

Revenue Estimates and Analysis

OVERVIEW

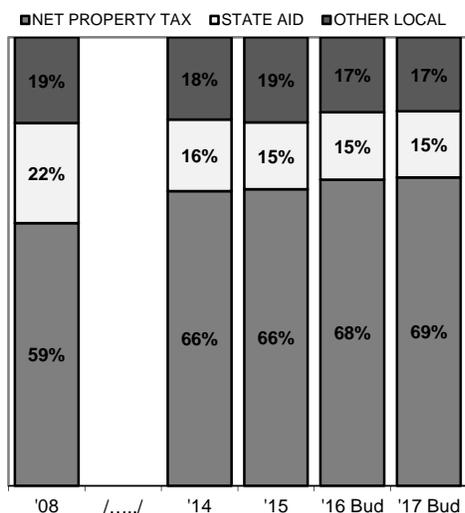
The FY17 Recommended Budget is supported by \$2.9.4 billion in recurring revenue, an increase of \$118 million, or 4.1%, from budgeted FY16 recurring revenue. The Recommended Budget also includes \$40.0 million in non-recurring revenue.

Recurring revenue growth is expected across most major categories in FY17. Property tax, excise taxes, and license and permit revenue lead local revenue growth and are driven by an expanding economy.

State revenue, the City's second largest revenue source, never recovered following the last recession. In FY17, Boston's state revenue is still \$60.8 million, or 12.3%, lower than Boston's state aid in FY08.

Net property tax and state aid together make up over 80% of recurring City revenues. As Figure 1 illustrates, the share of net property tax has increased dramatically since FY08 as the share of state aid has steadily decreased. In fact, the property tax now accounts for a larger share of recurring revenues than it did prior to the property tax limitations imposed under "Proposition 2 1/2" in the early 1980's.

This chapter begins with a review of national, state, and local economic trends that impact the Boston area economy and the City's revenue. That is followed by a discussion of recent state budget trends and development of the FY17 state budget. Following these sections is a discussion of the City's FY17 revenue estimates by major category including: the property tax levy -- the City's largest single revenue source, state aid, and local receipts. This is followed by a brief discussion of non-recurring revenue.



Categories of Recurring Revenue

FY08 & FY14-FY17

Percentages may not add due to rounding

Figure 1

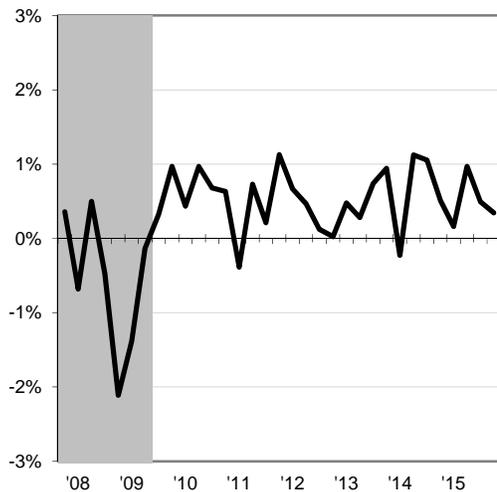
THE NATIONAL ECONOMY

A city can control only so much of its economic condition in the near term. And a city's economic condition can positively or negatively affect its ability to raise revenue. As such, the state and national economies are of great importance to the City's well-being. The nation's economic recovery is gaining momentum from a deep recession that officially ended almost six years ago in June 2009.

Since the recession, the U.S. economy has grown in fits and starts since June 2009 as evidenced by GDP growth (Figure 2). Accommodative monetary policy and extended unemployment insurance have back-stopped any slide back into recession. But recently, the housing sector has gained steam and other economic variables seem to be stabilizing and beginning to grow.

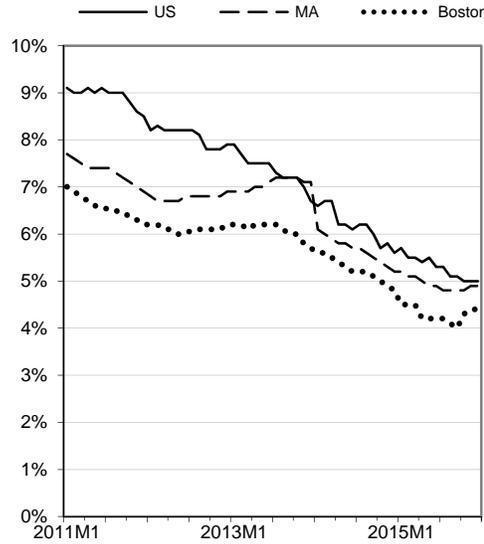
Overall economic value as measured by real Gross Domestic Product (GDP) has been positive, but has been relatively slow growth. For all but two of the twenty-two quarters after the recession's official end in the second quarter of 2009 through the fourth quarter of 2015, real GDP has been positive but only averaging 0.5% (Figure 2). The Federal Reserve reaffirmed estimates of moderate economic growth, with real GDP forecast to grow between 2.0% to 2.7% for the calendar year 2016 and 1.8% to 2.5% for 2017.

The seasonally adjusted unemployment rate in the U.S. has been steadily decreasing since the end of the recession to a low of 5.0% in December 2015 (Figure 3). According to Federal Reserve estimates, the



Real Gross Domestic Product Growth (Chained 2009 dollars)
2007Q4-2015Q4 & NBER dated recession

Figure 2



Unemployment Rates
January 2011 - December 2015
Seasonally Adjusted

Figure 3

unemployment rate is expected to continue improving, falling to a range of 4.3% to 4.9% in calendar year 2016 and to a range of 4.5% to 5.0% in 2017.

Inflation has been below the Federal Reserve's target of 2%. The U.S. consumer price index for all urban consumers (CPI-U) increased 1.0% from February 2015 to February 2016. The Federal Reserve projects that inflation will range from 1.2% to 2.1% in 2016 and range from 1.7% to 2.0% in 2017.

Despite the improvements in the labor market and the expectation that inflation would rise to its target of 2%, the Federal Reserve forecasts that economic conditions will evolve in a manner that will warrant only gradual increases to the federal funds rate. For the first time since 2008, the Federal Reserve increased the Federal Funds target rate by 0.25%, to a target range of 0.25% to 0.50% (Figure 4).

THE STATE AND CITY ECONOMIES

During the period of 2004 to 2014, Massachusetts' annualized growth rate of 1.3% (Figure 5) in real Gross Domestic Product (GDP) by state ranked 24th out of all 50 states and DC, according to the Bureau of Economic Analysis (BEA). The state remains one of the richest in terms of its GDP per capita -- \$62,122 in 2014 -- seventh in the nation and 126% of the national average.

The unemployment rate had been decreasing for both the State and City. The rate in Massachusetts has since fallen

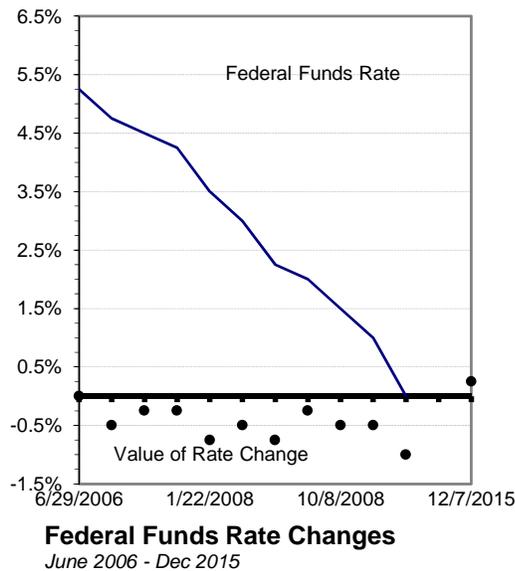


Figure 4

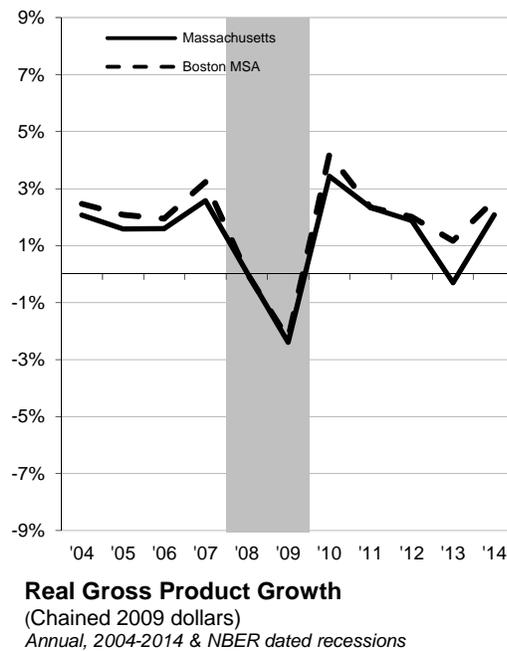


Figure 5

to 4.9% as of December 2015 (Figure 3), which is still higher than the 2.6% seen in the year 2000; however, this is due to growth in the labor force. The state and local economies have regained all jobs lost during the recent recessions and have reached peaks. The City of Boston's unemployment rate has steadily fallen to 4.4% as of December 2015.

Massachusetts wage and salary income in the last quarter of 2015 rose 4.0% over the same quarter 2014, continuing a trend of 18 positive year-over-year quarterly growth rates

since first quarter 2010. Earnings growth by industry grouping over the period of the last quarter in 2014 to 2015 was strongest in "Construction" and "Administrative and support and waste management and remediation services", while "Real estate and rental and leasing" and "Durable goods manufacturing" showed the weakest growth during the same period.

Massachusetts' seasonally adjusted total personal income rose 4.7% from 2014 to 2015, 12th out of the 50 states and DC in terms of growth and just above the national average of 4.4%.

(See *Boston's People & Economy* section of Volume I for more detail 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. The State also provides many grants that support city programs and expenditures. 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

The State has faced several very difficult years of structural budget imbalance and is facing more difficult years ahead despite recent revenue increases. 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 about \$670 million before revenues began to increase again in FY11. The fund has since increased and stood at about \$1.25 billion at the close of FY15. The remaining balance at the end of FY16 is expected to be \$1.26 billion.

The FY17 State Budget

Over the past two years, the State's underfunding of the Charter School Tuition Reimbursement led to a \$29 million revenue loss for Boston. Having focused its FY17 state budget advocacy on this item, Boston was optimistic that the State would increase its statewide funding level. Therefore, the Adopted Budget included \$23.2 million in Charter School Tuition Reimbursement, based on funding levels in the Senate Budget. Following release of the City's budget resubmission, the legislature reduced the Charter School Tuition Reimbursement funding level; this change

is a revenue exposure that Boston will track as it manages the FY17 Budget. This revenue source could also be a larger liability if the state budget fails to remain in balance and emergency 9c cuts are made.

Unrestricted General Government Aid increased by 4.3%, and education aid increased slightly by 1.7% over FY16 levels.

(See State Aid in this chapter)

Changes to City Revenue Structure

The economy and years of State Aid reductions have taken their toll on many municipalities. The consequences have been increased reliance on the property tax, new user fees, and reduced public services throughout the state.

Recognizing the threat to fiscal stability represented by these trends, the City has filed legislation over recent years to diversify and modernize its revenue structure and to secure and grow its tax base.

In FY10, after many years of legislative attempts, municipalities were granted their first new local option revenue stream since the hotel and jet fuel taxes in the mid-1980s. The State offered for local adoption a meals tax at the rate of .75% in addition to the state tax as well as a 2 percentage point increase to the existing 4% local option room occupancy tax, both of which were adopted by the Boston City Council effective October 1, 2009.

The City has recently proposed closing a tax loophole on room occupancy that allows internet resellers to avoid tax on the increment between what they paid for a room night and what they sell it for, which would be a change to the base of the state and local tax and would benefit the State and all municipalities that have adopted the local option room occupancy tax. It has also become a national issue since a room occupancy tax is common across states and localities.

As a matter of course, the City updates its fee and fine structure as needed for any increases necessary to cover the cost of providing services or deterring undesired behavior. The Fire Department will submit a comprehensive fee package to bring their fees closer to the cost of the services provided, which had last been done for the FY12 budget. Several other departments have expressed interest in reviewing existing fee structures by removing antiquated fees that no longer apply to the current services or adding new fees for new services that will be reviewed in the upcoming months.

REVENUE ESTIMATES

The Property Tax

The property tax levy has always been the City's largest and most dependable source of revenue. In FY16, the net property tax levy (levy less a reserve for abatements) totals \$1.923 billion, providing 68.3% of recurring revenue. In FY17, the net property tax levy is estimated to total \$2.017 billion and accounts for 68.7% of budgeted recurring revenues.

The increases in the gross property tax levy have been steady and consistent from FY85, under the allowable new growth provisions of "Proposition 2 ½", to FY16 ranging from a low of \$28 million to a high of \$95 million over the period. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$94.2 million rise in FY16 represents only 5.0% growth. It is important for the financial health of the City that the property tax levy continues to grow, but efforts continue to reduce reliance on the property tax through increasing existing or establishing new local revenue sources as discussed in the previous section.

Proposition 2 ½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. 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. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new construction. 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. 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 \$49.1 million in FY17.

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. New growth is expected to be approximately \$44.0 million in FY17, which is a slight decrease from FY16 new growth. Property tax growth from new growth has exceeded that from the allowable 2.5% increase in 20 of the last 33 years.

While the total tax levy has continually gone up, property values in Boston declined during the recent tough years in

the residential and commercial real estate markets. FY10 and FY11 were only the first and second declines in property values recorded in the City since FY94. Recently, property values in Boston have been increasing steadily. In FY15, property values increased by \$10.9 billion or 10.9%, and in FY16, property values increased by \$17.3 billion or 15.6% to \$128 billion.

The percentage of the total tax levy being borne by residential taxpayers increased from 36.2% to 39.4% between FY09 and FY16 (Figure 6). This shift is due to the larger decrease in commercial property values in the levy compared to residential property values. At its recent lowest point, the residential levy was nearly 32% of the total levy.

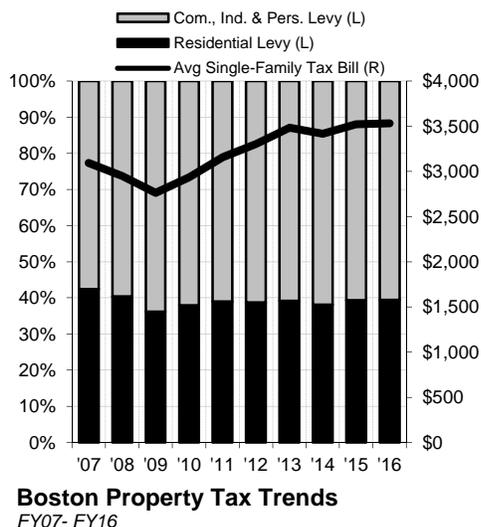


Figure 6

Indicators of the property tax in the current economy are improving as well. Office vacancy rates, an indicator of commercial real estate value, are declining from their peak. According to the firm Colliers International, the City had a vacancy rate of 8.9% as of fourth quarter 2015. The National Association of Realtors reports that in the fourth quarter of 2015, the median sale price of a single-family home in Boston was \$450,500, an increase of 3.4% over the same quarter in 2014.

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 have further limited the City's capacity to increase the annual levy.

However, due to years of strong new growth increases, the City has some space between its FY16 net effective tax rate of 1.53% and the tax levy ceiling of 2.5% (Figure 7). If the real estate market were to depreciate, the City's lack of proximity to the 2.5% property tax rate threshold will insulate revenues from an immediate shock. However, if values were depressed long enough, future growth of the property tax would be impaired.

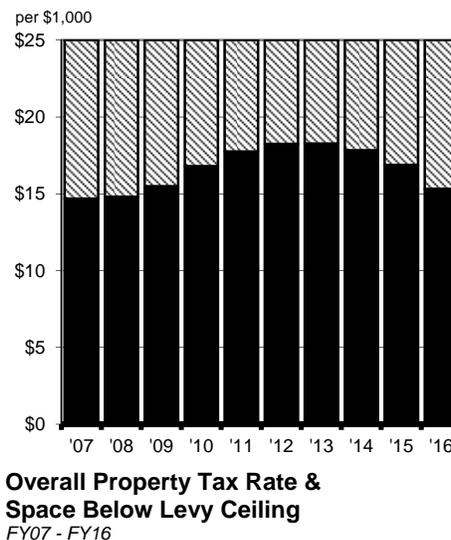


Figure 7

State Aid

State aid refers primarily to distributions from the Commonwealth to municipalities for Chapter 70 Education Aid, Unrestricted General Government Aid, Charter School Tuition Reimbursement along with other relatively small Commonwealth programs such as library aid and various reimbursements. State aid, as it is used here, excludes any grants to or offsets for direct expenditure by City departments. It also includes reimbursements from the Massachusetts School Building Authority (MSBA).

The City received general fund gross state aid totaling \$422.4 million in FY14 and \$413.4 million in FY15. The City expects to receive \$424.0 million in state aid in FY16 and has budgeted \$432.6 million in gross state aid in FY17, 2% over FY16.

"Municipal Charges", also known as, "State Assessments" are charged by the Commonwealth to municipalities for items such as Charter School Tuition Reimbursement and MBTA service. State aid distributions are reduced by the amount of assessments charged to a municipality. The City paid \$194.1 million in FY14 and \$211.7 million in FY15. The City expects to pay \$234.5 million in assessments in

FY16 and is budgeting \$245.4 million in FY17. The largest assessments are those of the Charter School Tuition and MBTA. The former has rapidly increased since the enactment of the 2010 legislation that expanded the number of charter school seats.

Net state aid, which is gross state aid revenue minus state assessments, has been trending down steeply since FY02. The rapid annual increase in the Charter School Tuition Assessment, combined with reductions in education and general government aid, contributed to this trend (Figure 8). With a decrease in net state aid for FY17, Boston is \$177.8 million, or 56%, below its FY08 level of net state aid of \$365.1 million. This loss of resources has put extraordinary pressure on the property tax and other local revenue sources as well as levels of expenditures. To mitigate some of this loss, the state expanded local option taxing authority and created savings opportunities, but their combined value does not offset the aggregate losses in net state aid.

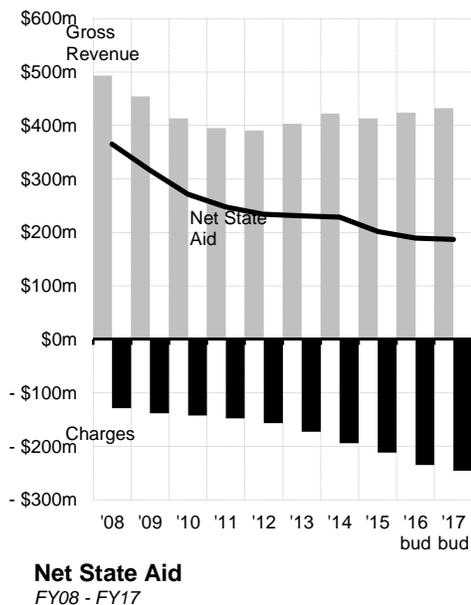


Figure 9

Net state aid amounted to \$228.3 million in FY14 and \$201.8 million in FY15. FY16 budgeted net state aid totals \$189.5 million and the FY17 Budget assumes a reduction to \$187.2 million.

Education Aid

In 1993, the Commonwealth 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 Chapter 70 Education Aid formula does not work for Boston. Despite the Commonwealth adding over \$900 million to Chapter 70 Aid since FY08, Boston's Chapter 70 Aid is only \$300 thousand higher than it was in FY08. The City received Chapter 70 education aid totaling \$209.4 million in FY14 and \$211.0 million in FY15. The City expects to receive \$212.6 million from the state in FY16 and \$216.1 million in FY17, a 1.7% increase from FY16.

Boston's Charter School Tuition Assessment is projected to increase by \$9.9 million (6.8%) over the FY16 budget, as over 10,000 students are projected to attend a Commonwealth Charter School in FY17. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (130% or \$88.5 million between 2011 and 2017).

Unfortunately the Commonwealth has not fulfilled its obligation under the 2010 law to fund Charter School Tuition Reimbursement, totaling about \$29 million in lost revenue for Boston in FY15 and FY16.

In the 2010 law, when tuition payments increase for a given school district over the prior year, the state reimburses that district for 100% of the increased cost in the first year (when the formula is fully-funded). The state then reimburses 25% of this first year increase amount for each of the subsequent five years. Cities and town are also reimbursed for the portion of the charter school assessment related to facilities. Because the Commonwealth has underfunded the appropriation, the Commonwealth has only funded a portion of the first year costs, and cities and towns have not been reimbursed for the subsequent five years.

The net cost of charter schools to the City has been increasing rapidly: in FY14 the cost was \$75.2 million and in FY15, \$104.6 million. In FY16 the City has budgeted a \$121.9 million net impact, and in FY17, \$133.6 million (Figure 9).

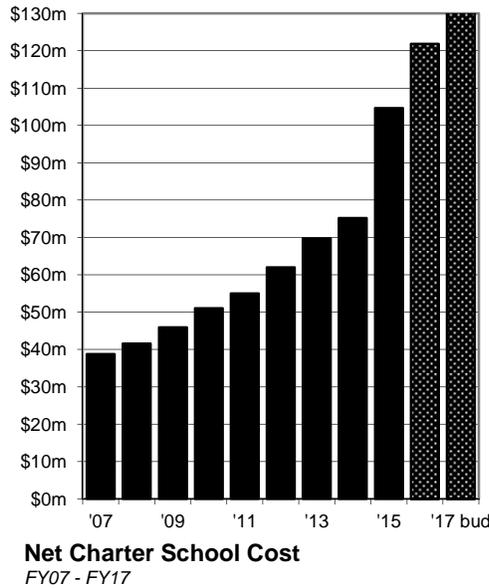


Figure 9

Unrestricted General Government Aid (UGGA)

For the FY10 budget and 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. The current distribution of UGGA is a weighted average of both Lottery and Additional Assistance distributions of the past.

For Boston, the combined accounts totaled \$164.0 million in FY14 and \$168.6 million in FY15. In FY16, the City will receive \$174.7 million and has budgeted for an increase to \$182.2 million for FY17.

Local Receipts

The City annually collects a significant amount of recurring revenues other than Property Tax or State Aid. In sum, the City collected \$487.0 million in FY14 and \$527.7 million in FY15 from these sources. The City expects to exceed the mid-year budget estimate of \$469.6 million in FY16 and collect \$485.6 million in FY17 (Figure 10).

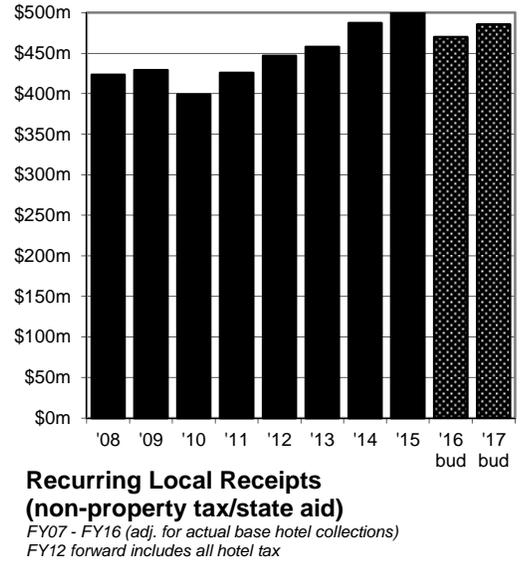


Figure 10

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 (Figure 10). Forecasts of these revenue types are done by detailed econometric modeling or trending historical collections, depending on the specific revenue source and the availability of other data.

Excise Taxes

The Commonwealth imposes an excise in-lieu of property tax on motor vehicles, the proceeds of which are received by the municipality where 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 \$53.0 million in FY14 and \$53.0 million in FY15. The City expects motor vehicle excise revenue to exceed the \$49.2 million budgeted in FY16 and rise to \$53.0 million in FY17. Since the excise tax lags the sale of the vehicle, this revenue estimate is generated based on state projections of current year tax collections on motor vehicle sales in the Commonwealth.

The Commonwealth granted municipalities a new local option tax on restaurant meals beginning October 1, 2009. The City adopted this tax and received \$24.4 million for FY14. In FY15, the City collected \$25.9 million. In FY16, the City expects to meet the budgeted \$25.5 million and the FY17 budget assumes an increase to \$26.0 million. This revenue is estimated using the income of area

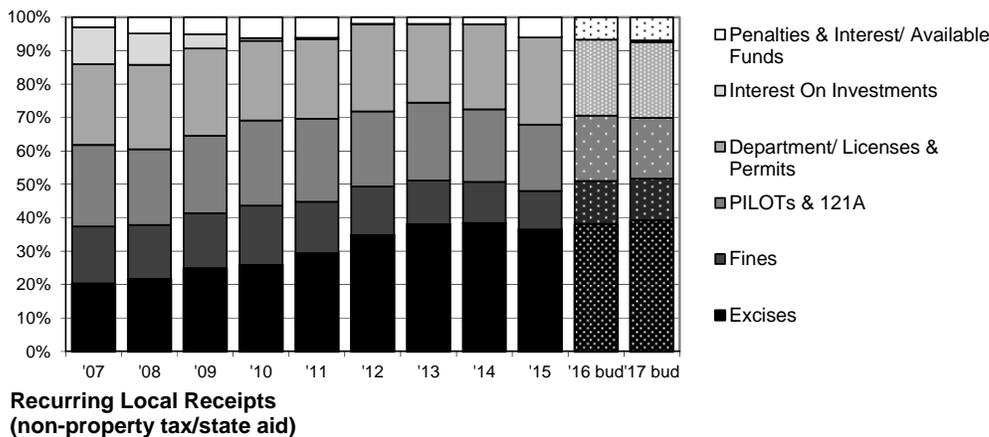


Figure 11

residents, employment numbers for local restaurants, expected local room occupancy excise revenues (a driver of restaurant meals), and historical trends.

The local room occupancy excise amounts to 6.0% of the total amount of rent for each hotel or motel room occupied. This rate was increased in the fall of 2009 from 4.0%, along with the enactment of the new meals tax. Another 5.7% excise tax is directed to the state general fund and another 2.75% fee to the state's convention center fund, for a total tax from all sources on hotel rooms in the City of 14.45%. Room occupancy excise revenue to the City totaled \$71.1 million in FY14 and \$83.5 million in FY15. The City expects to exceed the \$77.0 million budgeted in FY16 due to very strong hotel bookings. The FY17 budget estimates an increase to \$80.0 million.

Room occupancy excise receipts are estimated based on air travel statistics from Logan International Airport, leisure and hospitality employment numbers, and the consumer price index for recreation for Boston.

The vehicle rental surcharge is a revenue-sharing arrangement with the Commonwealth. 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 \$1.1 million in FY14 and \$0.3 million in FY15. In FY16, the City expects to exceed the budgeted \$0.3 million and the FY17 budget assumes an increase to \$1.3 million.

The excise on the sale of jet fuel is 5% of the average sales price of the previous quarter, but not less than five cents per gallon. Increases in fuel prices lead to increased jet fuel excise revenue. Recent jet fuel prices have decreased sharply from their peak in FY12, but are showing signs of recovery. Jet fuel excise revenue totaled \$37.1 million in

FY14 and \$29.7 million in FY15. The City expects this revenue source to exceed the \$27.0 million budgeted in FY16 due to a late payment from FY15. The FY17 budget estimates this revenue source to increase to \$30.0 million. Estimates incorporate fuel price forecasts from the Energy Information Administration (EIA) and air traffic volume from Logan International Airport.

Parking Fines

In FY15, the City issued over 1.2 million parking tickets and has maintained a 93% rate of collection on those tickets. The 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 fine revenue of \$56.6 million in FY14 and \$57.1 million in FY15. Parking fine revenue is expected to reach the \$57.0 million budgeted in FY16 and \$57.0 million in FY17.

Interest on Investments

In general, the City's level of investment income is a function of prevailing short-term interest rates and daily cash balances. Since June 2007, interest rates have been reduced in an effort to stimulate the economy out of recession. Given the very low interest earnings potential of recent years, the Treasury department had instead engaged in a compensating balance approach with banks, having fees paid through depositing minimum balances. Investment income totaled \$57,000 in FY14 and \$61,000 in FY15. The City projects interest income will exceed the \$50,000 budgeted in FY16. In FY17 the City will reduce the

amount required to maintain a compensating balance (due to the need to offset credit card fees becoming unnecessary), and instead invest this money. By standardizing practices and adding fees to the cost of point of sale transactions, revenue from Interest on Investments is estimated to increase by \$2.8 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 PILOTs 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 over 40% of the PILOT revenue the City receives annually.

In April 2010, a Mayoral appointed task force 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 would generate more revenue than what is currently 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 is the first year after that phase-in period.

Payments in lieu of taxes totaled \$43.4 million in FY14 and \$49.4 million in FY15. The City expects this revenue source to meet the \$44.1 million budgeted for FY16 and estimates \$44.5 million in FY17.

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 excise in-lieu-of-tax is \$10 per \$1,000 of the current cash value of property plus 5% of gross income. In FY13 and FY14, the City received

Chapter 121A, section 10 distributions of \$31.6 million and \$26.2 million, respectively. In FY16, Chapter 121A section 10 revenues are budgeted at \$25.0 million and \$22.8 million for FY17. The decrease in this line is a result of the expiration of several Chapter 121A section 10 agreements and the properties transitioning back to regular property taxes. They contribute to the new growth portion of the property tax levy.

In addition to the Section 10 payments collected by the Commonwealth described above, 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 \$27.7 million in FY14 and \$26.3 million in FY15. The City expects Section 6A collections to reach the FY16 budget of \$19.8 million and decrease to \$15.0 million in FY17.

Miscellaneous Department Revenue

This category contains several large accounts and many more small accounts. The largest revenue source in this category is Municipal Medicaid reimbursements for school health services. This federal reimbursement, administered by the State, began in FY94. The City received \$6.2 million in FY14 and \$7.1 million in FY15. Municipal Medicaid reimbursement is expected to reach the midyear annual budget estimate of \$6.5 million in FY16 and increase to \$7.0 million in FY17.

Other Miscellaneous Department Revenue, consists of miscellaneous fees for services, rents, and reimbursements, is budgeted at \$13.5 million and \$14.8 million in FY16 and FY17, respectively. This category of revenues is estimated largely by historical trend.

Licenses and Permits

This category is dominated by building permit revenue, from which the City received \$40.1 million and \$51.7 million in FY14 and FY15 respectively. Building permit revenue is expected to exceed the \$33.0 million budgeted in FY16, and is projected to increase to \$35.0 million in FY17. This estimate is a conservative estimate based on historical trends and analysis on real estate market and investment trends.

The next largest license and permit revenue is the cable television license fee from which the City received \$6.5 million in FY14 and \$8.1 million in FY15. The City has budgeted \$6.5 million in FY16 and FY17.

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 \$3.8 million in FY16 and \$4.2 million FY17.

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 \$10.4 million in such penalties and interest in FY14 and \$13.1 million in FY15. Actual penalty and interest collections for FY16 will meet the current midyear budget estimate of \$9.9 million and are projected to be \$10.2 million in FY17.

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 generally budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which 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 the balances in these 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 in FY14 and transferred \$19.0 million from the parking meter fund to the general fund in FY15. The City expects to transfer \$20.5 million from the parking meter fund to the general fund in FY16 and \$22.5 million in FY17. The City also plans to transfer \$950,000 from the cemetery trust fund to the General Fund in FY16 and in FY17.

(See *Financial Management* section of Volume I for detail)

Non-Recurring Revenue

Surplus Property

The surplus property disposition fund contains the 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 FY17 Budget from this revenue source.

Budgetary Fund Balance

Budgetary Fund Balance can be appropriated for use during the fiscal year after certification by the 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, which the City can responsibly appropriate for spending.

The FY15 Budget did not use any fund balance, instead using recurring revenue to support the appropriation for Other Post-employment Benefits (OPEB), the liability associated with retiree health insurance costs. The FY16 and FY17 budget assume the use of \$40.0 million to support OPEB.

(See *Financial Management* section of Volume I for more detail on this revenue source)

CITY OF BOSTON REVENUE SUMMARY

	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Budget
PROPERTY TAX LEVY	1,779,782,760	1,875,145,255	1,961,476,603	2,055,330,707
OVERLAY RESERVE	(34,878,456)	(35,866,506)	(38,045,747)	(38,323,144)
Subtotal	1,744,904,304	1,839,278,749	1,923,430,856	2,017,007,563
EXCISES				
Motor Vehicle Excise	52,972,140	52,922,322	49,186,462	53,000,000
40601 Meals Excise	24,368,467	25,870,183	25,500,000	26,000,000
40129 Room Occupancy Excise	71,129,242	83,451,278	77,000,000	80,000,000
40130 Jet Fuel Excise	37,116,703	29,707,187	27,000,000	30,000,000
41113 Vehicle Rental Surcharge	1,141,665	251,532	250,000	1,250,000
40140 Condominium Conversion Excise	440,000	352,000	350,000	350,000
Boat Excise	59,987	65,885	65,000	65,000
Subtotal	187,228,205	192,620,387	179,351,462	190,665,000
FINES				
Parking Fines	56,554,632	57,126,503	57,000,000	57,000,000
45104 Code Enforcement - Trash	696,286	1,033,300	700,000	700,000
Other Fines	2,623,094	2,494,265	2,660,000	2,660,000
Subtotal	59,874,011	60,654,068	60,360,000	60,360,000
47151 INTEREST ON INVESTMENTS	56,659	60,998	50,000	2,843,644
40167 PILOTS	24,868,762	29,140,414	25,000,000	25,000,000
40168 Other Payments In Lieu of Taxes	452,161	1,183,162	500,000	500,000
40169 Massport	18,092,412	19,089,784	18,611,795	18,970,031
Subtotal	43,413,336	49,413,360	44,111,795	44,470,031
URBAN REDEVELOPMENT CHAPTER 121				
40230 Urban Redev. Chap. 121B Sec. 16	2,747,258	3,148,808	2,800,000	6,000,000
40231 Urban Redev. Chap. 121A Sec. 6A	27,675,984	26,268,387	19,750,000	15,000,000
41013 Urban Redev. Chap. 121A Sec. 10	31,634,327	26,197,951	25,000,000	22,800,000
Subtotal	62,057,570	55,615,146	47,550,000	43,800,000
MISC. DEPARTMENT REVENUE				
43105 Registry Division Fees	1,612,967	1,578,952	1,500,000	1,600,000
43109 Liens	579,950	633,775	615,000	625,000
43120 City Clerk Fees	648,337	599,856	575,000	600,000
43137 Municipal Medicaid Reimbursement	6,231,715	7,132,251	6,500,000	7,000,000
43138 Medicare Part D Reimbursement	13,311,924	5,181,890	4,000,000	4,000,000
43202 Police Services	552,820	325,588	325,000	550,000
43211 Fire Services	5,537,788	5,695,540	5,250,000	6,500,000
43301 Parking Facilities	1,873,214	1,536,557	1,500,000	1,500,000
43311 PWD - Street & Sidewalk Occupancy Fees	4,586,032	5,223,407	4,600,000	4,850,000
43425 Street Furniture - Fixed Fees	1,500,000	1,500,000	1,500,000	1,500,000
43426 Street Furniture - Ad Fees	1,453,571	1,170,575	1,000,000	1,100,000
44002 Tuition & Transportation - Schools	1,552,021	859,818	800,000	1,000,000
47119 Affirmative Recovery	596,432	542,143	275,000	500,000
47130 Fringe Retirement	5,370,715	4,587,387	5,500,000	5,500,000
47131 Pensions & Annuities	248,901	7,369,951	3,500,000	-
47132 Indirect Costs Reimbursement	538,798	528,608	525,000	525,000
48000 Detail Admin. Fee	2,814,154	3,227,308	3,100,000	3,000,000
Other Misc. Department Revenue	15,845,794	17,035,126	13,515,000	14,761,834
Subtotal	64,855,133	64,728,734	54,580,000	55,111,834

CITY OF BOSTON REVENUE SUMMARY

		FY14 Actual	FY15 Actual	FY16 Budget	FY17 Budget
LICENSES & PERMITS					
40211	Building Permits	40,070,690	51,741,661	33,000,000	35,000,000
40213	Weights & Measures	288,880	288,500	280,000	285,000
40215	BTD - Street & Sidewalk Permits	2,677,026	3,057,166	3,100,000	3,100,000
40221	Health Inspections	1,473,549	1,768,864	1,700,000	1,700,000
40222	Alcoholic Beverage Licenses	4,091,377	4,133,952	3,750,000	4,200,000
40224	Entertainment Licenses	1,665,519	1,835,274	1,900,000	1,900,000
40229	Other Business Licenses and Permits	102,143	1,375	225,000	180,000
40235	Cable Television	6,490,275	8,109,980	6,500,000	6,500,000
	Other Licenses and Permits	2,303,155	1,599,234	1,875,000	1,840,000
	Subtotal	59,162,613	72,536,006	52,330,000	54,705,000
PENALTIES & INTEREST					
40133	Penalties & Interest - Property Tax	3,405,832	5,533,035	3,000,000	3,250,000
40134	Penalties & Interest - Motor Vehicle Excise	2,902,133	3,171,835	2,850,000	2,900,000
40136	Penalties & Interest - Tax Titles	4,086,245	4,373,260	4,000,000	4,000,000
	Other Penalties & Interest	4,977	3,964	5,000	5,000
	Subtotal	10,399,188	13,082,094	9,855,000	10,155,000
AVAILABLE FUNDS					
42502	Cemetery Trustee	-	-	950,000	950,000
42503	Parking Meters	-	19,000,000	20,500,000	22,500,000
	Subtotal	-	19,000,000	21,450,000	23,450,000
STATE AID					
41015	State Owned Land	277,338	294,886	294,886	292,471
41101	R.E. Abatements - Veterans/S.S./Blind/Elderly	1,107,876	1,069,468	1,069,468	1,040,644
41114	Veterans Services	3,113,374	2,765,369	2,756,828	2,756,828
41118	Unrestricted General Government Aid	164,035,210	168,584,213	174,653,245	182,163,335
41119	Racing Taxes	531,438	373,076	307,230	293,300
41301	School Construction	8,474,584	8,175,513	7,344,337	6,720,152
41305	Charter Schools Reimbursement	35,457,071	21,176,214	25,006,530	23,170,186
41306	Chapter 70 Education Aid	209,406,563	210,991,435	212,596,335	216,128,435
	Subtotal	422,403,454	413,430,174	424,028,859	432,565,351
RECURRING REVENUE TOTAL		2,654,354,473	2,780,419,716	2,817,097,972	2,935,133,423
NON-RECURRING REVENUE					
42501	Surplus Property	-	-	-	-
42504	Budgetary Fund Balance	-	-	40,000,000	40,000,000
TOTAL REVENUE		2,654,354,473	2,780,419,716	2,857,097,972	2,975,133,423