and Decision, which is submitted to the Mayor. If approved by the Mayor, the Report and Decision is filed with the City Clerk for

recording. After recording, aggrieved parties have 30 days in which to appeal the adoption.

Chapter 121A entities are limited-dividend corporations or other business entities that legally may not earn more than an 8% return on the amount invested in the project. Any excess income may be applied to project expenses for reduction of indebtedness, renovating and improving the property, installing additional facilities for tenants or the acquisition or development of additional property which could be subject to 121A restrictions. However, non-chapter 121A entities that are part of a project structure are not subject to this cap. Further, the return for housing projects financed by the Federal Department of Housing and Urban Development and the Massachusetts Housing Financing Agency may be greater than 8% if approved by the BRA.

The City receives two forms of revenue from Chapter 121A projects: PILOT payments under Section 10 and contract payments under Section 6A. Section 10 establishes a statutory excise tax of 1% of the "fair market value" of the property plus 5% of the gross income of the project, with limited exceptions. This tax is paid to the state, but reimbursed to the City of Boston.

Section 6A grants the BRA and the City's Assessing Department the power to negotiate contract payments related to city services available to the development. Unlike Section 10 payments, Section 6A payments are not set by statute and in almost all cases exceed the Section 10 statutory amount. Section 6A contract negotiations occur between the Developer and the Assessing Department, with the BRA serving as an intermediary. Negotiating a 6A Contract involves balancing the financial viability of a proposed development with the best interests of the City.

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### Comparing Chapter 121A with Chapter 121B §46(f)

The BRA can exercise its urban renewal powers to enter into tax agreements with developers under either Chapter 121A or 121B §46(f). Chapter 121A is most useful when a project requires zoning relief alongside tax relief in order to go forward. Chapter 121A entities may apply for expedited zoning relief. Chapter 121A has a number of regulatory burdens that are not present in 121B. Chapter 121A has a mandatory minimum excise tax defined in section 10. The only payments made under 121B are negotiated PILOT payments under section 16. This gives the BRA and developer more flexibility in structuring payments. Further limiting flexibility, Chapter 121A agreements have a minimum duration of 15 years while Chapter 121B agreements have no minimum duration. Finally, due to resale restrictions in Chapter 121A regulatory agreements, Chapter 121A cannot be utilized on development projects that include condominium units. Chapter 121B projects, which may contain condominiums, are thus better equipped to address changing market conditions in the condominium and rental markets.

Section 6A Contracts may include several important clauses to ensure the City's interests are protected. The City may wish to include an escalation clause, which increases the tax payment over the length of the agreement. This provides tax help for projects early in their existence, when they likely produce less rental income, and provides less tax help later on, when they produce more rental income. Further, 121A entities are required to execute a regulatory agreement with the BRA providing that any material project change or sale or transfer of the project must be approved by the BRA and the Mayor. 121A entities must also disclose all beneficial interests derived from the project, including the identities of all project proponents.

Chapter 121A agreements provide benefits to both the City and the developer. The City derives a direct financial benefits in receiving 121A payments. The City is also able to drive economic development in substandard areas, which creates jobs and increases the housing supply. Further, the development of substandard areas may lead to a reduction in crime and an increase in surrounding property values. Finally, the City also retains a level of control over the project through regulatory agreements.

In return, a Chapter 121A agreement provides a developer with certainty in the amount of municipal payments the project will accrue,

expediency in permitting and the public power of eminent domain, if appropriate and necessary. The in-lieu-of-tax and contractual payments are stable and easier to predict than Chapter 59 local real estate taxes, which may fluctuate with changing real estate values or tax rates. Chapter 121A also provides developers with more flexibility in the zoning process. If a project is approved under Chapter 121A, the BRA has authority to grant deviations to the City's zoning code for those projects.

The Chapter 121A option has some features that have led the BRA and developers to utilize other project structures depending on the specific needs of the project. There are currently 15 fewer Chapter 121A agreements than there were in 1993 when Mayor Thomas Menino took office. Chapter 121B, Section 46 (f), demonstration projects, while similar to 121A projects in structure, present less of a regulatory burden and greater flexibility for the City and developers. However, Chapter 121B demonstration projects are not appropriate in all situations, and Chapter 121A is still a very important tool for the City to use in driving economic development.

**Chapter 121B** Chapters 121A and 121B have similar goals, but the methods by which the goals are achieved differ. Chapter 121B provides for the approval and administration of, and the development within, urban renewal areas in Boston (M.G.L. c. 121B, §46-48).

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## Tremont on the Common Condominium Trust v. BRA

In 2002, a Massachusetts Superior Court determined in *Tremont on the Common Condominium Trust v. Boston Redevelopment Authority* that the powers under section 46(f) exist independent of the existence of an Urban Renewal Plan. The *Tremont* decision points out that Section 46 sets out in eight separate subsections, a set of powers that the section deems additional to those granted in other parts of Chapter 121B. Included among these are the power to prepare urban renewal plans (M.G.L. c. 121B §46(c)), and to engage in urban renewal projects (M.G.L. c. 121B §46(d)). Section 46(f), which gives the power "to carry out demonstrations for the prevention and elimination of slums and urban blight," contains no language that ties such demonstrations to urban renewal plans or projects. According to the *Tremont* decision, if the Legislature had intended to tie "demonstration projects" to urban renewal plans, it would have made that clear. Thus, the Legislature must have intended for demonstration projects to be permissible outside of urban renewal plans.

Unlike 121A projects, urban renewal projects under Chapter 121B require a public ownership interest in the property.

Until 2002, 121B was only applicable within urban renewal areas. However, since a favorable court ruling in 2002 in *Tremont on the Common Condominium Trust v. Boston Redevelopment Authority*, the BRA has been applying Chapter 121B, specifically section 46 (f), to projects outside of such plans as so-called "demonstration projects". The BRA is thus moving away from exclusively using Chapter 121A for project-specific development and moving toward the use of Chapter 121B §46(f) in certain situations, because it provides greater flexibility and less restraints on elements of the agreement.

**Urban Renewal Plans** The BRA's urban renewal powers under 121B were originally limited to specific areas defined in Boston's urban renewal plans. Urban renewal plans are initiated by the BRA and must be approved by the BRA Board, City Council, Mayor, and state Department of Housing and Community Development (DHCD). After securing approval, the BRA may then undertake projects by acquiring, clearing, and redeveloping parcels and by initiating other urban renewal activity. The BRA has adopted 23 urban renewal plans in its near 50 year history, 18 of which are active as of the writing of this report. In 2005,

the time of their last renewal, there were 20 active plans. Since then, the BRA has allowed two of the plans to expire by their own terms.

**Expiration of Urban Renewal Plans** Of the 18 active urban renewal plans, sixteen will expire on April 30, 2015. The North Station Plan expires July 16, 2020, and the West End Plan is self-extending pursuant to its terms. The BRA is currently researching allowing three plans—North Harvard, CBD Boylston-Essex, and CBD Bedford-West—to expire. This decision would be driven by a determination that the goals of

### Recent Examples of 121B §46(f) Projects in Boston

- Lovejoy Wharf, a 230,000 square foot revitalization project that will transform an abandoned industrial building on the waterfront into the World Headquarters of the Converse-Nike shoe company.
- Millennium Tower and Burnham Building, a mixed use high rise in Downtown Crossing, is subject to a 121B agreement on its office and retail only. The agreement will provide a projected \$13.8 million in 121B PILOT payments and \$45.8 million in taxes on the residential portion of the tower, and is projected to raise \$59.6 million in new revenue.

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the specific urban renewal plans have been satisfied.

The BRA is expected to seek the extension of the 13 remaining urban renewal plans set to expire in 2015, plus the North Station Plan set to expire in 2020, for a total of 14 plans to be extended. These, plus the West End Plan will result in a total of 15 active plans should the BRA follow this plan of extension.

There are two ways in which urban renewal plans can be extended. The BRA could petition the state Legislature to extend the plans legislatively, or more likely, the BRA could follow the process outlined in Chapter 121. The latter option would require the BRA Board to adopt a resolution modifying and extending the plans. This action would require approval by the City Council, Mayor and DHCD. If the BRA is unable to formally extend the plans by their expiration, the Board could also ask DHCH to temporarily extend them to give the BRA more time.

The Mayor's role in supporting or opposing the extension of Boston's urban renewal plans will be a crucial factor in the role the BRA plays in urban renewal areas going forward.

Extending the plans would allow the BRA to continue to control ongoing and future development projects in urban renewal areas. Significant economic development projects could still be built in many of the urban renewal areas, as a combination of the loss of federal funding and varying economic cycles have delayed the accomplishment of the goals and objectives set out in certain urban renewal plans.

Further, because many 121B projects are subject to regulatory agreements that expire when the controlling urban renewal plans expire, keeping these plans active would enable the BRA to continue to exercise regulatory control over former 121B projects. One such control is the ability of the BRA to exact

payments whenever former 121B projects apply for changes in use.

**Section 46(f) Powers Outside of Urban Renewal Areas** Section 46(f) of Chapter 121B confers upon urban renewal agencies the power "to develop, test and report methods and techniques and carry out demonstrations" for the prevention or substandard areas. Pursuant to Section 46(f) and precedent established in *Tremont on the Common Condominium Trust v. Boston Redevelopment Authority* in 2002, the BRA can form partnerships with private developers and serve as an intermediary title holder to facilitate demonstration projects outside of urban renewal areas. These arrangements provide flexible tax structures for developers and enable the BRA to eliminate substandard areas on a project-specific basis without the regulatory complexity of Chapter 121A projects.

To effectuate a Section 46(f) development deal, the BRA will adopt a demonstration project plan for a development project that would improve substandard areas. The demonstration project plan grants authorization for the BRA to acquire the project site by eminent domain. In most cases, the BRA acquires the land from the developer in an uncontested taking. Once the taking is complete, the BRA will return a partial property interest in the project site to the developer, who then proceeds with the project. Because the City retains a property interest in the land as an "intermediary title holder", the developer is exempt from paying Chapter 59 local real estate taxes on the property. If the project is later sold for a profit, the City may retroactively recover the tax concession granted to the project.

In return for this structure, the developer will pay the City payments-in-lieu-of-taxes (PILOT payments). When structured in this manner, Chapter 121B demonstration projects function in much the same way as Chapter 121A projects, whereby an entity would not be subject to Chapter 59 taxes but would make



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contract payments. Demonstration projects are often preferred by developers and the City because they provide more flexibility and require less regulatory complexity.

**Takings by Eminent Domain** Chapters 121A and 121B grant the BRA authority to delegate or exercise the power of eminent domain. Eminent domain allows the taking of land, demolition of existing buildings and displacement of persons and businesses for a public purpose and for just compensation. The BRA may delegate or exercise eminent domain for the prevention or elimination of substandard, decadent, or blighted open areas in urban settings, and to promote sound community growth. (Boston Redevelopment Authority v. Charles River Park Co., 21 Mass. App. Ct. 777, 783 (1986)). The BRA's power of eminent domain is utilized for four main purposes:

- 1) **Site Assembly** The BRA is empowered to take private property to assemble sites for development projects. Although this was common assemble the vast urban renewal projects in the late 20<sup>th</sup> Century, this is rarely done in modern times without the agreement of the property owner.
- 2) **Title Clearance** The BRA may conduct confirmatory takings to clear title on a parcel and create a new record of clear ownership so that a development may proceed without concern over title clarity.
- 3) **Vertical Discontinuances** The BRA may make vertical discontinuances, or takings of City of Boston air rights over public ways, in order to allow buildings to extend over the lot line with elements such as eaves, door and window sills and balconies. These takings do not diminish the use of the ground space.
- 4) **121B 46(f) Tax Agreements** Finally, as discussed above, 121B projects take place

on property in which the City has an ownership interest. This ownership interest is crucial to 121B project's ability to pay PILOT payments in lieu of Chapter 59 taxes. In order to achieve this, the BRA must issue a taking on a project site, and then return the property to the developer while maintaining an ownership interest.

In limited cases, a 121A entity may be granted the public powers of eminent domain to assemble parcels for projects. (Boston Edison Co. v. Boston Redevelopment Authority, 374 Mass. 37, 52-53 (1977)). In carrying out a land acquisition, a Chapter 121A entity must use reasonable efforts to acquire property by negotiated sale, and may only take property by eminent domain when all other reasonable methods of obtaining the property have failed.

Chapter 121A, Section 11, permits the BRA to authorize an urban redevelopment entity to take title under either M.G.L. Chapter 79 or Chapter 80A. Chapter 79 takings are more efficient, but require more caution by the BRA to prevent abuse. Prior to a Chapter 79 taking, the 121A entity must send a written offer to acquire the land from the owner. The owner then has 30 days to accept or reject the offer. Upon the owner's written rejection or failure to accept the offer, the 121A entity must notify the BRA and the owner of the property in writing that it has determined that acquisition by eminent domain under Chapter 79 is necessary. The BRA may then give the corporation written authorization to proceed to take such property by eminent domain in accordance with Chapter 79, provided the corporation has guaranteed, by placing in escrow, a sufficient amount available for payment of damages.

Chapter 80A authorizes taking by judicial proceeding. Under Chapter 80A, the 121A entity must adopt an Order of Intention to Take, describing the property, the interest to be taken, and the use for which the property is to



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be taken. The order must be recorded within ten days of its adoption. Within ten days of a recording, the 121A entity must file a petition to establish its right to take the property, and to determine the amount to be paid for damages or assessed. Title to property changes upon the entry of a Judgment of Condemnation, although damages for the taking are established later.

Chapter 121B also permits taking by eminent domain. However, unlike Chapter 121A takings where the eminent domain power may be delegated by the BRA, takings under Chapter 121B are done by the BRA itself. Section 11 of Chapter 121B confers on the BRA the right to acquire lands by eminent domain in pursuant by an order of taking under Chapter 79, or by initiating judicial proceedings under Chapter 80A. Eminent domain may only be exercised if there is an affirmative two-thirds vote by the City Council, with the approval of the Mayor. A public hearing must be held before the City Council vote and the official opinion of the Massachusetts Office of Business Development and the Director of the Department of Housing and Community Development must be obtained before proceeding with any eminent domain taking.

**Land Disposition** The BRA also engages in land disposition to promote economic development. The BRA's land disposition powers were originally used to implement the large-scale urban renewal projects in the late 20th Century. More recently, however, the BRA has utilized land disposition for specific development projects involving housing production or other public purposes.

The BRA's land disposition powers allow the BRA to sell or rent land to a developer. The BRA may exercise this power on BRA-owned land, or as a service to land owned by the City and various city agencies. Depending on which city agency owns the land and how the agency acquired the land, there are a number of different legal requirements involved in land disposition.

### What is MassDevelopment?

Created in 1998 when the Massachusetts State Legislature enacted M.G.L. Chapter 23G and merged the Massachusetts Government Land Bank with the Massachusetts Industrial Finance Agency, MassDevelopment is the state's finance and development authority. Both a lender and developer, the Agency works with private- and public-sector clients to stimulate economic growth by eliminating blight, preparing key sites for development, creating jobs, and increasing the state's housing supply.

In general, the BRA will initiate a land disposition by issuing a Request for Proposals (RFP) for a parcel. An RFP describes the parcel and describes the BRA's hopes for the development of the parcel. In developing the RFP, the BRA will work with the community to determine the appropriate uses for a particular parcel.

Developers are encouraged to submit RFP responses proposing plans for the parcel in conformity with the RFP. BRA staff members then review the proposals and recommend the designation of the land to the strongest applicant. The staff will factor in the financial stability of the applicant, how much the applicant is offering to purchase or rent the land for, the mix of uses, how well the design meets with RFP specification, the expected impact of the design on the surrounding community and other public policy considerations.

Based off of this determination, BRA staff members will recommend that the BRA Board issue a tentative designation to the strongest applicant, subject to certain performance milestones such as securing funding for the project.

When the applicant satisfies the performance milestones and the BRA makes the final

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designation, the BRA and applicant execute one of two documents. If the BRA is selling the parcel, the sides execute a Land Disposition Agreement (LDA). If the BRA is leasing the parcel, the sides execute a Ground Lease.

The LDA or Ground Lease establishes the conditions of the land disposition, including the use of the land. Often, an LDA and associated deed will also contain a transfer fee agreement. These agreements grant the BRA a specified percentage of gross sales proceeds on future transfers of market-rate units on the property.

## Public Financing and Tax Incentives

The City of Boston, the Commonwealth and the Federal Government provide public financing and tax incentives to drive development in the City of Boston.

The Boston Industrial Development Financing Authority (BIDFA), which is housed within the BRA, issues bonds that finance the capital needs of Boston's businesses and institutions. BIDFA provides tax-exempt bonds for non-profits, industrial development bonds and enterprise zone facility bonds. BIDFA also guides developers through applications to several state financing programs available through MassDevelopment, the state's finance and development authority. Also housed within the BRA, the Boston Local Development Corporation (BLDC) is a non-profit entity that provides loans for businesses for capital improvements.

The City is further authorized by state law to issue District Improvement Financing (DIF) bonds or tax abatements through Tax Increment Financing (TIF) agreements. With DIFs and TIFs, the City provides new businesses with public financing in return for infrastructure development.

Public financing is also available on the state-level. The Massachusetts Development

Financing Authority, a resource housed within MassDevelopment, provides funding through various state programs. These programs include the Infrastructure Investment Incentive Program (I-Cubed) and the Local Infrastructure Development Program.

In addition to these programs, the U.S. Department of Housing and Urban Development provides resources for community, business and housing development in Boston.

1) The **Boston Industrial Development Financing Authority (BIDFA)** was created in 1971 to promote economic growth and increased employment in the City of Boston (M.G.L. Chapter 40D). BIDFA works as a conduit issuer, issuing bonds in the City's name that finance the capital needs of the City's businesses and institutions. Bonds may be used to finance construction and capital expenses resulting from expansion. Due to the cost of issuance, these bonds are usually over three million dollars. Depending on the type of bond, the amount may be capped by federal or state law.

Through BIDFA, the City of Boston can make its tax-exempt status, and low interest rates available to qualified borrowers. All bonds issued by BIDFA must be approved by MassDevelopment. The credit of the borrower, and not that of the City of Boston, BIDFA, or the Commonwealth of Massachusetts, is pledged to repay the bonds. Thus, a recipient of BIDFA funding must show the financial strength to support the bond.

BIDFA typically issues one of three types of tax-exempt bonds: bonds for nonprofits, industrial development bonds, or enterprise zone facility bonds. When a recipient does not entirely qualify for tax exempt bonds, BIDFA may also issue taxable "trailer bonds" to accompany tax-exempt bonds.

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## Recent Examples of a TIF Agreement

- In 2011, the City granted a 7-year, \$12 million TIF for the development of Vertex Pharmaceuticals' Headquarters at Fan Pier. The project expected to create 2,000 new construction jobs, 500 new long-term positions, as well as raise \$5 million in affordable housing mitigations and \$990,000 in jobs housing mitigation. The project will also create \$55 million in new real estate tax revenues during the term of the agreement.
- In 2010, Liberty Mutual was awarded a TIF Agreement for a project located at Columbus Avenue and Berkeley Street in Boston. The 20-year TIF agreement included \$24 million in property tax relief from the City and \$22.5 million in state subsidies. In exchange, the company committed to creating at least 600 new jobs over the life of the agreement, in addition to the approximately 500 construction jobs the new development generated during the construction period. The project is also expected to create a revenue boost to the City of \$50 million over the 20-year agreement.

Tax-exempt bonds for non-profit institutions are available to educational, healthcare or cultural institutions that have federal 501(c)(3) tax-exempt status. Bond proceeds may be applied to construction and renovation projects for institutional uses. Such projects include: research and development facilities, medical diagnostic imaging facilities, museums, continuing care facilities, nursing or convalescent homes and academic facilities. These projects are not subject to the state volume cap on tax-exempt financing.

Tax-exempt industrial development bonds (IDB's) are issued to acquire land and construct new facilities, expand or renovate existing manufacturing facilities or purchase new equipment. These bonds are granted for projects that have a strong job creation and retention component. These bonds are subject to the state volume cap and are limited by federal statute to \$10 million per recipient.

Tax-exempt enterprise zone facility bonds (EZ Bonds) are a type of tax-exempt private activity bond that can be used by a qualified business to finance the cost of commercial, retail or similar facility. The borrower must be an "Enterprise Zone" business, and 95% of the proceeds from the bond issue must be used to finance "qualified zone property." The federal

legislation allowing for these bonds expired on December 31, 2013.

Taxable Bonds are rarely used, but when used often "trail" tax-exempt financing because a borrower organization's needs exceeds its eligibility to receive tax-exempt bonds for a particular project. The interest on these bonds is not exempt from federal taxes, there is no size limit and the volume cap restriction does not apply.

2) The **Boston Local Development Corporation (BLDC)** is a private non-profit 501(c)(3) Corporation administered by the Boston Redevelopment Authority. The BLDC provides loans for businesses in or relocating to Boston. These funds may be applied to buying a new business property or providing capital to grow businesses. The BLDC also facilitates participations with local banks by providing subordinated debt for small business loans. Over half of the businesses assisted are woman or minority owned.

In the past ten years, the BLDC has approved 63 loans for a total amount of \$7.4 million. These loans have been leveraged by recipients to raise over \$66 million in funds. The BRA reports that these financing activities have created and retained 1,210 jobs.

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### Recent Examples of I-Cubed Agreements

- In 2011, the first I-Cubed was executed with Fan Pier Development for the development of the headquarters of Vertex Pharmaceuticals Inc. The 1.1 million square foot development was granted \$50 million in I-Cubed funding. The headquarters is expected to create 2,000 new construction jobs, 500 new long-term positions, as well as raise \$5 million in affordable housing mitigations and \$1 million in jobs housing mitigation. If the employment tax revenue from new jobs for this project fails to cover the debt service costs, the developer has agreed to assume the obligation.
- Two I-Cubed applications are currently being processed in the City: Boylston West in the Fenway and Boston Landing, the future site of the New Balance World Headquarters, in Brighton.

3) Boston may also use **District Improvement Financing (DIF)**, which applies future incremental property tax revenues collected from a predefined district to fund debt service on bonds issued for public works and infrastructure components of development projects (established in 2003 under M.G.L. c. 40Q). DIF financing has not been utilized in Boston as of the writing of this report, but exists as an option for public financing.

Under a DIF agreement, the City of Boston establishes an improvement district and issues a bond for the initial funding of a project within that district. This initial municipal investment is geared toward stimulating private investment that will increase the taxable value of property and generate incremental taxes. Then, a percentage of the incremental tax revenues in excess of the original taxable value of the

district are allocated toward paying back the bonds.

The Assessing Department, BIDFA and the developer negotiate the percentage of incremental revenue that is used to repay the bonds. DIF agreements are limited to a maximum of 30 years.

To institute a DIF, the BRA would designate an area as a development district and develop a corresponding development program, which must be approved by the City Council. This program details necessary infrastructure improvements and how the project will encourage residential, commercial and/or industrial activity.

The public financing mechanism known as District Improvement Financing, or DIF, in Massachusetts is more commonly known as Tax Increment Financing, or TIF, throughout the rest of the country. However, in Massachusetts, TIF is already used to describe Tax Incentive Financing. To prevent confusion, Massachusetts uses DIF.

4) **Tax Increment Financing (TIF)** is a means of awarding tax benefits to stimulate local development. Authorized under state law (M.G.L. c. 40 §59), the TIF program allows Boston to enter into agreements with landowners granting tax abatements to encourage development. TIFs are only available in Economic Opportunity Areas (EOAs), which are areas approved by the BRA, City Council and the State Economic Assistance Coordinating Council (EACC).

TIF agreements are discretionary incentive tools to encourage development in areas that are deemed to be substandard. In a TIF agreement, the City grants an exemption on the incremental property tax created by the new development. In exchange for tax exemption, the property owner assumes the risk of developing in substandard areas. This provides the City with at least some tax revenue on

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property that would otherwise have been undeveloped or underutilized.

The TIF exemption may range from 5% to 100% of the taxes on the increase in property value. The company still pays the full tax rate on the “base value”. TIFs range from 5 to 20 years in duration. Businesses may also be entitled to an additional 10% Economic Opportunity Area Credit (EOAC) and 10% Abandoned Building Tax Deduction on their Massachusetts state tax returns.

State law also authorizes two specific TIF Programs that support housing and economic development. The Urban Center Housing-Tax Increment Financing Program (UCH-TIF) under M.G.L. c. 40 Section 60 authorizes Boston to use TIF to promote multi-unit housing and commercial development, including affordable housing, in commercial centers. UCH-TIF was enabled by the State Legislature in 2011, and has not been used in Boston as of the writing of this report. The Economic Development Incentive Program (EDIP) under M.G.L. c. 23A authorizes Boston to use TIF to stimulate business growth and foster job creation in locally targeted development areas.

5) The **Infrastructure Investment Incentive (I-Cubed) Program** is a financing option available through MassDevelopment to stimulate job growth and economic development through investment in new public infrastructure improvement (M.G.L. c. 129). The program ties the payment of debt service for bonds used to improve public infrastructure to increased tax revenue, especially income tax generated by the creation of new jobs in Massachusetts from a project.

Under the program, development of public infrastructure is paid for by proceeds from bonds issued by MassDevelopment, which are then paid back in the form of new state tax revenues. In return, once construction on infrastructure is completed, the developer turns

ownership of the infrastructure over to a public authority. Under this mechanism, the Commonwealth, Boston, and private developers share the cost and risk of investment in infrastructure needed to support a project.

To receive I-Cubed financing, a project must be certified as an economic development project. Certification requires approval by the Massachusetts Secretary of Administration and Finance, MassDevelopment, City Council and the Mayor. The Secretary of Administration and Finance must make a determination that a project would not be developed without I-Cubed financing. The total cost of public improvements must be between \$5 and \$50 million, and the anticipated state tax revenue must be at least 1.5 times the projected annual debt service on the bonds. A strict feasibility study is required to ensure that the project will generate sufficient revenue to support the debt. Project approval requires a rigorous review of revenues by an independent consultant and the State Department of Revenue.

Payments of debt service on I-Cubed bonds is through a General Obligation pledge by the Commonwealth. During construction, the City will levy municipal assessments on the project and in turn uses the revenue to reimburse the Commonwealth. Once a commercial component of a project is occupied and generating new state tax revenue, the debt service on the bonds relative to the commercial component are paid directly to the Commonwealth as state tax revenues such as income, sales, meals, hotel, business or construction wage tax assessments.

If the new state tax revenues are insufficient to cover the debt service of the bonds, the City is required to cover the amount of the shortfall. Developers may agree to cover this shortfall through municipal assessments, a letter of credit or other security interest, but is not legally required to do so. If the developer does not cover the shortfall, Boston taxpayers would absorb the costs of debt service payments.



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There is a statutory cap of three I-Cubed issues per municipality. Boston currently has one I-Cubed approved, and two other projects have submitted applications to the state. If both applications are granted, Boston will be at its cap.

#### 6) Local Infrastructure Development Program

New legislation was signed in August of 2013 that allows property owners to finance public infrastructure through the tax-exempt bond market under the Local Infrastructure Development Program (M.G.L. c. 23L). The Local Infrastructure Development Program has not been utilized in Boston as of the writing of this report, but exists as an option for public infrastructure financing.

Under the Local Infrastructure Development Program, MassDevelopment issues tax-exempt bonds to fund public infrastructure in a defined Local Infrastructure Development Zone. Debt service on the bonds is paid through a special infrastructure assessment or tax on all properties within the development zone. This differs from a DIF in that the debt service comes from an assessment levied in addition to the regular property tax, so ultimately payment for infrastructure improvements comes from the property owners, and not the City.

To receive financing, a developer files a petition with the municipality to establish a development zone. Included in the petition is an Improvement Plan outlining the infrastructure improvements to be made, estimated cost for financing improvements, and structure of infrastructure assessments.

In order to establish a development zone, 100 percent of the property owners within the proposed development zone must provide written consent to participate. Due to this, it is most likely that development zones will comprise individual project sites owned by a single developer.

Once a development zone has been established, the municipality will partner with MassDevelopment to issue bonds paid from the revenues generated by infrastructure assessments. The infrastructure assessments may be equal among property owners or may be calculated in any way that reasonably allocates the cost of the improvement among property owners.

#### 7) Federal Funding for Housing and Community Development

In addition to the funding options above, the U.S. Department of Housing and Urban Development provide funds to housing and community development projects. The Department of Neighborhood Development (DND) is responsible for managing these resources. Housing and community development grants are either granted annually based off of a formula or are awarded through a competitive application process by state and local governments.

Annual Formula Grants include:

- **HUD Community Development Block Grant (CDBG)**—Established in 1974, the CDBG program a key federal resource supporting the programs and services provided by the Department of Neighborhood Development. CDBG funds are used for housing development, social services and neighborhood business development. CDBG funds also support DND personnel, the Main Streets Program, and programs of the Mayor’s Office of Jobs and Community Services. In fiscal 2014, DND received \$16.8 million through this program. However, over the past five years, from fiscal 2010 through fiscal 2014, CDBG funding has decreased by 15%.
- **Section 108 Loan Guarantee Program** CDBG also has a loan guarantee component. Section 108 allows the City to borrow and re-lend up to five times the value of the CDBG allocation for economic development projects. DND



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currently has \$52 million in guarantee authority available until September 30, 2015 to support the City's "Boston Invests in Growth" Program.

- **HUD HOME Investment Partnerships Program** The HOME Investment Partnerships Program implements local housing strategies designed to increase homeownership and affordable housing opportunities for low and very low-income Americans. In fiscal 2014, DND received approximately \$4.4 million through this program. Approximately 88% of these funds will be allocated to developing affordable housing. Over the past five years, from fiscal 2010 through fiscal 2014, HOME funding has decreased by 48%
- **HUD Emergency Solutions Grant** The Emergency Solutions Grant supports essential services related to emergency shelter and street outreach, emergency shelter operation and renovation, short-term and medium-term rental assistance and housing relocation and stabilization. In fiscal 2014, DND received approximately \$1.1 million through this program.

**Competitive Grants include:**

- **HUD Continuum of Care for the Homeless Grant** The Continuum of Care for the Homeless Grant program provides competitive funding for efforts to re-house homeless individuals and families, to promote access to and effective utilization of mainstream programs, to optimizes self-sufficiency among individuals and families experiencing homelessness. The DND receives approximately \$24 million annually through this program.
- **HUD Lead Hazard Control Grant** The Lead Hazard Control Grant program addresses childhood lead-based paint poisoning and other childhood diseases associated with poor housing conditions.

### Board of Appeal or Board of Appeals

In Boston, the correct term is "Board of Appeal". The Board of Appeal is the only appellate zoning board in the State to be named "Board of Appeal" as opposed to "Board of Appeals". The appellate zoning boards in all other Municipalities are statutorily enabled by M.G.L. c. 40A, Section 12, which uses the term "Board of Appeals". Chapter 40A does not apply to Boston, where the Boston Zoning Code and City Ordinances control zoning. See (CBC 9-4). Thus, in Boston, the correct term is "Appeal", not "Appeals".

DND receives approximately \$1-3 million every 2-3 years through this program.

- **HUD Choice Neighborhoods Grant** The Choice Neighborhoods Grant program provides competitive planning grants and implementation grants to transform neighborhoods of extreme poverty functioning, sustainable mixed-income neighborhoods. DND received a one-time grant of \$20.5 million in 2012 for the purposes of redeveloping the Quincy Heights Project and investing in providing economic opportunity to the low-income residents of the surrounding Quincy Corridor Neighborhood in Dorchester.
- **EPA Brownfields Assessment Grants** The Brownfields Assessment Grant program provides competitive financial and technical assistance to prevents, assess, safely clean up, and sustainably reuse brownfields. DND receives approximately \$400,000 every 2-3 years through this program.

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## Role of City Departments, Boards and Commissions in Development Review

Although the BRA serves as the primary planning, zoning, economic development, and industrial development body in the City, other city departments also play key roles in the development process. These departments include the Assessing Department, Inspectional Services Department, Board of Appeal, Public Improvement Commission, Civic Design Commission, Landmarks Commission, Transportation Department, Air Pollution Control Commission, Groundwater Trust, Conservation Commission, Interagency Green Building Committee and Institutional Expansion Board.

In addition to meeting the requirements of Boston city agencies, development projects may also need to comply with state and federal review procedures.

**Assessing Department** The Commissioner of Assessing is required to be a signatory to all tax agreements approved by the BRA. The Commissioner of Assessing plays a vital role of representing the City's interests in negotiations of the terms and conditions of contract payments under Chapter 121A, Section 6A with the Boston Redevelopment Authority and private developers.

**Inspectional Services Department (ISD)** The ISD was established in 1981 to assume responsibilities of housing and building inspections (Chapter 19 of the Acts of 1981). The Commissioner of ISD is the authority tasked with administering and enforcing the Massachusetts State Building Code and the Boston Zoning Code. In accordance with Article 80, the Commissioner enforces these zoning codes by refusing to issue a permit to construct, alter, demolish, or change the occupancy or use of a structure until he or she has received a Certification of Compliance from the BRA ensuring that the project will not

be in violation of Article 80. Similarly, for smaller projects, the Commissioner of ISD is tasked with enforcing Articles 6, 7 and 8 of the Zoning Code. Article 6 covers conditional use permits, Article 7 covers variances, and Article 8 covers by-right zoning and uses. The Commissioner is appointed by the Mayor.

**Boston Zoning Commission** The Boston Zoning Commission adopts and amends zoning regulations for the City of Boston, often at the recommendation of the BRA. The Zoning Commission comprises 11 members, appointed by the Mayor and nominated by specified organizations representing architects, builders, labor unions and residential neighborhood organizations. The City is currently undergoing a comprehensive rezoning effort. For more on the Zoning Commission and the rezoning effort, see the section above on the Boston Zoning Code.

**Board of Appeal** The Board of Appeal hears requests for conditional use permits, variances, and other zoning relief. The Board comprises seven members who are appointed by the Mayor to serve staggered three-year terms subject to nominations from a variety of professional groups.

**Public Improvement Commission (PIC)** The PIC is responsible for the laying out, altering, widening, relocation, discontinuance, construction, or changing the grade of public streets in the City of Boston (CBC Ord. §7-7.1). PIC approval is necessary for temporary and permanent encroachments on the public way including access to streets and sidewalks and structural overhangs. Accordingly, if a development requires performing work within a public way, contains an architectural feature that extends beyond the property into a public way, or includes outdoor seating situated on public property, the developer or owner will need PIC approval of their project.

The PIC consists of the Commissioner of Public Works, the Commissioner of Property

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Management, the Commissioner of Inspectional Services, the Commissioner of Transportation, and the Executive Director of the Boston Water and Sewer Commission. The Public Works Department provides support staff and engineering support. The Commissioner of Public Works acts as Chairperson of the PIC.

#### **Boston Civic Design Commission (BCDC)**

The BCDC advises the City in reviewing the design of projects that are greater than 100 thousand square feet or that affect the public realm (Zoning Code Article 28). The Commission votes to approve the schematic design of a project or proposed district design. The BCDC's approval is then transmitted to the BRA and the Mayor. However, the Commission's role is purely advisory. The BRA or the Mayor may override the Commission's suggestion by providing written explanation of the basis for the approval of the project or the design guidelines.

The BCDC comprises 11 members, all appointed by the Mayor. At least six Commissioners must be architects, landscape architects, or urban designers, and at least one member must have expertise in historic preservation or architectural history.

**Boston Landmarks Commission (BLC)** The BLC was established as Boston's city-wide historic preservation agency in 1975 by state legislation (Chapter 772, of the Acts of 1975). The Boston Landmarks Commission is the primary preservation agency tasked with identifying and preserving historic buildings, places and neighborhoods. The BLC identifies historic properties and takes measures to preserve them. These measures include reviewing development and demolition proposed in the City, providing public information and assistance on preservation practices, and providing staff support to the many local historic district commissions. Local historic commissions have specific powers of

review; the three largest (in covered geographic area) are the Beacon Hill Architectural Commission, the Back Bay Architectural Commission, and the South End Landmark District Commission.

If a property is designated a Boston Landmark, all proposed exterior alterations need to be reviewed and approved by the Boston Landmarks Commission before a building permit is issued. Additionally, Article 85 of the Zoning Code grants the Boston Landmarks Commission the authority to review demolition of significant buildings. If the BLC deems it necessary, it may require a 90-day waiting period to further review alternatives to demolition with the applicant.

#### **Boston Transportation Department (BTD)**

The BTD manages traffic and the parking supply in the City of Boston. Under Article 80, proponents of new development are required to sign a Transportation Access Plan Agreement (TAPA). TAPAs bind developers to promises to mitigate transportation related impacts of development by creating traffic impact models, installing traffic signal equipment, promoting and subsidizing public transportation, facilitating ride-sharing and car-supply and improving public transportation facilities. The BTD also promulgates parking space guidelines throughout the City that regulate the number of parking spaces required for new developments. The Commissioner of the Boston Transportation Department is appointed by the Mayor.

#### **Boston Air Pollution Control Commission (APCC)**

The APCC administers the City's non-zoning parking freeze areas instituted under the Federal Clean Air Act (42 U.S.C. §7401) and the Massachusetts State Implementation Plan (310 CMR 7.30-7.33). Under the Implementation Plan, the neighborhoods of Downtown Boston, South Boston and East Boston are designated as parking freeze areas. In these areas, new commercial parking must be

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accompanied by the elimination of spaces at least equal to the number of new spaces being created. Parking freezes only apply to commercial spaces where cars are parked temporarily by the public for a fee. Most accessory parking spaces are exempt from the freezes. Construction or modification of a commercial parking facility that increases the number of parking spaces within a parking freeze district must purchase the rights to those spaces from a “parking freeze bank” where the rights to spaces are exchanged.

Commercial parking facilities may be granted an exemption from the APCC upon a finding that the primary business of the owner or operator of the facility is not the operation of parking facilities and that the facilities are only used by the lessees, employees, patrons, customers, clients patients or guests of the entity owning or operating the facility and that the public is effectively excluded. The Board consists of the Commissioner of Public Health, the Commissioner of Traffic and Parking, and three members appointed by the Mayor (CBC Ord. §7-2.1).

**Boston Groundwater Trust (BGT)** The BGT was established in 1986 and revised in 2005 by Ordinance. The role of the BGT is to monitor groundwater levels in Boston and to make recommendations to protect the water table. The BGT works with ISD and the BRA to understand and mitigate any negative impacts of development projects on ground water levels.

The BGT consists of at least 11 members. Nine “Constituent Trustees” are appointed by the Mayor upon recommendation from various neighborhood groups. Three Trustees are appointed by the Mayor from the Executive Branch of the City to serve *ex officio*. Finally, the President of the City Council or his designee from the City Council serves *ex officio*.

**Boston Conservation Commission (BCC)** The BCC preserves open space, wetlands and other natural areas of the City (CBC Ord. §7-

1.1). The BCC is the primary city agency tasked with administration of the Massachusetts Wetlands Protection Act, the Massachusetts Rivers Protection Act, and the Conservation Commission Act. The Commission comprises the Commissioner of Parks and Recreation, who serves *ex officio*, and six other Commissioners appointed by the Mayor. Two of the six commissioners must be nominated by local environment groups. The Conservation Commission is now in the process of drafting a local wetlands ordinance.

**Boston Interagency Green Building Committee (BIGBC)** BIGBC is an advisory board that examines a Proposed Project’s compliance with the City’s green building laws. The Committee consists of representatives of various city agencies including the BRA, the Environment Department, the Transportation Department, the Inspectional Services Department and the Mayor’s Office.

**Boston Fire Department** According to the Massachusetts Building Code, any development in Boston must be in conformity with the Boston Fire Code (Chapter 28 of the Ordinances of 1979). Inspection by the Fire Department is required prior to the issuance of a certificate of occupancy. Further, a permit issued by the Commissioner of the Fire Department is required for the maintenance of fire protection equipment and fire alarm systems prior to the commencement of any construction, repair, alteration, or demolition of buildings.

**Boston Public Safety Commission, Committee on Licenses** A development may require a License from the Boston Public Safety Commission, Committee on Licenses to keep or store, substances which are flammable, reactive, poisonous, or otherwise produce conditions hazardous to life or property. Any such license granted is subject to **conditions** and restrictions as may be prescribed by the Committee (Chapter 28 of the Ordinances of 1979).

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## A Plan of Action

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## Conclusion and Recommendations: A Plan of Action

As the Walsh Administration begins its management of the City of Boston, the Research Bureau strongly believes that analyzing Boston's past practices as well as its performance through cycles of both economic growth and downturn will help shape the policies of Boston's future. Stemming from this analysis is a framework of opportunities that are highlighted over the next few pages and are intended to serve as a useful guide for Mayor Walsh and his Administration to efficiently provide basic services and maintain the strong fiscal health of the City.

### FINANCIAL MANAGEMENT

**1) Estimate Revenues Conservatively** The Menino Administration ended each of its twenty years with operating surpluses because from the start its policy was to be conservative in its revenue estimates in building the city budget each year. That policy served the City well, especially in times of economic slowdown so that the decrease of revenues more affected by the economy would be offset by receipts collected over estimates by other revenues. Building permits and the excise taxes are revenues influenced by the economy. Conservative revenue estimates also help address budget expenses that exceed their appropriations. Police and Fire Departments due to overtime, Snow Removal and Execution of Courts are accounts that tend to incur year-end deficits that have required revenues in excess of estimates to offset the shortfall. Remaining surplus revenue at year end is also beneficial since it goes to fund balance to be included in the next year's free cash certification for future appropriation.

**2) Importance of New Growth** With the property tax representing two-thirds of the City's total operating revenues, new growth is a critical component of the tax levy growth, as

described in the property tax section. The City's development process must be structured to support responsible new development and to continue to make development in Boston attractive and competitive with other major cities in the country. The success of creating new growth in Boston is indicated by the fact that over the past 12 years, new growth represented 50% or more of the total tax levy increase in seven years and constituted 49% of the levy increase in three other years. Any changes in the development process should be carefully made after open discussion with all interested parties.

**3) Free Cash** Treating the City's budgetary fund balance or free cash as a non-recurring revenue has been beneficial to the City by carefully and over time building up healthy free cash reserves that contribute to a high bond credit rating and lower interest costs. The importance of this reserve, that currently is equivalent to 6.8% of the fiscal 2014 operating budget, cannot be overstated. Free cash has been applied to help mitigate some revenue loss during times of economic slowdown and lately to annually provide limited funding to the OPEB Trust Fund. As a non-recurring revenue source, applying the funds first to non-recurring expenses is a prudent policy as is the policy of not using this source for recurring collective bargaining expenses.

**4) Pursue Legislative initiatives** As the Capital city and source of much of the state's economic activity, the City of Boston should pursue opportunities to increase the diversity of its revenue sources and reduce its expense obligations. Boston's inability to establish its own revenue sources places it in a competitive disadvantage with other major cities in the country, which is why the City has advocated for new revenue sources and partnered with other Massachusetts cities in supporting



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municipal relief legislation when the occasion arises. In 2008, the City of Boston initiated a public campaign to establish the meal excise tax for municipalities. That work contributed to the enactment of state law (Chapter 27 of the Acts of 2009), which the City adopted and from which it received \$10.0 million for a partial year in fiscal 2010 and \$22.9 million in fiscal 2013. The meals excise budget estimate in fiscal 2014 is \$21.5 million. The same legislation also was supported by the City because it authorized an increase in the room occupancy excise from 4% to 6%.

Other examples described in the report include the effort of Boston and other cities to be authorized to tax locally telecommunication property including poles, underground conduits and switches. The City's legislative success in eliminating the legal requirement that it set aside between 5% and 6% of the levy for the overlay is another example.

While coming before the period covered in this report, an active campaign by the City of Boston, with assistance from the business community, resulted in the enactment of the room occupancy excise of 4% for cities and towns and the aircraft fuel excise which in fiscal 2014 are expected to produce \$59.0 million and \$30.8 million respectively.

On the expense side, legislation in 2011 transferred approximately 1,000 Suffolk County Sheriff Department employees to the state and separate legislation transferred the responsibility for the payment of Boston teacher pensions to the Commonwealth.

**5) Update Fees and Charges** Updating a different group of fees and charges every few years has enabled the City to keep them aligned to some degree with the actual cost of providing the service and, in aggregate, has produced an important increase in city revenue. Since fiscal 2002, the modification of fees and charges has created approximately \$29 million increase in General Fund revenue.

## **6) Focus on Revenue Collection Process**

Given the two-thirds share the property tax represents of the total revenue, the City employs a robust process for the collection of property taxes. A combination of letters and calls reminds taxpayers of the tax bill due. The City also pursues the legal steps for delinquent property tax bills including placing a lien on the property by taking legal title. In fiscal 2013, the City succeeded in collecting 99.1% of the gross levy. The City has implemented a comprehensive accounts receivable management program that coordinates the collection of departmental revenue. Facilitating payment by enabling the taxpayers to submit payment for licenses, permits, fees and fines with credit and debit cards has been implemented. Taxpayers can pay real estate taxes by use of online direct debit. The City has been participating with the state Department of Motor Vehicles in its program that will not allow a license to be renewed unless all parking violations of the driver are paid. Contributing to the success of these steps and more is the assistance of improved technology under the guidance of the City's Department of Information and Technology.

**7) Manage Personnel Levels** Management of personnel levels is essential to controlling overall operational expenditures since spending on employees represents almost 70% of the City's total operational costs. In fiscal 2013, salaries alone represented 48% of total General Fund spending and benefits constituted 16.6%. The task of monitoring personnel levels and evaluating requests for an increase in new positions, filling budgeted vacancies or determining when staff reductions are required should be an integral part of the budget process, and continued throughout the year. Since 2002, that responsibility has been undertaken by the Position Review Committee. As a result, over the past 11 years, Boston's city-funded workforce decreased by 6% as a means of controlling spending and contributing to ending each year with an operating surpluses.

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## **8) Approve and Manage a Balanced Budget**

Approving a balanced budget is a basic principle of fiscal policy but one that requires discipline in light of the demand for services beyond what the City can afford. Developing a budget based on realistic and preferably conservative revenue estimates is an important first step. Projecting the future financial impact of current spending is a necessary exercise in developing the next year's budget. Included in the analysis should be the current and future operating budgetary demands for services from collective bargaining contracts, the City's capital program and debt service costs, pension-related expenses, health insurance premium growth, state assessments and trends in external funding. Managing the operating budget is essential to insure that spending is kept within budget parameters and adjustments are made if necessary during the course of the year.

## **9) Ensure Balance in Collective Bargaining**

With the City of Boston negotiating with 40 different unions that represent 91% of Boston's total workforce and almost 70% of the operating budget tied to employee expenses, the collective bargaining process is a driver of the City's growing budget. The City should strive to balance providing a fair wage increase with efficiency measures that would enable services to be provided more cost effectively. Caution should be exercised in expanding any existing benefits or compensation adjustments beyond salary increases without a full assessment of the short and long-term cost implications. Included in this category would be the current benefit buy-back features in existing contracts such as vacation pay. Every negotiating proposal from the unions should be costed-out by OBM before it is considered by the City.

## **10) Fully Fund Pension Liability by 2025**

The City's current timetable of maintaining a pension funding schedule that will enable the City to reach full funding of its unfunded

pension liability by 2025 should continue to be followed. That schedule would mean that any further reduction of the SBRS' investment return assumption or change in the COLA base should be evaluated by how either would affect the 2025 schedule. As noted in this section, if full funding of the pension unfunded liability is reached in 2025, the City's pension cost in fiscal 2026 would be reduced by approximately 77% as the amortized portion of the liability would have been fully paid and those funds could be allocated to the OPEB Trust to fund that larger liability.

**11) Fund the OPEB ARC** The City should increase its annual contribution to the OPEB Trust over the next three years so that when combined with the retiree health insurance appropriation, it at least meets the Annual Required Contribution (ABC) as established by the most recent Actuarial Valuation statement. The fiscal 2014 health insurance budget for retirees is \$115.3 million and \$40 million was added to the OPEB Trust for a total of \$155.3 million. The ARC, which represents the liability incurred by active employees, is \$162.8 million or \$7.5 million more than what the City funded.

**12) Ongoing Discipline** The monitoring and evaluating of employee levels and decision-making on growth or cuts in positions should be a continual process in periods of economic downturn and fiscal stress, and periods of fiscal health and growth. During the more stressful economic times, reduction of staff is one of the few tools available for spending reduction. However, greater discipline over position review is required during more economically healthy times to prevent excess position expansion adding to salary and benefit costs that will force even larger employee reductions at the next downturn in the economic cycle.

## **13) Factor Impact on Unfunded Liabilities**

The decisions by city officials regarding

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increases in city-funded positions should take into consideration their affect on the City's annual health insurance costs and the impact on its long-term unfunded pension liability and retiree health insurance liability (OPEB). The City's pension funding schedule requires a 9.25% increase each year to reach full-funding of its pension liability in 2025. The City is only appropriating each year a small portion of what should be allocated to the OPEB Trust to deal with a \$2.1 billion unfunded liability. The significant fiscal obligations of these two unfunded liabilities should be a factor that influences all decisions regarding increases in employee levels, salaries and benefits.

#### **14) Integration of Budget and Labor Relations**

The City's finance and labor relations officials worked collaboratively to understand the current and potential future cost of each salary, benefit and language change in its own proposals and in each iteration of every union proposal. That sounds like a logical process, but finance and labor relations officials working together as a team throughout the whole bargaining process did not always happen in past Administrations when budget officials were charged with costing out an agreement after negotiations had concluded. As part of this relationship, labor relations officials must be given a realistic financial number to negotiate the efficiency and reform language sought in the contract along with salary increases.

#### **15) Collective Bargaining Negotiating Team**

The City should be represented by a team at the negotiating table. Team members should attend all of the negotiations to the extent possible. One or more managers from appropriate line departments need to serve on the negotiating team. Contract negotiations are time consuming so the Mayor, or Superintendent of Schools in the case of school union contracts, should entrust full responsibility for negotiations to the bargaining team while staying briefed on the progress and only

participating at the end of talks if it would help reach a final settlement. Once a union has had direct access to the chief executive officer during a negotiation, the union will generally not accept any other party as the legitimate management representative.

#### **16) Collective Bargaining Proposals**

Developing powerful, rational and thoughtful proposals that are well researched is important for city negotiators and once the proposals are established, officials should be firm in what is important to achieve and not back down during discussions.

#### **17) Consistency in Contracts**

Once the first civilian contract is negotiated, the City should price all other contracts based on the first standard and stay consistent. That is the model followed in the current round of negotiations with the City's civilian unions that agreed to the same wage package and uniform set of personnel policies in areas of attendance, light duty, military leave, medical leave, and holidays.

#### **18) Open Process for Collective Bargaining**

Follow a more open process in communicating about contract status and objectives so the public and taxpayers are more aware of the expectations and cost factors after they have been placed on the bargaining table and discussed.

#### **19) Work with Financial Experts**

The legal and financial knowledge required for the complexity involved with the planning, preparation and timing of a General Obligation or Special Obligation bond issue requires particular expertise requiring outside professional firms to assist the City as its Financial Advisor and Bond Counsel. The City has utilized the leading firms in Boston and the country to serve in these capacities. Currently the Boston office of Edwards Wildman Palmer LLP serves as the City's Bond Counsel and the Boston office of Public Financial Management, Inc. (PFM) serves as the City's Financial

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Advisor. The City's RFP for Financial Advisor stipulates that it should be an independent financial advisor, not an investment bank, a policy reinforced by new regulations of the federal Dodd-Frank Act. The City's strong standing and success in the market and its ability to take advantage of unique bond opportunities are, in good part, due to the work of these firms. After a reasonable time, it is appropriate for the City to open up the bidding for these services to ensure competitive service and cost for this high level expert service.

**20) Adopt Prudent Debt Standards** The carefully followed conservative debt standards established by the City proved especially beneficial during economic downturns when municipal debt was more difficult to sell. During the last recession, the City was able to sell its bonds in the market without insurance and each year received multiple bids at excellent rates. Not all cities during this time were able to issue bonds or were required to pay higher interest rates. The annual infrastructure needs of the City are extensive and require meeting a balance between the capital requirements and the debt standards which should keep debt service costs within the standard but not too much below it. The City should maintain the discipline of following these debt standards equally in good and challenging financial times.

**21) Be Flexible on Bond Sale Schedule** The City's capital plan consists of a five-year plan that includes the amount of bonds that will be issued each year. In times of a slow economy and fiscal stress, adjusting the amount of bonds issued for one or two years has been a factor in managing the problem as a means of reducing the estimated cost of annual debt service. In a period of abnormally low interest rates, increasing borrowing to support needed infrastructure improvements for future development should be considered as well.

**22) Maintain Healthy Reserves** The City high bond ratings and its positive standing in

the market are due to several factors, but its strong unassigned fund balance is an essential ingredient. The City has assigned or committed funds to various reserves which exceed the Generally Accepted Accounting Principles (GAAP) fund balance policy which requires an unassigned general fund balance of at least 10% of budget. The rating agencies look positively on healthy reserves since they provide ample liquidity for the City's operations if unexpectedly needed.

**23) Refinance Debt When Practical** The refinancing of the City's debt by the issuance of refunding bonds and applying available reserves or a combination of both to take advantage of lower interest rates and generate savings is a practice that should be utilized when the conditions are right. The City has benefitted by the market which has resulted in lower interest rates allowing the City to issue refunding bonds every year except two during the 12-year period of this study. The market is expected to move into a rising interest rate environment which will limit the frequency of opportunities.

**24) Take Advantage of New Types of Bond Issues** While the City will primarily issue General Obligation Bonds annually, the opportunity to issue other GO-type bonds that provide lower interest rates should be considered when they become available. This situation may involve state or federal programs in response to an effort to stimulate the economy during an economic downturn. For example, the City did utilize the ability to issue Build America Bonds (BABs), Recovery Zone Bonds and Qualified School Construction Bonds (QSCBs) at lower interest rates as part of the federal ARRA economic stimulus effort. The City should also continue to defer use of variable rate debt which is subject to a floating interest rate.

**25) Fully Utilize Debt Service Standard** Boston's policy that debt service should not exceed 7% of the operating budget is a

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reasonable but still conservative standard. Boston's capital budget does not meet the capital requirements of its 127 schools or the demands for technology improvements. More capital funds should be devoted to infrastructure to support new development. In fiscal 2013, debt service costs represented 5.2% of operating expenditures. Capital expenses should increase to a point that debt service costs reach but do not exceed 7%.

## **26) Competitive Service Delivery (CSD)**

The Walsh Administration should embrace the implementation of CSD. CSD is a process that encourages both public employees and private companies to bid on the delivery of selected municipal services. Successfully implemented in other cities, CSD produces improved city services, cost savings over time and better prioritization of resources. CSD is not currently utilized by Boston. CSD is not a method for eliminating jobs and is not privatization. The goal of CSD is to ensure that city government: 1) delivers services that it should, 2) delivers them efficiently and 3) delivers the best quality and price to taxpayers.

**27) Departmental Operation Review** A system to provide a comprehensive management study of the operations of at least one major line department of the City each year should be established by the Administration. Past studies of the Fire and the Election Departments are good models in that they identified areas of inefficiency and made recommendation for improved service delivery. A comprehensive operational review process would give department heads incentive to devote more attention to service efficiency and human resource issues, especially if there were no advanced schedule of which departments would be selected each year. The experience with the Fire Department studies shows that the Administration must be committed to implementing the study's key recommendations after its review if the management review is to be successful.

At the start of his Administration, Mayor Walsh has initiated management operational studies for the Boston Redevelopment Authority and the Inspectional Services Department. Continuing this process for one line department a year would help improve efficiency of service delivery and better align limited public resources to serve the public.

## **THE DEVELOPMENT PROCESS**

For a City that relies on the property tax for two-thirds of its operating revenue, new development is essential to maintaining its fiscal health, balance its budget, provide basic services and finance any new initiatives. Based on the Research Bureau's examination of the development process in Boston, the report offers the following recommendations:

### **1) Inclusionary Development Program**

Conduct an evaluation of the Inclusionary Development Program (IDP) to gauge its effectiveness in creating housing for moderate income households, and determine if adjustments should be made. Consider raising the income limit to a higher percent of Area Median Income (AMI) to provide more funding for workforce housing or moderate income housing. Determine if a density bonus should be available in exchange for workforce units? Evaluate whether IDP requirements could be varied by neighborhood so that the income limits would be higher in high-value core neighborhoods. Reach agreements with unions to adjust wage rates based on the income limit of the housing being built. Evaluate whether the BRA should increase the amount of the buyout for developers for the delivery of new units in other project in the relatively same general area of the City.

**2) District Increment Financing** Create one or more District Increment Financing (DIF) Districts in areas with multiple development sites, such as the Fairmount Corridor. By devoting a specific percentage of property tax



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revenues towards bonding for public improvements in the neighborhoods surrounding the anticipated development, a DIF could provide area residents tangible benefits flowing from new construction. These improvements could range from mitigation measures surrounding the site to new recreational facilities at a local park.

**3) Create Incentive Guidelines** Rather than provide incentives on a case-by-case basis, the City should consider creating incentive guidelines for redevelopment of sites with particular challenges, such as the Turnpike Corridor, or areas where the City wants transformational change, such as Dudley Square. Incentives could take many forms, from density bonuses to TIFs to streamlined permitting.

**4) Simplify Mitigation Requirements** The BRA should simplify mitigation requirements by stating them in a single comprehensive mitigation agreement that would provide guidelines for mitigation and public benefits based on project size, cost and impacts to reduce case-by-case negotiations.

**5) Streamline Permitting Process** From the independent assessment of the City's permitting process now underway, the City should establish an improved permitting process that insures better coordination among the city departments and agencies that issue development permits. This process should provide for smoother ISD zoning and building permit review and expedited permitting for projects subject to Article 80 and those meeting planning goals such as transit-oriented development or workforce housing.

**6) Address Design Review Earlier** The BRA should initiate the detailed design review of a development project earlier in the development review process so that substantial changes can be addressed sooner when plan modifications can be less expensive to achieve.

**7) Manage Departmental Comments** The Article 80 process is criticized for taking too long to complete and often contributing to the delay are comments from city departments that are required as part of the scoping determination exercise. Procedures should be established that require completion of departmental review and comments by a time certain. To facilitate the scoping process, the Cabinet Office of Economic Development should designate an official to manage departmental comments for Article 80 development projects.

**8) Develop a Joint Project Review Process** Because the Boston Zoning Code is highly restrictive, most development projects, from the smallest to the largest, require zoning relief from the Board of Appeal. This multi-step process is confusing and expensive for homeowners and small businesses and, for large project developers, is time-consuming and not well-coordinated with Large Project Review by the BRA. A simplified administrative appeal process for small projects should be created to relieve the Board of Appeal's case backlog and provide a more user friendly small project review. The Chief of Economic Development and the Chief of Environment and Energy should establish an inter-departmental BRA/ISD unit to jointly process projects subject to both BRA review and Board of Appeal relief.



## Appendix A

### Revenues: Budget vs. Actual

FY09-FY13

Account	FY09	FY10	FY11	FY 12	FY13
Property Tax Budget	\$1,364,580,347	\$1,429,324,788	\$1,502,324,986	\$1,575,372,803	\$1,642,625,735
Property Tax Actual	1,365,271,912	1,440,193,327	1,504,565,685	1,577,252,692	1,643,366,520
<b>Variance</b>	\$691,565	\$10,868,538	\$2,240,699	\$1,879,889	\$740,785
State Aid Budget	\$610,018,361	\$545,125,805	\$395,699,782	\$385,877,041	\$404,052,145
State Aid Actual	573,278,244	413,208,710	395,200,447	390,474,744	403,274,565
<b>Variance</b>	(\$36,740,117)	(\$131,917,095)	(\$499,335)	\$4,597,703	(\$777,580)
Licenses and Permits Budget	\$40,585,000	\$31,260,000	\$32,490,000	\$33,750,000	\$38,742,936
Licenses and Permits Actual	41,008,357	30,557,592	39,886,846	51,931,563	45,573,603
<b>Variance</b>	\$423,357	(\$702,408)	\$7,396,846	\$18,181,563	\$6,830,667
Excise Tax Budget	\$91,495,000	\$85,654,002	\$105,345,000	\$131,925,000	\$149,533,722
Excise Tax Actual	106,852,163	103,417,097	125,234,753	155,546,708	174,379,959
<b>Variance</b>	\$15,357,163	\$17,763,095	\$19,889,753	\$23,621,708	\$24,846,237
Investment Income Budget	\$18,500,000	\$6,500,000	\$2,000,000	\$1,500,000	\$900,000
Investment Income Actual	17,835,384	3,182,220	1,391,923	981,948	178,581
<b>Variance</b>	(\$664,616)	(\$3,317,780)	(\$608,077)	(\$518,052)	(\$721,419)
Cemetery Fund Budget	\$2,188,825	\$2,079,153	\$2,108,718	\$2,066,543	\$0
Cemetery Fund Actual	2,188,825	2,079,153	2,108,718	0	0
<b>Variance</b>	\$0	\$0	\$0	(\$2,066,543)	\$0
Parking Meters Budget	\$12,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Parking Meters Actual	12,000,000	15,000,000	15,000,000	0	0
<b>Variance</b>	\$0	\$0	\$0	(\$15,000,000)	(\$15,000,000)
Free Cash Budget	\$35,000,000	\$45,000,000	\$45,000,000	\$30,000,000	\$0
Free Cash Actual	35,000,000	45,000,000	27,000,000	0	0
<b>Variance</b>	\$0	\$0	(\$18,000,000)	(\$30,000,000)	\$0
Total Revenues Budget	\$2,420,123,047	\$2,407,437,905	\$2,409,528,110	\$2,395,244,690	\$2,476,335,122
Total Revenues Actual[1][2]	2,425,881,245	2,303,265,871	2,429,714,338	2,414,406,444	2,504,344,846
<b>Variance</b>	\$5,758,199	(\$104,172,035)	\$20,186,227	\$19,161,754	\$28,009,724

[1] FY09 Includes \$23.3 million in ARRA funds used for general fund purposes. \$13,093,550 of this was used for BPS Health Insurance

[2] FY11 includes a one time extraordinary Pension payment of \$82.0 million

Source: City of Boston, Office of Budget Management

## Appendix B

### Employee Contract Status by Union Group

No.		Department	Employees Represented	Status	% of Total
BPHC					
1	SEIU-BPHC Programs	BPHC	173	Contract Settled	1.0%
2	SEIU-BPHC Counselors	BPHC	77	Contract Settled	0.4%
3	SEIU-BPHC Coordinators	BPHC	65	Contract Settled	0.4%
4	AFSCME-BPHC	BPHC	54	Contract Settled	0.3%
5	SEIU-BPHC	BPHC	41	Contract Settled	0.2%
6	SEIU-BPHC Clerical and Technical	BPHC	38	Contract Settled	0.2%
7	National conference of Firemen and Oilers-BPHC	BPHC	5	Contract Settled	0.0%
8	Salaried Employees of North America (SENA)	BPHC	41	Contract Settled	0.2%
9	Emergency Medical Technicians (EMTs)	BPHC	334	In Negotiation	1.9%
9	Total BPHC		828		4.6%
CITY					
Public Safety					
1	International Association of Firefighters, Local 718	Fire	1,478	In Negotiation	8.2%
2	Boston Patrolmen's Association	Police	1,447	Approved	8.1%
3	Boston Police Superior Officers	Police	247	In Negotiation	1.4%
4	Boston Police Detectives Benevolent Society	Police	280	In Negotiation	1.6%
5	Superior Detective Benevolent Society	Police	126	In Negotiation	0.7%
5	Subtotal Public Safety		3,578		19.9%
OTHER CITY					
1	SEIU, Local 888	Citywide	1,036	Contract Settled	5.8%
2	AFSCME C93 (Citywide & Various Locals)	Citywide	1,128	Contract Settled	6.3%
3	SENA, Locals 9158 and 9158E	Citywide	663	Contract Settled	3.7%
4	OPEIU AFL-CIO L16 (Housing Inspectors)	Inspectional Services	22	Contract Settled	0.1%
5	IBEW, Local 103	Inspectional Services	9	Contract Settled	0.1%
6	AFSCME Local 1526	Library	218	Contract Settled	1.2%
7	Professional Staff Association (BPL)	Library	144	Contract Settled	0.8%
8	Park Rangers	Parks	10	Contract Settled	0.1%
9	Forensic Group (BPD) (Civilian)	Police	23	Contract Settled	0.1%
10	School Traffic Supervisors Association (Civilian)	Police	197	Contract Settled	1.1%
11	Typographical Union (Civilian)	Police	3	Contract Settled	0.0%
12	Municipal Police Patrolmen's Association	Property & Construction Management	52	Contract Settled	0.3%
13	Municipal Police Superior Officers Association	Property & Construction Management	7	Contract Settled	0.0%
14	NOFO	Property & Construction Management	7	Contract Settled	0.0%
14	Subtotal Other City		3,519		19.6%
19	Total City		7,097		39.5%
SCHOOL					
1	Boston Teachers Union	Schools	7,669	Contract Settled	42.7%
2	Boston School Police	Schools	55	Contract Settled	0.3%
3	Lunch Hour Monitors Association	Schools	372	Contract Settled	2.1%
4	BASAS (School Administrators & Supervisors)	Schools	267	Contract Settled	1.5%
5	Administrative Guild	Schools	277	Contract Settled	1.5%
6	Planning & Engineering	Schools	32	Contract Settled	0.2%
7	School Police Superior Officers Association	Schools	20	Contract Settled	0.1%
8	School Custodians Local 1952, Painters & Allied Trades District Council #35	Schools	478	Contract Settled	2.7%
9	Plant Administrators Association	Schools	12	Contract Settled	0.1%
10	School Bus Monitors USWA Local 8751	Schools	459	Contract Settled	2.6%
11	AFSCME C93, Local 230 Cafeteria Workers	Schools	380	Contract Settled	2.1%
12	AFSCME C93, Storekeepers & Deliverymen	Schools	10	Contract Settled	0.1%
12	Total School		10,031		55.9%
40	Grand Total		17,956		100.0%

Source: City of Boston, Office of Budget Management

## Appendix C

### Salary Increases for Selected Unions, FY 1995 - FY 2016

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
July	5.0%	6.0%	4.0%	4.0%	3.0%	3.0%	0%**	0%**	4.0%	2.5%	2.5%	3.5%	2.0%	2.5%	3.0%	3.5%	2.5%	1.0%	1.0%	3.0%	3.0%	3.0%
January																						
July	5.0%	6.0%	4.0%	4.0%	3.0%	3.0%	0%**	0%**	4.0%	2.5%	2.5%	3.5%	2.0%	2.5%	3.0%	3.5%	IN	IN	IN	IN	IN	IN
January																						
July	5.0%	6.0%	4.0%	4.0%	3.0%	3.0%	0%**	0%**	4.0%	2.5%	2.5%	3.5%	2.0%	2.5%	3.0%	3.5%	IN	IN	IN	IN	IN	IN
January																						
July	2.5%	4.0%	4.0%	4.0%	3.0%	3.0%	0%**	0%**	4.0%	2.5%	2.5%	3.5%	2.0%	2.5%	3.0%	3.5%	IN	IN	IN	IN	IN	IN
January	4.0%																					
July	1.5%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	B	2.0%	2.0%	2.5%	2.5%	2.0%	2.5%	3.0%	2.5%	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
October																						
January																						
April	1.5%																					
June																						
July			3.0%	3.0%	3.0%	3.0%	3.0%	3% B	2.0%	2.0%	2.0%	1.0%										
September																						
October		3.0%												0.5%								
November														2.0%	2.5%	2.5%						
January	3.0%																					
June		2.0%																				
August																						
September	0.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%	2.5%	2.0%	2.0%	3.0%^	3.0%	0.0%	1.0%	2.0%	3.0%	3.0%	3.0%
January																						
February																						
April																						
July																						
October		3.0%																				
January	3.0%																					
July	5.0%	6.0%	3.0%	3.0%	4.5%		4.0%	4.5%	4.0%	2.5%	2.5%	3.5%	2.0%	2.5%	3.0%	3.5%	IN	IN	IN	IN	IN	IN
January																						
June																	2.5%					

IA = In arbitration & IN = In negotiations

\*\*Quinn Benefits effective 7/5/00: 10% for associates, 20% for bachelors, 25% for masters/JD for teachers with a Masters degree and 60 credits

\*\*\* \$600 base wage increase for teachers, excluding step 1. \$300 base wage increase for paraprofessionals

^ Excluding step 1

A. Effective January 1, 2002, for employees entitled to the fourth or fifth annual vacation weeks, such employee, at his/her option, can redeem each vacation year, one week of the employee's annual vacation entitlement

B. Effective July 1, 2001, the dental/vision plan shall be available to eligible employees

C. Effective July 1, 2004 upon the retirement of an employee pursuant to the regulations of the State/Boston Retirement Board, the City shall redeem thirty percent of the employee's accrued but unused sick leave at the employee's final rate of pay.

D. Effective the first pay period of January 2006, an employee who on January 1 has more than 20 years of service, who has used fewer than five sick days in the twelve-month period ending December 31 of any year in which this agreement is in effect may elect to redeem vacation days in a lump sum cash payment.

Source: City of Boston, Office of Budget Management

## Appendix D

### City of Boston Appointed Positions by Cabinet

# Member of Mayor's Cabinet

\*Appointed by the Mayor. (All other positions are appointed by department heads at the direction of the Mayor)

Cabinet/Department		Appointed Position
<b>Mayors Office</b>		
	Law Department	Corporation Counsel*#
	Office of Emergency Management	Director of the Office of Emergency Management** Office Manager City Council Liaison
	Office of Neighborhood Services	Executive Director of Neighborhood Services* Associate Director of Neighborhood Services City Council Liaison (16) Neighborhood Services Coordinators
	Office of Public Information (Mayor's Press Office)	Press Secretary* Deputy Press Secretary Director of Constituent Engagement Office Manager
	Office of the Mayor	Chief of Staff*# Chief of Policy & Planning*#
<b>Advocacy and Strategic Investment Cabinet</b>		Chief of Strategic Investment*#
	Office of the Boston Resident Jobs Policy (Employment Commission)	Director of the Office of the BRJP*
	Office of Small & Local Business	Director of S/LBE* Deputy Director/Certification Manager
	Office of New Bostonians	Director of ONB* Office Manager Commissioner of Community Outreach Policy Affairs Advocacy Coordinator
	Department of Intergovernmental Relations	Director of IGN
<b>Administration &amp; Finance Cabinet</b>		CFO/Collector Treasurer*# Chief of Personnel & Labor Relations*# Deputy Chief Operating Officer* Mayor's Senior Policy Advisor for Administration and Finance* Special Advisor to the Office of Administration and Finance
	Assessing Department	Commissioner of Assessing* (2) Assistant Commissioners of Assessing* Assessing Board of Review Member*
	Assessing Department Continued	Director of Research Director of Tax Policy Director of Valuation Operations Manager.
	Auditing Department	City Auditor* (5) Audit Committee Members* Deputy City Auditor
	Department of Labor Relations	Director of Labor Relations
	Human Resources Department	Director of Human Resources* Director of Health Benefits & Insurance* Assistant Director of Human Resources Human Resources Administrator

## Appendix D (continued)

Library Department	(9) Board of Library Trustees* [The executive team is appointed by the Board of Trustees, independently of the Mayor] President Chief Financial Officer Director of Administration and Technology Chief of Communications & Strategy Director of Library Services Director of Library Branches Chief of Collections Strategy Chief of Communications & Strategy Chief of Public Services Major Projects Program Manager Manager of Central Library Services Manager of Neighborhood Library Services Manager of Exhibitions & Programs Chief of Technical & Digital Services Manager of Technical Services Supervisor of Accounting Superintendent of Facilities Human Resources Manager Director of Information Technology
Office of Budget Management	Budget Director* Deputy Budget Director for Capital and Planning Deputy Budget Director for Revenue and Research, Senior Policy Analyst Senior Finance Manager Risk Financing Manager
Purchasing Department	Purchasing Agent*
Registry Department	City Registrar*
Treasury Department	Collector-Treasurer* Chief of Staff First-Assistant Treasurer for the Treasury Division Second-Assistant Treasurer for the Collections Division First-Assistant Treasurer for the Collections Division Second-Assistant Treasurer for the Collections Division
<b>Public Property Cabinet</b>	
	Chief of Public Property**
Mayors Office of Arts, Tourism & Special Events (MOATSE)	Director of MOATSE* (4) Art Commissioners* (15–21) Boston Cultural Council Members*
Election Department (Department Of Voter Mobilization)	(4) Election Commissioners (1 as Chairperson)* Jury Commissioner*
Department of Property & Construction Management (DPCM)	Director of DPCM* Deputy Commissioner of DPCM Assistant Director for Planning and Management Assistant Directors for Capital Construction Assistant Director for Design Deputy Director of Construction Management Director of Animal Control Director of Boston Municipal Protective Services
Department of Parks & Recreation	Commissioner of Parks & Recreation* Assistant Commissioner for Administration & Finance* (3) Associate Commissioners* Assistant Supervisor of Parks & Recreation Director of External Affairs Director of Maintenance Executive Secretary to the Parks Commission Finance Director Business Operations Manager (2) Superintendents of Grounds Maintenance (for the City's two golf courses.)

## Appendix D (continued)

Department of Consumer Affairs and Licensing	Executive Director of Consumer Affairs and Licensing* Deputy Director/Legal Advisor Assistant Director of Operations
<b>Information Cabinet</b>	
Department of Innovation and Technology (DoIT)	Chief of Information/Director of DoIT** Director of Infrastructure and Operations Director of Cable and E-Government Co-Directors of the Boston Urban Mechanics Program Chief Public Safety Information Officer
<b>Education Cabinet</b>	
School Departments	Boston School Committee* Superintendent of Schools* (appointed by School Committee in collaboration with the Mayor) [The following members of the Executive team are appointed by the Superintendent] (3) Deputy Superintendents (6) Assistant Superintendents (8) Network Superintendents Special Advisor to the Superintendent Chief of Curriculum & Instruction Chief of Staff Chief Communications Officer Chief Equity Officer Chief Operating Office for Student Support Chief Operating Officer for Programs & Services Executive Director of the Achievement Gap
School Department Continued	
<b>Economic Development Cabinet</b>	
Boston Redevelopment Authority/Economic Development Industrial Corporation	Director of the BRA/EDIC**
<b>Housing and Neighborhoods Cabinet</b>	
Department of Neighborhood Development (DND)	Chief of Housing/Director of DND** Deputy Director for Neighborhood Housing Development Deputy Director for Policy Development & Research Deputy Director for Supportive Housing Deputy Director for the Boston Home Center Deputy Director for the Office of Business Development Deputy Director of Media and Public Relations Deputy Director of Real Estate Management and Sales Assistant Director for Boston Home Center Construction Field Office Assistant Director for Compliance & Loans Assistant Director for Contracts Assistant Director for Design and Construction Assistant Director for Homebuyer Services Assistant Director for Homeowner Services Assistant Director for Management Information Systems Assistant Director for Neighborhood Housing Development Assistant Director for Office of Business Development Associate Deputy Director of Neighborhood Development Legal Director Director of Marketing Director of Operations Director of Public/Media Relations Operations Manager for Administration and Finance Operations Manager for Boston Home Center Operations Manager for Office of Business Development Operations Manager for Real Estate Management and Sales



## Appendix D (continued)

<b>Public Works and Transportation Cabinet</b>	
Boston Transportation Department (BTD)	Commissioner of Transportation Deputy Commissioner for Policy & Planning Director of Administration and Finance Director of Operations
Boston Transportation Department Continued	Director of Parking Management Director of Traffic Engineering Deputy Commissioner for the Central Artery/Third Harbor Tunnel Project Manager of Community Cycling
Department of Public Works	Commissioner of Public Works Chief of Staff Deputy Commissioner of Public Works Director of Recycling
Division of Central Fleet Maintenance	Director of Central Fleet Management*
<b>Environment &amp; Energy Cabinet</b>	
	Chief of Environment & Energy*
Environment Department	Commissioner of the Environment Department* Chief of Staff Office Manager Director of Energy Policy and Programs Director of Human Resources (6) Boston Conservation Commission Members* (8) Boston Waterways Board* (3) Boston Air Pollution Control Commission Members* (9) Boston Landmarks Commission Members* District Historic Landmark Commissions*
Inspectional Services Department (ISD)	Commissioner of Inspectional Services* Director of Construction Services Director of Environmental Services Director of Health Director of Housing Director of Plans and Zoning Director of Weights and Measures Assistant Director of Operations Deputy Commissioner for Buildings and Structures
<b>Human Services Cabinet</b>	
Boston Center for Youth & Families (BCYF)	Executive Director of BCYF* Chief of Staff Director of Programming Director of Operations Assistant Director of Operations
Commission for Persons with Disabilities	Disability Commissioner* (11) Associate Commissioners
Elderly Commission	Commissioner on Affairs of the Elderly* (10) Associate Elderly Commissioners * Deputy Commissioner for Administration & Finance Chief of Staff Executive Director Assistant Director
Office of Civil Rights	Executive Director of Civil Rights* (5) Commissioners of Fair Housing* Director of the Fair Housing Commission (appointed by the Fair Housing Commission) (7) Commissioners of Human Rights*
Office of Civil Rights Continued	Executive Director of the Human Rights Commission (appointed by the Human Rights Commission)
Veterans Services	Commissioner of Veteran's Services*
Women's Commission	Executive Director of the Women's Commission*
Youth Fund	Director of the BYF*

## Appendix D (continued)

<b>Public Health Cabinet</b>		
	Public Health Commission	(7) Public Health Commissioners* Executive Director of the Public Health Commission**
<b>Public Safety Cabinet</b>		
	Fire Department	Boston Fire Commissioner* [The following are appointed by, and serve at the pleasure of Boston Police Commissioner] The Deputy Commissioner of Administration and Finance Deputy Commissioner of Labor and Legal Affairs Deputy Commissioner of Planning and Organizational Development Director of Transportation and Director of Human Resources
	Police Department	Boston Police Commissioner* [The following are appointed by, and serve at the pleasure of, the Boston Police Commissioner] Superintendent-in-Chief (7) Superintendents (10) Deputy Superintendents Chief of Staff Chief of Public Information Director of Public Information Director of Criminalistics Services Director of Licensing Division Director of Strategic Initiatives and Policies Director of Human Resources Director of Finance Director of the Office of Research and Development Director of the Physical Comparison Unit Deputy Director of Labor Relations Deputy Director of Administration & Technology

Source: City of Boston, Human Resources Department

## Appendix E

### Boston's Comprehensive Rezoning Process Status of rezoning effort by district and date of approval

Completed Districts	Date of Approval
<b>Downtown Districts</b>	
Midtown Cultural District	March 20, 1989
North Station Economic Development Area	September 13, 1989
South Station Economic Development Area	September 13, 1989
Huntington Avenue / Prudential Center District	March 20, 1990
Chinatown District	June 14, 1990
Leather District	January 28, 1991
Government Center / Markets Districts	April 1, 1991
Bulfinch Triangle District	March 19, 1992
Cambridge Street North District	October 28, 1992
<b>Central Artery Special District</b>	
Central Artery Special District	June 7, 1991
Greenway Overlay District	August 1, 2013
<b>Harborpark District</b>	
North End / Downtown Waterfront and Dorchester Bay / Neponset River Waterfront	April 27, 1990
Waterfront Service District	April 27, 1990
Waterfront Manufacturing District	April 27, 1990
Charlestown Waterfront	June 14, 1990
Charlestown Navy Yard	December 21, 1990
Fort Point Waterfront	January 28, 1991
<b>Neighborhood Districts</b>	
Roxbury Neighborhood District	April 22, 1991
Allston-Brighton Neighborhood District	November 13, 1991
Dorchester Avenue Neighborhood District	March 19, 1992
East Boston Neighborhood District	February 16, 1993
North End Neighborhood District	May 17, 1993
Jamaica Plain Neighborhood District	September 7, 1993
West Roxbury Neighborhood District	August 23, 1994
Saint Vincent Neighborhood District (South Boston)	January 27, 1995
City Square Neighborhood District	May 31, 1995
Mission Hill Neighborhood District	May 9, 1996
Greater Mattapan Neighborhood District	February 27, 1997
Audubon Circle Neighborhood District	April 2, 1998
Charlestown Neighborhood District	September 28, 1998
Bay Village Neighborhood District	October 23, 1998
South End Neighborhood District	December 16, 1998
Dorchester Neighborhood District	July 17, 2002
Fenway Neighborhood District	October 22, 2004
Roslindale Neighborhood Zoning	June 25, 2008
South Boston Neighborhood Zoning	September 15, 2011
Hyde Park Neighborhood District	February 9, 2012
<b>Institutional Districts</b>	
Beth Israel Hospital Institutional District	November 11, 1992
Massachusetts College of Pharmacy Institutional District	July 27, 1993
New England Deaconess Hospital Institutional District	February 16, 1994
Dana-Farber Cancer Institutional District	April 8, 1994
Newmarket Industrial Commercial Neighborhood District	January, 2014
<b>Areas Still Operating Under the Base Code</b>	
Central South Boston	
Back Bay	
Beacon Hill	
Financial District	

Source: City of Boston Zoning Code

## Appendix F

### 2013 Inclusionary Development Policy Affordability Requirements

BRA Inclusionary Development Policy: 2013 Income Limits											
Household Size	30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI	
1	\$19,825	\$26,425	\$33,050	\$39,650	\$46,250	\$52,850	\$59,450	\$66,100	\$72,700	\$79,300	
2	\$22,650	\$30,200	\$37,750	\$45,300	\$52,850	\$60,400	\$67,950	\$75,500	\$83,050	\$90,600	
3	\$25,500	\$33,975	\$42,500	\$51,000	\$59,450	\$67,950	\$76,450	\$84,950	\$93,450	\$101,950	
4	\$28,325	\$37,750	\$47,200	\$56,650	\$66,100	\$75,500	\$84,950	\$94,400	\$103,850	\$113,300	
5	\$30,575	\$40,775	\$51,000	\$61,150	\$71,350	\$81,550	\$91,750	\$101,950	\$112,150	\$122,350	
6	\$32,850	\$43,800	\$54,750	\$65,700	\$76,650	\$87,600	\$98,550	\$109,500	\$120,450	\$131,400	
7	\$35,125	\$46,825	\$58,550	\$70,250	\$81,950	\$93,650	\$105,350	\$117,050	\$128,750	\$140,450	
8	\$37,375	\$49,850	\$62,300	\$74,750	\$87,250	\$99,700	\$112,150	\$124,600	\$137,050	\$149,550	

BRA Inclusionary Development Policy: 2013 Maximum Sales Price											
Bedrooms	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI			
Studio	\$70,500	\$91,600	\$112,600	\$133,600	\$154,700	\$175,700	\$196,700	\$217,600			
1	\$88,100	\$112,600	\$137,100	\$161,600	\$186,100	\$210,800	\$235,300	\$259,800			
2	\$105,500	\$133,600	\$161,600	\$189,600	\$217,600	\$245,700	\$273,700	\$301,700			
3	\$123,200	\$154,700	\$186,100	\$217,600	\$249,200	\$280,700	\$312,300	\$343,900			
4	\$140,600	\$175,700	\$210,800	\$245,700	\$280,700	\$315,800	\$350,900	\$386,000			

BRA Inclusionary Development Policy: 2013 Maximum Rents											
Bedrooms	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI			
Studio	\$731	\$878	\$1,024	\$1,170	\$1,317	\$1,463	\$1,609	\$1,755			
1	\$853	\$1,024	\$1,194	\$1,365	\$1,535	\$1,707	\$1,878	\$2,048			
2	\$975	\$1,170	\$1,365	\$1,560	\$1,755	\$1,950	\$2,145	\$2,340			
3	\$1,097	\$1,317	\$1,535	\$1,755	\$1,974	\$2,194	\$2,414	\$2,633			
4	\$1,219	\$1,463	\$1,707	\$1,950	\$2,194	\$2,438	\$2,682	\$2,926			

Source: Boston Redevelopment Authority



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