

Revenue Estimates and Analysis

OVERVIEW

The FY21 Adopted Budget is supported by \$3.61 billion in total revenue, an increase of \$118.9 million, or 3.4%, from budgeted FY20 total revenue. The FY21 Adopted budget includes \$3.57 billion in recurring revenue and \$40.0 million in non-recurring revenue.

The City's recurring revenue budget can be divided into three categories: Property Tax, State Aid and Other Local Receipts (including excise taxes, fines, etc.). Over the past two decades, the City's revenue structure has shifted significantly towards a growing reliance on property tax, as illustrated in Figure 1. The share of Net Property Tax of total recurring revenue has been steadily increasing since FY02, while the share of State Aid has decreased.

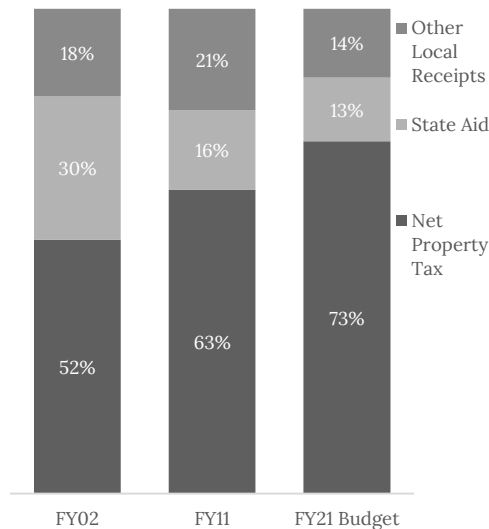


Figure 1 - Categories of Recurring Revenue FY02, FY11 and FY21

Recurring revenue is increasing by 3.4% overall compared to the FY20 budget. Property tax accounts for the majority of this increase, with Other Local Receipts expected to decline by 35.4% due to COVID-19 and the recession.

The National Economy

The State and national economies are of great importance to the City's well-being. The economic effects of the COVID-19 pandemic are severe, though how long they will last and to what extent is still unknown. Boston continues to respond to this unfolding crisis, prioritizing the programs and services that will keep Boston moving forward.

The local, national and international economies are currently in flux, facing very likely contractions and other significant reductions. Boston has weathered other economic recessions well, and has a resilient local economy and growing population.

Prior to the coronavirus, the Great Recession was the last period of general economic decline around the world between December 2007 and June 2009. Due to the bursting of the housing bubble in the U.S., consumer spending was cut significantly and business investments dried up. Job loss was at its greatest since the Great Depression.

The nation's economic recovery since then has lasted for over 10 years, though it has ended with the fast-spreading coronavirus. Since June 2009, the U.S. economy has

been steadily growing, as evidenced by Gross Domestic Product (GDP) growth, with Real GDP growth ranging between 1.6% and 2.9% (Figure 2). 2019 Real GDP growth was 2.3%. However, recent developments surrounding the COVID-19 pandemic has had devastating effects on the stock market and the U.S. and World economies. The second quarter of 2020 saw a 9.1% drop in Real GDP, an unprecedented decline.

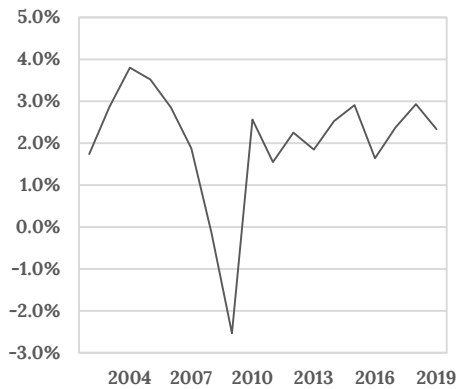


Figure 2 – Real Gross Domestic Product Growth, Chained 2012 dollars, 2002-2019 (FRED Economic Data)

Prior to COVID-19 the labor market has continued to strengthen and economic activity has been rising moderately. The civilian unemployment rate in the U.S. has been steadily decreasing since the end of the recession: the unemployment rate was 3.5% in February 2020. However, the global pandemic caused many companies, institutions and government to layoff or furlough large shares of their employees. In April, the national unemployment rate reached 14.7%, though it has been slowly decreasing since. In July, the rate declined to 10.2%, with the number of unemployed people falling by 1.4 million to 16.3 million.

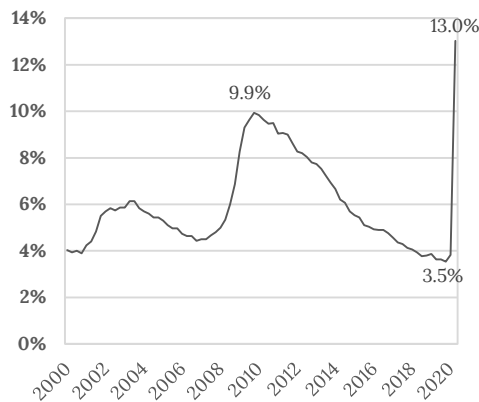


Figure 3 – Civilian Unemployment Rate, Seasonally Adjusted, Quarterly Q1 2000 – Q2 2020 (FRED Economic Data)

Inflation has been below the Federal Reserve’s target of 2%. The Federal Reserve’s most recent meeting associated with economic projections shows the inflation projection at a range between 1.7% to 2.1% in 2020 and 1.8% to 2.3% in 2021.

The Federal Funds rate is the interest rate at which depository institutions trade federal funds with each other, with the target rate representing the upper limit of the projected range. In December 2015, for the first time since 2007, the Federal Reserve started increasing the target rate. Then, in August 2019 the Federal Reserve started gradually decreasing its target rate; with the most recent decrease occurring on March 2020, to a range of 0% to 0.25%.

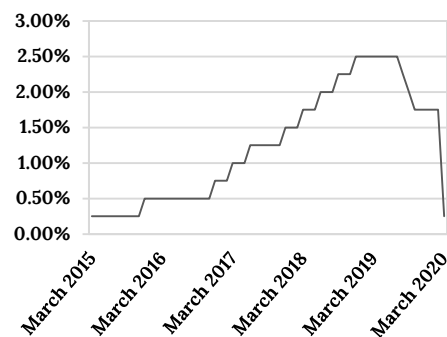


Figure 4 – Federal Funds Target Rate March 2015- March 2020 (FRED Economic Data, Monthly, End of Period)

The State and City Economies

As of Q1 of 2020, Massachusetts' real GDP decreased by 5.1%, ranked 30th out of all 50 states and D.C., according to the Bureau of Economic Analysis (BEA). This was due to the extensive stay-at-home advisory issued by Governor Baker and the gradual opening that followed. Based on 2018 data, Massachusetts was ranked the second wealthiest state in terms of GDP per capita - \$73,321 in 2018 - and 129% of the national per capita GDP.

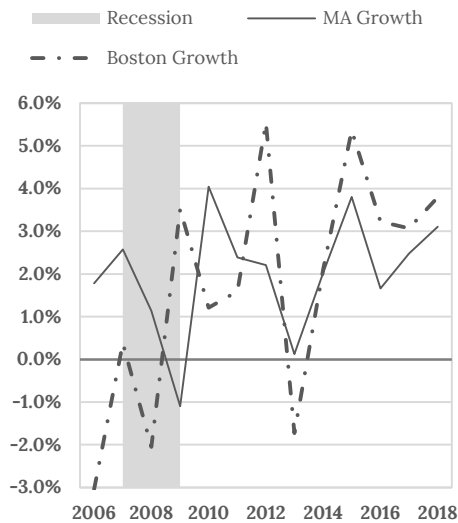


Figure 5 - Real Massachusetts and Boston Gross Product Growth, Chained 2018 dollars 2005-2017

Prior to COVID-19, the unemployment rate had been decreasing for both Massachusetts and Boston. As of October 2019, both rates dropped below 3%. However, the prolonged shutdown in Massachusetts due to the spread of the virus in the state caused the state unemployment rate to reach 17.7% in June 2020, the highest rate in the country. It then dropped a little in July to 16.1%, or approximately 591 thousand individuals.

See the *Boston's People & Economy* section of Volume I for more details on Boston's population and labor force trends.

The Commonwealth Budget

State aid to the City represents its second largest single source of general fund revenue, although in the past two decades it has been declining as a share of recurring revenue. Often, changes to law or policy recommendations that affect City expenditures and revenue generating capacity occur within or alongside budget language. As a result, the State budget is of great interest to the City.

Recent State Budget History

Since the economic downturn in June 2009, the State has faced several years of ups and downs in managing their structural balance. While State revenue growth, especially income tax, has rebounded considerably, large variances in quarterly and yearly revenue collections have made budget decisions difficult at the State level.

As a result, the State has made use of its stabilization or "rainy day" fund, in addition to reductions in expenditures and increases in revenue, to deal with its structural imbalance. At the close of FY08, the stabilization fund balance was approximately \$2.1 billion. The State had drawn down the balance considerably by the close of FY10 to a low of approximately \$670 million before revenues began to increase again in FY11-FY12. Between FY14 and FY17, the fund stabilized at approximately \$1.3 billion, and has increased since to \$3.5 billion.

The FY21 State Budget

The City's FY21 state aid budget is based on the FY20 budget, since the State's budget was not approved as of June 30th, 2020. In addition, the State is currently operating on a 1/12 basis, meaning the budget for each month is 1/12 of the FY20 budget.

For more details, see *State Aid and Assessments* under the *Revenue Estimates* section below.

REVENUE ESTIMATES

The Property Tax

The property tax levy has always been the City's largest and most dependable source of revenue. In FY20, the net property tax levy (levy less a reserve for abatements) totals \$2.46 billion, providing 71.3% of recurring revenue. In FY21, the net property tax levy is estimated to total \$2.62 billion and account for 73.4% of budgeted recurring revenues.

Thanks to a surging economy and smart policies implemented by Mayor Walsh, property values in Boston had continued to rise steadily in FY20. In FY19, property values increased by \$10.6 billion or 6.9%, and in FY20, property values increased by \$11.7 billion or 7.1%, currently totaling \$176.2 billion. The City is mindful of effects of COVID-19 on property values in the City, and continues to monitor any impacts.

Proposition 2 ½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980 by the State Legislature. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property (referred to as the *levy ceiling*). It also limits the increase in the total property tax levy to no more than 2.5% over the prior year's total levy (referred as the *levy limit*), with certain provisions for new construction. This means that while the property values have grown 76% since FY14, property tax revenue has grown by 41% due to Proposition 2 ½.

In each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown as the levy has grown, beginning in FY85 at \$8.4 million and reaching \$62.7 million in FY21.

Finally, Proposition 2 ½ provides for local overrides of the levy limit and a local option to exclude certain debt from the limit by referendum. The City of Boston has never

sought a vote to either override the levy limitations or exclude any debt from the limit.

Despite these constraints, the Mayor is committed to keeping residential property tax bills down to retain more low and middle-income homeowners in the city. Policies the Mayor has pursued are demonstrating success, as the average single-family tax bill in Boston is 37.9% below the FY20 statewide average. In 2016, Mayor Walsh advocated for a change in State law that increased the residential exemption limit, a reduction in real estate taxes for homeowners who occupy their property as their principal residence, from 30% to 35% of the average assessed value of all Class One residential properties. The City Council, with the approval of the Mayor, once again chose the maximum exemption allowed by law – 35% for the FY20 Tax Rate. The FY20 residential exemption amount increased by \$161 over last year's amount.

During these same years, the levy has also been positively impacted by taxable new value, or "new growth". New growth can arise from both real and personal property and is outside of the Proposition 2 ½ cap. Thanks to efforts to attract business development and grow its housing stock, Boston experienced unprecedented new growth in property tax revenue over the past four fiscal years. In FY21, the City expects new growth to remain high, though likely not to exceed experiences in FY17 through FY20.

During the past four years, the City saw notable construction projects in Boston enter the City property tax base for commercial, mixed-use and residential properties, most notably in the Seaport District, Dorchester, and the Back Bay. According to the BPDA, the estimated revenue from building permit fees during FY19 indicated the potential for \$7.2 billion in construction activity compared to an estimate of \$5.5 billion in FY18.

New growth is projected to total \$65.0 million in FY21. Property tax growth from new growth has exceeded growth from the allowable 2.5% increase in 24 of the last 35 years. However, as was evident during the last recession, new growth revenue is volatile and depends on the development cycle and the local, state and national economies. See Figure 6 for Property Tax growth in the past 10 years.

It is important for the financial health of the City that the property tax levy continues to grow, combined with diversification of the City's revenue sources. Efforts continue to reduce reliance on the property tax through increasing existing or establishing new local revenue sources.

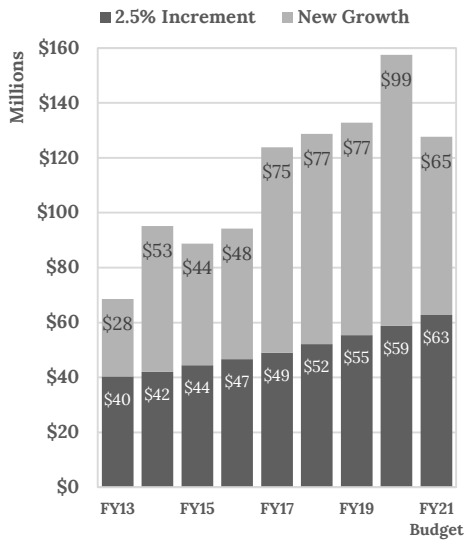


Figure 6 – Property Tax Levy Increase by Type, FY13-FY21

The percentage of the total tax levy borne by residential taxpayers has averaged around 39% since FY06 and is now 40%. The amount and value of residential and commercial properties determine the ratio between the different categories.

Classifying properties in the residential, commercial and industrial categories reduces the residential tax rate, the rate per \$1,000 of property value, to the lowest level allowed by law. Without it, residential

taxpayers would see their property taxed at a much higher rate. Figure 7 shows the two tax rates – for residential properties and for commercial, industrial and personal properties – since FY08. Rates have increased following the Great Recession (FY08-FY13), when values decreased significantly due to the burst of the housing bubble. Starting in FY14, rates have decreased, thanks to the acceleration of development and the recovery of the economy.

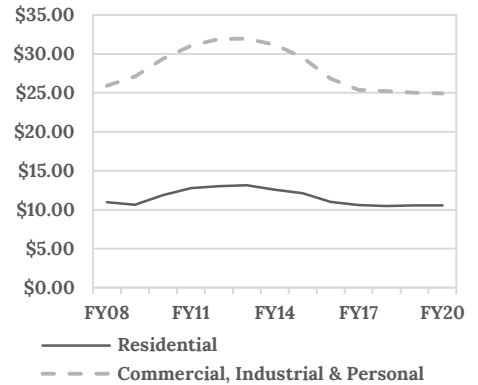


Figure 7 – Property Tax Rates FY08-FY20

While the effects of COVID-19 remain unknown, indicators of property tax in the current economy were improving as well. Office vacancy rates, an indicator of commercial real estate value, were declining from their peak. According to Colliers International, the City had a vacancy rate of 10.6% as of the second quarter of 2020, a slight increase over previous quarters. The citywide median single-family home price was \$608,000 for 2019. The inflation adjusted median sales price fell by 0.5%, while the sales volume fell 8.2% between 2018 and 2019.

Any significant decline in property values can present a problem for cities as dependent on the property tax as Boston. As property values decreased in the early 1990's, and the City continued each year to maximize the allowable levy increase under Proposition 2 ½, the levy rapidly

approached the levy ceiling of 2.5% of total assessed value. Reaching the 2.5% ceiling would further limit the City's capacity to increase the annual levy and raise the needed revenue to support the City's budget.

However, due to years of strong new growth increases, the City has significant space between its FY20 net effective tax rate of 1.42% and the tax levy ceiling of 2.5% of total assessed values. If the real estate market were to depreciate, having a tax levy significantly lower than the levy ceiling would insulate revenues from an immediate shock. Nevertheless, if values were depressed long enough, future growth of the property tax would be impaired. The darker area in Figure 8 shows the difference, or gap, between the tax levy and ceiling.

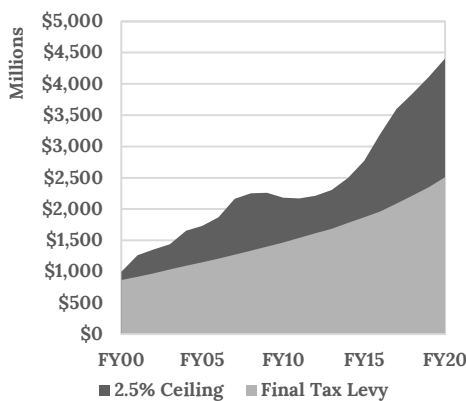


Figure 8 – Property Tax Levy and Levy Ceiling, FY00–FY20

State Aid and Assessments

State aid refers primarily to distributions from the State to municipalities for Chapter 70 education aid, unrestricted general government aid, and charter school tuition reimbursement, along with other relatively small State programs such as library aid. State aid, as it is used here, excludes any grants to or offsets for direct expenditures by City departments.

State aid in FY21 is based on the FY20 budget, since as the State grapples with

their own impacts of the COVID-19 pandemic and recession, no State budget was passed when the City budget was being finalized. The Baker administration and the Legislature have committed to no less than the FY20 level of funding for UGGA and Chapter 70 education aid as a baseline amount for FY21 funding.

The City received General Fund gross State aid totaling \$439.7 million in FY18 and \$434.4 million in FY19. The City expects to receive \$464.2 million in State aid in FY20 and has budgeted the same amount for FY21.

Municipal Charges, also known as State assessments, are charged by the State to municipalities for items such as charter school tuition and MBTA service. State aid distributions are reduced by the amount of assessments charged to a municipality. The City paid \$264.1 million in FY18 and \$278.7 million in FY19. The City expects to pay \$310.6 million in assessments in FY20 and is budgeting \$331.0 million in FY21, based on the Governor's FY21 budget.

In 1993, the State began an effort to increase and equalize funding for local education. The Chapter 70 formula, derived from that effort, establishes a foundation budget, or a minimum level of education spending in each school district, which the State and district then share the cost of funding. The City received Chapter 70 education aid totaling \$218.1 million in FY18 and \$220.0 million in FY19. The City expects to receive \$221.9 million from the State in FY20 and budgeted a similar amount for FY21.

Charter school tuition has rapidly increased since enactment of the 2010 Achievement Gap legislation that expanded the number of charter school seats. Boston's charter school tuition assessment is budgeted to increase by \$17.4 million, or 8.1%, over the FY20 budget, as 11,156 students are projected to attend a state charter school in FY21. The charter tuition reimbursement is

budgeted in FY21 at the FY20 level - \$34.7 million.

Boston has seen its charter school costs rise dramatically since 2010 – 240% or \$163.7 million between FY11 and FY21 budgets. The net cost of charter schools to the City has been increasing rapidly: the cost was \$150.7 million in FY18 and \$166.0 million in FY19. The City is projecting a \$179.9 million net impact in FY20 and \$197.3 million in FY21.

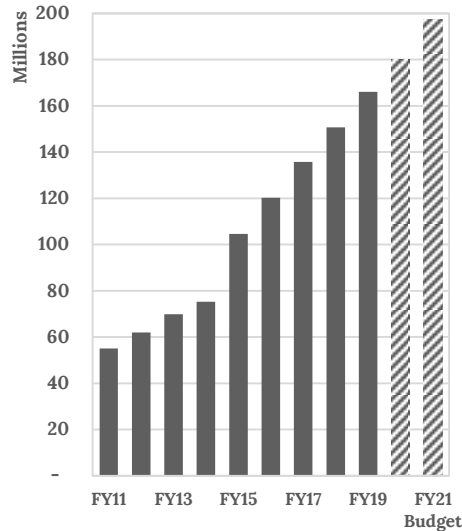


Figure 9 – Net Charter School Costs FY11-FY21

For the past five years, Mayor Walsh, BPS teachers, staff, parents and students from around Boston and the state have been advocating on behalf of education finance reform that updates State funding formulas to better reflect the needs of students and a 21st century classroom. The City has consistently advocated that any education finance bill must direct new resources back to districts that educate the highest needs students in the state, like Boston.

The Student Opportunity Act represents a fundamental change in trajectory of State funding for Boston’s schools and students. The bill will roll out in different phases over the next seven years as the Legislature funds it during the annual budget process.

When fully implemented, the bill will ensure that Boston benefits in two main ways.

First, Boston’s Foundation budget will increase dramatically because the full implementation of the Foundation Budget Review Commission Rates – Low Income, SPED, ELL and Health – is driving this bill. More importantly, a change in the way low income/economically disadvantaged Students are counted in Boston will allow the City to count upwards of 10,000 new students as low income. The State projects Boston’s Chapter 70 aid to increase between \$70 and \$100 million by year seven of the Bill.

Second, since the Foundation changes will also increase the City’s education budget and charter tuition assessment, the bill also includes a commitment to fund the charter reimbursement fully in three years. When the three-year phase-in completed, Boston would be entitled to upwards of \$53 million in charter reimbursement, \$18 million more than the City’s expected reimbursement in FY20 and the FY21 budgeted reimbursement. This section is still subject to appropriation, meaning it will need to be funded by the legislature on an annual basis.

The second largest source of State revenue is the unrestricted general government aid (UGGA). From the FY10 budget going forward, the Governor and the Legislature combined general government aid from Additional Assistance and Lottery into one account: UGGA. Revenue derived from the State’s lottery now accounts for nearly all funds dispersed through UGGA. For Boston, UGGA revenue totaled \$189.3 million in FY18 and \$186.9 million in FY19. In FY20, the City expects to receive \$210.2 million, which includes \$9 million the State owes the City due to an underpayment made by the State in June 2019.

The City has budgeted UGGA in FY21 at \$201.2 million, similar to the FY20 budget. Uncertainty regarding this source is higher

than usual at this time, given the State's FY21 budget is not finalized, and it is unknown how COVID-19 will affect it.

Net state aid, which is gross state aid revenue less state assessments, has been trending down steeply since FY02. The rapid annual increase in the charter school tuition assessment has contributed to this trend. With a decrease in net state aid in the FY21 budget, Boston is \$231.8 million, or 63.5%, below its FY08 level of net state aid of \$365.1 million. Net state aid amounted to \$175.6 million in FY18 and \$153.6 million in FY19. FY20 projected net state aid to total \$153.6 million, and the FY21 budget assumes an additional reduction to \$133.2 million. This loss of resources has put extraordinary pressure on the property tax and other local revenue sources, as well as on levels of expenditures.

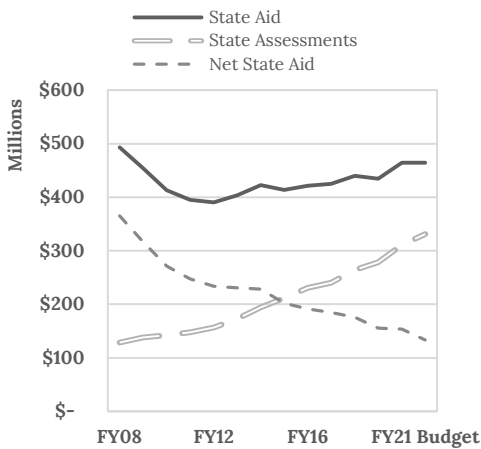


Figure 10 – State Aid, State Assessments and Net State Aid (in millions), FY08-FY21

Local Receipts

The City also collects recurring revenues other than property tax and State aid. The City collected \$581.6 million in FY18 and \$615.9 million in FY19 from these sources. The City expects to exceed the FY20 budgeted amount of \$527.9 million, though the COVID-19 pandemic is likely to significantly depress collection. The City budgeted to collect \$485.8 million in FY21,

taking into account the effects of the economic recession.

Revenue from excise taxes, payments-in-lieu-of-taxes, licenses and permits, fees and fines, investment income and available funds are part of this local receipts group. To forecast these receipts, the City uses analytical trending of historical collections, based on the specific revenue source and the availability of data, as well as analyzing economic data. As the City enters the unknown territory of an economic recession due to a global pandemic, extra precaution was used in budgeting these receipts.

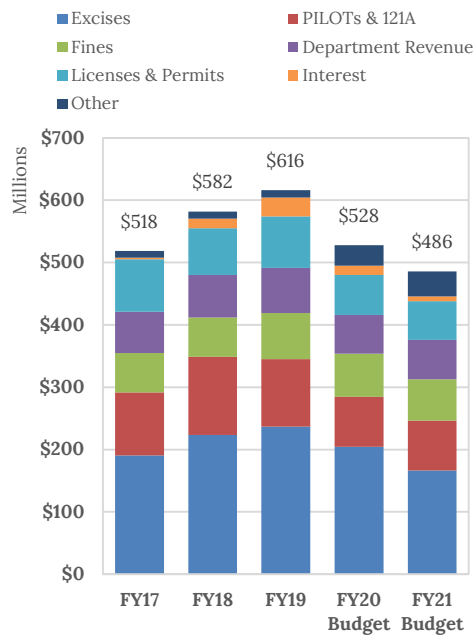


Figure 11 – Recurring Local Receipts by Type FY17-FY21

Excise Taxes

There are eight excise taxes. Listed below are the main ones.

The local room occupancy excise was increased in FY20 from 6% to 6.5%, and is levied on both hotels and short-term rental units. The FY21 budget estimates \$72.0 million in local room occupancy collections, significantly reduced from previous years due to the economic recession as well as COVID-19 effects on tourism.

In addition to the local tax, the State collects a 5.7% excise tax and a 2.75% fee, transferred to the State's convention center fund, for a total tax from all sources of 14.95%. Local room occupancy excise revenue totaled \$94.0 million in FY18 and \$100.6 million in FY19. The City is monitoring the \$97 million budgeted in FY20, due to the likely sharp drop in hotels and short term rental units' occupancy as a result of COVID-19 public health measures put into place.

The Commonwealth imposes an excise in lieu of property tax on motor vehicles, the proceeds of which are collected by the municipality in which the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutorily-defined depreciation schedule based on the manufacturer's list price and the year of manufacture.

Motor vehicle excise revenue totaled \$66.9 million in FY18 and \$66.0 million in FY19. For motor vehicle excise revenue, the City budgeted \$52.0 million in FY20 and decreased the budget to \$50.0 million for FY21. Since the tax lags the sale of the vehicle, this revenue estimate is generated based on projections of current year tax collections on motor vehicle sales in the state, as well as trend analysis.

Beginning in 2009, the State granted municipalities a new local option tax on restaurant meals. The City collected \$30.9 million in FY18 and \$33.0 million in FY19. The City is monitoring the \$30.5 million budgeted in FY20 due to impact of COVID-19 and the recession. The City budgeted \$23 million in FY21, expecting the recession and pandemic to continue affecting this industry.

The excise on the sale of jet fuel is 5% of the average sales price of the previous quarter, but no less than five cents per gallon. Increases in flights arriving and departing Logan International Airport led to

increased jet fuel excise revenue in recent years, mitigated by constant changes in prices. Jet fuel excise revenue totaled \$28.8 million in FY18 and \$34.5 million in FY19. The City budgeted \$23 million in FY20 and is expected to exceed that amount based on strong performance through February 2020. The FY21 budget was reduced to \$17 million, as the evolving global response to COVID-19 is significantly reducing the number of domestic and international flights.

The vehicle rental surcharge is a revenue-sharing arrangement with the State. Under this arrangement, all vehicle rental contracts originating in the City are subject to a \$10 surcharge. The City receives \$1 of this surcharge. The City received \$1.6 million in FY18 and FY19. \$1.5 million was budgeted for both FY20 and FY21.

Fines

In FY19, the City issued 1.3 million parking tickets and has maintained a 92% rate of collection on those tickets. Major factors contributing to the City's successful collection rate include non-renewal of violator's registration and license by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City also contracts with a third-party vendor to collect delinquent fines from out of state vehicles and other hard-to-reach offenders.

The City collected parking fines revenue of \$60.7 million in FY18. In FY19, the City made a strategic set of increases to the previous parking fines structure, designed to reduce congestion and emissions, increase cleanliness, and improve the parking experience. Overall in FY19, the City issued approximately 126,000 fewer tickets compared to FY18, a 9% decrease in issuance, and collected \$70.1 million. Parking fines revenue is budgeted at \$65.3

million in FY20 and \$61.2 million in FY21. Issuance and collection was affected by COVID-19, starting in March 2020, as many businesses were closed throughout the City and traffic into the City was reduced.

Interest on Investments

The City's level of investment income is a function of prevailing short-term interest rates and daily cash balances. Investment income totaled \$15.4 million in FY18 and \$30.4 million in FY19.

The City projects interest income to exceed the \$15 million budgeted in FY20. In August 2019, the Federal Reserve decreased the Federal Funds target range to a range of 2.00% to 2.25% (a 0.25% decrease). Since then, additional decreases occurred and the range is currently 0%-0.25%. Therefore, the City has budgeted \$8 million for this source for FY21. The City will continue to carefully monitor future decisions likely to affect collections in this category.

Payments in Lieu of Taxes

Payments in Lieu of Taxes (PILOTs) are payments made by property tax-exempt institutions located in the City, including hospitals, universities, and cultural institutions. These are voluntary contributions for municipal services such as police and fire protection, street cleaning, and snow removal.

Growth in PILOT revenue comes from new agreements, escalations that adjust the payments for inflation, and re-negotiation or expansion of current agreements. The Massachusetts Port Authority (MassPort) currently provides 41% of the PILOT revenue the City receives annually.

In April 2010, the City released a report suggesting more standardization of PILOT agreements. Specifically, each agreement should represent, in cash or in-kind, 25% of the amount of tax that would be due if properties were not tax exempt. This type of change generates more revenue than what was previously collected, while

providing some equity across paying institutions. New agreements under this framework were adopted in FY12, and that year includes the first installment of a five-year phase-in period to the new amounts. FY17 was the first year after that phase-in period.

Payments in lieu of taxes totaled \$53.6 million in FY17, \$52.7 million in FY18 and \$54.0 million in FY19. The City expects this revenue source to come in below the \$49.0 million budgeted for FY20 due to COVID-19 impact on universities, hospitals and cultural institutions and estimates \$49.3 million in FY21.

Urban Redevelopment Chapter 121A

Massachusetts General Law (MGL), Chapter 121A allows local governments to suspend the imposition of property taxes at their normal rates in order to encourage redevelopment. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise (Chapter 121A, section 10) is collected in-lieu-of-corporate income tax for which the Commonwealth acts as the collector and distributes the proceeds to municipalities. In most cases, the formula for the 121A section 10 payment in-lieu-of-tax is \$10 per \$1,000 of the current cash value of property plus 5% of gross income. In FY18 and FY19, the City received Chapter 121A section 10 distributions of \$41.6 million and \$19.7 million, respectively, due to late FY17 payments received in FY18. Chapter 121A section 10 revenues are budgeted at \$11.5 million in FY20 and \$12 million in FY21, as timing of these payments is inconsistent.

In addition to the Section 10 payments collected by the State, most 121A corporations have individual agreements with the City that result in additional payments made directly to the City. These section 6A agreements are complex, with actual amounts owed dependent on a formula that varies widely. The City

collected section 6A payments of \$21.3 million in FY18 and \$24.6 million in FY19. The City expects section 6A collections to surpass the budgeted \$12.0 million in FY20 and budgeted FY21 collections at \$12.0 million as well. As Chapter 121A agreements expire and the properties transition back to regular property taxes, these payments will decrease, while contributing to the new growth portion of the property tax levy.

Miscellaneous Department Revenue

With such limited revenue tools, the City is continuing in the FY21 budget to better maximize the local revenue options. The FY21 budget includes an additional \$1.1 million identified in departmental revenues, over the FY20 estimates. In FY21, the Administration and Finance cabinet will continue a citywide review of collections, as well as address past due bills to recover additional revenue.

The largest revenue source in this category is Street Occupancy permits. The City received \$8.9 million in FY18 and \$11.0 million in FY19, due to an amendment to the Street Occupancy Permit City Ordinance, as well as robust construction activity. Street Occupancy Permits are expected to exceed their \$9.2 million budget in FY20 and were increased to \$10.0 million in FY21.

Licenses and Permits

This category is dominated by building permits revenue, from which the City received \$52.8 million and \$61.8 million in FY18 and FY19 respectively. Building permits revenue is expected to exceed the \$45 million budgeted in FY20, and is estimated at \$45.0 million in FY21. This estimate is based on historical trends and analysis on real estate market and investment trends, as well as considering the effects of COVID-19 and the economic recession.

The second largest license and permit revenue is the cable television license fee, from which the City received \$7.3 million in

FY18 and \$6.5 in FY19. The City is expected to collect the budgeted \$6.0 million in FY20, and budgeted to collect \$4.5 million in FY21. The reduction is due to new FCC rules and decrease in cable subscribers.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds \$4 million in annual revenue. Alcoholic beverage licenses are budgeted at \$4.5 million in FY20 and FY21.

Penalties and Interest

Taxpayers are assessed both a penalty and interest for late payments of property tax bills, motor vehicle excise bills, and other payments. The City collected \$11.4 million in such penalties and interest in both FY18 and FY19. Actual penalty and interest collections for FY20 will likely slightly exceed the \$8 million budget. The City has budgeted this source at \$9 million in FY21.

Available Funds

Most of the City's General Fund budget is supported by the revenues that are estimated to come in during the course of the fiscal year, including property tax, excises, state aid, and the various other categories of revenues described above. Available funds are linked to a separate category of expenditure appropriation - those supported by immediately available fund transfers.

The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies that are used to support the City's maintenance of its public cemeteries. Both special funds have fees collected during the course of the year. By transferring out less than what is collected over the years, the City has built up a balance in both funds. Trust fund balances, such as the Cemetery Trust, also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments.

The City did not transfer any funds to the General Fund in FY18 or FY19. The City has budgeted to transfer \$23.9 million from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund to the General Fund in FY20. The FY21 budget includes \$30 million budgeted to be transferred from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund to the General Fund.

See the *Financial Management* section of Volume I for details.

Non-Recurring Revenue

Surplus Property

The surplus property disposition fund contains proceeds from the sale of various City land or buildings. The use of these funds is usually restricted to one-time expenditures. No funds are included in the FY21 budget from this revenue source.

Budgetary Fund Balance

Budgetary Fund Balance can be appropriated for use during the fiscal year after certification by the Department of Revenue (DOR). Budgetary Fund Balance is more commonly referred to as “Free Cash” when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses that the City can responsibly appropriate for spending.

The FY18 and FY19 budgets did not use any fund balance, but instead used recurring revenue to support the appropriation for Other Post-Employment Benefits (OPEB), the liability associated with retiree health insurance costs. The FY20 and FY21 budgets assume the use of \$40.0 million to support OPEB.

See the *Financial Management* section of Volume I for more details on this revenue source.

Revenue Detail

	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Budget
Property Tax	2,222,595,430	2,354,143,061	2,508,767,049	2,636,486,226
40116 Property Tax Overlay	-30,603,943	-33,260,646	-47,323,895	-14,000,000
Subtotal	2,191,991,487	2,320,882,415	2,461,443,154	2,622,486,226
EXCISES				
Motor Vehicle Excise	66,882,454	66,025,609	52,000,000	50,000,000
40129 Room Occupancy Excise	94,010,606	100,578,619	97,000,000	72,000,000
40130 Aircraft Fuel Excise	28,835,362	34,475,671	23,000,000	17,000,000
40140 Condominium Conversion Excise	969,500	742,500	500,000	500,000
40601 Meals Excise Tax	30,930,632	33,013,330	30,500,000	23,000,000
40602 Marijuana Excise	0	0	0	1,250,000
40603 Community Host Agreements	0	62,466	0	1,250,000
41113 Vehicle Rental Surcharge	1,553,089	1,562,199	1,500,000	1,500,000
Boat Excise	57,311	50,152	40,000	40,000
Subtotal	223,238,953	236,510,546	204,540,000	166,540,000
FINES				
Total Parking Fines	60,722,214	70,136,461	65,295,000	61,192,560
45104 Code Enforcement - Trash	1,204,448	1,225,810	1,100,000	1,100,000
Other Fines	1,627,501	2,751,403	2,940,000	3,820,000
Subtotal	63,554,162	74,113,675	69,335,000	66,112,560
Interest On Investments				
47151 Interest On Investments	15,390,159	30,407,612	15,000,000	8,000,000
Subtotal	15,390,159	30,407,612	15,000,000	8,000,000
PILOTS				
40167 PILOTS	33,541,808	34,432,514	29,000,000	29,000,000
40168 Other PILOTS	448,129	171,193	150,000	200,000
40169 Massport/DOT	18,705,064	19,443,369	19,830,000	20,078,133
Subtotal	52,695,000	54,047,076	48,980,000	49,278,133
URBAN REDEVELOPMENT CHAPTER 121A				
121B Section 16	9,542,201	9,608,332	7,500,000	6,000,000
121A Section 6A	21,347,009	24,638,918	12,000,000	12,000,000
121C	50,000	450,000	50,000	700,000
41013 Chapter 121A Section 10	41,575,879	19,709,174	11,500,000	12,000,000
Subtotal	72,515,090	54,406,423	31,050,000	30,700,000

	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Budget
MISC DEPARTMENT REVENUE				
43105 Registry Division Fees	1,615,918	1,785,968	1,750,000	1,750,000
43109 Liens	634,425	583,425	550,000	550,000
43120 City Clerk Fees	586,075	652,907	620,000	650,000
43137 Municipal Medicaid Reimbursement	8,114,775	7,533,319	7,500,000	6,000,000
43138 Medicare Part D	3,600,361	5,336,079	2,700,000	2,700,000
43202 Police Services	765,115	696,919	650,000	700,000
43211 Fire Services	7,322,067	7,571,563	6,655,000	6,000,000
43301 Parking Facilities	2,955,864	2,643,593	2,200,000	2,100,000
43311 PWD - Street Occupancy.	8,872,545	10,955,380	9,200,000	10,000,000
43425 St. Furniture Prgm Fixed Fees	1,500,000	1,500,000	1,500,000	1,500,000
43426 St. Furniture Prgm Ad. Fees	1,250,783	971,116	900,000	1,000,000
44002 Tuition & Transportation	1,310,744	1,909,273	1,600,000	1,900,000
47119 Affirmative Recovery Unit	154,416	262,621	100,000	200,000
47130 Fringe Retirement	5,409,090	5,141,123	4,900,000	5,000,000
47131 Pensions & Annuities	4,717,510	5,075,815	5,000,000	5,300,000
47132 Indirect Costs Reimbursement	481,532	484,041	400,000	400,000
48000 Detail Admin Fee	4,684,326	4,040,562	4,000,000	3,900,000
Other Misc Department Revenue	14,342,675	15,260,389	11,872,338	13,585,980
Subtotal	68,318,217	72,404,095	62,097,338	63,235,980
LICENSES & PERMITS				
40211 Building Permits	52,818,478	61,819,068	45,000,000	45,000,000
40213 Weights & Measures	297,760	288,915	290,000	290,000
40215 BTM - Street & Sidewlk Permits	3,659,971	3,309,952	3,000,000	2,500,000
40221 Health Inspections	1,870,999	1,850,369	1,800,000	1,530,000
40220 Boat Mooring Permits	0	15,139	10,000	10,000
40222 Alcoholic Beverage Licenses	4,526,023	4,602,126	4,500,000	4,500,000
40224 Entertainment Licenses	1,901,673	1,883,126	1,700,000	1,800,000
40227 Police - Firearm Permits	48,550	37,288	25,000	30,000
40229 Other Business Lic. & Permits	164,505	166,914	160,000	160,000
40235 Cable Television	7,334,661	6,469,226	5,951,583	4,460,000
Other Licenses & Permits	1,883,575	2,154,344	1,610,000	1,680,000
Subtotal	74,506,195	82,596,465	64,046,583	61,960,000

	FY18 Actual	FY19 Actual	FY20 Budget	FY21 Budget
PENALTIES & INTEREST				
40133 Pen & Int - Property Tax	2,911,187	2,581,079	2,000,000	2,300,000
40134 Pen & Int - MV Excise	3,069,036	2,860,626	2,000,000	2,200,000
40136 Pen & Int - Tax Title	5,395,174	5,977,523	4,000,000	4,500,000
Other Penalties & Interest	196	169	0	0
Subtotal	11,375,592	11,419,397	8,000,000	9,000,000
AVAILABLE FUNDS				
42502 Approp. Cemetery Trust Fund	0	0	950,000	950,000
42503 Approp. Parking Meters	0	0	23,900,000	30,000,000
Subtotal	0	0	24,850,000	30,950,000
STATE AID				
41015 State Owned Land	291,100	318,922	408,662	408,662
41104 Exemptions - Elderly	379,512	1,014,001	969,296	969,296
41114 Veterans Benefits	1,926,810	1,661,668	2,253,220	2,253,220
41118 Unrestricted General Government Aid	189,267,705	186,904,657	201,181,161	201,181,161
41119 Local Share Of Racing Taxes	442,694	331,187	329,602	329,602
41301 School Construction	6,720,147	5,107,351	2,461,330	2,461,330
41305 Charter Tuition Asses. Reimb.	22,612,523	19,017,852	34,682,541	34,682,541
41306 Chapter 70 Education Aid	218,066,495	220,001,735	221,915,045	221,915,045
Subtotal	439,706,986	434,357,373	464,200,857	464,200,857
RECURRING REVENUE TOTAL	3,213,291,847	3,371,145,077	3,453,542,932	3,572,463,756
NON-RECURRING REVENUE				
42501 Approp. Surplus Property Fund	0	0	0	0
42504 Approp. Fund Balance	0	0	40,000,000	40,000,000
GRAND TOTAL	3,213,291,843	3,371,145,077	3,493,542,932	3,612,463,756

