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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.