

Revenue Estimates and Analysis

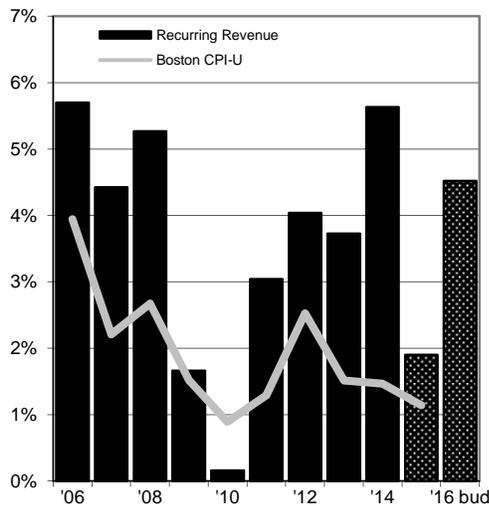
OVERVIEW

The FY16 Recommended Budget is supported by \$2.81 billion in recurring revenue, an increase of \$121.8 million, or 4.5%, from budgeted FY15 recurring revenue. The Recommended Budget also includes \$40.0 million in non-recurring revenue.

Recurring revenue growth is expected across all major categories in FY16. Property tax, excise taxes, and license and permit revenue lead local revenue growth and are driven by an expanding economy.

State aid from the Commonwealth for the upcoming fiscal year has been determined by the Governor's budget submission, which provides Boston with growth in its second largest single revenue source. However, even with recent increases, state aid has not been restored to pre-recession levels.

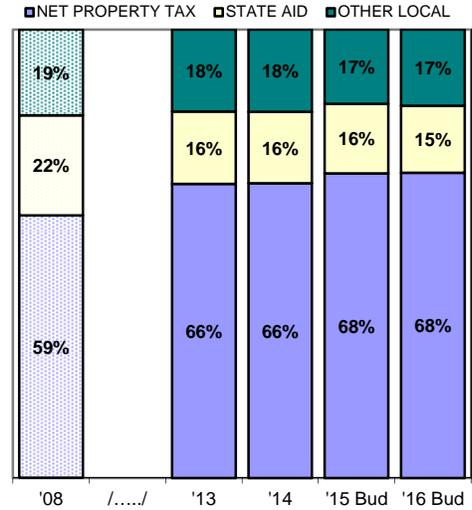
Net property tax and state aid together make up over 80% of recurring City revenues. As Figure 2 illustrates, the share of net property tax has increased dramatically since FY08 as the share of state aid has steadily decreased. In fact, the property tax now accounts for a larger share of recurring revenues than it did prior to the property tax



Annual Change in City Revenues and Boston CPI-U

FY06-FY16 Recurring Revenue

Figure 1



Categories of Recurring Revenue

FY08 & FY13-FY16

Percentages may not add due to rounding

Figure 2

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 FY16 state budget. Following these sections is a discussion of the City's FY16 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.

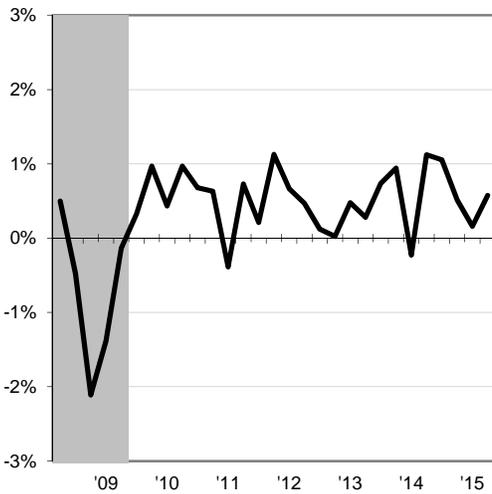
THE NATIONAL ECONOMY

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 3). 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.

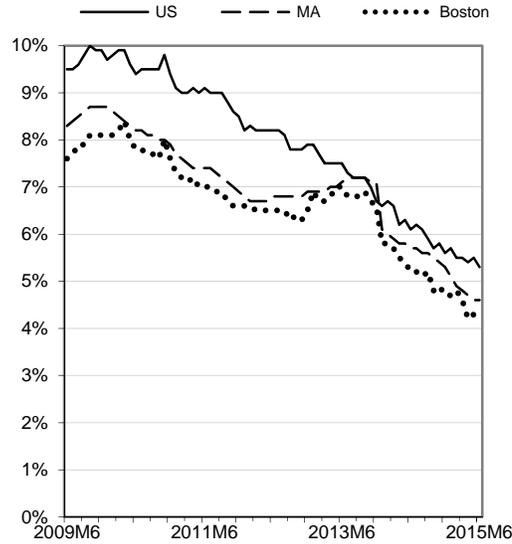
Overall economic value as measured by real Gross Domestic Product (GDP) has been positive, but has been relatively slow growth. For all but two of the twenty-four quarters after the recession's official end in the second quarter of 2009 through the second quarter of 2015, real GDP has been positive but only averaging 0.5% (Figure 3). The Federal Reserve reaffirmed estimates of moderate economic growth, with real GDP forecast to grow between 2.1% to 3.1% for the calendar year 2015 and 2.2% to 3.0% for 2016.

The seasonally adjusted unemployment rate in the U.S. has been steadily decreasing since the end of the recession to a low of 5.3% in June 2015 (Figure 4). According to Federal Reserve estimates, the



Real Gross Domestic Product Growth (Chained 2009 dollars)
2008Q2-2015Q2 & NBER dated recession

Figure 3



Unemployment Rates
June 2009 - June 2015
Seasonally Adjusted

Figure 4

unemployment rate is expected to continue improving, falling to a range of 4.8% to 5.3% in calendar year 2015, and further to a range of 4.5% to 5.2% in 2016.

Inflation has been well below the Federal Reserve's target of 2%. The U.S. consumer price index for all urban consumers (CPI-U) was nearly unchanged from June 2014 to June 2015, increasing by just 0.1%. Since the rate of inflation for all items less food and energy was 1.8% over the same period, the low rate of inflation can be attributed to reduced energy costs. The Federal Reserve projects that inflation will remain subdued over the course of 2015 and 2016, reaching annual maximums of 1.5% and 2.4%, respectively.

Given the improvements in the labor market and low inflation expectations, the Federal Reserve has stated that it will maintain an aggressive growth posture of low interest rates and asset purchases in the short run, but is closely monitoring economic conditions for the appropriate time to increase the target range for the federal funds rate. The Federal Funds target rate has been set between 0% and .25% since December 16, 2008, following 10 reductions totaling 500 basis points beginning in June 2007 (Figure 5).

THE STATE AND CITY ECONOMIES

During the period of 2004 to 2014, Massachusetts' annualized growth rate of 1.4% (Figure 6) in real Gross Domestic Product (GDP) by state, ranked 20th out of all 50

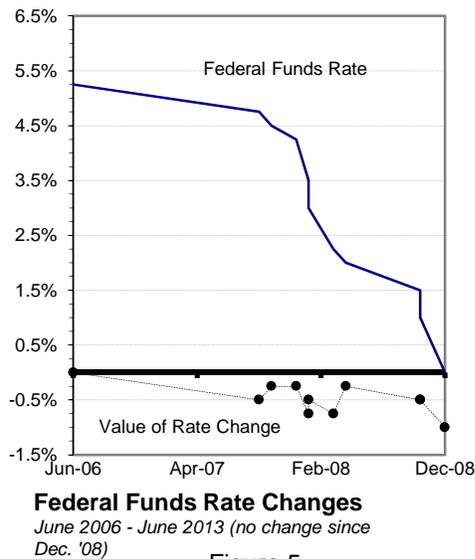


Figure 5

states and DC and tied the nation as a whole, according to the Bureau of Economic Analysis (BEA). The state's ranking has since risen to 15th in 2014, with 2.3% annualized growth over 2013. Despite its average growth rate in terms of overall GDP since 2002, the state does remain one of the richest in terms of its GDP per capita -- \$63,005 in 2014 -- seventh in the nation and 127% of the national average.

The unemployment rate had been decreasing for both the State and City, with the exception of a brief period of

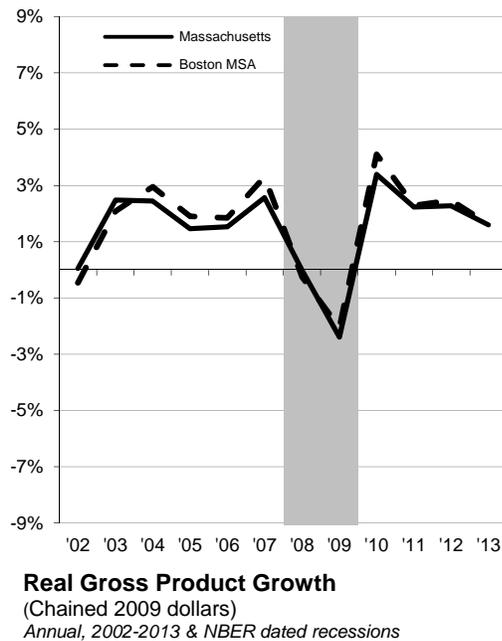


Figure 6

increase during 2013. The rate in Massachusetts has since fallen to 4.9% as of February 2015 (Figure 4), 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 employment outlook is expected to improve slowly during the coming fiscal year with the Massachusetts Department of Revenue (DOR) projecting a state unemployment rate ranging from 4.9% to 5.7% in FY16 in a January 2015 forecast. The City of Boston's unemployment rate has steadily fallen to 4.5% as of February 2015 (not seasonally adjusted).

Massachusetts wage and salary income in the first quarter of 2015 rose 4.7% over the same quarter 2014, continuing a trend of 17 positive year-over-year quarterly growth rates since first quarter 2010. Earnings growth by industry grouping over the period of the first quarter in 2014 to 2015 was strongest in "Arts, Entertainment, and Recreation" and "Utilities", while "Manufacturing" and "Management of companies and enterprises" showed the weakest growth during the same period.

Massachusetts' seasonally adjusted total personal income rose by 4.3% from the first quarter of 2015 compared to the same quarter 2014, 23rd out of the 50 states and DC in terms of growth and just below 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 FY14. As of February 2015 the balance of the stabilization fund was \$1.13 billion.

The FY16 State Budget

As of this writing the State is in the middle stage of development of its FY16 budget with only the Governor's budget having been submitted.

Unrestricted General Government Aid in the Governor's budget was increased by 3.6% and while education aid was increased, Boston would receive less funding than the prior year, due to the way the funds are applied through the aid formula.

The Massachusetts Taxpayers Foundation commented that the Governor's budget submission contained "remarkably few policy recommendations" with less than 50 outside sections. Given that this is the Governor's first budget since taking office in January 2015 and the administration has already had to address a significant shortfall in the current fiscal year, this is a transitional budget that seems to focus on short-term fixes to the state's structural budget gap while maintaining campaign promises of not increasing taxes or fees, drawing down the stabilization fund, or cutting local aid. (See *State Local 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 of more than twenty years ago. 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 FY15, the net property tax levy (levy less a reserve for abatements) totals \$1.832 billion, providing 68.5% of recurring revenue. In FY16, the net property tax levy is estimated to total \$1.916 billion and accounts for 68.6% 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 FY14 ranging from a low of \$28 million to a high of \$94 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 \$94.4 million rise in FY14 represents only 5.3% 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.

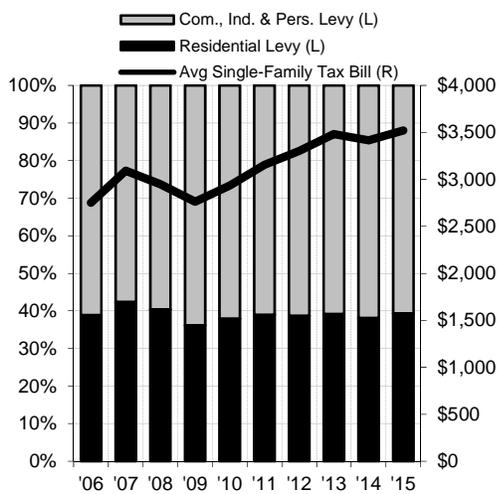
Proposition 2 ½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property 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 \$46.7 million in FY16.

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 \$40.0 million in FY16 – a solid level of growth and a marked improvement over FY13. FY14 new growth of \$53.1 million includes movement of two large properties from exempt to taxable and is therefore not comparable. Property tax growth from new growth has exceeded that from the allowable 2.5% increase in nineteen of the last thirty two years.

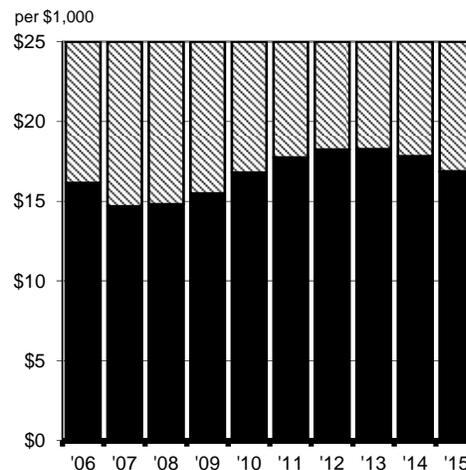
While the total tax levy has continually gone up, property values in Boston declined during the recent tough years in the residential and commercial real estate markets. FY10 and FY11 were only the first and second declines in property values recorded in the City since FY94. In the FY13 triennial revaluation as of January 1, 2012, values increased to \$92.2 billion, a \$3.7 billion or 4.2% increase. Values continued their increase into FY15, solidly increasing by \$10.9 billion or 10.9%.

The percentage of the total tax levy being borne by residential taxpayers increased from 36.2% to 39.3% between FY09 and FY15 (Figure 7). This shift is due to the larger decrease in commercial property values in the levy compared to residential property values. At its recent



Boston Property Tax Trends
FY06- FY15

Figure 7



Overall Property Tax Rate & Space Below Levy Ceiling
FY06 -FY15

Figure 8

lowest point, the residential levy was nearly 32% of the total levy.

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 Meredith & Grew, the City had a vacancy rate of 10.9% as of fourth quarter 2014. The National Association of Realtors reports that in the third quarter of 2014, the median sale price of an existing home in the Boston MSA was \$399,900, an increase of 1.6% over the same quarter in 2013. This recent value is a 37.6% increase from the recent nadir in the first quarter of 2009, but still 5.0% below the peak in the second quarter of 2006.

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 FY15 net effective tax rate of 1.68% and the tax levy ceiling of 2.5% (Figure 8). 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.

State Aid

State aid refers primarily to distributions from the Commonwealth to municipalities for Chapter 70 Education Aid and Unrestricted General Government Aid, 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).

Since the State Budget had not been finalized the City’s FY16 state aid estimate is based on the House and Senate Final Budgets, using the mid-point between the two for Charter Schools Reimbursement, which was the only State Aid account that differed, and a schedule of payments for MSBA. The City received general fund gross state aid totaling \$403.3 million in FY13 and \$422.4 million in FY14. The City expects to receive \$418.5 million in state aid in FY15 and has budgeted \$423.2 million in gross state aid in FY16.

“Municipal Charges”, also known as, “State Assessments” are charged by the Commonwealth to municipalities for items such as MBTA service and Charter School tuition. State aid distributions are reduced by the amount of assessments charged to a municipality. The City paid \$172.4 million in FY13 and \$194.1 million in FY14. The City expects to pay \$216.7 million in assessments in FY15 and is budgeting \$234.9 million in FY16. The largest assessments are those of the MBTA and charter school tuition. The latter of these will increase significantly in the near future due to recent legislation expanding the number of charter schools.

Net state aid, which is gross state aid revenue minus state assessments, has been trending down steeply since FY02. The rapid annual increases in the charter school tuition, combined with reductions in education and general government aid, continue to contribute to this trend (Figure 9). With a decrease in net state aid for FY16, Boston is \$176.7 million, or 48%, below its FY08 level of net state aid of \$365.1 million. This loss of resources has put

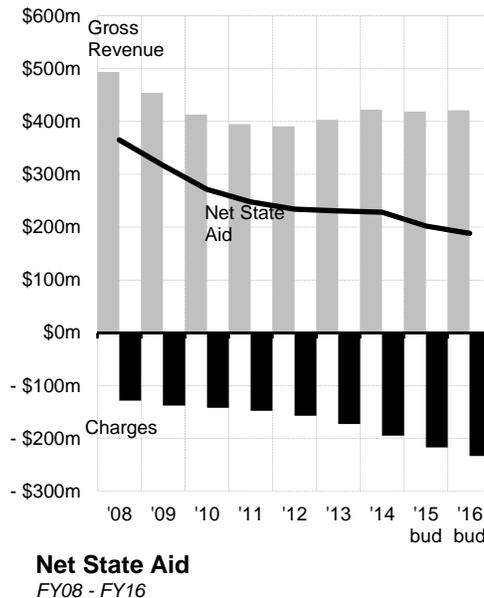


Figure 9

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.

Net state aid amounted to \$230.9 million in FY13 and \$228.3 million in FY14. FY15 budgeted net state aid totals \$201.8 million and the FY16 Budget assumes a reduction to \$188.3 million.

Education Aid

In 1993, the Commonwealth began an effort to increase and equalize funding for local education. The Chapter 70 formula borne from that effort establishes a foundation budget, or a minimum level of education spending in each school district, which the state and district then share the cost of funding. The City received Chapter 70 education aid totaling \$207.9 million in FY13 and \$209.4 million in FY14. The City expects to receive \$210.9 million from the state in FY15 and \$212.3 million in FY16.

Another key component of the Commonwealth's education reform effort is charter schools. Charter schools, which are granted charters by the State Board of Education, are publicly funded schools administered independently from local school committee and teacher union rules and regulations. Charter Schools are financed by the home districts of their students through a per pupil based charge. (See *Innovations in Education* chapter of this volume for more detail on charter schools.)

The net cost of charter schools to the City has been increasing rapidly: in FY13 the cost was \$69.8 million and in FY14, \$75.2 million. In FY15 the City has budgeted a \$104.8 million net impact, and in FY16, \$123.0 million (Figure 10).

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 \$160.2 million in FY13 and \$164.0 million in FY14. In FY15, the City will receive \$168.6 million and has budgeted for an increase to \$174.7 million for FY16.

Local Receipts

The City annually collects a significant amount of recurring revenues other than Property Tax or State Aid.

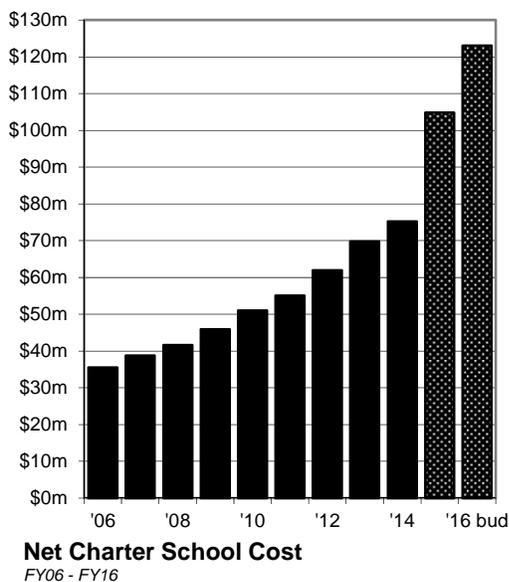


Figure 10

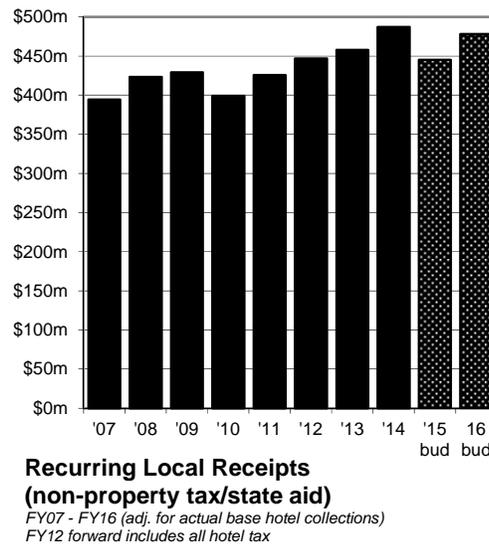


Figure 11

In sum, the City collected \$457.7 million in FY13 and \$487.0 million in FY14 from these sources. The City expects to exceed the mid-year budget estimate of \$445.2 million in FY15 and collect \$477.8 million in FY16 (Figure 11).

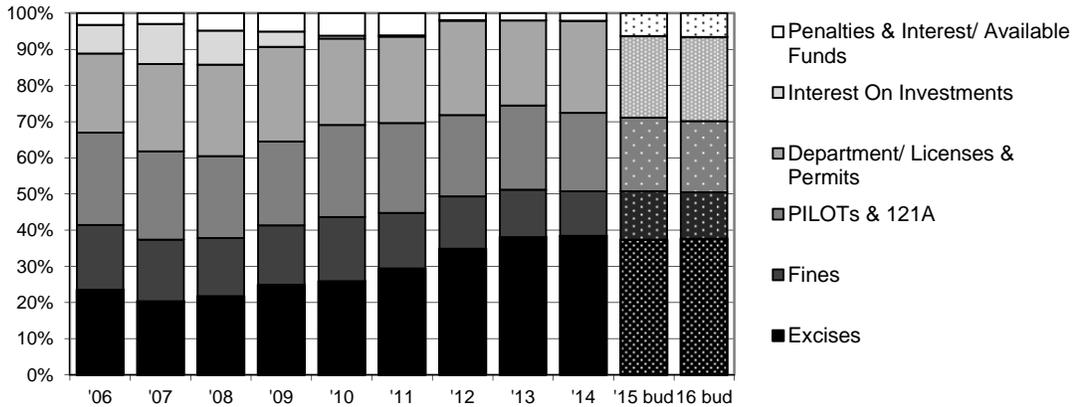
Revenue from excise taxes, payments-in-lieu-of-taxes, licenses and permits, fees and fines, investment income and available funds are part of this local receipts group (Figure 12). Forecasts of these revenue types are done by detailed econometric modeling or trending historical collections, depending 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 \$47.1 million in FY13 and \$53.0 million in FY14. The City expects motor vehicle excise revenue to exceed the \$41.8 million budgeted in FY15 and rise to \$48.7 million in FY16. 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 \$22.9 million for



**Recurring Local Receipts
(non-property tax/state aid)**

Figure 12

FY13. In FY14, the City collected \$24.4 million. In FY15, the City expects to meet the budgeted \$23.0 million and the FY16 budget assumes an increase to \$25.5 million. This revenue is estimated using the income of area 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 \$69.4 million in FY13. In FY14, the City collected \$74.4 million. The City expects to exceed the \$68.5 million budgeted in FY15 due to very strong hotel bookings. The FY16 budget estimates an increase to \$77.0 million. FY12 through FY14 collections include an amount that was directed to pay debt service on bonds related to the Boston Convention and Exhibition Center (BCEC). That practice ended in FY15.

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. Prior to FY13 this revenue source was pledged directly to BCEC special obligation debt and was not budgeted in the general fund. This revenue is now

available for general fund use and is estimated at \$1.0 million for FY15 and \$1.3 million for FY16.

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 \$36.6 million in FY13 and \$37.1 million in FY14. The City expects this revenue source to meet the \$32.0 million budgeted in FY15 and to decrease to \$27.0 million in FY16. Estimates incorporate fuel price forecasts from the Energy Information Administration (EIA) and air traffic volume from Logan International Airport.

Parking Fines

In FY13, the City issued over 1.3 million parking tickets and has maintained a high rate of collection on those tickets. Approximately 86% of tickets are collected in the first six-months after issuance and 91% are collected within a year. 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 \$56.3 million in FY13 and \$56.6 million in FY14. Parking fine revenue is expected to reach the \$56.0 million budgeted in FY15 and increase to \$58.0 million in FY16.

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 \$180,000 in FY13 and \$57,000 in FY14. The City projects interest income will not reach the \$150,000 budgeted in FY15, but due to rising interest rates, is projected to increase to \$500,000 in FY16.

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 nearly half 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. Revenue estimates for FY16 assume the final year of that period.

Payments in lieu of taxes totaled \$42.6 million in FY13 and \$43.4 million in FY14. The City expects this revenue source to meet the \$43.3 million budgeted for FY15 and estimates \$44.1 million in FY16.

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 \$35.2 million and \$31.6 million, respectively. In FY15, Chapter 121A section 10 revenues are budgeted at \$26.5 million and \$27.5 million for FY16. The decrease in this line is a result of the expiration of several large Chapter 121A section 10 agreements and the properties transitioning back to regular property taxes.

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 \$25.8 million in FY13 and \$27.7 million in FY14. The City expects Section 6A collections to reach the FY15 budget of \$19.0 million and increase to \$19.7 million in FY16.

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 \$7.4 million in FY13 and \$6.2 million in FY14. Municipal Medicaid reimbursement is expected to reach the midyear annual budget estimate of \$6.0 million in FY15 and increase to \$6.5 million in FY16.

Other Miscellaneous Department Revenue, consists of miscellaneous fees for services, rents, and reimbursements, is budgeted at \$15.3 million and \$15.2 million in FY15 and FY16, 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 \$29.3 million and \$40.1 million in FY13 and FY14 respectively. Building permit

revenue is expected to exceed the \$28.0 million budgeted in FY15, and is projected to increase to \$33.0 million in FY16. This estimate is forecast based on the Wilshire US Real Estate Investment Trust Total Market Index, the commercial paper issued to support commercial construction, as well as trending of recent collections.

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

The next largest license and permit revenue is the cable television license fee from which the City received \$4.6 million in FY13 and \$6.5 million in FY14. The City has budgeted \$6.0 million in FY15 and \$6.5 million in FY16.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds \$3 million in annual revenue. Alcoholic beverage licenses are budgeted at \$3.4 million in FY15 and \$3.8 million FY16.

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 \$9.3 million in such penalties and interest in FY13 and \$10.4 million in FY14. Actual penalty and interest collections for FY15 will meet the current midyear budget estimate of \$8.4 million and are projected to be \$9.9 million in FY16.

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 FY13 or FY14. The City expects to transfer \$19.0 million from the parking meter fund to the general fund in FY15 and \$20.5 million in FY16. The City also plans to transfer \$772,000 from the cemetery trust fund to the General Fund in FY15 and \$950,000 in FY16.

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 FY16 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 FY14 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 FY15 and FY16 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

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Budget
PROPERTY TAX LEVY		1,684,421,864	1,779,782,760	1,867,767,429	1,954,656,077
OVERLAY RESERVE		(41,055,345)	(34,878,456)	(35,866,506)	(38,326,590)
Subtotal		1,643,366,519	1,744,904,304	1,831,900,923	1,916,329,487
EXCISES					
	Motor Vehicle Excise	47,104,610	52,972,140	41,789,046	48,602,216
40601	Meals Excise	22,891,632	24,368,467	23,000,000	25,500,000
40129	Room Occupancy Excise	66,068,006	71,129,242	68,500,000	77,000,000
40130	Jet Fuel Excise	36,625,286	37,116,703	32,000,000	27,000,000
41113	Vehicle Rental Surcharge	1,370,376	1,141,665	1,000,000	1,250,000
40140	Condominium Conversion Excise	256,000	440,000	325,000	475,000
	Boat Excise	64,049	59,987	60,000	65,000
Subtotal		174,379,959	187,228,205	166,674,046	179,892,216
FINES					
	Parking Fines	56,350,354	56,554,632	56,000,000	58,000,000
45104	Code Enforcement - Trash	785,108	696,286	600,000	700,000
	Other Fines	2,631,454	2,623,094	2,645,000	2,660,000
Subtotal		59,766,917	59,874,011	59,245,000	61,360,000
47151	INTEREST ON INVESTMENTS	178,581	56,659	150,000	500,000
40167	PILOTs	24,195,785	24,868,762	24,500,000	25,000,000
40168	Other Payments In Lieu of Taxes	392,350	452,161	400,000	500,000
40169	Massport	17,990,365	18,092,412	18,440,124	18,611,795
Subtotal		42,578,500	43,413,336	43,340,124	44,111,795
URBAN REDEVELOPMENT CHAPTER 121					
40230	Urban Redev. Chap. 121B Sec. 16	2,994,095	2,747,258	2,100,000	2,800,000
40231	Urban Redev. Chap. 121A Sec. 6A	25,799,019	27,675,984	19,000,000	19,750,000
41013	Urban Redev. Chap. 121A Sec. 10	35,200,505	31,634,327	26,500,000	27,500,000
Subtotal		63,993,619	62,057,570	47,600,000	50,050,000
MISC. DEPARTMENT REVENUE					
43105	Registry Division Fees	1,524,065	1,612,967	1,500,000	1,600,000
43109	Liens	671,800	579,950	585,000	615,000
43120	City Clerk Fees	481,468	648,337	575,000	625,000
43137	Municipal Medicaid Reimbursement	7,382,345	6,231,715	6,000,000	6,500,000
43138	Medicare Part D Reimbursement	2,697,656	13,311,924	2,750,000	4,000,000
43202	Police Services	526,797	552,820	550,000	550,000
43211	Fire Services	4,969,274	5,537,788	5,000,000	5,250,000
43301	Parking Facilities	1,681,357	1,873,214	1,600,000	1,700,000
43311	PWD - Street & Sidewalk Occupancy Fees	4,674,937	4,586,032	4,250,000	4,600,000
43425	Street Furniture - Fixed Fees	1,500,000	1,500,000	1,500,000	1,500,000
43426	Street Furniture - Ad Fees	1,108,229	1,453,571	1,100,000	1,400,000
44002	Tuition & Transportation - Schools	1,496,528	1,552,021	1,475,000	1,550,000
47119	Affirmative Recovery	807,124	596,432	525,000	575,000
47130	Fringe Retirement	5,553,364	5,370,715	5,200,000	5,500,000
47131	Pensions & Annuities	3,514,591	248,901	3,400,000	3,500,000
47132	Indirect Costs Reimbursement	26,235	538,798	525,000	525,000
48000	Detail Admin. Fee	2,992,948	2,814,154	2,750,000	3,100,000
	Other Misc. Department Revenue	20,362,479	15,845,794	15,265,000	15,200,000
Subtotal		61,971,199	64,855,133	54,550,000	58,290,000

CITY OF BOSTON REVENUE SUMMARY

		FY13 Actual	FY14 Actual	FY15 Budget	FY16 Budget
LICENSES & PERMITS					
40211	Building Permits	29,252,852	40,070,690	28,000,000	33,000,000
40213	Weights & Measures	261,320	288,880	250,000	280,000
40215	BTD - Street & Sidewalk Permits	3,110,530	2,677,026	2,600,000	3,100,000
40221	Health Inspections	1,703,746	1,473,549	1,400,000	1,700,000
40222	Alcoholic Beverage Licenses	3,509,896	4,091,377	3,400,000	3,750,000
40224	Entertainment Licenses	2,097,101	1,665,519	1,500,000	1,900,000
40229	Other Business Licenses and Permits	236,708	102,143	100,000	225,000
40235	Cable Television	4,595,191	6,490,275	6,000,000	6,500,000
	Other Licenses and Permits	806,259	2,303,155	2,225,000	1,875,000
	Subtotal	45,573,603	59,162,613	45,475,000	52,330,000
PENALTIES & INTEREST					
40133	Penalties & Interest - Property Tax	2,459,763	3,405,832	2,400,000	3,000,000
40134	Penalties & Interest - Motor Vehicle Excise	2,843,268	2,902,133	2,800,000	2,850,000
40136	Penalties & Interest - Tax Titles	3,954,531	4,086,245	3,200,000	4,000,000
	Other Penalties & Interest	3,821	4,977	5,000	5,000
	Subtotal	9,261,383	10,399,188	8,405,000	9,855,000
AVAILABLE FUNDS					
42502	Cemetery Trustee	-	-	772,880	950,000
42503	Parking Meters	-	-	19,000,000	20,500,000
	Subtotal	-	-	19,772,880	21,450,000
STATE AID					
41015	State Owned Land	271,960	277,338	294,886	294,886
41101	R.E. Abatements - Veterans/S.S./Blind/Elderly	1,152,329	1,107,876	1,107,875	1,069,468
41114	Veterans Services	3,159,913	3,113,374	2,800,730	2,756,828
41118	Unrestricted General Government Aid	160,247,301	164,035,210	168,584,213	174,653,245
41119	Racing Taxes	309,478	531,438	390,390	307,230
41301	School Construction	10,476,568	8,474,584	8,175,513	7,344,337
41305	Charter Schools Reimbursement	19,798,203	35,457,071	26,137,261	24,221,340
41306	Chapter 70 Education Aid	207,858,813	209,406,563	210,991,435	212,596,335
	Subtotal	403,274,565	422,403,454	418,482,303	423,243,669
RECURRING REVENUE TOTAL		2,504,344,845	2,654,354,473	2,695,595,275	2,817,412,167
NON-RECURRING REVENUE					
42501	Surplus Property	-	-	-	-
42504	Budgetary Fund Balance	-	-	40,000,000	40,000,000
TOTAL REVENUE		2,504,344,845	2,654,354,473	2,735,595,275	2,857,412,167

