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Highlights

- The City's workforce is on an upswing as employee costs, especially benefits, continue on a rapid growth path.
- Since 2004, employee levels have grown by 346 positions, with 85% attributable to school positions.
- Deployment of new police officers is building up the force gradually beyond what is needed to offset retirements.

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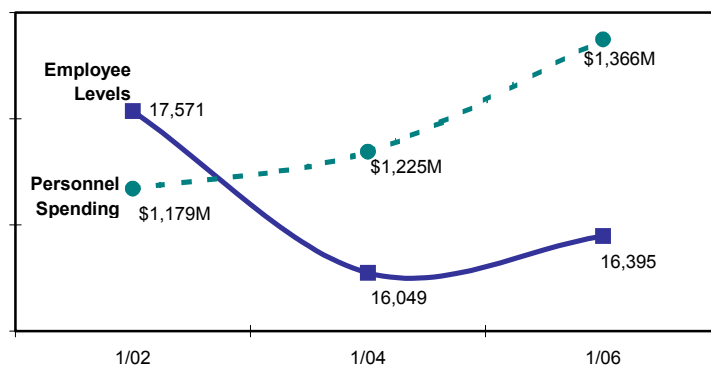
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Boston's Personnel Spending Surges Despite Employee Cuts

The City of Boston's workforce has decreased by 1,176 positions or 6.7% over the past four years (2002–2006), yet spending for city employees has increased by \$187.5 million or 15.9% during the same period. The rising costs of employee benefits accounted for over two-thirds of this increase. Escalating benefit costs, coupled with an increase of employees in the last two years, will absorb an even larger share of city resources, affecting the quality of total city services.

- Despite the reduction of positions, employee compensation increased by \$58.4 million or 6.4% since fiscal 2002 reflecting costly employee contracts with higher salaries and overtime.
- Employee benefits of health insurance and pensions pushed spending even higher, increasing by \$129.1 million or 48% in just four years.
- The fact that a reduction of 1,176 employees did not have a bigger impact on reducing employee spending, highlights that the surging costs of employee benefits, especially health insurance, and expensive contracts need to be reigned in as well as personnel growth controlled.
- Language changes in upcoming contracts and reform of outdated state laws and practices concerning local health insurance and collective bargaining are needed to enable the City to manage more effectively in today's fiscal environment.

City of Boston
Employee Levels vs Personnel Spending



As of January 2006, the total number of city-funded employees was 16,395. City and grant funded positions together totaled 19,169 in January 2006, an increase of 436 or 2.3% in the past two years. In this report, workforce totals are as of January of each year and are in full-time equivalencies (FTE), except where noted.

City Departments

The increase of 346 positions over the past two years is primarily due to the increase of 295 positions in the School Department, 36 positions in the Police Department and 23 positions in the Boston Center for Youth and Families (BCYF). Employee levels in the remaining 42 departments or agencies decreased, in aggregate, by eight positions during the same period. That means that most departments have managed to provide services with the same or fewer employees during the past two years. The Menino Administration continues to control employee levels by requiring that the filling of most positions, even budgeted positions, be approved first by a Position Review Committee.

In the two years from 2002 to 2004, employee levels decreased by 1,522 or 8.7% for a net reduction in personnel of 1,176 from 2002 to 2006. However, these figures include a drop of 152 in the Library Department which is attributable to both a change in the accounting system in fiscal 2003, which more accurately categorizes city-funded and grant-funded positions, and an actual reduction in employees.

The City's tight fiscal situation has caused it to take steps to restructure and reorganize departments to bring together related services in an effort to improve efficiencies. For example, in fiscal 2005, the Transportation Department's signal group was consolidated with the Public Works Department's street light program. Other departments that have restructured include the Department of Neighborhood Development and the Office of Arts and Cultural Development.

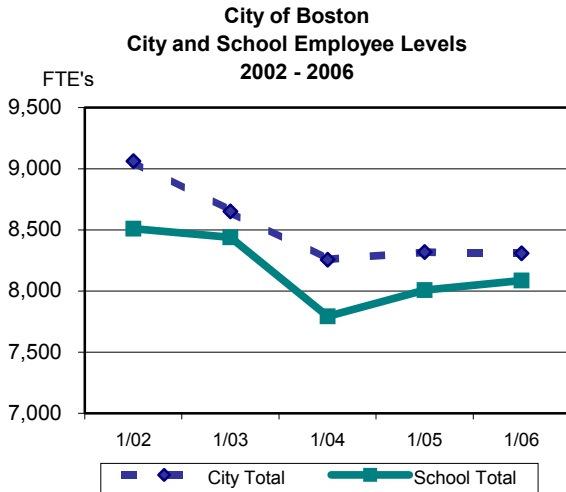
Boston Public Schools

From 2004 to 2006 the Boston Public School (BPS) staff levels increased by 295 positions or 3.8%, primarily for instructional support positions and teachers. This increase came after the BPS sustained a reduction of 717 city-funded employees, or 8.4% of its workforce, from 2002 to 2004 due to budget cuts, leading to a reduction in supplementary instructional and other programs. Since 2004, kindergarten teachers have grown by 25 positions due to the City's K1 expansion for four-year-olds, which increased by 22 full-day kindergarten classes in fiscal 2006. This expansion also contributed to the addition of 49 Instructional Aides. Special Education positions, including teachers (46) and

City of Boston Employee Summary
January 2002 - January 2006
Figures reported in FTEs
City-Funded

	1/02	1/03	1/04	1/05	1/06	'02-'04 Variance	'04-'06 Variance	'02-'06 Variance
City Departments								
Fire Department	1,697	1,713	1,610	1,608	1,602	(87)	(8)	(95)
Library Department	575	475	423	427	423	(152)	0	(152)
Neighborhood Development	121	52	50	47	52	(71)	2	(69)
Parks and Cemetery	231	206	193	196	200	(38)	7	(31)
Police Department	2,964	2,895	2,782	2,843	2,818	(182)	36	(146)
Public Works	407	384	369	383	371	(38)	2	(36)
Transportation	438	386	385	360	370	(53)	(15)	(68)
All Others	2,629	2,541	2,445	2,457	2,472	(184)	27	(157)
City Total	9,062	8,651	8,256	8,320	8,308	(805)	52	(754)
School Department								
Teachers	4,718	4,779	4,382	4,429	4,459	(336)	77	(259)
Instructional Support	1,576	1,530	1,327	1,403	1,488	(250)	161	(89)
All Others	2,215	2,131	2,084	2,177	2,140	(131)	57	(75)
School Total	8,509	8,440	7,792	8,009	8,087	(717)	295	(422)
Grand Total	17,571	17,091	16,049	16,329	16,395	(1,522)	346	(1,176)
% Change						-8.7%	2.2%	-6.7%

* Numbers may not add due to rounding.



Substantially Separate Aides (42), grew due to an increase in the severity of students' needs. Technical Support increased by 34 positions as some technology consulting positions were brought in-house and as individual schools hired technology and/or data specialists to support education.

Grant Funds

Federal and state grant-funded employees as of January 2006 totaled 2,774, an increase of 90 positions since 2004. Grant-fund positions had declined by 235 positions from 2002 to 2004, leading to an overall decrease of 145 in the past four years. The BPS and Suffolk County Sheriff's Department sustained the greatest increases since 2004 at 88 and 44 positions, respectively. The BPS increase was primarily due to the K1 expansion and the Family and Community Engagement Initiative, which added Family and Community Outreach Managers in 17 schools. Several departments, including the Public Health Commission (-23), the BCYF (-12), and the Police Department (-11), experienced a reduction in grant-funded personnel.

Spending for Personnel

Spending for Boston employees, including salaries and benefits, surged by \$140.7 million or 11.5% in the last two years. In fiscal 2006 spending for salaries alone is budgeted at \$968.4 million. From 2002 to 2004, spending for employees increased by \$46.7 million, for a four-

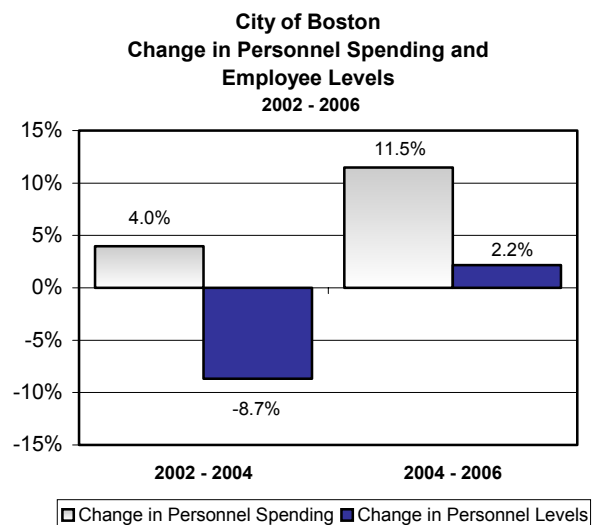
year increase of \$187.5 million or 15.9%. This increase occurred despite the overall decrease of 1,176 employees over the same period. That is because 68.8% of the total increase was due to spending for employee health insurance and pension benefits, which increased by \$129.1 million or 48% during that time. Employee health insurance alone increased by \$72.5 million or 52.2% in just four years.

**City of Boston
Selected Personnel Spending
FY2002 - FY2006 - figures in millions**

Category	Fiscal 2002	Budget Fiscal 2006	Growth	% Growth	% of Total
Salaries	\$909.9	\$968.4	\$58.4	6.4%	31.2%
Health Insurance	139.0	211.5	72.5	52.2%	38.7%
Pensions	129.7	186.3	56.5	43.6%	30.2%
Total	\$1,178.7	\$1,366.2	\$187.5	15.9%	100.0%

* Numbers may not add due to rounding

Employee compensation for salaries and other expenses like overtime increased by \$58.4 million or 6.4% over four years, reflecting costly employee contracts with higher salaries that affect overtime and other specialized benefits. For example, salary levels affect the cost of Quinn Bill benefits for police officers. With its large base, the growth of employee compensation represented 31.2% of the total increase of personnel spending over the past four years.



Public Safety

The Boston Police Department's (BPD) uniformed force (actual employees, not FTEs) increased by 22 to 2,007 from January 2004 to January 2006. That follows a decrease of 133 BPD officers in the prior two years. The 2,007 level is 235 officers less than the 20-year high of 2,242 in 1999. Recruits in the Police Academy are not included in these numbers. In response to the overall force decline, the BPD has improved its analysis of intelligence to better target officer deployment. A new class of 20 detectives in February will offset the loss of 21 since 2004. New police officers totaling 89 in fiscal 2005, 58 last October and approximately 55 this spring will gradually begin to build up the police force beyond the numbers needed to offset retirements. This trend will continue in fiscal 2007.

**BFD & BPD Uniformed Force Changes
2002 - 2006**

	2002	2004	2006	'02-'04 Variance	'04-'06 Variance
BPD					
Superior Officers	427	363	386	(64)	23
Detectives	276	247	226	(29)	(21)
Police Officers	1,415	1,375	1,395	(40)	20
Total	2,118	1,985	2,007	(133)	22
% Change				-6.3%	1.1%
Recruits in Academy	43	55	58		
BFD					
Superior Officers	362	368	390	6	22
Firefighters	1,194	1,107	1,071	(87)	(36)
Total	1,556	1,475	1,461	(81)	(14)
% Change				-5.2%	-0.9%

* These figures represent actual employees, not FTEs.

The Boston Fire Department (BFD) experienced a decrease of 14 uniformed fire personnel since January 2004, which followed a decrease of 81 uniformed personnel over the prior two years. Over the past four years since January 2002, the number of firefighters alone has dropped by 123 or 10%. In response, the BFD has implemented a modified response plan with manning reductions to certain units. The deployment of 79 new firefighters in fiscal 2005 and 49 in January 2006 will start to build the force beyond attrition. An additional one or two classes will be added in fiscal 2007.

Both the BPD and BFD have applied extensive use of overtime to meet modified staffing needs. However, the staffing situation lately has diverted attention from other overtime factors such as increased use of sick and injured leave, pointing to the importance of strict management of overtime in both departments.

Approximately 67% of Boston's fiscal 2006 operating budget is devoted to employee expenses. Of the City's 2006 \$2.0 billion budget, salaries comprised 47.2% (\$968.4 million), health insurance 10.3% (\$211.5 million), and pensions 9.1% (\$186.3 million).

OPEB

The City of Boston is facing a new requirement to acknowledge the extent of its financial liability for retiree benefits other than pensions. Starting in fiscal 2007, Boston will be required to report in its financial statements its full liability and unfunded liability for other post employment benefits (OPEB) beyond pensions such as health and life insurance for retired public employees and eligible spouses. Currently, the City does not reserve any funds for the cost of future benefits being earned by employees today. Funding this large liability will further increase spending for employees and limit resources for other services. The Research Bureau has

recommended that the City begin budgeting for an OPEB reserve in fiscal 2007.

Conclusion

With dramatic increases in spending for personnel, the cost of maintaining the current level of employees continues to rise. The City should continue to use strategies of reorganization and better utilization of technology to streamline departments to gain more efficiencies with existing personnel. Employee contracts negotiated this year should produce language changes to facilitate these efficiencies. Reform of outdated state laws and practices concerning local health insurance and collective bargaining are needed to enable the City to manage more effectively in the current fiscal environment. Strict management of police and fire overtime should be exercised to maximize staffing efficiency while containing costs. (See the Research Bureau's *Mounting Personnel Costs* report at www.bmrb.org)