

Special Report

June 9, 2016 No. 16-4

Highlights

- Employee costs account for 67% of Boston's FY16 budget and 43% of the City's total spending increase.
- The city-funded workforce of 16,956 in January 2016 is only 321 or 2% less than 17,277 in 2009, the highest point over the past 13 years.
- Employees funded by external funds totaled 1,326 as of January 2016, an increase of 143 or 12% in 2015, which helped mitigate the loss of city-funded employees in key departments.

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City Employee Levels Decreased in 2015

Drop in city-funded positions after three years of employee growth

During the second year of the Walsh Administration, from January 2015 to January 2016, the number of Boston city-funded employees decreased by 159 to 16,956. This position decrease in 2015 occurred proportionally across the City. The three largest departments (School, Police, and Fire) represented 77.8% of the city workforce and accounted for 72.9% of the citywide decrease. All other departments (44) represented 27.1% of the decline. Calendar 2015 was the first year the number of city-funded [employees](#) decreased after three consecutive years of increases totaling 943. This report focuses on the changes in city-funded employees and employee spending. All employee numbers are represented in full-time equivalencies (FTEs). Other highlights include:

- Spending for employee salaries and benefits totaled \$1.9 billion or 67% of the \$2.9 billion fiscal 2016 operating budget. Personnel expenditures increased by \$251.6 million or 15.1% over the past four years, with salaries representing 75.2% of that total increase and benefits 24.8%.
- Over the first two years of the Walsh Administration (January 2014-January 2016), the number city-funded employees declined by 25 FTEs or 0.1%, while externally funded employees grew by 12 or 0.9%.
- The growth in salary and health insurance costs and spending for unfunded liabilities for pensions and retiree health insurance demand that caution be exercised in future employee decisions regarding salaries and benefits in contract negotiations and also in workforce numbers.

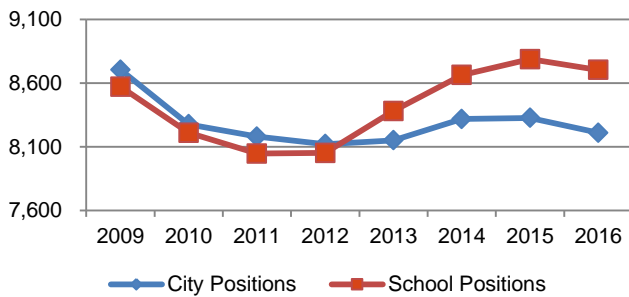
Table 1
FTE Personnel Summary

	2012	2014	2015	2016	Change	
					'12-'16	15-'16
School Department	8,052	8,664	8,789	8,746	694	-43
Police Department	2,875	2,922	2,902	2,882	7	-20
Fire Department	1,571	1,619	1,625	1,572	1	-53
Sub-Total	12,499	13,205	13,316	13,200	702	-116
All Other Total (44)	3,674	3,777	3,799	3,756	82	-43
General Fund Total	16,173	16,982	17,116	16,956	784	-159
Percent Change	-0.30%	2.70%	0.80%	-0.93%		
External Funds	1,393	1,314	1,184	1,326	-67	142
All Funds Total	17,566	18,296	18,299	18,283	716	-17

*Some totals may not add due to rounding

The School Department - Over the past year from January 2015 to January 2016, the School Department decreased its city-funded [employees](#) by 43 to 8,746 or 51.5% of the city total. The decrease is due mainly to a reduction of workers on long-term leave (-53), and a reduction of teachers (-17.5). A decrease of regular education teachers (-153) was partially offset by an increase in bilingual (+87) and specialists teachers (+35).

Figure 1
FTE Positions, January each year



Public Safety - The decline in the Police Department (-20) is due to retirements and the timing of recruit classes. The decline in the Fire Department (-53) is due to a shift of 50 firefighters to external funds after the City was awarded a SAFER grant. These departments will gain employees when the recruits graduate from the Police Academy in June and the Fire Academy in July.

Other Departments – Outside of the major three departments, there was a decrease of 43 employees in the other 44 departments due to normal fluctuation of employee levels.

External Funds

Employees funded through federal or state grants totaled 1,326 as of January 2016, which represented an increase of 142.7 employees or 12.1% from the prior year. The largest growth occurred in the School Department (55), the Fire Department (50) and Boston Center for Youths and Families (19).

Employee Spending

Government is labor intensive and for the City of Boston, [spending](#) for employee salaries and benefits accounted for \$1.9 billion or 67% of the budgeted operational expenditures of \$2.9 billion in fiscal

2016. Of the \$1.9 billion, salaries constituted the largest share at 70.3%, followed by health insurance at 15.5%, pensions at 9.6%, and other costs at 4.5%. The increase in employee spending in fiscal 2016 was \$36.0 million, which accounted for 42.9% of the total operational expenditure increase. That increase will grow further when final Police and Fire Department overtime expenses are included.

Table 2
Personnel Spending Summary (millions)

	FY12	FY16	Change	%
Salaries	\$1,159	\$1,348	\$189	16.3%
Health Insurance	\$302	\$298	(\$4)	-1.5%
Pensions	\$126	\$185	\$58	46.0%
Other**	\$78	\$86	\$9	11.1%
Total	\$1,665	\$1,917	\$252	15.1%

**Includes Other Post Employment Benefits, Unemployment Insurance, Workers Compensation, Medicare Pensions and Annuities.

The budget for personnel spending over the last four years (FY12-FY16) increased by \$251.6 million, or 15.1%. This increase makes up 55.3% of the total expenditures growth in that period. The growth in employee spending over the four years was driven by salary expenditures (75.2% of total) and pension payments (23.1% of total).

Pension payments in fiscal 2016 are budgeted at \$184.5 million, an increase of \$14.9 million or 8.8% over fiscal 2015 and a 46% increase since fiscal 2012. The net pension share of total personnel spending has increased from 7.6% in fiscal 2012 to 9.6% in the current fiscal 2016 budget.

Health insurance expenses decreased slightly over the four years due to required mandatory Medicare enrollment and City and union agreements on plan design changes. Health insurance costs are expected to increase by 5.4% in fiscal 2017.

For its retiree health insurance liability (OPEB) of \$2.26 billion, the City paid the annual costs and allocated \$40 million to the OPEB Trust Fund for future costs. The City's annual payment is still below the annual required contribution (ARC), the amount required to prevent growth in the OPEB liability.