

April 2008

Mayor's Recommended FY09 Budget

Personnel costs account for 75% of the total growth

On April 9th, Mayor Menino presented his recommended budget for FY09 of \$2.42B which represents an increase of \$117M or 5.1%. The 5.1% stands out in this tight budget year. For example, Governor Patrick's budget represented an increase of 3.1%. Approximately 75% of the growth in this budget is due to increasing personnel costs for new contract salaries, new positions, health insurance and pensions. This budget will support a projected increase of 135 FTE positions by January 1, 2009 from new positions and filling vacant positions. This budget should provide relative stability of services in a difficult fiscal environment.

Revenues - Over half of the revenue increase is due to growth in the property tax levy. New growth is estimated at \$25M.

Boston's FY09 Revenue Estimates		
in millions		
Source	FY 09	Change
Net Property Tax Levy	\$1,358.67	\$63.52
State Aid	502.98	9.24
Teacher Pension Reimb.	103.00	9.67
Fines	80.95	13.02
Interest on Investments	21.38	(16.13)
Other	308.00	28.39
Total Recurring	\$2,374.98	\$107.71
Budgetary Fund Balance	\$35.00	\$10.00
Non-Recurring Revenue	6.00	(0.67)
Total Revenues	\$2,415.98	\$117.04

State aid grows slightly but becomes negative when factoring in increases in state assessments, not including state

reimbursements for teacher pensions. The drop in the Federal Fund Rate to 2.00% is estimated to reduce income from interest on investments. The City will use nonrecurring revenue of \$41M and expects to raise \$12M from increases in parking fines.

Expenses – The bulk of the recommended budget increase of \$117M is allocated to very few of the 63 departments and accounts that constitute the budget. In fact, \$100.3M or 86% of the increase is allocated to only eight budget accounts. That leaves \$16.7M split among 55 budget accounts. After several years of double-digit increases, health insurance will increase by only 3.1% next year.

Boston's FY09 Recommended Budget		
in millions		
Dept./Account	FY 09	Increase
School	\$827.50	\$44.72
Police	281.06	10.37
Fire	161.24	1.50
Public Works	87.53	1.25
Pensions	213.23	10.32
State Assessments	141.99	10.85
Other	\$703.43	\$38.03
Total	\$2,415.98	\$117.04

New classes to cover attrition will sustain police officer and firefighter levels budgeted in FY08. State assessments, primarily for MBTA and charter schools, will increase by \$10.9M. The reserve for the retiree health insurance liability (OPEB) is increased by \$5M to \$25M, far less than what is needed. This FY09 budget has less flexibility and should not be increased further.