

Revenue Estimates and Analysis

OVERVIEW

The FY22 Recommended Budget is supported by \$3.75 billion in total revenue, an increase of \$141.8 million, or 3.9%, from projected FY21 revenue. The FY22 Recommended budget includes \$3.66 billion in recurring revenue and \$90.0 million in non-recurring revenue.

The City’s revenue budget can be divided into five categories: Property Tax, State Aid, Departmental, Excise and Non-Recurring revenue. 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, while State Aid has decreased as a share of the budget. In addition, the COVID-19 pandemic and the resulting economic recession have put a strain on Departmental and Excise revenue.

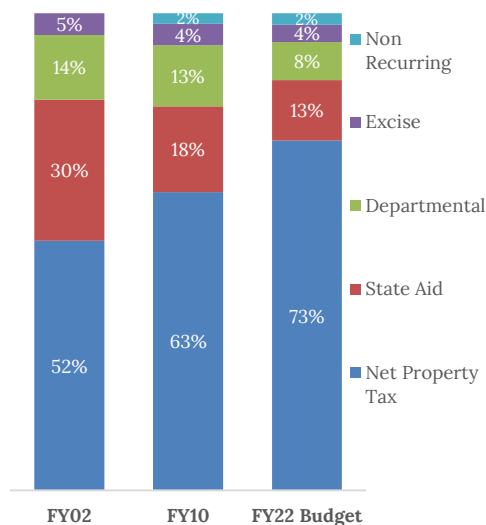


Figure 1 - Categories of Recurring Revenue FY02, FY10 and FY22

Property tax accounts for the majority of the year-over-year increase, at 58%, Non-Recurring Revenue accounts for 35% of the increase and State Aid accounts for 6% of the increase between the FY21 and FY22 budgets.

The National Economy

The State and national economies are of great importance to the City’s well-being. The COVID-19 pandemic required public health interventions that created economic disruptions across the world. As Boston was significantly impacted by the pandemic and the resulting economic downturn, the City continues to respond to this unfolding crisis, prioritizing the programs and services that will keep Boston moving forward.

Prior to the COVID-19 pandemic, the Great Recession was the last period of general economic decline, lasting 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, ending with the fast-spreading coronavirus. Since June 2009, the U.S. economy has been steadily growing, as evidenced by Gross Domestic Product (GDP) growth. Real GDP growth averaged 3.4% annually in the past 10 years (Figure 2). 2019 Real GDP growth was 4.0%. In 2020, Real GDP contracted by 2.3%, as the COVID-19 pandemic had devastating

effects on the stock market and the U.S. and World economies.

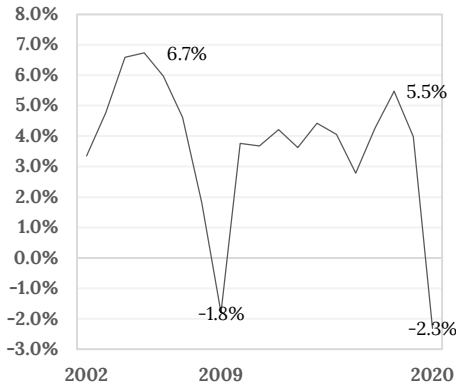


Figure 2 – Real Gross Domestic Product Growth, Current Dollars, 2002-2020 (FRED Economic Data)

The civilian unemployment rate in the U.S. has been steadily decreasing since the end of the Great Recession: the unemployment rate was 3.5% in February 2020. The global pandemic caused many companies, institutions and governments to layoff or furlough large shares of their employees. In April 2020, the national unemployment rate reached 14.8%, though it has been slowly decreasing since. The annual 2020 unemployment rate was 8.1% and the February 2021 rate has dropped to 6.2%.

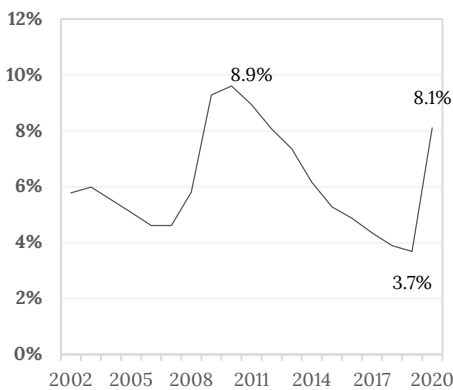


Figure 3 – Civilian Unemployment Rate, Seasonally Adjusted, 2002-2020 (FRED Economic Data)

The unemployment rate captures people without a job, available to work and actively

searching for work, out of the entire labor force – unemployed and employed combined. Those who are not actively looking for a job are not counted. The COVID-19 pandemic has brought additional obstacles for workers, causing them to delay returning to work out of fear of contracting the virus, as well as forcing many parents, more commonly mothers, to adjust their employment in order to take care for their children due to closed or remote schools and childcare. It remains to be seen how long will these obstacles last, and what would be the long-term effects on workers, and female workers in particular.

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, a testament to an economy growing stronger. 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%. A low rate encourages people to invest their money and stimulate the economy, however keeping rates low for extended periods increase the risk for higher inflation.

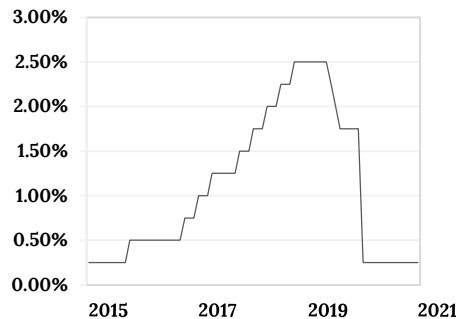


Figure 4 – Federal Funds Target Rate March 2015- March 2021 (FRED Economic Data, Monthly, End of Period)

The State and City Economies

Massachusetts' real GDP decreased by 2.1% in 2020. While Massachusetts decrease is slightly better than the nation as a whole (-2.3%, see above), the state's contraction was ranked 28 in the U.S. During the Great Recession, the lowest GDP growth was 0.8% in 2009.

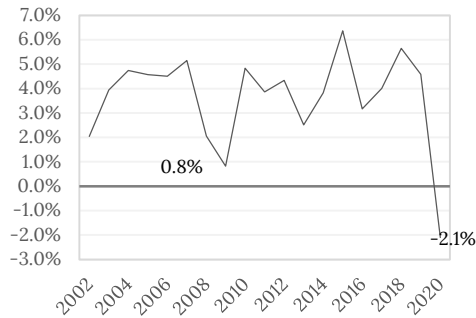


Figure 5 - Real Massachusetts Gross Product Growth, Current dollars 2002-2020

Prior to COVID-19, the unemployment rate had been decreasing for both Massachusetts and Boston, with both dropping below 3% in 2019. However, the prolonged shutdown in Massachusetts due to the spread of the virus caused the state unemployment rate to reach 16.4% in April 2020, or 558 thousand unemployed residents, the highest rate in the country. In May, the rate began dropping, reaching 7.1% in February 2021, or 267 thousand unemployed residents. Boston's unemployment rate reached 19.3% in June, falling to 7.6% in December.

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 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 \$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 original benchmark for the state's FY21 revenue collection was \$28.4 billion. On January 15, 2021, as part of the FY22 Consensus Revenue process, the figure was adjusted to \$29.1 billion. FY21 year-to-date collections totaled approximately \$19.5 billion, \$801M or 4.3% above the benchmark.

The FY22 State Budget

The City's FY22 state aid budget is based on the Governor's proposed budget for FY22, as the legislature will release the final version of the state budget following release of the City's 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 FY21, the net property tax levy (levy less a reserve for abatements) totals \$2.67 billion, providing 74.3% of the City's revenue. In FY22, the net property tax levy is estimated to total \$2.75 billion and account for 73.3% of budgeted revenues.

Thanks to a surging economy prior to the COVID-19 pandemic, property values in Boston had continued to rise steadily in FY21. In FY20, property values increased by \$11.7 billion or 7.1%, and in FY21, property values increased by \$14.5 billion or 8.2%, currently totaling \$190.7 billion. The City is mindful of effects of COVID-19 on property values in the City, and continues to monitor its 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 115% in the past 10 years, property tax revenue has grown by 66% 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 \$66.9 million in FY22.

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 City is committed to keeping residential property tax bills down to retain more low and middle-income homeowners in the city. Policies the City has pursued are demonstrating success, as the average single-family tax bill in Boston is 32.8% below the FY21 statewide average. In 2016, the City 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 FY21 Tax Rate. The FY21 residential exemption amount increased by \$273 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 FY22, the City expects new growth to decrease to \$45M, due to the significant slowdown in the local and national economy, as well as the impact of the two-month non-essential construction pause enacted in the spring 2020 due the pandemic.

During the past five 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 FY20 indicated the potential for \$8.2 billion

in construction activity compared to an estimate of \$7.4 billion in FY19.

New growth is projected to total \$45.0 million in FY22. 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.

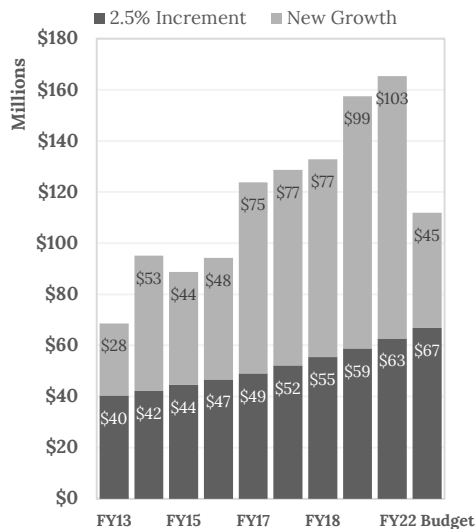


Figure 6 – Property Tax Levy Increase by Type, FY13-FY22

The percentage of the total tax levy borne by residential taxpayers has averaged around 39% since FY05 and is now 41.7%. 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 FY09. 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.

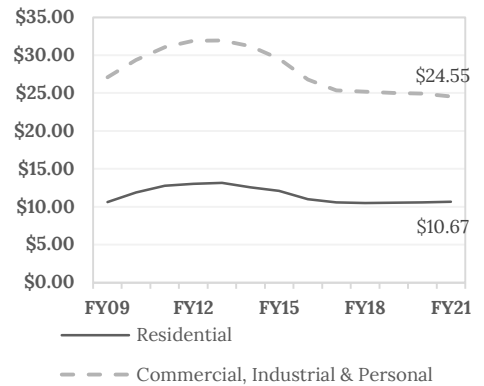


Figure 7 – Property Tax Rates FY09-FY21

With many workers working from home and a slowdown in the economy, office vacancy rates, an indicator of commercial real estate value, increased in 2020, with some neighborhoods fairing worse than others. According to CoStar Analytics, the 2020 commercial office vacancy rate increased to 8.75%. In South Boston and Downtown, the rates increased to 13.3% and 10.6% respectively.

The citywide median single-family home price was \$610,000 in the last quarter of 2019. Vacancy rates in residential buildings with five or more units have increased during the pandemic. For the city as a whole, multifamily residential vacancy rates increased from 5% in the fourth quarter of 2019 to 10.9% in the fourth quarter of 2020.

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 FY21 net effective tax rate of 1.4% 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.

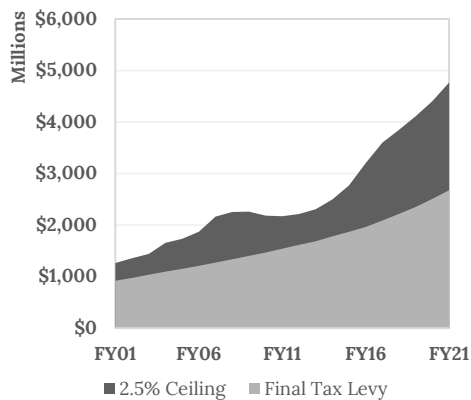


Figure 8 – Property Tax Levy and Levy Ceiling, FY01-FY21

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 FY22 is based on the Governor's proposed budget for FY22, as the legislature will release the final version of the state budget following release of the City's budget.

The City received General Fund gross State aid totaling \$434.4 million in FY19 and \$458.8 million in FY20. The City is projected to receive \$467.7 million in State aid in FY21 and has budgeted \$476.0 for FY22.

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 \$278.7 million in FY19 and \$295.9 million in FY20. The City has budgeted to pay \$313.8 million in assessments in FY21 and is budgeting \$346.4 million in FY22.

In 1993, the State began an effort to increase and equalize funding for local education. The Chapter 70 education aid formula, derived from that effort, establishes a foundation budget, or a minimum level of education spending in each school district, which the State and the district then fund with the district's local contribution and the State Chapter 70 education aid. The City received Chapter 70 education aid from the State totaling \$220.0 million in FY19 and \$221.9 million in FY20. The City expects to receive \$221.9 million from the State in FY21 and budgeted \$223.7 for FY22.

Boston is assessed by the Commonwealth to fund charter schools on a per-pupil basis. This assessment 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 \$32.0 million, or 14.9%, over the FY21 budget, as 11,244 Boston students are projected to attend a state charter school in FY22.

Boston has seen its charter school costs rise dramatically in the past 10 years – 190% or \$140.8 million between FY12 and the FY21 budgets. As seen in Figure 9, the net cost of charter schools to the City – charter school tuition less charter school reimbursement – has been increasing over time as well. The City is projecting a \$185.6 million net impact in FY21 and \$205.9 million in FY22.

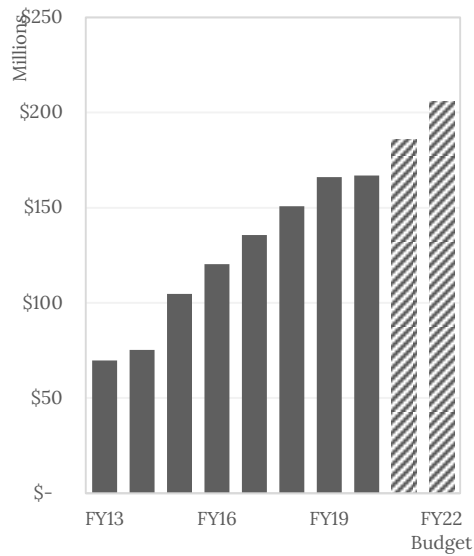


Figure 9 – Net Charter School Costs FY13-FY22

The Student Opportunity Act (SOA), passed in 2019, represents a fundamental change in the trajectory of State funding for Boston’s schools and students, providing funding that better reflects the needs of students. The SOA will make an unprecedented \$1.5 billion investment in Massachusetts public schools.

When fully implemented, the act will ensure that Boston benefits in two main ways. First, Boston's Foundation budget will increase substantially with the full implementation of SOA’s goal foundation rates (health benefits, English language learners, out-of-district special education,

low income and guidance and psychological services). In addition, the SOA provides that all low income students are fully counted in every district.

Second, since the Foundation changes will also increase the charter tuition assessment, the SOA recognizes that impact and includes a commitment to fully fund the charter reimbursement in three years: 75% in the first year, 90% in the second year and 100% in the third year. The Governor’s FY22 budget fully funds Year 1 of the SOA’s commitment for Charter Tuition Reimbursement. The charter tuition reimbursement is budgeted in FY22 at \$41.0 million, increasing by \$11.8 million or 40.2% over the FY21 budget.

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 \$186.9 million in FY19 and \$198.1 million in FY20. The City projects to receive \$213.2 million in FY21, including a late FY20 payment, and \$208.2 million in FY22, a 3.5% increase over the original FY21 budget.

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 FY22 budget, Boston is \$235.5 million, or 64.5%, below its FY08 level of net state aid. Net state aid amounted to \$155.6 million in FY19 and increased to \$163.0 million in FY20. The FY21 projected net state aid totals \$153.9 million, and the FY22 budget assumes an additional reduction to \$129.5 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.

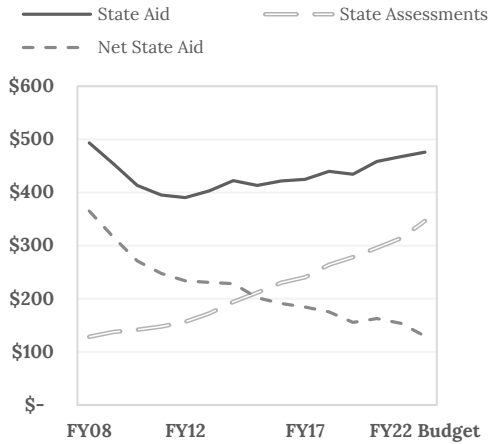


Figure 10 – State Aid, State Assessments and Net State Aid (in millions), FY08-FY22

Local Receipts

The City also collects recurring revenues other than property tax and State aid. The City collected \$615.9 million in FY19 and \$574.4 million in FY20 from these sources. The City projected \$433.6 million in FY21, reducing the budget significantly as the COVID-19 pandemic impacted collection. The City budgeted to collect \$435.0 million in FY22, 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.

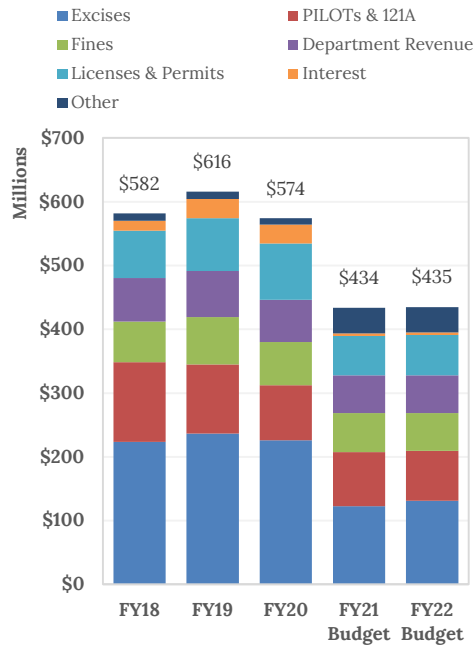


Figure 11 – Recurring Local Receipts by Type FY18-FY22

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. 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 \$100.6 million in FY19 and \$99.3 million in FY20.

The FY21 budget was reduced to \$37.0 million in local room occupancy collections, a significant decline compared to previous years, due to the economic recession and the impact COVID-19 had on travel and tourism. The FY22 budget assumes a slow return to normal business, with \$41.0 million in room occupancy excise.

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 \$66.0 million in FY19 and \$62.8 million in FY20. For motor vehicle excise revenue, the City budgeted \$50.0 million in both FY21 and FY22. 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 \$33.0 million in FY19 and \$28.9 million in FY20. The decrease in collection is attributed to the state's stay-at-home advisory, which limited restaurants to take out only in the last few months of FY20. The City budgeted \$18.8 million in FY21 and increased to \$21 million in FY22, 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 \$34.5 million in FY19 and \$32.5 million in FY20. The City budgeted \$13.0 million in FY21 and \$14.5 million in FY22. In calendar year 2020, total number of flights decreased by 52% and total passengers traveling through Logan airport decreased 70%.

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 FY19 and FY20. In FY21, the

budget was reduced to \$700 thousand, due to the decrease in car rentals in the City with the decrease of visitors to the City. \$1.1 million was budgeted for FY22.

Fines

In FY20, the City issued 1.0 million parking tickets, 205 thousand or 16% less than in FY19. The FY20 collection rate remained high at 92%. 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, 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 \$70.1 million in FY19. In FY20, 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. Total FY20 parking fines revenue collection decreased to \$62.7 million. The FY21 budget includes \$57.6 million in parking fines revenue, and the FY22 budget includes \$55.9 million.

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 \$30.4 million in FY19 and \$29.5 million in FY20.

The City budgeted interest income at \$4 million in both FY21 and FY22. In August 2019, the Federal Reserve started to decrease the Federal Funds target range, the first time the rate was decreased since December 2008. Since then, additional decreases occurred and the range is currently 0%-0.25%. With such minimal rates, interest income is expected to remain flat at around \$4 million.

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 \$54.0 million in FY19 and \$44.9 million in FY20. Due to the COVID-19 impact on universities, hospitals and cultural institutions, revenue collection was decreased from this source in FY20. The FY21 budget includes \$49.3 million PILOTs revenue and the FY22 budget includes \$49.6 million.

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 FY19 and FY20, the City received Chapter 121A section 10 distributions of \$19.7 million and \$13.9 million, respectively. Chapter 121A section 10 revenues are projected at \$14 million in FY21 and \$11 million in FY22, 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 \$24.6 million in FY19 and \$18.8 million in FY20. The City expects section 6A collections to surpass the budgeted \$12.0 million in FY21 and budgeted FY22 collections at \$11.0 million. 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 FY22 budget to better maximize the local revenue options. In FY22, 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 \$11.0 million in FY19 and \$10.1 million in FY20, due to delays in

construction in the spring of 2020. Street Occupancy Permits are budgeted at \$10.0 million budget in both FY21 and FY22.

Licenses and Permits

This category is dominated by *building permits revenue*, from which the City received \$61.8 million and \$69.6 million in FY19 and FY20 respectively. Building permits revenue is budgeted at \$45 million in FY21 and FY22, considering the effects of COVID-19 on construction starts and the economic recession.

The second largest Licenses and Permits revenue is the *cable television license fee*, from which the City received \$6.5 million in FY19 and \$6.3 million in FY20. The City is expected to surpass the budgeted \$4.5 million in FY21, and budgeted to collect \$5.2 million in FY22. New FCC rules and the timing of their implementation impact this account, as well as the trends 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 FY21 and FY22.

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 FY19 and \$10.1 million in FY20. Actual penalty and interest collections for FY21 will likely slightly exceed the \$9 million budgeted. The City has budgeted this source at \$9 million in FY22 as well.

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 FY19 or FY20. The City has budgeted to transfer \$30 million from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund to the General Fund in both FY21 and FY22.

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 FY22 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 FY19 and FY20 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 FY21 and FY22 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.

American Rescue Plan Act

The FY22 budget includes \$50 million from the \$435 million payment Boston is estimated to receive as part of the American Rescue Plan Act of 2021 (ARPA). The act is a \$1.9 trillion economic stimulus bill passed by the U.S. Congress and signed into law by President Joe Biden on March 11, 2021.

The ARPA limits the usage of the Coronavirus States and Local Fiscal

Recovery Funds (Subtitle M) to three main categories, used by December 31, 2024:

- Revenue replacement for the provision of government services to the extent the reduction in revenue due the COVID-19 public health emergency relative to revenues collected in the most recent fiscal year prior to the emergency
- Assistance to small businesses, households, and hard-hit industries, and economic recovery
- Investments in water, sewer and broadband infrastructure

The \$50 million budgeted in FY22 will help the City continue provide essential services to its residents and make targeted investments to help **reopen, recover and renew** the City from the pandemic despite facing revenue reductions due to the COVID-19 pandemic and the economic recession.

Revenue Detail

	FY19 Actual	FY20 Actual	FY21 Projection	FY22 Budget
Property Tax	2,354,143,061	2,514,155,221	2,674,859,663	2,786,731,155
40116 Property Tax Overlay	-33,260,646	-47,323,895	-3,735,387	-33,400,000
Subtotal	2,320,882,415	2,466,831,326	2,671,124,276	2,753,331,155
EXCISES				
Motor Vehicle Excise	66,025,609	62,791,517	50,000,000	50,000,000
40129 Room Occupancy Excise	100,578,619	99,258,171	37,000,000	41,000,000
40130 Aircraft Fuel Excise	34,475,671	32,470,675	13,000,000	14,500,000
40140 Condominium Conversion Excise	742,500	619,000	500,000	500,000
40162 Short Term Rental	0	260,295	0	500,000
40601 Meals Excise Tax	33,013,330	28,926,658	18,800,000	21,000,000
40602 Marijuana Excise	0	0	1,250,000	1,250,000
40603 Host Community Agreements	62,466	119,870	1,250,000	1,250,000
41113 Vehicle Rental Surcharge	1,562,199	1,573,276	700,000	1,100,000
Boat Excise	50,152	6,689	40,000	40,000
Subtotal	236,510,546	226,026,152	122,540,000	131,140,000
FINES				
Total Parking Fines	70,136,461	62,681,485	57,592,560	55,900,000
45104 Code Enforcement - Trash	1,225,810	1,310,455	1,100,000	1,100,000
Other Fines	2,751,403	3,385,284	2,260,000	2,340,000
Subtotal	74,113,675	67,377,224	60,952,560	59,340,000
Interest On Investments				
47151 Interest On Investments	30,407,612	29,472,290	4,000,000	4,000,000
Subtotal	30,407,612	29,472,290	4,000,000	4,000,000
PILOTS				
40167 PILOTS	34,432,514	25,173,824	29,000,000	29,000,000
40168 Other PILOTS	171,193	185,797	200,000	170,000
40169 Massport/DOT	19,443,369	19,520,739	20,078,133	20,479,699
Subtotal	54,047,076	44,880,360	49,278,133	49,649,699
URBAN REDEVELOPMENT CHAPTER 121A				
121B Section 16	9,608,332	8,107,815	7,000,000	6,000,000
121A Section 6A	24,638,918	18,756,867	14,000,000	11,000,000
121C	450,000	727,794	700,000	700,000
41013 Chapter 121A Section 10	19,709,174	13,923,319	14,000,000	11,000,000
Subtotal	54,406,423	41,515,795	35,700,000	28,700,000

	FY19 Actual	FY20 Actual	FY21 Projection	FY22 Budget
MISC DEPARTMENT REVENUE				
43105 Registry Division Fees	1,785,968	1,611,300	1,400,000	1,600,000
43109 Liens	583,425	695,050	600,000	600,000
43120 City Clerk Fees	652,907	637,908	650,000	650,000
43137 Municipal Medicaid Reimbursement	7,533,319	6,812,508	6,000,000	5,400,000
43138 Medicare Part D	5,336,079	2,285,931	2,700,000	2,500,000
43202 Police Services	696,919	1,111,110	800,000	700,000
43211 Fire Services	7,571,563	5,253,464	5,000,000	6,000,000
43301 Parking Facilities	2,643,593	1,973,799	1,400,000	750,000
43311 PWD - Street Occupancy.	10,955,380	10,104,389	10,000,000	10,000,000
43425 St. Furniture Prgm Fixed Fees	1,500,000	0	1,500,000	1,500,000
43426 St. Furniture Prgm Ad. Fees	971,116	1,069,191	560,000	500,000
44002 Tuition & Transportation	1,909,273	1,352,738	1,900,000	1,900,000
47119 Affirmative Recovery Unit	262,621	247,391	200,000	200,000
47130 Fringe Retirement	5,141,123	5,652,141	5,000,000	5,500,000
47131 Pensions & Annuities	5,075,815	5,374,001	5,300,000	5,500,000
47132 Indirect Costs Reimbursement	484,041	646,390	400,000	400,000
48000 Detail Admin Fee	4,040,562	3,647,193	2,300,000	2,800,000
Other Misc Department Revenue	15,260,389	18,151,845	13,482,927	12,716,259
Subtotal	72,404,095	66,626,348	59,192,927	59,216,259
LICENSES & PERMITS				
40211 Building Permits	61,819,068	69,572,085	45,000,000	45,000,000
40213 Weights & Measures	288,915	215,100	290,000	290,000
40215 BTD - Street & Sidewlk Permits	3,309,952	2,978,604	2,500,000	2,800,000
40221 Health Inspections	1,850,369	1,765,597	1,530,000	1,530,000
40220 Boat Mooring Permits	15,139	16,424	10,000	0
40222 Alcoholic Beverage Licenses	4,602,126	4,449,548	4,500,000	4,500,000
40223 Marijuana License	0	0	0	10,000
40224 Entertainment Licenses	1,883,126	1,820,938	1,800,000	1,600,000
40227 Police - Firearm Permits	37,288	23,297	30,000	30,000
40229 Other Business Lic. & Permits	166,914	142,169	160,000	160,000
40235 Cable Television	6,469,226	6,255,985	4,460,000	5,200,000
46001 Dog License	0	0	0	220,000

	FY19 Actual	FY20 Actual	FY21 Projection	FY22 Budget
Other Licenses & Permits	2,154,344	1,124,081	1,680,000	1,630,000
Subtotal	82,596,465	88,363,827	61,960,000	62,970,000
PENALTIES & INTEREST				
40133 Pen & Int - Property Tax	2,581,079	2,647,983	2,300,000	2,300,000
40134 Pen & Int - MV Excise	2,860,626	3,191,937	2,200,000	2,200,000
40136 Pen & Int - Tax Title	5,977,523	4,266,493	4,500,000	4,500,000
Other Penalties & Interest	169	185	0	0
Subtotal	11,419,397	10,106,597	9,000,000	9,000,000
AVAILABLE FUNDS				
42502 Approp. Cemetery Trust Fund	0	0	950,000	950,000
42503 Approp. Parking Meters	0	0	30,000,000	30,000,000
Subtotal	0	0	30,950,000	30,950,000
STATE AID				
41015 State Owned Land	318,922	408,662	419,294	427,918
41104 Exemptions - Elderly	1,014,001	1,061,490	1,055,968	888,238
41114 Veterans Benefits	1,661,668	1,889,327	1,604,742	1,296,639
41118 Unrestricted General Government Aid	186,904,657	198,082,317	213,181,161	208,222,502
41119 Local Share Of Racing Taxes	331,187	319,061	294,586	369,263
41301 School Construction	5,107,351	2,461,330	0	0
41305 Charter Tuition Asses. Reimb.	19,017,852	32,711,889	29,264,974	41,024,634
41306 Chapter 70 Education Aid	220,001,735	221,915,045	221,915,045	223,736,165
Subtotal	434,357,373	458,849,121	467,735,770	475,965,359
RECURRING REVENUE TOTAL	3,371,145,077	3,500,049,040	3,572,433,666	3,664,262,472
NON-RECURRING REVENUE				
42501 Approp. Surplus Property Fund	0	0	0	0
42504 Approp. Fund Balance	0	0	40,000,000	40,000,000
42507 American Rescue Plan	0	0	0	50,000,000
GRAND TOTAL	3,371,145,077	3,500,049,040	3,612,433,666	3,754,262,472

Table 1

