



**III.b**

# Multi-Year Budget Plan

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## Introduction

Although state law only requires an annual operating budget, the City routinely develops multi-year revenue and expense forecasts to prepare for future budget cycles and evaluate long-term financial impacts, pursuant to best practices. This multi-year plan builds on a balanced FY27 budget, where recurring revenues — supplemented by limited use of available funds and reserves — fully cover appropriated expenses. While current projections for FY28 and FY29 show budget shortfalls, these estimates serve as the baseline for a rigorous budget vetting process that ultimately ensures a legally mandated, balanced budget.

Boston remains heavily reliant on property taxes, supplemented by state aid from the Commonwealth of Massachusetts and other locally generated revenue. However, net state aid shows minimal year-over-year growth (0.7%) due to offsetting growth in state assessments, particularly charter school tuition. Furthermore, state laws restrict much of the City's locally generated revenue and are often tied to revenue-sharing with the Commonwealth.

On the expenditure side, costs are primarily driven by its employees. While Boston is on track to fully fund its employee pension system by FY28, health benefit costs for active and retired employees continue to rise. As the scheduled pension expenses decline with full funding, the City will increase its contributions to its other long term liability, Other Post-Employment Benefits (OPEB). Finally, with wage growth tied to a largely unionized workforce, upcoming collective bargaining negotiations must balance fair compensation for municipal employees with long-term fiscal sustainability.

## Revenue Trends

Major revenue trends include:

*Property Tax Levy:* The levy will grow by the allowable 2.5% increase, with new growth projected at \$40 million, in FY28 and in FY29. The net property tax (gross property tax minus reserve for tax abatements) is projected to increase by \$265 million over the two years.

*State Aid:* Gross state aid is forecasted to increase by \$8.8 million in FY28 and an additional \$13.7 million in FY29. The City is projecting that both Unrestricted General Government Aid and Chapter 70 Education Aid will increase by 1.5%. Charter School Tuition Reimbursement is projected to increase by 3.7%, while all other accounts will remain at their 3-year historical average. This equates to a 1.6% overall increase in State Aid in FY28 and 2.5% in FY29. However, net state aid (state aid minus state assessments) is only anticipated to grow by 0.7%.

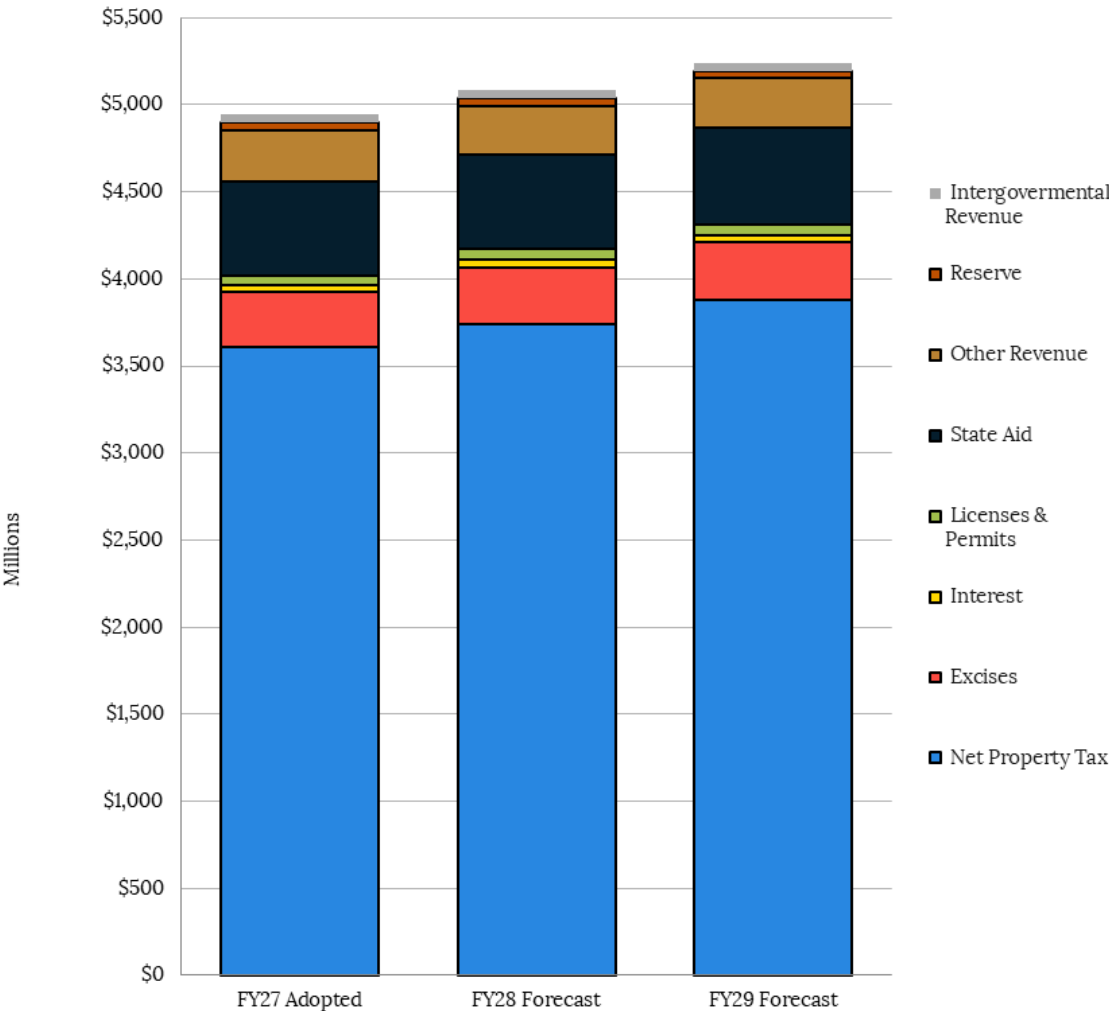
*Excises:* Excises are expected to increase modestly. In FY28 and FY29 excises are projected to increase 3.3% and 2.0% due to continued strong demand and inflation adjustments for motor vehicles, meals, and hotel rooms.

*Interest on Investments:* Interest income is expected to grow \$10.4 million in FY28 and remain constant for FY29 in line with anticipated Federal Reserve rate adjustments.

*Licenses and Permits:* Building permits continue to be impacted by delayed development projects but in aggregate we expect some modest growth of 4.5% in FY28 and 2.5% in FY29.

These estimates are based on conservative revenue assumptions and are reflective of uncertainty at the Federal level. The following chart displays the breakdown of revenue projected for FY28-FY29.

**Figure 7: Multi-Year Revenue Forecast FY27 Budget, FY28 & FY29 Projected**



### Expenditure Trends

The expenditure chart displays the allocation of expenditures projected for FY28-FY29.

As the City examines projected expenditures for FY28 and FY29, expenditures are currently anticipated to grow at a faster rate than the City's revenue growth, leading to imbalance for FY28

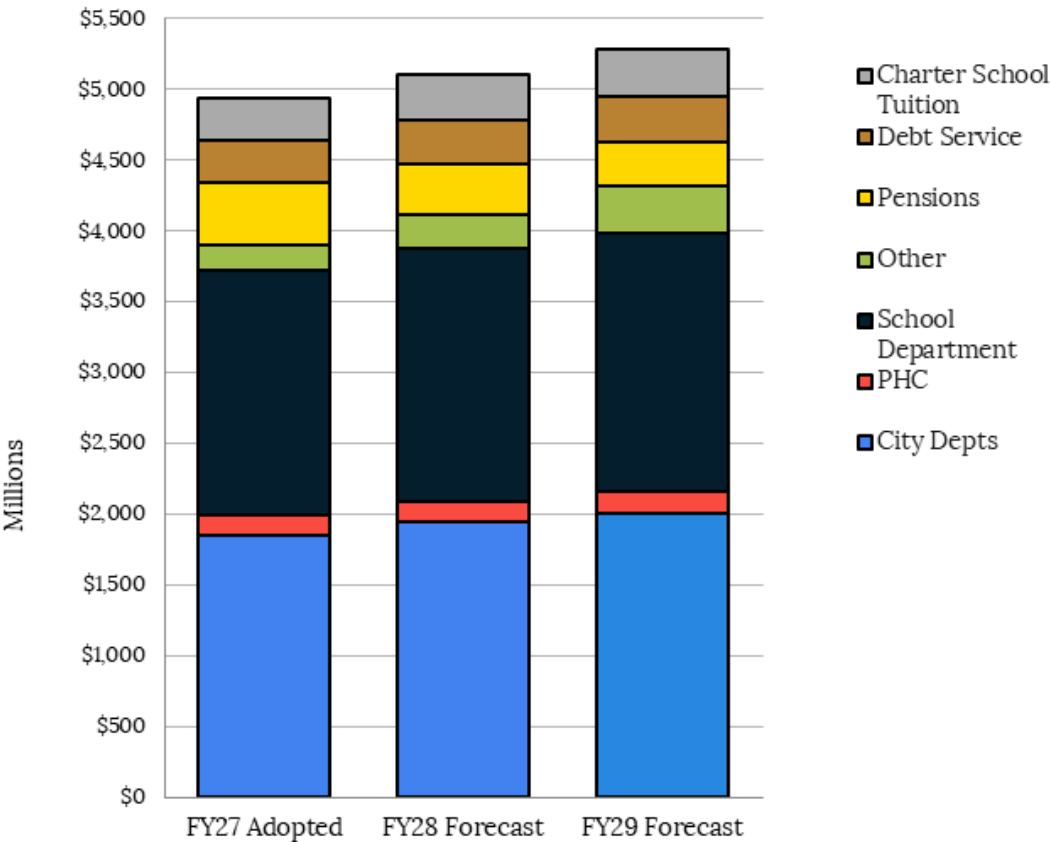
and FY29. Fixed costs, other than pensions, are projected to grow significantly due to increases in debt service and charter school costs, along with upward adjustments in the Other Post Employment Benefits (OPEB) funding plan. In addition, the City continues to project considerable appropriations growth due to rising employee-related costs.

*Appropriations:* Inflationary and other increases have been estimated in FY28 and FY29 for expenditures such as health benefits and other personnel cost growth. City appropriations are projected to increase by a total of \$220.4 million or 5.8% in FY28 and cumulatively increase by \$198.4 million or 5.0% in FY29.

At the School Department, estimated inflationary increases for health benefits and utility cost growth have been projected for FY28 and FY29.

*Fixed Costs:* Fixed cost expenses in FY28 and FY29 will benefit directly from the City's commitment to long-term liabilities. Specifically, the recently adopted pension glide path schedule preserves the full funding goal for FY28 while creating a smoother transition for future years. This updated schedule will allow the pension system to better absorb fluctuations in market performance.

**Figure 8: Expenditures FY27 Budget, FY28 & FY29 Projected**



The resulting pension savings help offset significant growth in debt service and charter school tuition assessments. Overall, fixed costs are projected to decrease by 5.0% in FY28, followed by an additional 1.5% reduction in FY29.

Under these revenue and expenditure assumptions, the FY28 and FY29 budgets face projected deficits of approximately \$21.7 million and \$46.9 million, respectively. These forecasts primarily reflect current operational costs and the rollout of previously approved initiatives. As the FY28 budget process moves forward and projections are refined, the City will focus on operational efficiencies to align spending with anticipated revenues.

Because employee-related costs drive the bulk of projected spending growth, the City must maintain strict management of its hiring practices. Upcoming collective bargaining agreements must remain affordable within the financial constraints highlighted in this forecast. Additionally, the City will collaborate with union partners to curb rising annual health insurance costs for active employees and retirees.

## **Planning a Balanced Budget**

Multi-year planning provides the runway needed to mitigate rising service costs, implement cost-saving initiatives, and adjust financial projections as new needs or innovations emerge. Because even a 1% variance in the City's budget represents a \$50 million bottom-line impact, long-term forecasting is essential. High-variance areas include unpredictable snow removal costs, large legal settlements, emergency public safety overtime, and sudden losses of external funding.

To mitigate these risks, the City relies on robust fiscal controls. A specialized committee—comprising the Chief Financial Officer, Human Resources Director, and Budget Director—strictly oversees all hiring. Additionally, systematic controls within the Boston Administrative Information System (BAIS) enable accurate forecasting and strict enforcement of both personnel and non-personnel expenditures.

## **Conclusion**

This multi-year overview serves as a strategic framework for evaluating the long-term impact of current budget decisions and preparing for future challenges. While not legally mandated, it is an essential tool for long-range planning and policy analysis.

To support sound fiscal management, these projections were developed using forecasting models that incorporate recent revenue and expense experience with known or scheduled changes and relies on conservatism for revenue estimates along with inclusion of expected expenses. This tool enables the City to simulate multi-year operational scenarios based on varying assumptions, ensuring future initiatives remain aligned with overall revenue constraints and fixed-cost obligations.

## Multi-Year Budget Plan

|                                   | FY27 Adopted       | FY28 Forecast      | FY29 Forecast      |
|-----------------------------------|--------------------|--------------------|--------------------|
| <b>REVENUES (1)</b>               |                    |                    |                    |
| Property Tax                      | 3,649.4            | 3,780.6            | 3,915.1            |
| Property Tax Overlay              | -38.0              | -38.0              | -39.0              |
| Excises                           | 315.1              | 325.5              | 332.0              |
| Fines                             | 63.5               | 63.5               | 63.5               |
| Payments in Lieu of Taxes         | 59.7               | 61.7               | 61.7               |
| Intergovernmental Revenue         | 46.1               | 46.8               | 47.5               |
| Interest On Investments           | 39.8               | 44.0               | 44.0               |
| Urban Redev Chapter 121A          | 37.9               | 37.9               | 37.9               |
| Department Revenue                | 78.7               | 79.0               | 80.2               |
| Licenses & Permits                | 54.8               | 57.3               | 58.7               |
| Penalties & Interest              | 10.5               | 11.4               | 11.4               |
| Available Funds                   | 47.0               | 26.0               | 26.0               |
| State Aid                         | 538.1              | 546.9              | 560.5              |
| Total Recurring Revenue           | 4,902.4            | 5,042.4            | 5,199.5            |
| <br>Budgetary Fund Balance        | <br>40.0           | <br>40.0           | <br>40.0           |
| <br><b>Total Revenues</b>         | <br><b>4,942.4</b> | <br><b>5,082.4</b> | <br><b>5,239.5</b> |
| <b>EXPENDITURES</b>               |                    |                    |                    |
| City Appropriations               | 1,844.2            | 1,944.0            | 2,003.1            |
| Boston Public Health Commission   | 148.4              | 148.1              | 151.6              |
| Boston School Department          | 1,726.6            | 1,780.4            | 1,827.3            |
| Reserve for Collective Bargaining | 21.9               | 58.9               | 118.0              |
| Other Post-Employment Benefits    | 40.0               | 70.0               | 100.0              |
| <b>Total Appropriations</b>       | <b>3,781.1</b>     | <b>4,001.5</b>     | <b>4,199.9</b>     |
| <br>Pensions                      | <br>443.0          | <br>353.3          | <br>309.1          |
| Debt Service                      | 296.9              | 307.2              | 318.8              |
| Charter School Tuition            | 306.2              | 321.5              | 337.6              |
| MBTA                              | 103.1              | 105.7              | 108.3              |
| Other State Assessments           | 9.2                | 9.4                | 9.7                |
| Suffolk County Sheriff Dept       | 2.9                | 2.9                | 0.0                |
| Reserve                           | 0.0                | 2.7                | 3.0                |
| Total Fixed Costs                 | 1,161.3            | 1,102.7            | 1,086.5            |
| <b>Total Expenditures</b>         | <b>4,942.4</b>     | <b>5,104.2</b>     | <b>5,286.4</b>     |
| <b>Surplus (Deficit)</b>          | <b>0.0</b>         | <b>-21.7</b>       | <b>-46.9</b>       |