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Highlights

- **Spending for employee costs continues to escalate; spending on health insurance alone grew by \$25.1M or 12% in FY07.**
- **Since 2004, the departments of School, Police, and Fire added 651 positions to the payroll. All other departments (45), in aggregate, increased by 10 positions.**
- **Gross state aid to Boston has grown at a slow pace since the cuts in FY03 and only this year returned to the FY02 level.**

A special thank you to the Research Bureau's Cabinet Members for their generous support.

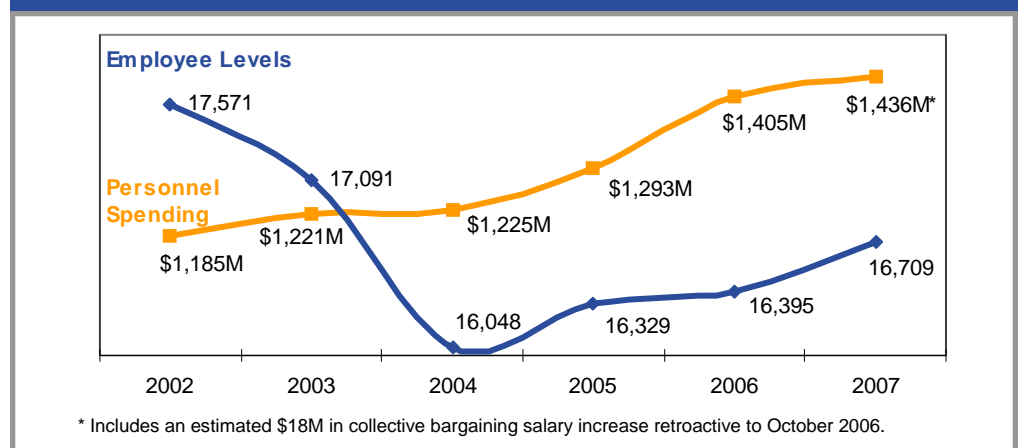
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Caution Ahead—Boston's Rising Personnel Costs

Spending for personnel by the City of Boston has increased by 20% over the past five years due to escalating costs for employee benefits, contract salary increases and the last three years of increasing employee levels. The rising cost of employee benefits accounted for 68.2% of this increase, which is the reason any increase in the City's workforce should be managed very carefully. Since January 2004, personnel levels have increased by 661 positions of which 98.4% were in the areas of education and public safety. Over the last year, employee levels increased by 315 positions or 1.9%. The budgeted increase for personnel spending this year of \$13.1 million will grow significantly higher due to new contract salary increases and actual overtime costs.

- City spending for salaries, health insurance, and pensions increased from 64.9% of the total operating budget to 66.2% over the past three fiscal years.
- Boston's employee levels are 862 positions below its 2002 level, as the decrease of 1,523 positions from January 2002 to January 2004 was partially offset by the increase of 661 position from January 2004 to January 2007. Personnel spending has increased by \$192.5 million or 15.7% over the past three years.
- The City needs to continue to manage its personnel levels with added police officers, fire fighters, and teachers offset by greater use of civilianization in the public safety departments, embracing efficiency strategies such as competitive service delivery, improved technology utilization, and comprehensive management reviews of city department operations.

Employee Levels vs Personnel Spending 2002-2007



As of January 2007, the number of city-funded employees was 16,709. Together with 2,734 grant-funded position, city employees totaled 19,443, an increase of 274 or 1.4% over 2006. In this report, workforce totals as of January of each year are in full-time equivalencies (FTE) and refer to city-funded positions except where otherwise noted.

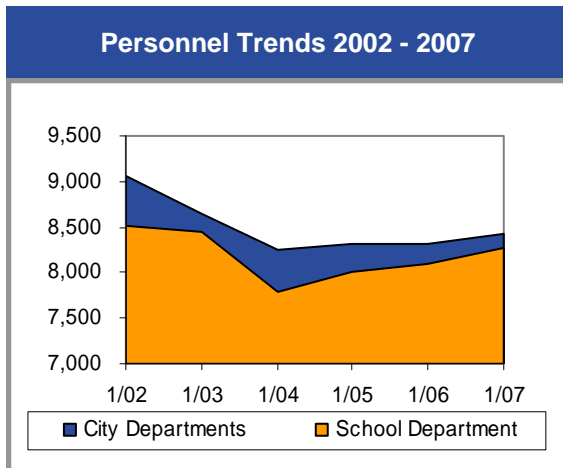
Personnel Summary 2002 - 2007

City Funded	1/02	1/03	1/04	1/05	1/06	1/07	Variance	%	Variance	%
							1/02-1/04	Change	1/04-1/07	Change
City Departments	9,062	8,651	8,256	8,320	8,308	8,427	(806)	-8.9%	171	2.1%
School Department	8,509	8,440	7,792	8,009	8,087	8,282	(717)	-8.4%	490	6.3%
Total FTE	17,571	17,091	16,048	16,329	16,395	16,709	(1,523)	-8.7%	661	4.1%
Grant Funded										
City Departments	1,994	1,792	1,818	1,784	1,820	1,770	(176)	-8.8%	(48)	-2.6%
School Department	925	934	866	924	954	963	(59)	-6.4%	97	11.2%
Total FTE	2,919	2,726	2,684	2,708	2,774	2,734	(235)	-8.0%	49	1.8%
Grand Total FTE	20,490	19,817	18,733	19,037	19,169	19,443	(1,757)	-8.6%	711	3.8%
Change over Prior Year	230	(673)	(1,085)	304	132	274				
% Change	1.1%	-3.3%	-5.5%	1.6%	0.7%	1.4%				

* Numbers may not add due to rounding.

Five-Year Trend: 2002 - 2007

In the past five years, city-funded personnel levels have been on a rollercoaster, from a high of 17,571 in 2002 down to 16,048 in 2004, a decrease of 1,523 or 8.7% in two years. From 2004 to 2007, personnel levels have once again been on the rise, reaching 16,709 in 2007, an increase of 661 or 4.1%. Personnel levels were reduced in fiscal 2003 and fiscal 2004 primarily as a response to cuts in state aid during those years. Since that time, gross state aid has increased at a slower pace, having only returned to the fiscal 2002 level this year.



The increase of 661 employees since 2004 is primarily attributable to growth in the three departments of School, Police, and Fire. These three departments account for 98.4% of the total increase in the past three years. All other departments, in aggregate, have grown by only 10 positions or 1.6% of the total increase. The

Bureau expects the City to continually seek service efficiencies to manage employee levels where possible.

Department Comparison 2002 - 2007

Department	1/02	1/04	1/07	% of Total Change 04-07
School	8,509	7,792	8,282	74.1%
Police	2,964	2,782	2,922	21.2%
Fire	1,697	1,610	1,631	3.2%
Subtotal	13,171	12,185	12,836	98.4%
Change	-	(986)	651	
All Others (45)	4,400	3,863	3,873	1.6%
Change	-	(537)	10	
Grand Total	17,571	16,048	16,709	100.0%
Change	-	(1,523)	661	

The employee growth in these three departments reflects their budget growth. In the past five years, spending for these three departments along with health insurance, pensions, debt service and state assessments, in aggregate, increased by 21.9% since 2002, while spending for all other departments increased by 4.9%. As these few accounts comprise a larger portion of the budget, less revenues are available for other departmental services, including some that affect the quality of life in Boston.

One-Year Results: 2006 - 2007

In the year from January 2006 to January 2007, city departments including schools grew to 16,709 positions, an increase of 315 or 1.9%

over the prior year. This increase was primarily due to added positions in the School Department (195), the Police Department (104), the Fire Department (29), and the Boston Center for Youth & Families (12). All vacancies continue to be evaluated by a Position Review Committee before being filled in order to ascertain that each position is necessary and sufficient resources are available for its funding.

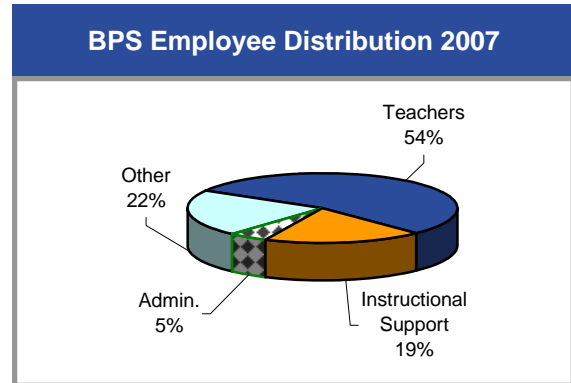
Employee Summary 2006 - 2007			
City			
Departments	1/06	1/07	Variance
BCYF	358	371	12
Fire Department	1,602	1,631	29
Library Department	423	432	9
Police Department	2,818	2,922	104
Property & Construction Mgmt.	296	214	(82)
Public Works	371	375	4
Transportation	370	364	(6)
All Others	2,069	2,117	49
City Total	8,308	8,427	119
School Department			
Teachers	4,459	4,517	58
Instructional	1,488	1,588	100
All Others	2,140	2,178	37
School Total	8,087	8,282	195
Grand Total	16,395	16,709	315
% Change			1.9%

* Numbers may not add due to rounding.

The only department to see a substantial decrease was Property and Construction Management (-82), due to dissolution of the Municipal Police Department. Thirty-three municipal officers were transferred to the Boston Police Department. Remaining officers assumed unarmed security force positions or left city service. Municipal police support staff positions were also eliminated.

Boston Public Schools

In the past year, city-funded Boston Public School (BPS) personnel grew by 195 positions or 2.4% while at the same time school enrollment levels dropped by 824 students or 1.4%. An increase in special needs students requiring more individual attention, prompted an increase in special education and substantially separate teachers (20) and substantially separate



aides (41) to support these students within the classroom and transportation attendants (16) to provide assistance in school buses and vans. The K1 expansion of kindergarten for four-year olds added 19 new classes during fiscal 2007, requiring additional kindergarten teachers (19) and instructional aides (31). Personnel increases were also instigated by the restoration of 1% of school budgets in both fiscal 2006 and fiscal 2007, which had been cut by 7% in fiscal 2004. Using this discretionary money, schools have brought back positions that had been cut, such as specialist teachers (28) to expand curriculum offerings and library aides (9).

Grant Funds

Federal and state-funded employees totaled 2,734 as of January 2007, a decline of 40 positions or 1.5% from January 2006. The largest reductions in grant-funded positions were in the Suffolk County Sheriff's Department (-15) and the Elderly Commission (-37). An accounting change to the way the Elderly Commission's employees are funded and the loss of the Senior Companion Program grant explain this decrease. Within the School Department, grant-funded positions grew by 10 over the prior year, primarily special education and bilingual teachers.

Spending for Personnel

Personnel spending for salaries and benefits has grown as a percent of the total budget to 66.2% in fiscal 2007, up from 64.9% in fiscal 2004. This year's share will grow further when the actual cost of negotiated employee contracts and the full cost of overtime are included. The fiscal 2007 budget for employee salaries, pensions and health insurance grew to \$1.42 billion, an increase of \$13.1 million from last

Public Safety Uniformed Forces

In fiscal 2007, the Menino Administration has made a concerted effort to focus on gradually building up the uniformed force of the Boston Police Department (BPD) which had declined in recent years. Since January 2006, two classes totaling 118 new officers graduated from the Academy. Another 87 recruits are in the Academy and a class of 70 is planned to begin this spring. The ranks of the BPD were also bolstered by the transfer of 33 qualifying Municipal Officers from the Municipal Police Force. As a result of these changes, the BPD increased by 78 or 3.9%, from 2,009 sworn officers in January 2006 to 2,087 officers in January 2007. Even with this increase, the uniformed force is 74 positions below the level of five years ago (the figures in this section are actual employees, not FTEs).

Within the Fire Department, uniformed personnel grew from 1,461 in January 2006 to 1,491 in January 2007, an increase of 30 or 2.1%. This increase was primarily due to a class of 49 that graduated in May 2006 and 47 graduates in November 2006. A class of 52 is expected to begin in April 2007 and a class of 40 in the fall. The Fire Department's uniformed force is 65 positions below its January 2002 level.

Police Department 2002 - 2007*					
	1/02	1/06	1/07	Change 02-07	Change 06-07
Superior Officers	427	388	390	(37)	2
Detectives	276	226	242	(34)	16
Police Officers	1,458	1,395	1,455	(3)	60
Total	2,161	2,009	2,087	(74)	78
% Change				-3.4%	3.9%
Recruits in Academy		58	87		

Fire Department 2002 - 2007*					
	1/02	1/06	1/07	Change 02-07	Change 06-07
Superior Officers	362	390	384	22	(6)
Firefighters	1,194	1,071	1,107	(87)	36
Total	1,556	1,461	1,491	(65)	30
% Change				-4.2%	2.1%

* These figures represent actual employees, not FTEs.

Selected Personnel Spending FY04 - FY07

Figures in millions				
Category	FY04	FY05	FY06	Budget FY07
Salaries	\$916.7	\$956.0	\$1,008.9	\$990.2
Health Insurance	171.8	190.2	209.7	234.8
Pensions	137.0	146.6	186.3	192.9
Personnel Total	\$1,225.5	\$1,292.7	\$1,404.9	\$1,418.0
% Change	N/A	5.5%	8.7%	0.9%
Total Budget	\$1,888.4	\$1,972.1	\$2,090.4	\$2,142.1
Personnel Total as a % of Total Budget	64.9%	65.6%	67.2%	66.2%

year's actual expenditures. Health insurance costs increased by 12% and pension expenses rose by 3.6% since last year. Negotiated salary increases and actual overtime costs will significantly increase salary expenses for fiscal 2007. Based on the contracts negotiated to date, salary increases are expected to cost at least \$18 million. By the end of February, actual overtime spending for all departments had exceeded the year's total overtime budget, with four months still remaining in the fiscal year.

Conclusion

As employee benefits continue to absorb a larger share of revenue growth, any increase in the City's employee levels creates greater immediate and long-term consequences. The City must continue to be cautious in filling vacancies or creating new positions. Necessary increases in public safety or growth in public education due to policy changes or shifts in enrollment should be countered by strategies to manage more effectively in these departments and in other service areas. This means utilizing creative strategies, such as greater use of civilianization in the public safety departments, competitive service delivery, improved use of technology, and undertaking a comprehensive review of one major line department each year. Bold health insurance reform is also needed, both at the state and local levels, to allow the City to better control the trend of double-digit increases that have been driving spending growth over the past several years.