A Monthly Review of Issues Affecting the City of Boston

Bureau Update

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NEWS & NOTES

BUREAU SPEAKER SERIES

On March 23, Mellon Financial Center was the site of the first formal meeting between the City's new Police Commissioner Kathleen M. O'Toole and Bureau Directors and members, organized as part of the Bureau Speaker Series. Mayor Tom Menino was on hand to introduce Commissioner O'Toole, who discussed the three major areas she plans to focus on in her new role: community policing, department moral and homeland security. Visit www.bmrb.org for more details on the event.

TRAINING EMERGING LEADERS

On March 11th, BMRB President Sam Tyler moderated a panel discussion involving Hubie Jones on challenges facing Boston before UMASS Boston's 2004 class of Emerging Leaders. The College of Management conducts the eight month program to develop future leaders for Greater Boston. Fellows study specific public policy issues with a sponsoring organization and present recommendations as a final product. This year, the Bureau is sponsoring a study group to analyze the City's revenue mix.

PROPERTY TAX HEARINGS

The Massachusetts Department of Revenue will hold hearings throughout the state on the current property tax classification system. The Boston hearing date is scheduled for May 18th at the State House. Visit www.bmrb.org for more details.

BPS FY05 BUDGET

The Boston School Committee has approved a budget for FY05 totaling $653.2M, an increase of $7.1M or 1.1% from the current budget. School officials designed distribution formulas geared to allot funds to individual schools in a more equitable fashion for FY05. Small schools and schools with large percentages of special education enrollment, both of which were hamstrung by cuts during FY04, were given more flexibility for FY05. The result was an aggregate increase of $20.5M to individual schools that was dispersed according to a range of factors that included enrollment and programmatic changes, anticipated fixed cost increases, and the new distribution formulas.

Salaries represent 94.5% of the budget's increase, due mainly to increased funding for the long-term leave and substitute teacher accounts, step and lane changes and the funding of the summer transition program. Health insurance costs continue to increase, having risen 12.5% from FY04 and 34.2% since FY02. The budget balances the increase in school allocations with reductions in central office spending and in benefits, namely the elimination of one-time bonuses for teachers who voluntarily retired and expected reductions in unemployment claims. Because of anticipated reductions in revenue from grant funds in FY05, the BPS all-funds budget will increase by only 0.1% to $777.4M. The costs of new collective bargaining agreements are not included and will be funded through supplemental appropriations.

'04 TAXES SET, BUDGET REVISED

On March 19th, the City certified the FY04 residential tax rate at $10.15 and the business rate at $33.08 per thousand dollars of value. Even though the residential rate is down from last year, the average single family tax bill is up $285 or 14.5% from FY03 because of the large increase in residential value from the prior year.

On the business side, commercial office property owners will see a decrease in their tax bills even though the tax rate is up because commercial office values fell by almost $1B or 8.3% from FY03. All other business property owners whose values are level or higher in FY04 will pay more in property taxes.

The City revised its budget to $1.85B to reflect revenue adjustments and supplemental appropriations. The $1.09B tax levy includes $32.9M of new growth. No longer bound by a 5% state minimum, the overlay reserve was reduced by $9.6M to $42.1M.

Property Values, Tax Levy and Rates

Value/Levy in $B	FY03	FY04	Change	%
Residential	$35.15	$44.31	$9.17	26.1%
Single Family	7.83	9.94	2.11	27.0%
Condo	10.98	13.84	2.86	26.1%
Commercial	18.64	17.76	(0.88)	-4.7%
Office	11.67	10.70	(0.97)	-8.3%
Other Comm.	6.97	7.06	0.10	1.4%
Industrial	0.60	0.64	0.04	6.5%
Personal	3.14	3.42	0.28	9.0%
otal Value	$57.53	$66.14	$8.61	15.0%
Tax Levy	$1.04	$1.09	$0.06	5.7%
Tax Rates				
Residential	$11.29	$10.15	($1.14)	-10.1%
CIP	$31.49	$33.08	$1.59	5.0%
Ave. 1 Fam. Tax	$1,972	$2,257	$285	14.5%

Numbers may not add due to rounding.

SUPPLEMENTAL TAX DECISION

The Mayor and City Council should reject for FY04 the ability to tax new value captured after January 1, 2003, the assessment date for setting the FY04 tax rate. The City Council's Ways & Means Committee held a public hearing on this on Wednesday, April 7th, and the full Council may vote on it on April 14th. As part of the Municipal Relief Act enacted this past summer, cities and towns were authorized to tax the value of certain improvements to real estate made after the January 1 assessment date for the purpose of providing additional tax revenue for the year. The additional tax would be made on those parcels for which an occupancy permit is issued during the fiscal year and the new construction increases the value by over 50%.

This tax would be in addition to the regular property tax assessed on the parcel's January 1 value and would be pro-rated from the time the permit was issued to the end of the fiscal year using the current year's tax rate. The supplementary tax is not considered part of the tax levy limited by Proposition 2½. In past years, this increased value would not have been taxed until the next fiscal year.

In addition, the City must abate property taxes on any parcel if it loses more than 50% of its value after July 31, 2003 by fire or other natural disaster. The City is required to implement this new provision unless the City Council, with the Mayor's approval, notifies the Massachusetts Department of Revenue in writing of its rejection.

The City should reject the supplemental assessment for FY04 because it raises issues of equity and departs from the principle that property tax value and ownership be treated consistently using a single lien date. The additional property tax burden created by the supplemental assessment could negatively impact development in Boston. In addition, time would be needed to change administrative procedures and software programs and educate impacted taxpayers. Finally, rejection this year is advisable in light of the added tax burden already placed on business property as a result of the change in the City's classification law.

STEP INCREASES

With or without collective bargaining contracts, the City of Boston is paying at least $9.7M in salary increases to those employees who are not at the maximum salary step. Little understood is the fact that employees below the maximum salary level receive step increases every year, resulting in annual salary increases ranging from 4% to over 5%. A step increase is received each year even if a contract has expired and a new contract has not yet been negotiated. Typically, a contract has nine steps to reach the maximum salary for a position. The employee moves to the next step generally at his/her job anniversary date each year and receives an increase in salary. In practice, a step increase is automatic and not contingent on a satisfactory evaluation. A little over 4,300 employees are eligible for step increases. In the BPS, the average step increase for an eligible teacher is $3,009 or 5.6% for a total district cost of $5.6M. The combination of salary steps and contract salary raises can generate sizeable salary increases. For example, with the new teachers' contract, a teacher with a Master's degree at step 5 will receive the contract salary raises and move up three steps to receive a total salary increase of $15,392 or 29.0% during the life of the contract. That teacher's salary will be $68,443 in 2006.

REGIONAL SAVINGS

Urban regionalism in the Boston area is proving that selective collaboration can provide real benefits to its municipal members. Initially brought together in 2001 by the prospect of local aid cuts, the Metropolitan Mayors Coalition (MMC) has undertaken initiatives involving cost control of group health insurance, joint emergency management planning and development of intermunicipal economic development strategies. The MMC consists of the mayors and managers of 10 Boston area cities (Boston, Cambridge, Chelsea, Everett, Malden, Medford, Melrose, Quincy, Revere and Somerville).

A collective procurement program is the most recent initiative of the MMC. Member cities are allowed to be included in select Boston bids, adding to Boston's purchasing power that achieves better pricing and administrative savings for all participants. A recent copy paper bid yielded prices that were 18% lower than the state contract price and over 50% lower than retail prices. Similarly, office supplies came in at about 30% cheaper than state contract prices. A toner cartridge bid produced savings estimated at over 19%. Collective procurement also has included janitorial supplies, automobile and truck tires, automotive batteries and lighting supplies. Boston's Purchasing Department has managed this successful program. The MMC is facilitated by the Metropolitan Area Planning Council (MAPC).