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Highlights

- Boston's payroll was reduced by a total of 1,104.6 positions or 6.4% of the city-funded workforce from 2009 to 2012.
- Grant funded positions dropped by 33.4 or 2.3% over the last three years.
- Total spending for salaries has grown by only 0.9% in the four years between fiscal 2008 and fiscal 2012.

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Boston Personnel Levels Remain Flat in 2011

Fewer reductions are made while employee spending increases

The City of Boston's tight budget position in fiscal 2012 has contributed to a third consecutive year of personnel reductions, albeit significantly less than over the past two years. Although reductions continue, the pace nearly flattened in 2011, with a total employee drop of 54.5 or 0.3% after two years in which 1,050.1 or 6.2% of the city payroll was cut. Despite the three consecutive years of reductions, employee spending, which makes up nearly 70% of the City's budget, is still increasing in fiscal 2012, fueled by health insurance and pension cost growth. This report focuses primarily on the variance in city-funded positions, and employee numbers are represented in full-time equivalencies (FTEs).

- Of the 54.5 position reduction in 2011, over half was attributable to the 28.6 position decrease in the Police Department. The drop was more of a timing issue since 30 police cadets entered the Police Academy in January 2012. The remaining 25.9 other positions came from the 42 other city departments. The decreases were due to normal attrition and not layoffs.
- Employee spending is budgeted at \$1.65 billion in fiscal 2012, a \$28.1 million or 1.7% increase over fiscal 2011 actuals. Budgeted salaries of \$1.13 billion decreased by 1.4% from the prior year while health insurance costs increased by 8.6% and pensions by 15.2%. The health insurance budget totals \$318.4 million in fiscal 2012 while pensions total \$126.5 million.

Figure 1
Employee Levels and Personnel Spending
 2004-2012

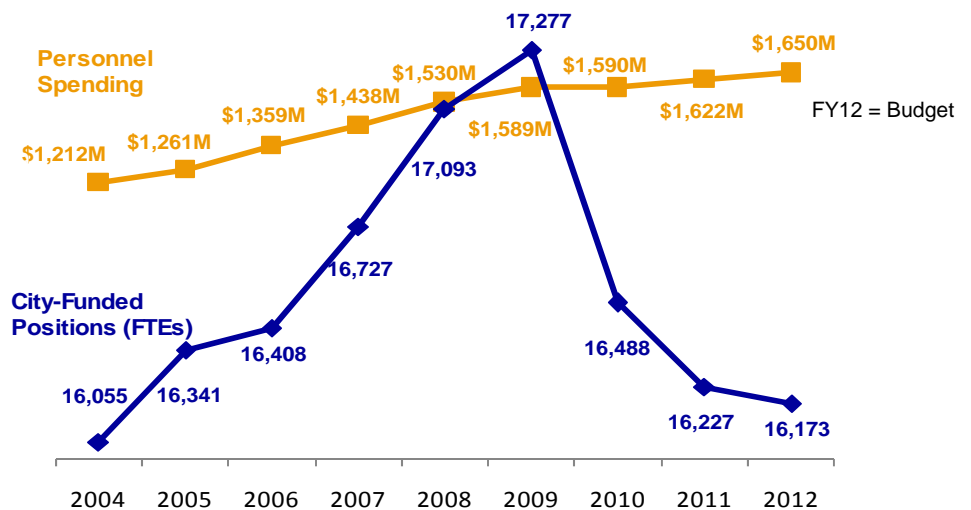


Table 1
City of Boston Personnel Summary
(in FTE's)

	2009	2010	2011	2012	Change 1/09-1/10	Change 1/10-1/11	Change 1/11-1/12	Change 1/09-1/12
School Department	8,572.2	8,210.5	8,047.2	8,052.3	(361.7)	(163.3)	5.1	(519.9)
Police Department	3,042.3	2,870.3	2,903.7	2,875.1	(172.0)	33.4	(28.6)	(167.2)
Fire Department	1,643.2	1,560.2	1,572.2	1,571.2	(83.0)	12.0	(1.0)	(72.0)
Sub-Total	13,257.7	12,641.1	12,523.2	12,498.7	(616.6)	(117.9)	(24.5)	(759.1)
All Other Total (40)	4,019.6	3,846.4	3,704.1	3,674.1	(173.2)	(142.3)	(30.0)	(345.5)
General Fund Total	17,277.3	16,487.5	16,227.3	16,172.8	(789.8)	(260.2)	(54.5)	(1,104.6)
Percent Change					-4.6%	-1.6%	-0.3%	-6.4%
Grant Fund Total	1,426.9	1,452.2	1,421.5	1,393.6	25.3	(30.8)	(27.9)	(33.4)
All Funds Total	18,704.2	17,939.7	17,648.8	17,566.3	(764.5)	(291.0)	(82.5)	(1,137.9)

*Some totals may not add due to rounding

Personnel Since 2009

In the three years from January 2009 to January 2012, the City's payroll has been reduced by 1,104.6 or 6.4%, bringing the total General Fund [employee level](#) to 16,172.8, the lowest level since January 2004. The 1,050.1 position decrease in 2009 and 2010 was in response to the recession that began in 2008, which contributed to four consecutive years of state aid reductions totaling \$108.2 million or 21%. While revenue sources such as the property tax and meals, hotel and other excises are growing, the decline in state aid combined with cuts to federal grants, expiring federal ARRA funds and growth in employee spending have contributed to an ongoing tight budget situation.

In 2011, employee levels remained relatively flat with a decrease of only 54.5 positions or 0.3%. Over half the decrease was due to a reduction of 28.6 Police Department positions. The School Department gained 5.1 positions, the Fire Department lost one position and the remaining 40 departments decreased their aggregate payroll by 30 positions in 2011.

External Funding

Over the past three years, Boston has experienced a net decrease of 33.4 grant-funded positions. The cut was primarily due to the reduction of ARRA stimulus funds used to support staffing in the School, Police and Neighborhood Development Departments.

The City's grant-funded payroll fell by 27.9

positions or 2% in 2011. This decrease was primarily driven by the 110.9 grant positions that the School Department cut due to the expiration of \$21 million in ARRA funds for operations in fiscal 2012. Most of these were teaching (71.7) and instructional support (46.3) positions. The Department of Innovation and Technology (Do IT) added 7 externally funded positions for the Police Department's Computer-Aided Dispatch system (4) and for the Boston Administrative Information System's (BAIS) updated financial application (3). The Auditing Department also gained 10 external employees for the implementation of the BAIS application.

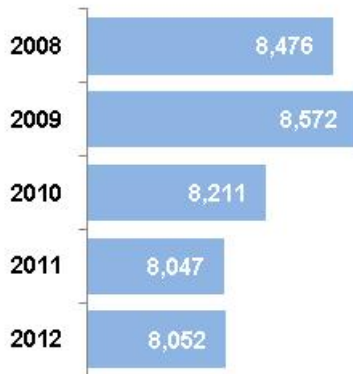
School Department

The School Department represents 49.8% of the City's workforce at 8,052.3 positions as of January 2012. In the three years between January 2009 and January 2011 the BPS reduced its payroll by 525 positions or 3% for 50% of the total city reduction for that time.

The [School Department's workforce](#) remained flat in 2011, gaining only 5.1 employees. The increase is mostly due to a transition to a weighted student funding formula for school budgets. The formula, which funds a school by the number of students and their learning needs, provides additional support for students with special needs. Therefore, 109 instructional support positions were added to the BPS payroll in 2011. However, the School Department had a significant number of cuts in teaching (121) and administrative staff (44.2)

due to a combination of weighted student funding and the closing of eight schools and merging of eight schools in September 2011.

Figure 2
Boston Public Schools Personnel
2008-2012



The Superintendent’s recommended fiscal 2013 budget had to manage a reduction of \$28.2 million in federal and state grants. That loss includes the expiration of \$10.1 million in ARRA funds that had been supporting 123 teaching specialists in fiscal 2012. To continue support for English Language Learners and Special Education, expand early childhood education opportunities and enable a facilities expansion at 11 schools, the Superintendent’s budget has recommended increasing staffing levels by 184.6 positions or 2.3% in fiscal 2013.

Public Safety

The Police and Fire Departments make up 4,446.3 or 27.5% of the City’s workforce as of January 2012. In 2009 and 2010, these two departments combined for a total reduction of 209.6 positions or 20% of the total citywide decline. In 2011 the payroll of the two departments dropped by 29.6 positions, representing 54.3% of the citywide decrease.

In 2009 and 2010, the Police and Fire Departments had a higher retirement rate than usual due to statewide pension reform and uncertainties over pending litigation regarding the City’s funding of Quinn Bill benefits for eligible police officers. In 2011, retirements returned to more traditional trends.

Police — The Police Department’s staffing totals 2,875.1 positions or 17.8% of the City’s payroll as of January 2012. In 2011, the number of Department positions decreases by 28.6. The decline was more of a timing issue since 30 police cadets entered the Police Academy in January 2012. The Police Department supports 50 officer positions in fiscal 2012 with \$4.3 million in ARRA COPS funding. This grant requires the City to maintain a sworn officer level of 2,170 for a year after the grant expires. Boston’s \$11.8 million COPS grant, which was first awarded in fiscal 2010, is set to expire in September 2012. In 2011 the Department reported 35 uniform retirements, creating a 55.1% drop from 2010 retirement levels. However, in light of the recent SJC decision that supports the City’s position of not being required to pay 100% of the Quinn Bill cost, a greater number of police officer retirements is expected in 2012.

Table 2

Public Safety Uniform Officer Retirements

Year	Fire	Police
2007	46	45
2008	82	37
2009	90	63
2010	44	78
2011	49	35

Fire — As of January 2012, the Fire Department supports 1,571.2 positions or 9.7% of the City’s payroll. In 2009 and 2010, Fire reduced its payroll by 71 positions or 6.8% of the citywide decline for that period. In 2011, the Department dropped by 1 position and added a class of 50 firefighters in November 2011.

Other Departments

The 40 other city departments shed a total of 30 positions or 0.8% in 2011. In the three years from 2009 through 2012, these departments sustained a decrease of 345.5 positions or 31.3% of the citywide drop. In 2011, the Boston Centers for Youth and Families had the

most reductions at 12.6 or 3.6% due to a planned fiscal 2012 consolidation of five community center sites.

Employee Spending

[Spending for personnel services](#) has hovered around 70% of total City of Boston operational spending for the past five years and has continually increased despite efforts to control staffing levels. All figures are represented net of a one-time extraordinary pension payment in fiscal 2011 and teacher pensions. Since 2008, employee spending has increased by \$119.8 million or 7.8%, consuming 69.2% of the total increase in the City's budget during this time. Employee spending is budgeted at \$1.65 billion in fiscal 2012, an increase of \$28.1 million or 1.7% over the prior year.

Table 3
Personnel Spending

Fiscal 2008 to 2012

	Percent of Total				
	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Budget-FY12
Salaries	73.0%	73.1%	71.5%	70.5%	68.3%
Health Insurance	17.0%	17.2%	17.9%	18.1%	19.3%
Pensions*	6.4%	5.9%	6.8%	6.8%	7.7%
Total Other**	3.6%	3.8%	3.8%	4.7%	4.7%

	Annual Growth Rate				
	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Budget-FY12
Salaries	5.5%	4.0%	-2.2%	0.6%	-1.4%
Health Insurance	8.7%	4.8%	4.1%	3.1%	8.6%
Pensions	-2.1%	-3.2%	14.9%	1.3%	15.2%
Total Other	39.1%	8.6%	1.0%	24.6%	2.8%

*Net of one-time extraordinary payment in fiscal 2011.

**Includes Other Post Employment Benefits (OPEB), Unemployment Insurance, Workers Compensation, Medicare, and Pensions and Annuities

Salary spending is the largest component of personnel services at \$1.13 billion or 68.3% of the total budget in fiscal 2012. It is also the slowest growing component, having dropped by \$16.1 million or 1.4% from fiscal 2011. Overall it has increased only 0.9% since fiscal

2008. This reduction is due to a combination of position decreases over the past three years, efforts to control overtime and no salary increases since 2010 except for step increases. All collective bargaining contracts expired in 2010, except the firefighters that expired in 2011, and successor agreements are still being negotiated.

Health insurance spending represents \$318.4 million or 19.3% of personnel spending in fiscal 2012 and is one of the faster growing components having increased by 8.6% from fiscal 2011 and 22.1% since fiscal 2008. Pensions will cost \$126.5 million in fiscal 2012, a 15.2% increase over the prior year and a 29.8% jump since fiscal 2008.

The City reached an agreement with all 36 collective bargaining units in April 2011 for a four year health insurance package involving plan design elements, a 2.5% increase in the employee share of health premiums and the enrollment of all eligible retirees in Medicare. This agreement will have a positive impact on the fiscal 2012 and fiscal 2013 budgets, but the health insurance growth rate is expected to resume at 5% to 8% annually beginning in fiscal 2014.

Conclusion

Boston has reduced its workforce by 1,104.6 positions or 6.4% in the three years between January 2009 and January 2012, with the pace nearly flattening in 2011 with a reduction of only 54.5 positions or 0.3%. Despite the workforce reductions over three years, employee spending growth continued, fueled by increases in health insurance and pension costs.

The City's workforce is not expected to increase in any meaningful way in fiscal 2013. Spending for personnel will grow once the new employee contracts are settled. Also, the City will need to decide to what degree the operating budget will absorb the services now funded by federal ARRA grants that will finally expire either at the end of fiscal 2012 or in the fall.