

Revenue Estimates and Analysis

OVERVIEW

The FY20 Recommended Budget is supported by \$3.48 billion in total revenue, an increase of \$163.9 million, or 4.9%, from budgeted FY19 total revenue. The FY20 recommended budget includes \$3.44 billion in recurring revenue and \$40.0 million in non-recurring revenue.

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

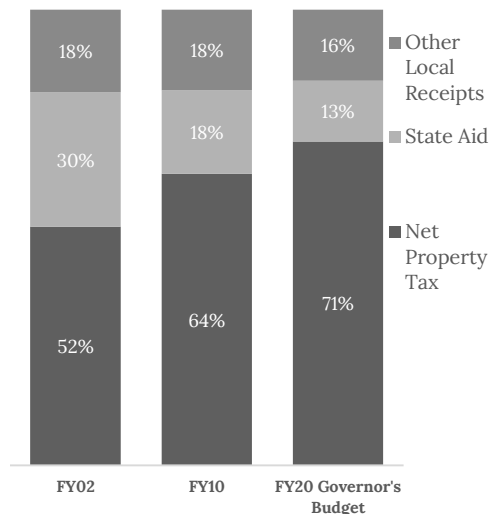


Figure 1 - Categories of Recurring Revenue FY02, FY10 and FY20

Recurring revenue is increasing by 5.5% overall compared to the FY19 budget. Property tax accounts for the majority of this increase (71.3%), with Other Local Receipts accounting for 21.9% of the growth and State Aid accounting for 6.8%.

The National Economy

The state and national economies are of great importance to the City's well-being. Mayor Walsh continues to strive to grow jobs, housing, and opportunities for all Bostonians, but like all major Cities, Boston is subject to larger external market forces. These factors limit the City's ability to fully control economic conditions in the near term, thus affecting our ability to raise revenue.

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

The nation's economic recovery is now in its 10th year. Since June 2009 the U.S. economy has been steadily growing, as evidenced by Gross Domestic Product (GDP) growth, with Real GDP growth ranging between 1.6% and 2.9% (Figure 2). The labor market has continued to strengthen and economic activity has been rising moderately. Recently, job gains have been strong and the unemployment rate has remained low.

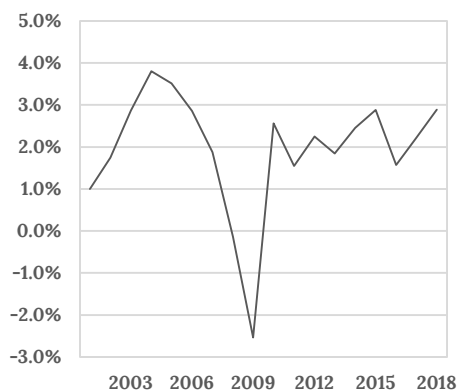


Figure 2 – Real Gross Domestic Product Growth, Chained 2012 dollars, 2001-2018 (FRED Economic Data)

The civilian unemployment rate in the U.S. has been steadily decreasing since the end of the recession. The unemployment rate was 3.8% in February 2019 and is expected to decrease further.

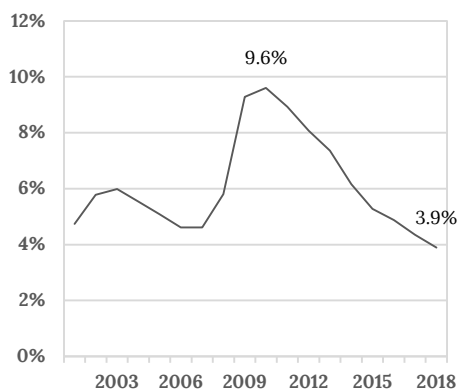


Figure 3 – Civilian Unemployment Rate, Seasonally Adjusted, January 2001-January 2018 (FRED Economic Data)

Inflation has been below the Federal Reserve's target of 2%. The Federal Reserve projects that inflation will range from 1.6% to 2.1% in 2019 and 1.9% to 2.2% in 2020.

Despite these improvements, the economy is now starting to show signs of slowing down, with many economists projecting a more sluggish pace of growth. The Federal

Bank is now projecting Real GDP to increase by 1.6%-2.4% in 2019 (compared to a previous projection of 2%-2.7%) and 1.7%-2.2% in 2020.

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 Fed's projected range. In December 2015, for the first time since 2007, the Federal Reserve increased the Federal Funds target rate to 0.25%. Most recently, the Federal Reserve increased the Federal Funds target range in December 2018 to a range of 2.25% - 2.5% (a 0.25% increase).

Despite these encouraging increases, the Fed has lowered their funds rate projections to 2.4%-2.9% for 2019 (compared to the previous 2.4%-3.1% projection) and 2.4%-3.4% for 2020 (previously 2.4%-3.6%). While in December 2018 the Fed suggested there could be as many as two interest rate hikes in 2019 and one in 2020, currently no increases are planned for 2019.

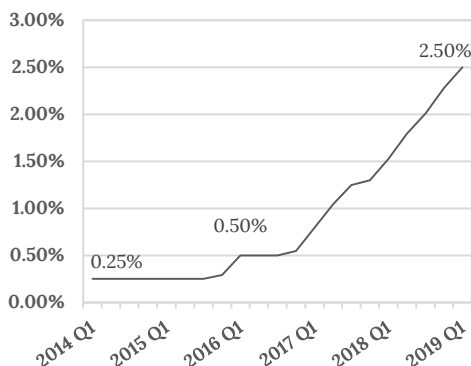


Figure 4 – Federal Funds Target Rate 2014 Q1-2019 Q1 (FRED Economic Data)

The State and City Economies

As of Q3 of 2018, Massachusetts' growth rate of 3.5% in real GDP by state ranked 16th out of all 50 states and D.C., according to the Bureau of Economic Analysis (BEA). The state is now the wealthiest state in terms of its GDP per capita - \$65,545 in 2017 - and 130% of the national average.

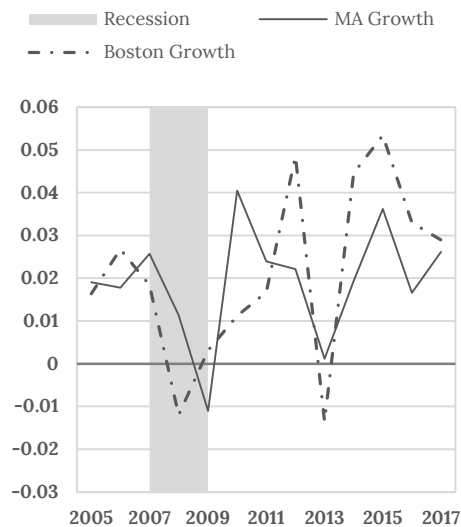


Figure 5 - Real Massachusetts and Boston Gross Product Growth, Chained 2017 dollars 2005-2017

The unemployment rate has been decreasing for both Massachusetts and Boston. As of February 2019, both rates reached 3%. For the state, this is the lowest rate since May 2003.

Massachusetts median income in 2017 (last available data) rose by 2.8% over 2016, continuing a trend of positive year-over-year growth rates since 2011.

(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, although for over a decade it has been declining as a share of recurring revenue. Often, changes to law or policy recommendations that affect City expenditures and revenue generating capacity occur within or alongside budget language. As a result, the State budget is of great interest to the City.

Recent State Budget History

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

As a result, the State has made use of its stabilization or "rainy day" fund, in addition to reductions in expenditures and increases in revenue, to deal with its structural imbalance. At the close of FY08, the stabilization fund balance was approximately \$2.1 billion. The State had drawn down the balance considerably by the close of FY10 to a low of approximately \$670 million before revenues began to increase again in FY11-FY12. Between FY14 and FY17, the fund stabilized at approximately \$1.3 billion, and has increased since to \$2 billion.

The FY20 State Budget

The City's FY20 state aid estimate is based on the Governor's proposed budget, with some updates expected once the State's budget process continues.

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 FY19, the net property tax levy (levy less a reserve for abatements) totals \$2.32 billion, providing 71.1% of recurring revenue. In FY20, the net property tax levy is estimated to total \$2.44 billion and account for 71.1% of budgeted recurring revenues, as well.

Thanks to a surging economy and smart policies implemented by Mayor Walsh,

property values in Boston continue to rise steadily. In FY18, property values increased by \$10.0 billion or 6.9%, and in FY19, property values increased by \$10.6 billion or 6.9%, currently totaling \$164.5 billion.

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 (referred to as the levy ceiling). It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy (referred to as the levy limit), with certain provisions for new construction. This means that while the property values have grown 65% since FY14, property tax revenue has grown by 32% 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 \$58.7 million in FY20.

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

Despite these constraints, the Mayor is committed to keeping residential property tax bills down to retain more low and middle incomes homeowners in the city. Policies the Mayor has pursued are demonstrating success, as residential taxes fall 43% below the FY19 statewide average. In 2016, Mayor Walsh advocated for a change in State law that increased the residential exemption limit 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 FY19 Tax Rate.

The FY19 residential exemption amount increased by \$181 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 three fiscal years. In FY20, we expect new growth to remain high, though likely not to exceed experiences in FY17 through FY19.

During the past three 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. During FY19, the City added 1,295 residential condominiums units in all neighborhoods throughout the city. The largest new condo development is the Lovejoy Wharf, which added 157 new condos.

New growth is projected to total \$60.0 million in FY20. 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.

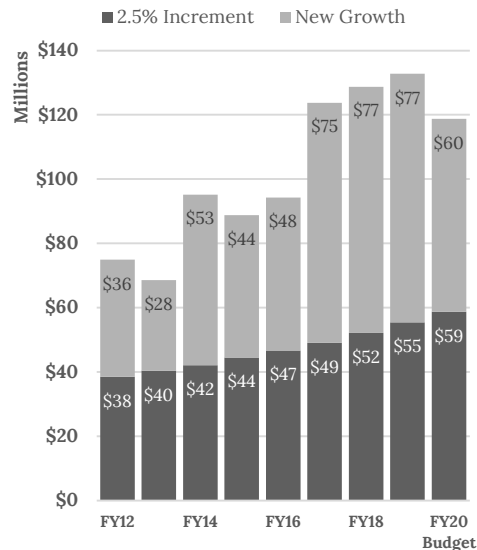


Figure 6 – Property Tax Levy Increase by Type, FY12-FY20

The percentage of the total tax levy being borne by residential taxpayers averaged around 39% since FY06 and is now 39.5%. The amount and value of residential and commercial properties determine the ratio between the different categories.

The classifying properties, to residential, commercial and industrial, reduces the residential tax rate, rate per \$1,000 of property value, to the lowest level allowed by law. Without it, residential taxpayers would see their property taxed at a much higher rate. Figure 7 shows the two tax rates- for residential properties and for commercial, industrial and personal properties- since FY08. Rates have increased following the Great Recession (FY08-FY13), when values decreased significantly due to the burst of the housing bubble. Starting in FY14 rates have decreased, thanks to the acceleration of development and the recovery of the economy.

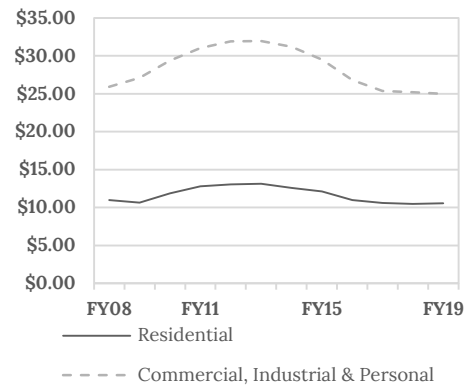


Figure 7 – Property Tax Rates FY08-FY19

Indicators of 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 Colliers International, the City had a vacancy rate of 9.2% as of the fourth quarter of 2018, a 1.4 percentage-point decrease compared to the previous year. The median sales price, adjusted for inflation, for a single-family home in Boston increased by 59% between the fourth quarter of 2009 (\$378,050) and the fourth quarter of 2018 (\$600,000).

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 FY19 net effective tax rate of 1.43% 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. However, if values were depressed

long enough, future growth of the property tax would be impaired. The darker area in Figure 8 shows the difference between the tax levy and ceiling.

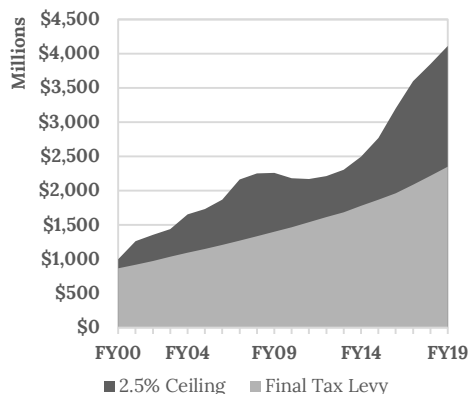


Figure 8 – Property Tax Levy and Levy Ceiling, FY00-FY19

State Aid and Assessments

State aid refers primarily to distributions from the Commonwealth to municipalities for Chapter 70 education aid, unrestricted general government aid, and charter school tuition reimbursement, along with other relatively small Commonwealth programs such as library aid. It also includes reimbursements from the Massachusetts School Building Authority (MSBA). State aid, as it is used here, excludes any grants to or offsets for direct expenditure by City departments.

The City received General Fund gross State aid totaling \$424.9 million in FY17 and \$439.7 million in FY18. The City expects to receive \$444.9 million in State aid in FY19 and has budgeted \$459.1 million in gross State aid in FY20, 3.2% over FY19, based on the Governor's budget.

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, and is expected to grow by \$1.3 million, or less than 1%, in FY20.

Despite the Commonwealth adding over \$1.4 billion to Chapter 70 education aid since FY08, Boston's Chapter 70 education aid is only \$5.5 million higher in FY20 than it was in FY08. The City received Chapter 70 education aid totaling \$216.1 million in FY17 and \$218.1 million in FY18. The City expects to receive \$220.0 million from the State in FY19 and \$221.3 million in FY20. Inequities in the Commonwealth's education funding formulas have failed urban school districts like Boston, which educate the majority of economically disadvantaged students, English language learners, and special education students in the state.

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 \$182.2 million in FY17 and \$189.3 million in FY18. In FY19, the City will receive \$195.9 million and has budgeted for a 2.7% increase, to \$201.2 million for FY20.

"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 \$240.4 million in FY17 and \$264.1 million in FY18. The City expects to pay \$280.8 million in assessments in FY19 and is budgeting \$307.1 million in FY20.

Charter school tuition has rapidly increased since the enactment of the 2010 legislation that expanded the number of charter

school seats. Boston's charter school tuition assessment is projected to increase by \$23.8 million, or 12.7%, over the FY19 Q3 projections, as 11,382 students are projected to attend a Commonwealth Charter School in FY20. Boston has seen its charter school costs rise dramatically since the enactment of the 2010 Achievement Gap Legislation (209% or \$142.7 million between 2011 and 2020), which increased the cap on spending on charter schools.

Unfortunately, the Commonwealth has not fulfilled its obligation under the 2010 law to fund the promised charter school tuition reimbursement, totaling a projected \$101.5 million in lost revenue for Boston from FY15 to FY20. Under 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 and 25% of the year one increase for each of the subsequent five years. Cities and towns are fully reimbursed for the portion of the charter school assessment related to facilities. These reimbursements are meant to ease transition costs. Because the Commonwealth has underfunded the appropriation for charter school reimbursement, after funding facilities reimbursement the Commonwealth only has enough funds remaining to fund a portion of first year costs, and nothing for the subsequent five years.

The net cost of charter schools to the City has been increasing rapidly: the cost was \$135.7 million in FY17 and \$150.7 million in FY18. The City is projecting a \$166.5 million net impact in FY19, and \$180.7 million in FY20. The net cost has grown more rapidly since the Commonwealth stopped fully funding the charter school reimbursement.

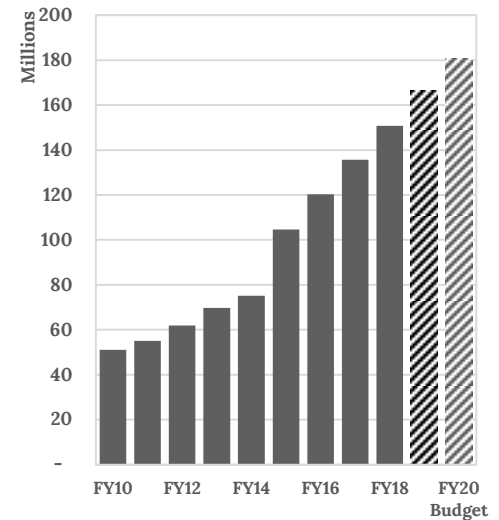


Figure 9 – Net Charter School Costs FY10-FY20

If recent trends hold - rising charter school assessment and declining charter school reimbursement and stagnant Chapter 70 aid- it's likely that in two years Boston will receive no education aid from the State. This will mean that Boston's 55,000 students will be entirely funded by the City's General Fund.

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 for FY20, Boston is \$213.0 million, or 58.3%, below its FY08 level of net State aid of \$365.1 million. Net State aid amounted to \$184.5 million in FY17 and \$175.6 million in FY18. FY19 projected net State aid totals \$164.1 million, and the FY20 budget assumes an additional reduction to \$152.1 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.

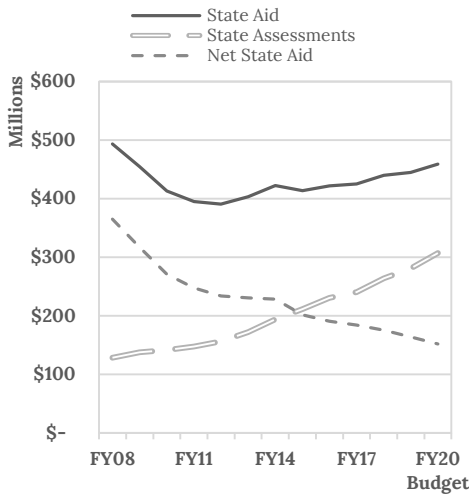


Figure 10 – State Aid, State Assessments and Net State Aid (in millions), FY08-FY20

Local Receipts

The City also collects recurring revenues other than property tax and State aid. The City collected \$518.5 million in FY17 and \$581.6 million in FY18 from these sources. The City expects to exceed the FY19 budgeted amount of \$496.8 million and collect \$536.0 million in FY20.

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. Forecasts of these receipts are done by detailed econometric modeling and trending historical collections, depending on the specific revenue source and the availability of data.

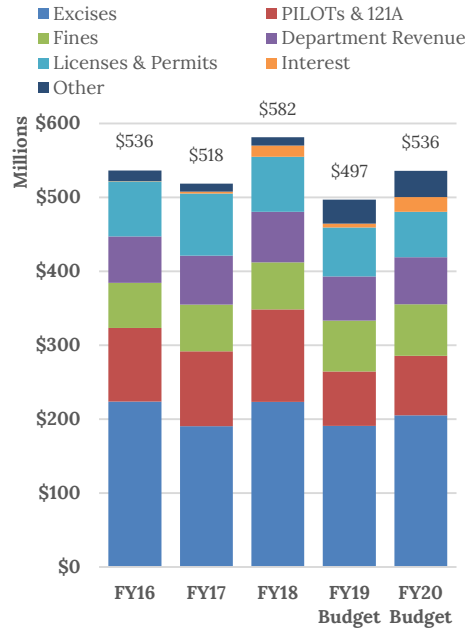


Figure 11 – Recurring Local Receipts by Type FY16-FY20

Excise Taxes

There are eight excise taxes, listed below are the main ones.

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%. Local room occupancy excise revenue totaled \$91.3 million in FY17 and \$94.0 million in FY18. The City expects to exceed the \$92 million budgeted in FY19 due to very strong hotel bookings.

The new Short-Term Rental State law provides the City with a unique opportunity to increase the local room occupancy tax by 0.5 percentage-points and levy it on both hotels and short-term rental units. This increase is projected to raise \$5 million in new revenue, to support initiatives to create supportive housing and create

housing and employment pathways for youth and young adults, as part of the Mayor's plan to end chronic and youth homelessness. The FY20 budget estimates \$97.0 million in local room occupancy collections.

The Commonwealth imposes an excise in lieu of property tax on motor vehicles, the proceeds of which are received 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 \$52.1 million in FY17 and \$66.9 million in FY18. For motor vehicle excise revenue, the City budgeted \$52.0 million in FY19 and increased the budget to \$53.0 million for FY20, based on collection history. 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, as well as trend analysis.

Beginning in 2009, the Commonwealth granted municipalities a new local option tax on restaurant meals. The City adopted this tax and collected \$29.2 million in FY17 and \$30.9 million in FY18. The City expects to exceed the \$29.0 million budgeted in FY19 due to strong economic performance, also affected by the higher number of hotel bookings. The City budgeted \$30.0 million in FY20, expecting these economic factors to remain strong.

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 lead to increased jet fuel excise revenue in recent years, mitigated by constant changes in prices. Jet fuel excise revenue totaled \$15.9 million in FY17 and \$28.8

million in FY18, due to the timing of state payments. The City budgeted \$15.8 million in FY19 and is expected to exceed that amount significantly based on data collected. The FY20 budget for this tax is \$23 million, as these trends are expected to continue. Estimates incorporate fuel price forecasts and air traffic volume from Logan International Airport.

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 \$1.6 million in FY17 and FY18. \$1.5 million was budgeted for both FY19 and FY20 for vehicle rental surcharge revenue.

Fines

In FY18, the City issued over 1.4 million parking tickets and has maintained a 92% rate of collection on those tickets. Major factors contributing to the City's successful collection rate include non-renewal of violator's registration and license by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City also contracts with a third-party vendor to collect delinquent fines from out of state vehicles and other hard-to-reach offenders.

The City collected parking fine revenue of \$60.5 million in FY17 and \$60.7 million in FY18. In FY19, the City made a strategic set of increases to the previous parking fine structure, designed to reduce congestion and emissions, increase cleanliness, and improve the parking experience. The updated parking fine structure is expected to produce positive outcomes by influencing driver behavior and reducing congestion in high-traffic areas. Data through March 2019 shows a 7% decrease in ticket issuance. Parking fine revenue is

budgeted at \$66.3 million in FY19 and \$67.3 million in FY20.

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. Investment income totaled \$2.3 million in FY17 and \$15.4 million in FY18. The increase in Interest on Investments was a result of the movement of significant assets out of non-interest bearing accounts, associated with compensating balance agreements between the City and its primary bank, and into interest-bearing accounts.

Most recently, the Federal Reserve increased the Federal Funds target range in December 2018 to a range of 2.25% to 2.5% (a 0.25% increase). Additional increases are currently not planned for 2019, with one increase planned for 2020. The City projects interest income will exceed the \$5 million budgeted in FY19 and has budgeted \$20 million in FY20.

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 35% of the PILOT revenue the City receives annually.

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

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

Payments in lieu of taxes totaled \$53.6 million in FY17 and \$52.7 million in FY18. The City expects this revenue source to exceed the \$46 million budgeted for FY19 and estimates \$49.0 million in FY20.

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 FY17 and FY18, the City received Chapter 121A, section 10 distributions of \$18.9 million and \$41.6 million, respectively, due to late FY17 payments received in FY18. Chapter 121A section 10 revenues are budgeted at \$10.5 million in FY18 and \$11.5 million in FY19, as agreements expire and timing of payment is inconsistent.

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

\$22.1 million in FY17 and \$21.3 million in FY18. The City expects Section 6A collections to decrease to \$11.0 million in FY19 and \$12.0 million in FY20. The estimated decrease in these accounts is a result of the expiration of several Chapter 121A agreements and the properties transitioning back to regular property taxes. They contribute to the new growth portion of the property tax levy.

Miscellaneous Department Revenue

With such limited revenue tools, the City is continuing in the FY20 budget to better maximize the local revenue options. The FY20 budget includes an additional \$4.1 million identified in departmental revenues. In FY20, 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 \$6.0 million in FY17 and \$8.9 million in FY18, due to an amendment to the Street Occupancy Permit City Ordinance. Street Occupancy Permits are expected to exceed its \$8.5 million budget in FY19 and increase to \$9.2 million in FY20.

Licenses and Permits

This category is dominated by building permit revenue, from which the City received \$62.0 million and \$52.8 million in FY17 and FY18 respectively. Building permit revenue is expected to exceed the \$45 million budgeted in FY19, and is estimated at \$46.0 million in FY20. 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 \$7.3 million in FY17 and FY18. The City is expected to collect the budgeted \$6.5 million in FY19, though the FY20 budget was significantly decreased. The Federal Communications Commission

(FCC) is considering a measure that could reduce the fees that municipalities charge cable providers for the right to run wires along public rights of way. The FY20 cable television license fee was budgeted at \$1.5 million.

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 \$4.6 million in FY19 and \$4.5 million in FY20.

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 \$10.8 million in such penalties and interest in FY17 and \$11.4 million in FY18. Actual penalty and interest collections for FY19 will likely exceed the budget of \$9 million and are budgeted at \$10.6 million in FY20.

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 of 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 to the General Fund in FY17 or FY18. The City expects to transfer \$22.5 million from the Parking Meter Fund and \$950,000 and from the Cemetery Trust Fund to the General Fund in FY19.

Data collected from the City of Boston's Performance Parking Pilot showed that driver behavior can be changed as a result of adjusting metered parking rates. Both the Back Bay and Seaport neighborhoods experienced an increase in adherence to Resident Parking Only regulations. In accordance with these results, the baseline meter fee citywide will be increased, and the Performance Parking Program will be expanded in the Bulfinch Triangle and Fenway neighborhoods. These measures will help reduce congestion in high traffic areas and increase parking turnover in neighborhoods and business districts. A \$5 million increase in parking meter fee collection will be invested in new funding for signature GoBoston 2030 projects, \$1.4 million in Operating funds, and \$3.6 million in Capital projects.

The FY20 budget includes \$23.9 million budgeted to be transferred from the Parking Meter Fund and \$950,000 from the Cemetery Trust Fund to the General Fund.

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

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. The FY19 budget includes \$15 million from the Winthrop St. Garage sale. As this was a onetime source, no funds are included in the FY20 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 FY17 and FY18 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 FY19 and FY20 budgets assume the use of \$40.0 million to support OPEB.

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

Revenue Detail

| | FY17 Actual | FY18 Actual | FY19 Budget | FY20 Budget |
|---|---------------|---------------|---------------|---------------|
| Property Tax | 2,092,135,890 | 2,222,595,430 | 2,349,909,104 | 2,468,656,831 |
| 40116 Property Tax Overlay | -38,739,551 | -30,603,943 | -33,260,646 | -24,442,147 |
| Subtotal | 2,053,396,339 | 2,191,991,487 | 2,316,648,458 | 2,444,214,685 |
| EXCISES | | | | |
| Motor Vehicle Excise | 52,060,958 | 66,882,454 | 52,000,000 | 53,000,000 |
| 40129 Room Occupancy Excise | 91,306,495 | 94,010,606 | 92,000,000 | 97,000,000 |
| 40130 Aircraft Fuel Excise | 15,863,978 | 28,835,362 | 15,750,000 | 23,000,000 |
| 40140 Condominium Conversion Excise | 509,500 | 969,500 | 500,000 | 500,000 |
| 40601 Meals Excise Tax | 29,165,069 | 30,930,632 | 29,000,000 | 30,000,000 |
| 40602 Marijuana Excise | 0 | 0 | 0 | 0 |
| 41113 Vehicle Rental Surcharge | 1,581,295 | 1,553,089 | 1,500,000 | 1,500,000 |
| Boat Excise | 61,878 | 57,311 | 40,000 | 40,000 |
| Subtotal | 190,549,174 | 223,238,953 | 190,790,000 | 205,040,000 |
| FINES | | | | |
| Total Parking Fines | 60,472,254 | 60,722,214 | 66,295,000 | 67,295,000 |
| 45104 Code Enforcement - Trash | 1,010,867 | 1,204,448 | 1,000,000 | 1,100,000 |
| Other Fines | 1,771,555 | 1,627,501 | 1,600,000 | 1,240,000 |
| Subtotal | 63,254,676 | 63,554,162 | 68,895,000 | 69,635,000 |
| Interest On Investments | | | | |
| 47151 Interest On Investments | 2,329,247 | 15,390,159 | 5,000,000 | 20,000,000 |
| Subtotal | 2,329,247 | 15,390,159 | 5,000,000 | 20,000,000 |
| PILOTS | | | | |
| 40169 Massport/DOT | 33,368,626 | 33,541,808 | 26,276,493 | 29,000,000 |
| 40167 PILOTS | 1,708,347 | 448,129 | 500,000 | 150,000 |
| 40168 Other PILOTS | 18,492,560 | 18,705,064 | 19,239,665 | 19,830,000 |
| Subtotal | 53,569,533 | 52,695,000 | 46,016,158 | 48,980,000 |
| URBAN REDEVELOPMENT CHAPTER 121A | | | | |
| 121B Section 16 | 6,464,353 | 9,542,201 | 6,000,000 | 8,000,000 |
| 121A Section 6A | 22,098,042 | 21,347,009 | 11,000,000 | 12,000,000 |
| 121C | 0 | 50,000 | 0 | 50,000 |
| 41013 Chapter 121A Section 10 | 18,949,160 | 41,575,879 | 10,500,000 | 11,500,000 |
| Subtotal | 47,511,555 | 72,515,090 | 27,500,000 | 31,550,000 |

| | FY17 Actual | FY18 Actual | FY19 Budget | FY20 Budget |
|--|-------------|-------------|-------------|-------------|
| MISC DEPARTMENT REVENUE | | | | |
| 43105 Registry Division Fees | 1,526,897 | 1,615,918 | 1,525,000 | 1,750,000 |
| 43109 Liens | 687,025 | 634,425 | 625,000 | 580,000 |
| 43120 City Clerk Fees | 546,636 | 586,075 | 600,000 | 620,000 |
| 43137 Municipal Medicaid Reimbursement | 9,161,841 | 8,114,775 | 7,500,000 | 8,300,000 |
| 43138 Medicare Part D | 5,910,260 | 3,600,361 | 3,600,000 | 2,700,000 |
| 43202 Police Services | 768,643 | 765,115 | 550,000 | 650,000 |
| 43211 Fire Services | 6,461,167 | 7,322,067 | 6,500,000 | 6,600,000 |
| 43301 Parking Facilities | 2,268,483 | 2,955,864 | 2,088,282 | 2,200,000 |
| 43311 PWD - Street Occupancy. | 6,021,666 | 8,872,545 | 8,500,000 | 9,200,000 |
| 43425 St. Furniture Prgm Fixed Fees | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 43426 St. Furniture Prgm Ad. Fees | 1,339,554 | 1,250,783 | 1,100,000 | 1,200,000 |
| 44002 Tuition & Transportation | 1,151,325 | 1,310,744 | 1,000,000 | 1,600,000 |
| 47119 Affirmative Recovery Unit | 112,781 | 154,416 | 100,000 | 100,000 |
| 47130 Fringe Retirement | 4,851,248 | 5,409,090 | 4,800,000 | 4,900,000 |
| 47131 Pensions & Annuities | 4,403,746 | 4,717,510 | 4,650,370 | 5,000,000 |
| 47132 Indirect Costs Reimbursement | 477,381 | 481,532 | 400,000 | 400,000 |
| 48000 Detail Admin Fee | 4,637,238 | 4,684,326 | 4,600,000 | 4,600,000 |
| Other Misc Department Revenue | 14,539,281 | 14,342,673 | 10,247,227 | 12,073,197 |
| Subtotal | 66,365,174 | 68,318,217 | 59,885,879 | 63,973,197 |
| LICENSES & PERMITS | | | | |
| 40211 Building Permits | 61,955,337 | 52,818,478 | 45,000,000 | 46,000,000 |
| 40213 Weights & Measures | 297,560 | 297,760 | 300,000 | 290,000 |
| 40215 BTD - Street & Sidewlk Permits | 3,650,429 | 3,659,971 | 3,500,000 | 3,500,000 |
| 40221 Health Inspections | 1,864,231 | 1,870,999 | 1,800,000 | 1,900,000 |
| 40220 Boat Mooring Permits | 0 | 0 | 0 | 10,000 |
| 40222 Alcoholic Beverage Licenses | 4,454,978 | 4,526,023 | 4,560,000 | 4,500,000 |
| 40224 Entertainment Licenses | 1,815,946 | 1,901,673 | 1,700,000 | 1,700,000 |
| 40227 Police - Firearm Permits | 19,613 | 48,550 | 25,000 | 25,000 |
| 40229 Other Business Lic. & Permits | 169,558 | 164,505 | 175,000 | 160,000 |
| 40235 Cable Television | 7,268,766 | 7,334,661 | 6,500,000 | 1,500,000 |
| Other Licenses & Permits | 2,596,951 | 1,883,575 | 2,700,000 | 1,740,000 |
| Subtotal | 84,093,368 | 74,506,195 | 66,260,000 | 61,325,000 |

| | FY17 Actual | FY18 Actual | FY19 Budget | FY20 Budget |
|---|----------------------|----------------------|----------------------|----------------------|
| PENALTIES & INTEREST | | | | |
| 40133 Pen & Int - Property Tax | 2,569,222 | 2,911,187 | 2,500,000 | 2,700,000 |
| 40134 Pen & Int - MV Excise | 2,912,743 | 3,069,036 | 2,500,000 | 2,600,000 |
| 40136 Pen & Int - Tax Title | 5,329,006 | 5,395,174 | 4,000,000 | 5,300,000 |
| Other Penalties & Interest | 280 | 196 | 5,000 | 0 |
| Subtotal | 10,811,251 | 11,375,592 | 9,005,000 | 10,600,000 |
| AVAILABLE FUNDS | | | | |
| 42502 Approp. Cemetery Trust Fund | 0 | 0 | 950,000 | 950,000 |
| 42503 Approp. Parking Meters | 0 | 0 | 22,500,000 | 23,900,000 |
| Subtotal | 0 | 0 | 23,450,000 | 24,850,000 |
| STATE AID | | | | |
| 41015 State Owned Land | 291,377 | 291,100 | 318,922 | 390,586 |
| 41104 Exemptions - Elderly | 769,716 | 379,512 | 1,016,542 | 969,296 |
| 41114 Veterans Benefits | 2,422,826 | 1,926,810 | 1,628,119 | 2,253,220 |
| 41118 Unrestricted General Government Aid | 182,163,335 | 189,267,705 | 195,892,075 | 201,181,161 |
| 41119 Local Share Of Racing Taxes | 348,309 | 442,694 | 323,653 | 329,602 |
| 41301 School Construction | 6,720,152 | 6,720,147 | 5,107,351 | 2,461,330 |
| 41305 Charter Tuition Asses. Reimb. | 16,089,058 | 22,612,523 | 20,580,847 | 30,270,373 |
| 41306 Chapter 70 Education Aid | 216,128,435 | 218,066,495 | 220,001,735 | 221,277,275 |
| Subtotal | 424,933,208 | 439,706,986 | 444,869,244 | 459,132,843 |
| RECURRING REVENUE TOTAL | 2,996,813,523 | 3,213,291,843 | 3,258,319,739 | 3,439,300,725 |
| NON-RECURRING REVENUE | | | | |
| 42501 Approp. Surplus Property Fund | 0 | 0 | 15,000,000 | 0 |
| 42504 Approp. Fund Balance | 0 | 0 | 40,000,000 | 40,000,000 |
| GRAND TOTAL | 2,996,813,523 | 3,213,291,843 | 3,313,319,739 | 3,479,300,725 |

