

SPECIAL

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REPORT

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Boston Halts Workforce Growth

Faced with anticipated local aid cuts, the City of Boston reduced its city-funded workforce by 480 positions or 2.7% from January 2002 to January 2003. This cut comes after actual city employee levels increased by 1,114 or 6.8% in the five years from January 1997 to January 2002. Several years of favorable revenue growth have enabled Boston to enhance or add programs and services and to increase the number of employees, their salaries, and benefits. Of this year's operational budget of \$1.8 billion, spending for employees (salaries, overtime, and benefits) is budgeted at \$1.2 billion or 67.5% of total spending. In the six fiscal years from 1997 to 2003, employee spending has increased by \$340.7 million or 38.2%. Taking into account inflation for this same period, employee spending increased by 17.9%. Over the last year, the number of grant-funded employees decreased by 216 for an all-funds employee decrease of 696. As of January 2003, city-funded employees totaled 17,091 and grant-funded employees came to 2,726, for a grand total workforce of 19,817. In this report, employee numbers are shown as of January of each year and are stated in full-time equivalencies (FTEs).

The Menino Administration achieved the employee reduction this last year through natural attrition, by instituting a structure to review the filling of vacant positions and by adopting a state-authorized early retirement incentive program (ERI). The ERI resulted in 476 employees retiring on October 31, 2002, with over 250 positions backfilled at varying salary grades and a few employees returning on contract. The Administration estimates a net ERI savings of approximately \$3.1 million in fiscal 2003. Expecting local aid reductions of 10%-15% for fiscal 2004, the Menino Administration is taking steps to reduce employee levels further. In January of this year, the Mayor established a hiring freeze and the Administration is now offering a volunteer incentive program to encourage pension-eligible employees to retire before June 30, 2003. Budget cuts for next year will require layoffs in several departments, the extent of which will depend on the success of the volunteer incentive program and the Mayor's use of reserve funds.

EMPLOYEE SUMMARY JANUARY 1997-JANUARY 2003 in FTEs

DEPARTMENT	1997	1998	1999	2000	2001	2002	2003	Variance '02-'03	Variance '97-'02
POLICE	2,968.5	3,002.5	3,024.5	3,005.0	2,958.3	2,964.0	2,894.9	(69.1)	(4.5)
FIRE	1,721.0	1,729.5	1,755.5	1,730.0	1,732.0	1,697.5	1,713.5	16.0	(23.5)
LIBRARY	529.0	529.3	559.7	541.4	558.7	574.8	474.7	(100.1)	45.8
SCHOOLS	7,511.9	7,703.8	8,051.8	8,234.7	8,437.5	8,509.4	8,439.7	(69.7)	997.5
PUBLIC WORKS	475.5	479.0	420.5	409.5	389.0	406.6	383.6	(23.0)	(68.9)
TRANSPORTATION	383.0	401.5	379.0	441.5	438.0	438.9	385.9	(53.0)	55.9
OTHER CITY	2,868.0	2,850.8	3,001.4	2,945.9	2,969.8	2,979.8	2,798.7	(181.1)	111.8
SUB-TOTAL CITY-FUNDED	16,456.9	16,696.4	17,192.4	17,308.0	17,483.2	17,570.9	17,090.9	(480.0)	1,114.0
SUB-TOTAL GRANT-FUNDED	2,232.8	2,328.3	2,307.0	2,662.8	2,776.5	2,942.1	2,726.3	(215.8)	709.3
GRAND TOTAL	18,689.7	19,024.7	19,499.4	19,970.8	20,259.7	20,513.0	19,817.2	(695.8)	1,823.3
CHANGE OVER PRIOR YEAR	N/A	335.0	474.7	471.4	288.9	253.3	(695.8)		

Employee reductions of 480 over the last year primarily came from six departments – Library (-100), School (-70), Police (-69), Transportation (-53), Public Works (-23) and the Public Health Commission (-23). During the prior five years, when employee levels increased by 1,114, the Boston Public Schools (BPS) accounted for 998 positions or 90% of the total. The teaching staff grew by 459 and instructional support employees by 192. Other areas of growth during this time included the Library Department, Central Fleet Maintenance, and the Transportation Department.

City Departments

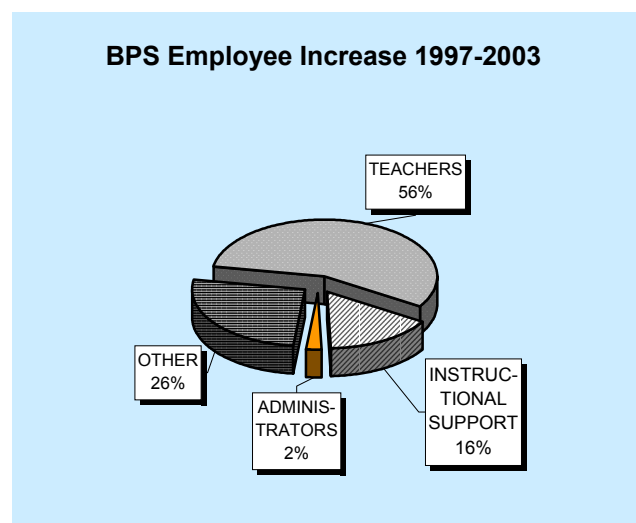
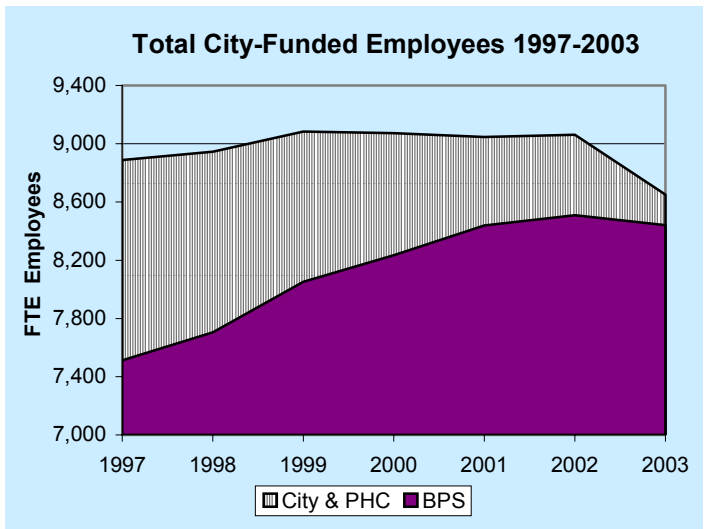
City departmental employees, excluding the BPS, totaled 7,906 in January 2003, a reduction of 387 or 4.7% from last year. A total of 77% of city departments reduced their workforce during 2002. This reduction brought the city departmental number to its lowest level since 1995. The peak was reached in 1999 at 8,344 employees after the departments had added 184 positions during the previous two years.

During 2002, the Library Department had the largest reduction (-100), partially due to a new method of accounting that was implemented allowing employees whose positions are funded through both city and grant funds to be charged proportionally to each fund account. The results, combined with retirements due to the ERI, produced the decrease in city-funded positions and an accompanying increase (+35) in grant-funded library positions. The Police Department also had a significant net decrease in staff (-69) due to the departure of police officers, the retirement of civilian staff members due to the ERI, and the addition of new police officers. The Transportation Department (-53) achieved its reduction with the retirement of employees due to the ERI and with a high rate of attrition. The Public Works Department also reported a reduction (-23), mainly through ERI retirements. The Public Health Commission, an independent authority that receives much of its funding from Boston, also reduced its city-funded workforce during 2002, dropping by 23 to 745.

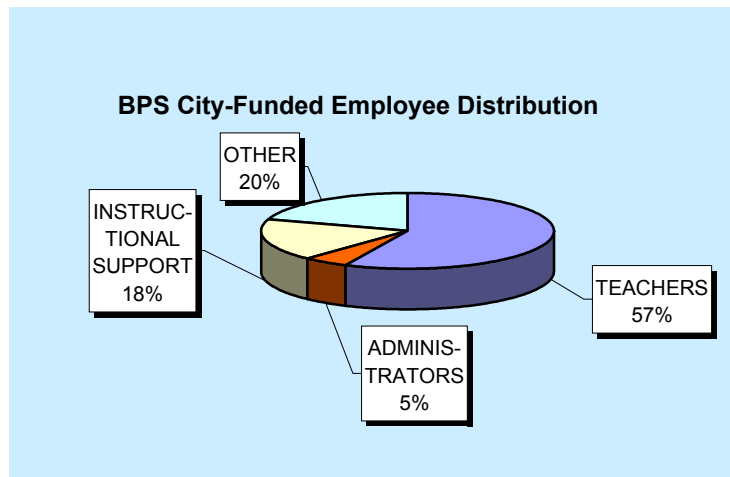
Only 5 departments added to their workforce during 2002, and three of those – MIS, Property Management & Construction, and Inspectional Services – increased employees because of transfers from other departments. For example, the Capital Construction unit with its 65 employees transferred from the Department of Neighborhood Development into Property Management and Construction in a budget move intended to combine units with similar functions. The Fire Department added 92 new firefighters during the year, but had a net gain of only 16 because of civilian and firefighter departures.

Boston Public Schools

The BPS workforce decreased by 70 positions to 8,440 from 2002 to 2003. This reduction occurred after the BPS added 998 positions from 1997 to 2002, creating a net total of 928 positions added since 1997. During that same six-year period, total enrollment in the BPS has decreased by 1,440 students. Teachers, who represent the majority of the BPS workforce, accounted for 520 positions or 56% of that increase. Specifically, the largest increase occurred among Regular Education teachers who represented 42.4% of the total increase, while Special Education teachers represented 7.7%. Increases to instructional support positions, such as instructional aides and Special Education aides, represented 15.7% of the total growth. Teachers and aides combined represented 66.7% of the total employee growth from 1997 to 2003, reflecting the high priority Boston has placed on its education infrastructure.



Certain BPS policy decisions and contractual obligations have driven the increase in staff during the last six years. Policies to reduce class sizes, to open new pilot schools, and to provide increased professional planning and development periods have created a need for new teachers and aides. More teachers also have been hired for Math and English transition programs, primarily established to promote MCAS compliance, and Special Education itinerant services. Teachers and instructional aides also have increased as negotiated staffing formulas have been implemented and as new early education centers have opened.



Despite an overall decrease during 2002, the BPS still added 61 teaching positions. As of January 2003, the total number of teachers was 4,779, 56.6% of the total school workforce and 12.2% greater than it was in 1997. School staff in other areas decreased as the number of teachers rose. Totals for instructional support staff (-47) and professional support staff (-56), which includes administrators and central staff, each were reduced last year, although many of the employees in the latter category were transferred to positions funded through grants.

Grant Funds

City employees funded through federal and state grants totaled 2,726 as of January 2003, a decrease of 216 from 2002. Despite the decrease, Boston’s grant-funded positions have expanded by 494 since 1997. The largest number of grant-funded employees (1,026) work in the Sheriff’s Department, which is 95% funded by state grants. The BPS’s total of 935 positions was 191 more than its total in 1997. The BPS increase represented 38.6% of the total grant-funded employee growth since 1997. Of the total BPS grant-funded positions, 333 are teachers, 170 are instructional support employees, and 264 are food service workers. The major drivers of the decrease over the last year were the Sheriff’s Department (-187) and the Public Health Commission (-45).

Early Retirement Incentive

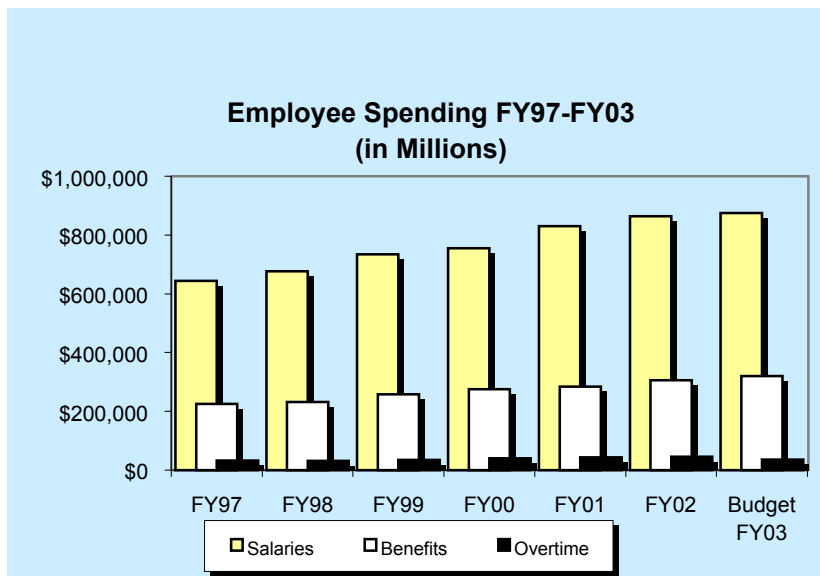
Boston adopted a state-authorized ERI and offered its employees, excluding police officers, firefighters, and teachers, a retirement package during 2002. The ERI enabled the city to reduce its workforce levels gently and to achieve savings during FY03 by offering five years of age or service, or a combination of the two, to employees. Originally designed with a limit of 370 employees, 476 individuals from 32 departments eventually retired on October 31. In the BPS, 210 employees retired, while 266 employees retired in the other 31 departments. The BPS refilled 187 positions due to contractual or logistical obligations, creating a loss of only 23 positions. An exact amount of the total reduction that can be attributed to the ERI among the other departments is not available. Final analysis is not yet complete, but department heads have been directed to use positions vacated through the ERI as a means to reorganize their divisions more efficiently.

The current estimated net ERI savings during FY03 is \$3.1 million. The BPS refilled 187 positions and paid \$2.7 million in severance costs, producing a net ERI cost of \$1.5 million. There is also a limited amount of retirees who have been rehired as contract employees that has produced a small cost. The other 31 departments achieved a net savings of \$4.6 million. The cost of severance and of filling and restructuring positions offset the salary savings to produce the net savings of \$3.1 million.

Personal Services Costs

Over two-thirds of Boston’s operating spending is for employees. Of this year’s operational budget of \$1.8 billion, spending for employees (salaries, overtime, and benefits) is budgeted at \$1.2 billion or 67.5% of total spending. Over the last fiscal year, employee spending increased by \$15.5 million or 1.3%, the lowest percent growth over the past six years. In the five years from fiscal 1997 to fiscal 2002, the average annual increase for personal services was 6.4%. This figure reflects generous salary increases, the growth of employee levels, and increased costs for pensions and health benefits. Since fiscal 1997, total spending for personal services increased by \$340.7 million or 38.2%. In constant dollars during this same period, employee spending increased by 17.9%.

Of total spending for personal services in Boston, salaries represent 71%, benefits 26% and overtime 3%. Salaries have been the most significant driver of employee costs since 1997, increasing by \$241.3 million or 38.1% for an annual average increase of 5.6%. Benefits, including the BPS, cost \$320.4 million this year, an increase of \$95.6 million or 42.5% since 1997. Health insurance at \$150.2 million has increased by \$53.3 million or 54.9% while pension costs at \$134.4 million have increased by \$34.7 million or 34.8% during this time. Overtime costs in the past five years grew to \$45.6 million in fiscal 2002, an increase of \$13.1 million or 40.2%. The city's fiscal 2003 budget for overtime was reduced to \$36.3 million, a cut of \$9.3 million or 20.4% as the Administration attempts to reduce its overtime spending.



Conclusion and Recommendations

Over the past several years, Boston has enjoyed strong revenue growth that has enabled it to enhance or add programs or services that resulted in increases in employee levels each year. The increase of 1,114 positions over the past five years reflects the growing economy and the commitment to education reform by both the Commonwealth and the City. Faced with anticipated local aid cuts in fiscal 2003 and fiscal 2004, Boston has taken steps that reduced the city-funded workforce for the first time since 1994, excluding hospitals. With almost 70% of the city budget devoted to employees, reducing employee levels will need to continue to be the primary means of reducing city spending. While 480 positions were reduced from January 2002 to January 2003, more cuts will be required to meet budget targets for fiscal 2004. The extent of additional reductions will be determined, in part, on the decision by the Mayor on the extent that reserves will be utilized in fiscal 2004 to help mitigate cuts in core services. Beyond the volunteer retirement program and layoffs, the Administration should embrace other options to reduce workforce levels while maintaining basic core service levels. Some options include:

- Utilize competitive service delivery whereby city employees compete with private vendors to perform city or school services. In other cities, this approach has proven to be an effective means of improving the efficiency of services.
- Better utilize technology to improve productivity and reduce employee levels. A few city departments, such as Assessing, have shown the benefits of applying new technology and the approach should be expanded to other departments in Boston.
- Modernize the City's personnel management operation and develop a performance-based personnel system that ties performance measures to wage increases and promotions. The City's job descriptions are not current and do not reflect today's need for city employees to perform multiple tasks in providing departmental services.
- Continue to seek opportunities to consolidate operations that provide similar services to achieve cost savings. For example, purchasing services are provided by the City's Purchasing Department and the School Department's Purchasing Office.
- Implement recommendations of existing studies concerning operational efficiencies. Several recommendations involving staffing changes in the Fire Department in a 1995 study have not been implemented and recommendations for position utilization in the Police Department from a 2002 report to the Commissioner is not being implemented because of union resistance.