

Boston's FY11 Budget Approved

Third year of state aid cuts makes budget tight but deeper cuts expected in FY12

On the last day of FY10, the Boston City Council passed the Mayor's \$2.3B budget for FY11. The budget represents an increase of \$49.4M or 2.2%. Of this increase, 35.9% is due solely to the increase of \$17.7M in health insurance costs. City Council efforts to prevent the closing of four branch libraries resulted in the Administration agreeing to keep the branches open for nine months to allow for further planning but still eventual closing. Several community centers will not be funded by the City budget, but will be established under other non-profit groups. This budget reflects the third consecutive year of state aid cuts which are expected to be even deeper in FY12.

Revenues

The FY11 budget receives 80.9% of its income from two sources: the property tax (63.9%) and state aid (17%). The property tax is budgeted to increase by \$62.1M or 4.3% over FY10. New growth is expected to contribute \$27M in FY11. State aid for Boston will be cut for the third consecutive year, this time for \$21.5M or 5.1%. This budget also relies on \$45M in funds from reserves. Additionally, the City will claim at least \$17M from the new meals tax for the entire year. In the next column is a listing of select revenues expected for FY11.

ARRA Funds - The Commonwealth's American Recovery and Reinvestment Act (ARRA) funds have been used for a second time to replace Chapter 70 Education Aid revenue with ARRA grant funds that support general fund operations. In FY11, the City will use \$4M from this source to support general fund operations in the BPS. There continues to be ARRA funds that are used

as external grants that not only fund targeted projects but that also provide services that would normally be provided by the general fund.

General Fund Select Revenues FY11

Account	FY11 Budget	Variance FY10-FY11	%
Net Property Tax	\$1,491.4	\$62.1	4.3%
Net State Aid	\$396.8	-\$21.5	-5.1%
Excises	\$104.6	\$18.9	22.1%
Parking Fines	\$69.6	\$0.6	0.9%
PILOTS	\$34.8	\$0.5	1.5%
Urban Redev	\$59.5	-\$6.6	-10.0%
Investment Income	\$5.0	-\$1.5	-23.1%
Building Permits	\$16.8	\$1.8	11.7%
All Others	\$111.3	-\$4.8	-4.1%
Fund Balance	\$45.0	\$0.0	0.0%
Grand Total	\$2,334.6	\$49.4	2.2%

Expenditures

On the spending side, the FY11 budget reinstates the FY10 wage deferral for 24 unions at a total of \$7M to be paid in FY11. Health insurance and pensions combined to absorb 17.6% of City spending and 45.2% of the total budget increase. The reserve for retiree health insurance (OPEB) increased to \$35M which is still far less than the \$141.6M health care benefits earned by city employees during the year and the full annual required contribution of \$354.4M. New classes for both Police and Fire Departments are included in this budget. Additionally, the contracts of 41 unions will expire by August 31, 2010 that will put more pressure on City spending.