

December 2, 2014 No. 14-2

Highlights

- Spending for employees represented 68% of Boston's total operational expenditures in FY14, with the increase of \$93M accounting for 63% of the City's total operational expenditure growth in FY14.
- Positions funded by federal and state grants decreased by 123 to 1,315 as of January 2014, a trend that is expected to continue.
- As the Walsh Administration begins to prepare its first complete operating budget for fiscal 2016, a balanced budget remains a challenge with solid personnel management being critical to achieving success.

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

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333 Washington Street, Suite 854
Boston, Massachusetts 02108
617-227-1900 www.bmr.org

Boston Employee Levels Increase for Second Year

Growth contained primarily to Schools and Public Safety

The number of Boston city-funded employees from January 2013 to January 2014 (CY2013) increased by 450 or 2.7% to 16,982. This is the second consecutive year of employee increases totaling 809 or 5.0% following three years of payroll reductions (January 2009-January 2012) due to the economic downturn. Over the past five years from January 2009 to January 2014, total [city-funded positions](#) have decreased by 296 or 1.7%. Generally the three largest departments of School (BPS), Police and Fire, generate the bulk of the position increases in growth times but a smaller proportional decrease during downturns. This report focuses primarily on the changes in city-funded positions and employee spending. All employee numbers are represented in full-time equivalencies (FTEs). Other highlights include:

- Spending for employee salaries and benefits totaled \$1.8 billion or 67.9% of the \$2.6 billion fiscal 2014 operating expenditures. Over the past five years, spending for personnel increased by \$206.7 million or 13% with salaries representing 57.3% of that total increase and benefits 42.7%.
- The 44 city departments, other than the big three, comprise 22% of the city-funded payroll as of January 2014. These departments are gradually experiencing an overall decrease in their share of the total workforce.
- In the first five months of the Walsh Administration from January 2014 to June 2014, personnel levels decreased by 118 positions due mainly to the restructuring of services in the BPS and the timing of public safety classes.

Figure 1
Employee Levels vs. Personnel Spending: 2004-2014

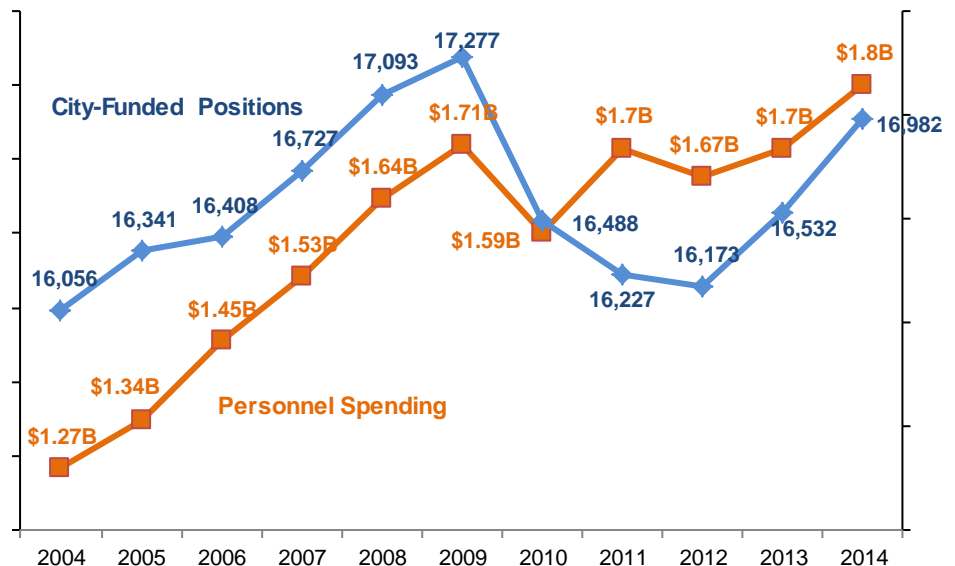


Table 1
FTE Personnel Summary

	2009	2012	2013	2014	Change	
					'09-'14	'13-'14
School Department	8,572	8,052	8,381	8,664	92	283
Police Department	3,042	2,875	2,853	2,922	(121)	69
Fire Department	1,643	1,571	1,560	1,619	(24)	59
Sub-Total	13,258	12,499	12,794	13,205	(53)	410
All Other Total (44)	4,020	3,674	3,738	3,777	(243)	39
General Fund Total	17,277	16,173	16,532	16,982	(296)	450
Percent Change		-0.3%	2.2%	2.7%	(1.7%)	
All Funds Total**	18,704	17,566	17,970	18,296	(408)	326

*Some totals may not add due to rounding **Net of Suffolk County FTEs

Longer Term Employee Trend

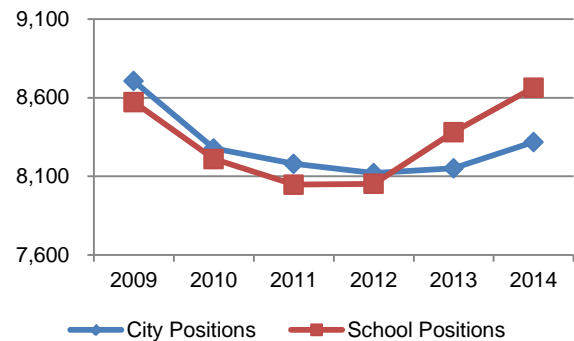
In the five years from January 2009 to January 2014, total city-funded employee levels declined by 296 positions or 1.7%. The three largest city departments, School, Police and Fire, represented 77.8% of the total city-funded workforce in January 2014, but accounted for only 17.9% of this reduction. While reductions occurred in both the Police (-4.0%) and Fire (-1.5%) Departments, the School Department added 92 employees during this period, an increase of 1.1%. This school growth reflects the aggregate enrollment increase over this period of 633 students. However, from 2011 until 2014, the School Department added 616 employees, or 81.7% of all personnel growth. The teacher workforce shifted towards bi-lingual educators but had a slight reduction (-51) in staffing, while the growth was concentrated in instructional support (+314) for special education and bi-lingual students. There was also a large increase in technical support (+104) due to the implementation of initiatives involving common core, performance evaluation and use of data to inform instruction. Some formerly federally-funded positions were absorbed into the operating budget.

The other 44 departments constitute 22.2% of the workforce, but accounted for 82.1% of the total employee reduction. The 44 departments' share of the total city-funded workforce has decreased from 23.3% in 2009 to 22.2% as of January 2014.

Since almost 70% of Boston's operating budget is tied to employee salaries and benefits, during times of economic downturn the City's response is to reduce its employee numbers. As the economy improves, the City then increases employee levels over the subsequent few years.

The 2008 recession contributed to a reduction of 1,105 employees or 6.4% of the total city-funded workforce in the three years from January 2009 to January 2012, with 47.1% of the loss coming from the School Department and 21.6% from the Police and Fire Departments. By January 2013 employee numbers rebounded, increasing by 359 positions or 2.2%. The School Department accounted for 329 new employees or 91.5% of the total increase.

Figure 2
FTE Positions Since 2009



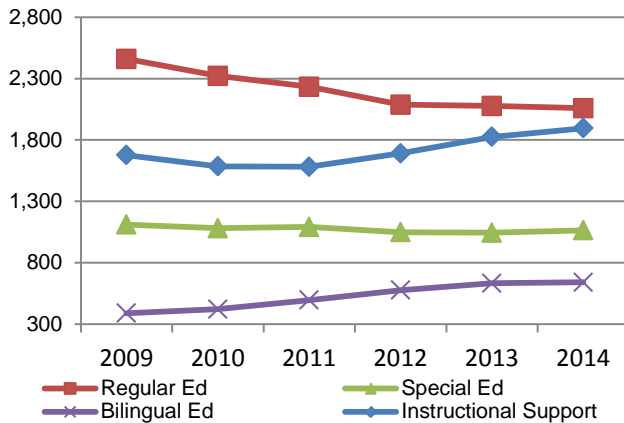
January 2013 to January 2014

In CY2013, personnel levels increased by 450 positions, or 2.7%, to 16,982 employees. Growth in the largest three departments represented 91.1% of this increase.

The School Department - With 8,664 employees, the School Department [payroll](#) represented 51% of the city-funded workforce as of January 2014. Over the past year from January 2013 to January 2014, 283 city-funded positions were added to the BPS. This increase represents 62.9% of the total city-funded employee increase of 450 over 2013. The Non-Academic category increased by 81 positions with the addition of 53 members of Technical Support and 35 Transportation Attendants. The increase of Substantially Separate Special Education

teachers (+37) and Substantially Separate aides (+51) reflect the increasing number of more severely challenged students. Employees on Long-Term Leave increased by 96 in 2013 due, in part, to implementation of a new performance evaluation system with higher expectations and accountability. Regular Education teachers were reduced by 18.

Figure 3
Classroom Personnel 2009-2014



Police - The Police Department’s city-funded staff totaled 2,922 employees, or 17.2% of the City’s total personnel as of January 2014. In CY2013 the Department added 69 city-funded positions. A recruit class of 68 entered the Academy in January 2013 and another class of 83 recruits entered in December 2013. This 69-position increase is due to the timing between new recruits and retirements and is not permanent. Police retirements totaled 37 in 2013, eight fewer than 2012.

Fire - The Fire Department’s staff totaled 1,619 employees, or 9.5% of the city-funded workforce as of January 2014, an increase of 59 positions over the past year. As with the Police Department, much of this increase is due to the timing of recruit classes and retirements. A class of 53 recruits graduated from training in June of 2013.

Other Departments – The number of city-funded employees in the remaining 44 departments totaled 3,777 as of January 2014 or 22.2% of the total. In CY2013, these departments, in aggregate, increased employee levels by 39 after losing 109 positions in the three years from January 2010 to January 2013.

Over the past five years, the aggregate employee level of the 44 departments decreased by 243 or 6.0% compared with a cut of 53 or 0.4% for the big three departments.

External Funds

Employees funded through federal or state grants totaled 1,315 as of January 2014, which represented a reduction of 123 employees over the prior year. The largest cuts occurred in the School Department (-98), Public Health Commission (-12), and Department of Neighborhood Development (-8). In the five years from January 2009 to January 2014, excluding Suffolk County positions, grant funded positions decreased by a net of 112, or 7.8%, a reflection of declining federal and state grants to support operations in the City. The majority of these cuts occurred in the School (-57) and Library (-63) Departments.

Employee Spending

Government is labor intensive and for the City of Boston, [spending](#) for employee salaries and benefits accounted for \$1.8 billion or 67.9% of the operational expenditures of \$2.6 billion in fiscal 2014. Of the \$1.8 billion, salaries constituted the largest share at 71.2% followed by health insurance at 16%, pensions at 8.5% and other costs at 4.2%. The increase in employee spending in fiscal 2014 was \$93.0 million, which accounted for 62.5% of the total operational expenditure increase.

Spending for salaries has increased by 6% between fiscal 2013 and fiscal 2014 due to negotiated salary increases and additional employees. Health insurance costs increased in fiscal 2014 by \$10.1 million or 3.7% to \$287.9 million. Previously, health insurance had been one of the fastest growing segments of personnel spending, but the City has had success in limiting the growth of health insurances costs through negotiations with the unions and insurance providers and by requiring eligible retirees to enroll in Medicare. In the 2015 budget, growth in health insurance remained low at 1.5%. As the current agreement expires after this fiscal year, the Administration is negotiating a new agreement with the unions with the intent of achieving further savings to help mitigate the

expected escalation of health care costs. Taking steps for the City to join the state Group Insurance Commission is also an option.

In the five years between fiscal 2009 and fiscal 2014, personnel spending increased by \$206.7 million, or 13%. This increase makes up 92.6% of the total expenditures growth in that period, showing the importance of managing personnel levels to maintain a balanced budget. Over three quarters of the growth in personnel spending occurred in spending for salaries (57.3%) and pension payments (28.3%). The growth in salaries was driven by pay raises from collective bargaining [contracts](#), which were particularly high for public safety unions due to the BPPA arbitration decision.

Table 2
Personnel Spending Summary (000's)

	FY09	FY14	Change	%
Salaries	\$1,161	\$1,279	\$118	10.2%
Health Insurance	\$273	\$288	\$15	5.4%
Pensions*	\$94	\$153	\$59	62.0%
Other**	\$60	\$76	\$16	24.7%
Total	\$1,589	\$1,795	\$207	13.0%

*Net of one-time extraordinary payment in fiscal 2011 and teacher pensions in 2009

**Includes Other Post Employment Benefits, Unemployment Insurance, Workers Compensation, Medicare Pensions and Annuities and BPS Health & Welfare Fund.

Pension payments in fiscal 2014 totaled \$152.9 million, an increase of \$15.9 million or 11.6% over fiscal 2013. The net pension share of total personnel spending has increased from 5.9% in fiscal 2009 to 8.5% this year, due to an aggressive annual payment schedule to reach full funding of the City's pension liability by 2025.

The City has increased its annual payments for its \$2.1 billion retiree health insurance liability (OPEB) from \$25 million in fiscal 2009 to \$40 million in fiscal 2014. At \$40 million, the City's annual payment is still below the City's normal cost which is the amount of the OPEB liability being incurred by active employees in the current fiscal year.

January 2014 to June 2014

From January 2014 to June 2014, the first five months of the Walsh Administration, the City

workforce declined by 118 employees, with 129 employees or 109.3% coming from the three largest departments. This report analyzes growth through June 2014 as seasonal employees inflate personnel levels in July and August. The Fire (-19) and Police (-42) Department reductions were primarily due to the timing of retirements and recruit classes. The School Department reduction (-68) was the result of year-end attrition and a hiring freeze in preparation for a position reduction in fiscal 2015. The areas within the BPS with the largest decline were non-academic (-22), teachers (-17) and instructional support (-12).

The changes in the Public Health Commission (+20) and Transportation Department (-12) are both due to the timing of filling vacancies and training classes for new employees. The only other significant personnel shift is due to the transfer of code enforcement responsibilities from the Inspectional Services Department, where the workforce declined by 21 positions, to the Public Works Department, where the workforce increased by 18 positions.

Conclusion

The Research Bureau's [A City in Transition](#) report, issued earlier this year, documented the importance of the City prudently managing its employee levels. That importance is no less now. In addition, the City should carefully manage its salary and benefit expenses through effective contract bargaining in order to maintain fiscal stability through still difficult economic times. As the Walsh Administration begins to prepare its first complete operating budget for fiscal 2016, it will need to balance the provision for basic city services with its interest in implementing or expanding initiatives it favors as well as recommendations from various audits or studies it requested. Once again, the City will rely primarily on the growth of own source property taxes, excise and departmental revenues to fund most of the budget increase as the share of revenue from state and federal sources is expected to continue to decline. A balanced budget remains a challenge with solid personnel management being critical to achieving success.