Revenue Estimates and Analysis

OVERVIEW

The FY25 Recommended Budget is supported by $4.64 billion in total revenue, which is an increase of $344.0 million, or 8.0%, from budgeted FY24 revenue. The FY25 Recommended Budget includes $42.4 million of new intergovernmental transfer revenue from the integration of Boston Planning and Development Agency into the City budget. Net of this addition, total revenue growth in FY25 is 6.5%

The City's revenue budget can be divided into five categories: Property Tax, State Aid, Departmental (includes Intergovernmental Revenue), Excise and Non-Recurring revenue. Over the past two decades, the City's revenue structure has shifted significantly towards property tax, as illustrated in Figure 1, while State Aid has decreased as a share of the budget.

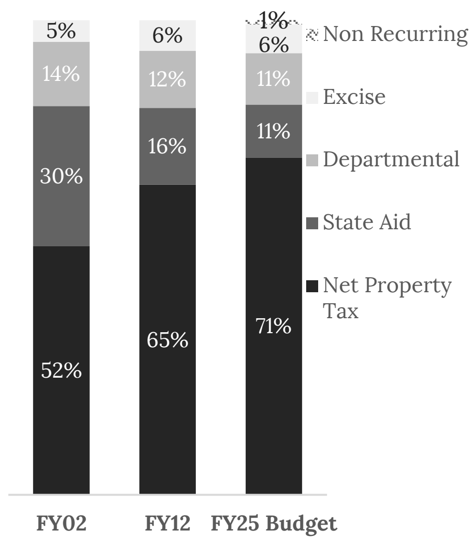

Figure 1 – Categories of Recurring Revenue, FY02, FY12, and FY25

The boom in construction activity has made the shift more dramatic, yielding tax base growth well above the 2 ½ percent statutory limit. Property tax accounts for nearly half of the year-over-year net revenue increase in FY25. Excises and Departmental Revenue explain an additional 54% of the increase.

The National Economy

Macroeconomic and policy decisions made outside of its borders can have profound effects on local revenue collections. Therefore, the performances of the national and Commonwealth economies are of great importance to the City's well-being. Most recently the national emergency relating to the COVID-19 pandemic ended in May 2023. Boston was significantly impacted by the pandemic and the resulting economic downturn.

Prior to the COVID-19 pandemic, the nation's economy was on a 10 year long growth period bookended by the Great Recession (2008-2009). During this time annual growth in the U.S. Gross Domestic Product (GDP) averaged 2.4% from 2010 to 2019 (Figure 2). In 2020, the sudden suspension of travel, closure of businesses, and shock to supply chains caused GDP to contract by 2.6%.

As the federal government stepped in to support the economy, economic fortunes swiftly rebounded. Relief measures including fiscal stimulus to individuals, businesses, and government entities helped mitigate some of the negative economic effects of the pandemic and provided a boost as the most severe aspects of the pandemic subsided. In 2021 GDP grew by 5.8% and followed with 1.9% growth in 2022 and 2.5% growth in 2023.

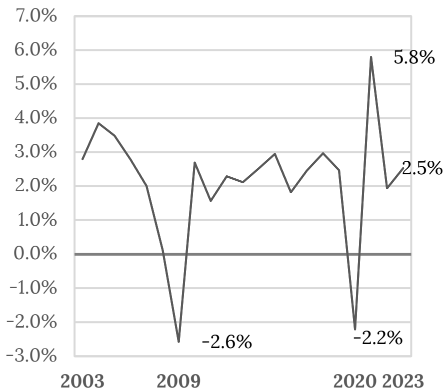

Figure 2 – Real U.S. Gross Domestic Product Growth, Chained 2017 Dollars 2003-2023 (FRED Economic Data)

Prior to March 2020, the civilian unemployment rate in the U.S. had steadily decreased since the end of the Great Recession; the unemployment rate was 3.5% in February 2020. The COVID-19 pandemic caused many companies, institutions, and government entities to lay off or furlough large shares of their employees. In April 2020, the national unemployment rate reached 14.7% and it has been slowly decreasing since. The annual unemployment rate was 8.1% in 2020, falling further to 5.4% in 2021. By 2022, the unemployment rate reached pre-pandemic levels at 3.6%. This swift recovery contrasts the gradual decline in the unemployment rate following the Great Recession.

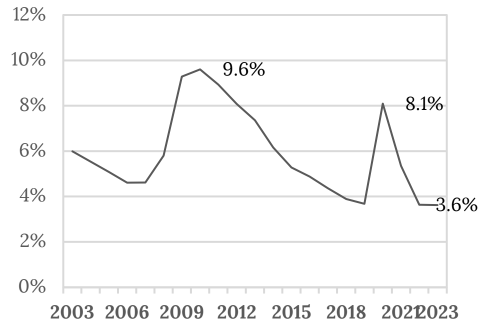

Figure 3 – Civilian Unemployment Rate, Seasonally Adjusted, 2003-2023 (FRED Economic Data)

The unemployment rate captures people without a job, available to work and actively searching for work divided by the labor force– unemployed and employed combined. Those who are not actively looking for a job are not counted. The COVID-19 pandemic created additional obstacles for workers, causing them to delay returning to work out of fear of contracting the virus, as well as forcing many parents, more commonly mothers, to adjust their employment in order to take care for their children due to closed or remote schools and childcare. While conditions have improved, the long-term effects on workers, and female workers in particular, are still uncertain. As of 2023, the labor force participation rate is still lower than pre-pandemic levels.

The speed and magnitude of recovery efforts were effective in quickly turning around the economy. In all, the federal government appropriated more than $4 trillion dollars in aid to individuals, businesses, government, and non-government institutions. These cash infusions spurred demand for goods and services which, combined with global supply chain challenges, drove up prices. Most notably housing, food, and transportation, were all significantly impacted. Prior to the pandemic, annual price increases from inflation as measured by the Personal Consumption Expenditures Index, PCE, averaged below two percent.

Between 2021 and 2022, annual inflation increased by 6.5 percent, more than three times the pre-pandemic average. After the spike in 2022, PCE growth fell to 2.8% in 2023.

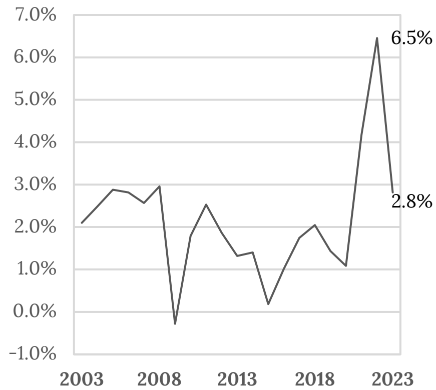

Figure 4 – Annual Change in Personal Consumption Expenditures Index, Chained 2017 Dollars
2003-2023 (FRED Economic Data)

The Federal Funds rate is the interest rate at which depository institutions trade federal funds with each other, with the target rate representing the upper limit of the projected range. In December 2015 the Federal Reserve began increasing the target rate for the first time since 2007, an indication of confidence in the economy. After some downward adjustments in late 2019, the Federal Reserve slashed rates back to the 0% - 0.25% range to spur investment during the pandemic.

Given the rapid ascent of the PCE index in 2021, the Federal Reserve increased interest rates with the intention of cooling demand and moderating price increases. Starting in March 2022 and continuing into 2023, the Federal Reserve raised interest rates from the 0% to 0.25% target to 5.25% to 5.50%. In response, PCE growth has slowed from the historically high pace experienced in 2022. As inflation measures like PCE continue to fall, the Federal Reserve is poised to lower interest rates.

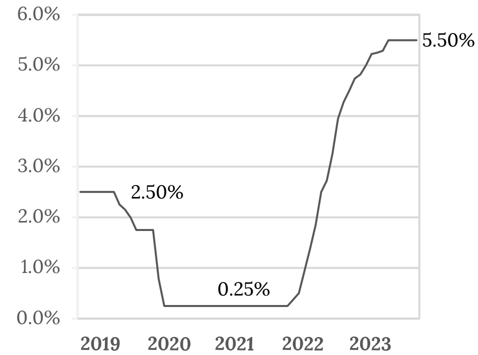

Figure 5 - Federal Funds Target Rate January 2019- January 2024 (FRED Economic Data, Monthly, End of Period)

The State and City Economies

Massachusetts' real GDP decreased by 1.9% in 2020 and rebounded in 2021 with annual growth of 6.4%. The effects of the COVID-19 pandemic mimicked the Great Recession GDP decline, but rebounded quicker in 2022, in part due to the magnitude of the fiscal stimulus.

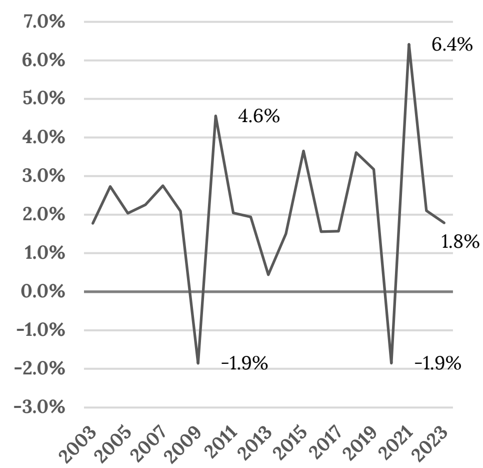

Figure 7 - Real Massachusetts Gross Domestic Product Growth, Chained 2017 Dollars
2003-2023 (FRED Economic Data)

Following the Great Recession the unemployment rate had steadily decreased for both Massachusetts and Boston, reaching 2.5% in 2019. However, the swift and prolonged shutdown in Massachusetts due to the spread of the virus in the state caused the state unemployment rate to reach 16.9% in April 2020. In May, the rate began dropping, reaching 5.9% in June 2021, and returning near pre-pandemic levels, 3.3%, by December 2022. As of December 2023, this rate was nearly unchanged at 3.2%. Boston's unemployment rate peaked at 15.7% in June 2020, fell to 7.8% in December 2020, and registered at 3.0% in December 2022. As of December 2023, the city rate matched the state rate at 3.2%. See the *Boston's People & Economy* section of Volume I for more details on Boston's population and labor force trends.

The Commonwealth Budget

State aid to the City represents its second largest single source of general fund revenue, although in the past two decades it has been declining as a share of revenue. Often, changes to law or policy recommendations that affect City expenditures and revenue generating capacity occur within or alongside budget language. As a result, the State budget is of great interest to the City.

Recent Commonwealth Budget History

After the Great Recession, the State faced several years of ups and downs in managing their structural balance. While State revenue growth, especially income tax, rebounded considerably, large variances in quarterly and yearly revenue collections made budget decisions difficult at the State level. As a result, the State made use of its stabilization or "rainy day" fund, in addition to reductions in expenditures and increases in revenue, to deal with its structural imbalances.

At the close of FY08, the stabilization fund balance was $2.1 billion. The State drew 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. By FY18 the fund again exceeded $2 billion. The State may have been expected to access the fund during the COVID-19 crisis, but a massive infusion of over $50 billion in federal relief and healthy revenue collections have brought the balance to a historical high point, $7.2 billion, at FY23's close.

State tax revenue collections for fiscal year 2023 totaled in $39.2 billion, roughly $1.9 billion or 4.7%, below benchmark expectations. After a historically high surplus in fiscal year 2022, collections fell short of benchmark expectations due in part to prior year tax credits.

In January 2024, as part of the FY25 Consensus Revenue process, the FY25 projection was set at $40.2 billion, $800 million, 2.0%, above the adjusted fiscal year 2024 estimate also set in January 2024. The fiscal year 2024 estimate was revised down from the $40.4 billion initially projected in January 2023.

The FY25 Commonwealth Budget

The City's FY25 state aid budget is based on the Governor's proposed budget for FY25. At the time the City proposed its recommended budget, the state budget had not yet been finalized and signed into law.

For more details, see *State Aid and Assessments* under the *Revenue Estimates* section below.

THE GENERAL FUND

The City's entire $4.64 billion budget is funded through the general fund. All revenues discussed below are deposited into the City's general fund pursuant to state law and are reflected on a fiscal year basis July 1 through June 30.

REVENUE ESTIMATES

Property Tax

The property tax levy has always been the City's largest and most dependable source of revenue. In FY24, the net property tax levy (levy less a reserve for abatements) totaled $3.14 billion, providing 73.1% of the City's revenue. In FY25, the net property tax levy is estimated to total $3.30 billion and account for 71.1% of budgeted revenues.

Boston's economy performed well despite the COVID-19 pandemic and property values in Boston have continued to appreciate in value steadily. Despite the economic shock of the pandemic, property values increased at rates similar to the pre-pandemic period. Between FY03 and FY19 aggregate assessed values increased at 6.8% annual rate. Since FY20, aggregate assessed values have increased at a 6.1% annual rate. In FY24, assessed values increased by $8.6 billion, or 4.1%

Proposition 2 ½ has been the overwhelming factor affecting the City's property tax levy since being passed in 1980 by the State Legislature. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property (referred to as the *levy ceiling*). It also limits the increase in the total property tax levy to no more than 2.5% over the prior year's total levy (referred as the *levy limit*), with certain provisions for new construction. This means that while the property values have grown 121% in the past 10 years, property tax revenue has grown by 71% 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 with the levy, beginning in FY85 at $8.4 million and reaching $79.7 million in FY23.

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 either to override or to exclude debt from the levy limitations.

Despite these constraints, the City is committed to keeping affordable residential property tax bills to retain more low and middle-income homeowners in the city. Policies to promote affordability have demonstrated success. In 2016, the City advocated for a change in State law that increased the residential exemption limit, a reduction in real estate taxes for homeowners who occupy their property as their principal residence, from 30% to 35% of the average assessed value of all Class One residential properties. The City Council, with the approval of the Mayor, once again chose the maximum exemption allowed by law – 35% for the FY24 Tax Rate. The FY24 residential exemption amount increased by $155 over the prior year's amount, saving eligible taxpayers up to $3,611 on their property tax bills. Compared to the average property tax bill statewide, the owner-occupied single-family tax bill in Boston is 17% lower.

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 new commercial developments and residential investment, Boston experienced unprecedented new growth in property tax revenue over the past several fiscal years. In FY25, the City is conservatively budgeting new growth due to economic uncertainty related to price inflation and high interest rates.

During the past half dozen 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 neighborhoods.

New growth is budgeted to total $60.0 million in FY25. Property tax growth from new growth has exceeded growth from the allowable 2.5% increase in 14 of the last 20 years. However, as was evident during the Great Recession, revenue from new growth 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.

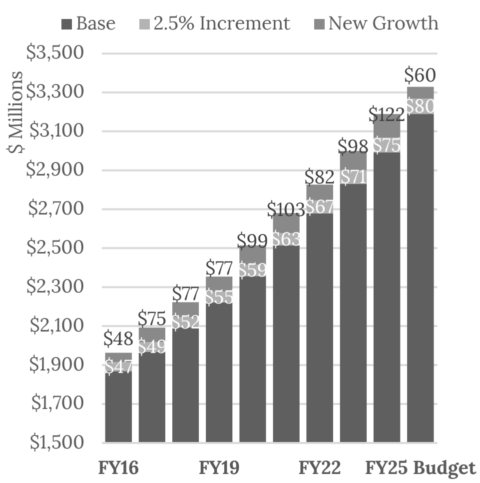

Figure 7 – Property Tax Levy Increase by Type, FY16-FY25

Two-thirds of assessed property value in FY24 is classified as residential. As part of the tax rate setting process, the Assessing Department sorts properties into classes. Classifying properties in the residential, commercial, industrial, and personal property categories allows the City to shift the property tax levy across property classes. As a result the City can change the residential tax rate, the rate per $1,000 of property value, to the lowest level allowed by law. Without it, residential taxpayers would see their properties taxed at a higher rate on average. Figure 7 shows the two tax rates – for residential properties and for commercial, industrial and personal properties – since FY12. Rates increased following the Great Recession (FY08-FY13), when values decreased due to the sudden collapse of the housing market in late 2007. This trend reversed between FY14 and FY17 due to property value appreciation and accelerated property development. Since FY18, rates have moved within a narrow range.

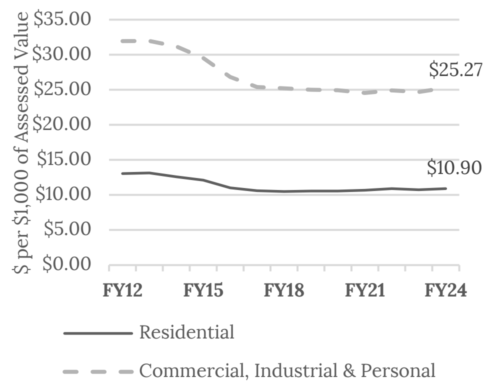

Figure 8 - Property Tax Rates FY12-FY24

With many workers working from home following the COVID-19 pandemic, office vacancy rates, an important indicator of commercial real estate value, have increased, with some neighborhoods faring worse than others. According to Jones Lang LaSalle data, the commercial office vacancy rate for Boston as a whole was 16.2% in the fourth quarter of 2023. This is a 5.0 percentage point increase from the same period in 2022, and 166% higher than pre-pandemic rates. In the South Boston Waterfront and Downtown, the rates were 10.9% and 20.1% respectively.

While commercial properties have seen a relative decline in demand, residential property values have appreciated and rents have increased. The citywide median single-family home price was $765,000 in

2023, up 0.5% from 2022, and 75% from a decade earlier. After a 14.2% jump from 2021 to 2022, the average monthly rent in Boston increased 5.5% to $3,053.

Any significant decline in property values can present a problem for cities as dependent on the property tax as Boston. In the early 1990's property values decreased in Boston while the City continued to maximize the allowable levy increase under Proposition 2 ½. The levy nearly reached the levy ceiling of 2.5% of total assessed value. Reaching the 2.5% ceiling would further limit the City's capacity to increase the annual levy and raise the needed revenue to support the City's budget.

However, due to years of strong new growth, the City now has significant space between its FY24 levy of 1.4% and the tax levy ceiling of 2.5% of total assessed value. The gap between the levy and levy ceiling insulates property tax revenues from an immediate negative shock in real estate markets. Nevertheless, if values were depressed long enough, future growth of the property tax would be impaired. The darker area in Figure 9 shows the difference, or gap, between the tax levy and ceiling.

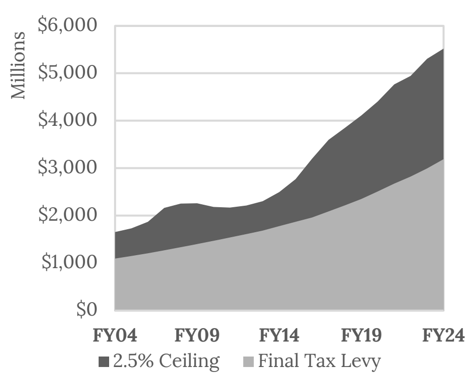

Figure 9 – Property Tax Levy and Levy Ceiling, FY04-FY24

State Aid and Assessments

State aid refers primarily to distributions from the State to municipalities for Chapter 70 education aid, unrestricted general government aid, and charter school tuition reimbursement, along with other relatively small State programs such as library aid. State aid, as it is used here, excludes any grants to or offsets for direct expenditures by City departments.

State aid in FY25 is based on the Governor's proposed budget. Both the Massachusetts House of Representatives and Senate will weigh in with their own proposals before submitting a compromise Conference Committee budget. Due to the timeline of budget negotiations at the state level, the state budget was not finalized by the time the City's recommended budget was submitted.

The City received General Fund gross State aid totaling $470.0 million in FY22 and $494.0 in FY23. The City is projected to receive $516.3 million in State aid in FY24 and has budgeted $515.2 million for FY25.

Municipal Charges, also known as State assessments, are charged by the State to municipalities for items such as charter school tuition and MBTA service. State aid distributions are reduced by the amount of assessments charged to a municipality. The City paid $329.7 million in FY22 and $352.0 million in FY23. The City budgeted to pay $383.2 million in assessments in FY24 and is budgeting $392.1 million in FY25.

In 1993, the State began an effort to increase and equalize funding for local education. The Chapter 70 education aid formula, derived from that effort, establishes a foundation budget, or a minimum level of education spending in each school district. The foundation budget is funded by the district's local contribution and State Chapter 70 education aid. Education aid was further reformed by the Student Opportunity Act in 2019 which is currently being phased in over six years to provide additional aid to districts with exceptional need. As part of this funding formula, the City received Chapter 70 education aid from the State totaling $223.6 million in FY22 and $227.2 million in FY23. The City expected to receive $230.7 million from the State in FY24 and is budgeting $232.4 for FY25.

Boston is assessed by the Commonwealth to fund charter schools on a per-pupil basis. This assessment rapidly increased following enactment of the 2010 Achievement Gap legislation that expanded the number of charter school seats. Boston's charter school tuition assessment is budgeted to increase by $6.2 million, or 2.2%, over the FY24 budget, as 10,418 Boston students are projected to attend a state charter school in FY25.

Boston has seen its charter school costs rise dramatically in the past 10 years – 101% or $144.5 million between FY16 and the FY25 budgets. As seen in Figure 9, net education aid, Chapter 70 funds and Charter School reimbursement less the Charter School Assessment has been decreasing over the past decade. In FY25, the City is projected to spend $8.4 million more on the Charter School Assessment than it will receive in Chapter 70 and reimbursement aid. In FY16 the City received $92.3 million more than it spent.

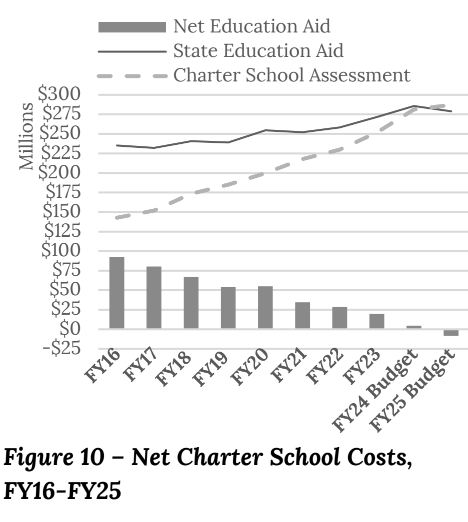

Figure 10 – Net Charter School Costs, FY16-FY25

In FY25 unrestricted general government aid (UGGA) is projected to become the City's largest source of state aid revenue. Since the FY10 budget, the Governor and Legislature have 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 $208.3 million in FY22 and $219.5 million in FY23. The City is projected to receive $226.5 million in FY24 and expects $233.3 million in FY25, a 3.0% increase over the FY24 budget.

Net state aid, which is gross state aid revenue less state assessments, has been trending down steeply since FY08. The rapid annual increase in the charter school tuition assessment has contributed to this trend. Despite a substantial increase in net state aid in the FY23 budget, the erosion of net state aid has resumed in FY24 and is anticipated to continue in FY25. Boston projects to be $241.9 million, or 76.4%, below its FY08 level of net state aid. Net state aid amounted to $140.3 million in FY22, increased to $142.0 million in FY23, and is budgeted to decrease to $133.2 million in FY24. The FY25 projected net state aid totaled $123.1 million, a $10.0 million decrease year-on-year, or -7.5%. The loss of hundreds of millions of dollars over the past two decades has put extraordinary pressure on the City to generate necessary revenue from property tax and local revenue sources.

In the face of declining net aid revenues 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 to collect revenues more efficiently, establish new revenue sources, and refresh existing fee schedules all help reduce the City's reliance on state aid.

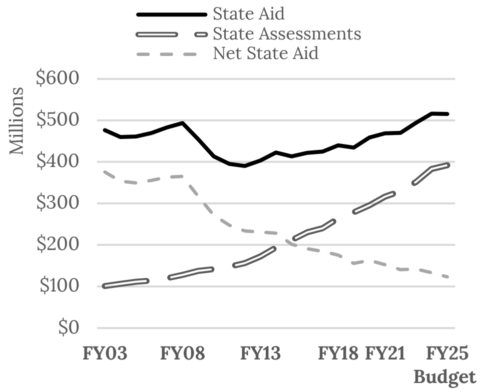

Figure 11 – State Aid, State Assessments and Net State Aid, FY03-FY25

Local Receipts

The City also collects recurring revenues other than property tax and state aid. Revenue from excise taxes, payments-in-lieu-of-taxes, licenses and permits, fees and fines, investment income, intergovernmental transfers and available funds are part of this local receipts group. To forecast these receipts, the City uses analytical trending of historical collections, based on the specific revenue source and the availability of data, and integrates economic data where appropriate.

The City collected $549.1 million in local receipts revenue in FY22 and $749.2 million in FY23, a $201.1 million improvement. After strong growth in receipts in FY23, the City budgeted $599.1 million to be collected in FY24, $50 million above FY22 actual collections.

In FY25 the City is budgeting $785.5 million. Local receipts are expected to build on the strong collections experienced in FY23 and current performance midway through FY24. Despite the strength of local receipts, caution is still necessary given uncertainty around macroeconomic pressures, supply chain concerns, and geopolitical events.

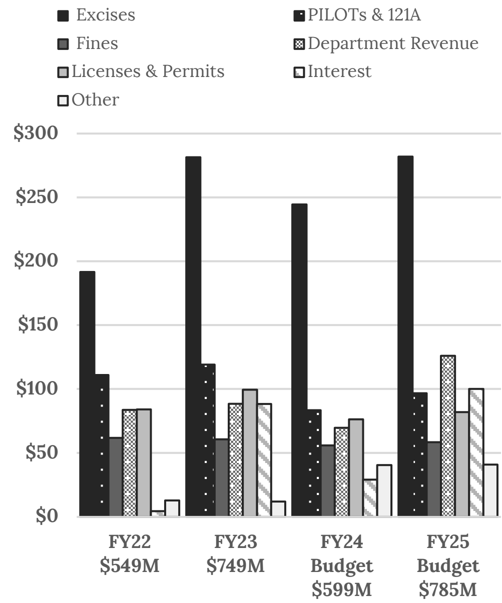

Figure 12 – Recurring Local Receipts by Type, FY22-FY25

Excise Taxes

The City collects eight excise taxes. Four of which, Rooms, Motor Vehicle, Jet Fuels, and Meals Excise account for over 98% of budgeted Excise revenues in FY25. These revenues are described in more detail below.

The *local room occupancy excise* is a 6.5% excise levied on both hotels and short-term rental units. In addition to the local tax, the State collects a 5.7% excise tax and a 2.75% fee, transferred to the State's convention center fund, for a total tax from all sources of 14.95%. Short term rentals hosted on platforms like Airbnb or Vrbo also pay an additional 3% fee unrelated to the local room occupancy excise. The *local room occupancy excise* was significantly impacted by the COVID-19 pandemic local room occupancy excise revenue totaled $15.6 million in FY21 before recovering strongly to $75.5 million in FY22 and $129.3 million in FY23.

The FY24 budget included $116.0 million in local rooms occupancy excise and assumed some pullback from the leap in collections experienced in FY22. The FY25 budget builds upon FY23 actual collections and anticipates $139.0 million in collections. Both hotel daily rates and occupancy had their best year since 2019 in 2023. Daily rates and occupancy were more than 93% of pre-pandemic levels.

The Commonwealth imposes an *excise in lieu of property tax on motor vehicles*, the proceeds of which are collected by the municipality in which the vehicle is principally kept. The excise is a uniform rate of $25 per $1,000 of vehicle valuation. Valuations are determined by a statutorily-defined depreciation schedule based on the manufacturer's list price and the year of manufacture.

Motor vehicle excise revenue totaled $60.8 million in FY22 and $59.9 million in FY23. The City budgeted $54.1 million in FY24 and is budgeting $59.7 million in FY25. Since the tax lags the sale of the vehicle, this revenue estimate is generated based on projections of current year tax collections on motor vehicle sales in the state, as well as trend analyses.

Beginning in 2009, the State granted municipalities a new *local option tax on restaurant meals*. The City collected $29.4 million in FY22 and $37.7 million in FY23. Meals excise revenue more than doubled since the COVID-19 pandemic as economic restrictions on in-person dining were relaxed. The City budgeted $34.0 million in FY24 and is increasing its projection to $38.0 million in FY25, expecting restaurants to benefit from increased dining activity and higher prices.

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. Excise revenues are highly correlated with jet fuel prices and the flight activity at Logan International Airport. Jet fuel excise revenue totaled $22.8 million in FY22, and $49.6 million in FY23. In FY23, the City benefited from historically high jet fuel prices and an increased demand for travel. As jet fuel prices recede from these highs, the City budgeted $36.5 million in FY24 and is budgeting $40.0 million in FY25.

The 2017 state legislation that established the framework for cannabis sales included a 3% local tax option layered on top of the 6.25% sales tax and a 10.75% state marijuana excise. The City receives quarterly payments for the local option *marijuana excise* equivalent to 3% of cannabis sales by operations located in Boston. Under City ordinance, the first $1 million of marijuana excise the City received was transferred to the Cannabis Equity Fund to assist equity applicants and one-sixth of subsequent revenue will be transferred until 2024. Net collections to the General Fund for the marijuana excise totaled $1.0 million in FY22 and $2.2 million in FY23. In FY24 the City is budgeting $1.8 million in General Fund marijuana excise revenue. As the market matures and equity fund payments cease, the City is budgeting $2.6 million in FY25.

The *vehicle rental surcharge* is a revenue-sharing arrangement with the State. Under this arrangement, all vehicle rental contracts originating in the City are subject to a $10 surcharge. The City receives $1 of this surcharge. Revenue from this source was $873,000 in FY22 and $1.1 million in FY23. As the tourism market continues to recover, rental car surcharge receipts are also anticipated to increase. In FY24 the City budgeted $1.0 million and anticipates revenues to improve to $1.3 million in FY25.

Fines

The City issues fines for various code violations, most notably parking. Parking related fines account for more than 90% of all fine revenue. The remaining 10% is split between trash and court moving violations. Fines revenue totaled $61.8 million in FY22 and $60.6 million in FY23. Fines revenue is conservatively budgeted at $55.8 million in FY24 and $58.3 million in FY25.

In FY22 and FY23, the City issued more than one million parking tickets. Total Parking fine collections in those years totaled $57.4 million and $56.1 million respectively. The City maintains a high collection rate on issued tickets by implementing a variety of tactics. Major factors contributing to the City's successful collection rate include non-renewal of violator's registration and license by the Registry of Motor Vehicles until penalties are paid, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City also contracts with a third-party vendor to collect delinquent fines from out of state vehicles and other hard-to-reach offenders.

In FY24 the Streets Department has made a concerted effort to reduce parking enforcement officer vacancies. Despite decreased traffic volumes downtown, increased enforcement may yield additional parking fine revenues. In FY24 Parking Fine revenues are conservatively budgeted at $52.0 million and $54.0 million in FY25.

Interest on Investments

The City's level of investment income is a function of prevailing short-term interest rates and daily cash balances. Therefore these revenues are highly sensitive to rate actions by the Federal Reserve. With target rates near 0% in during the pandemic, revenues were $4.4 million in FY22. In FY23 the Federal Reserve increased rates to over 5%, a level not seen since 2007. In FY23 the City collected $88.3 million in interest on investments. As these rates prevail, the FY24 budget conservatively budgeted interest revenues at $29.0 million and is budgeting $100 million in FY25.

Intergovernmental Revenues

The Intergovernmental Revenues category is a new revenue group established with the expansion of the Planning Department in FY25. This category includes transfers from the legacy Boston Planning and Development Agency and is anticipated to cover the entirety of the department's General Fund expenditures in FY25. This amount is budgeted at $42.4 million in FY25.

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 30-40% of the PILOT revenue the City receives annually, with miscellaneous institutional PILOTs making up the remaining 60-70%.

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. Under new guidelines, PILOT agreements would generate more revenue for the City while suggested payments were be calculated more equitably across paying institutions. New agreements under this framework were adopted in FY12, and that year included 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 $56.6 million in FY22 and $56.4 million in FY23. The FY24 budget includes $51.6 million in PILOTs revenue and the FY25 budget sets PILOTs revenue at $57.1 million.

Urban Redevelopment Chapter 121A

Massachusetts General Law (MGL), Chapter 121A allows local governments to suspend the imposition of property taxes at their normal rates in order to encourage redevelopment. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise (Chapter 121A, section 10) is collected in-lieu-of-corporate income tax for which the Commonwealth acts as the collector and distributes the proceeds to municipalities. In most cases, the formula for the 121A section 10 payment in-lieu-of-tax is $10 per $1,000 of the current cash value of property plus 5% of gross income. In FY22 and FY23, the City received Chapter 121A section 10 distributions of $19.1 million, and $16.8 million. Due to some unpredictability with agreement revenues and contract terminations Chapter 121A section 10 revenues are conservatively budgeted at $15 million in FY24 and FY25.

In addition to the Section 10 payments collected by the State, most 121A corporations have individual agreements with the City that result in additional payments made directly to the City. These section 6A agreements are complex, with actual amounts owed dependent on a formula that varies widely. The City collected section 6A payments of $23.0 million in FY22, and $33.1 million in FY23. The City budgeted section 6A collections at $7.3 million in FY24 and expects $15.0 million in FY25. Like Chapter 121A Section 10 payments, payment amounts can be volatile. When Chapter 121A agreements expire and the properties transition back to regular property taxes, these payments decrease, while contributing to the new growth portion of the property tax levy.

Miscellaneous Department Revenue

With revenue tools limited by local tax authority in Massachusetts, the City is continuing in the FY25 budget to better maximize local revenue options and optimize collections across its more than three dozen miscellaneous department revenue accounts.

The largest revenue source in this category is Street Occupancy permits, which grew to $25.7 million in FY23, up from $14.4 million in FY22. Street Occupancy Permits were budgeted at $15.7 million in FY24 and are budgeted at $15.0 million in FY25.

In FY22 and FY23 miscellaneous department revenues totaled $83.6 million and $88.4 million respectively. Overall miscellaneous department revenue is budgeted at $69.7 million in FY24 and $83.6 million in FY25. This budgeted amount includes a higher estimate for the McKinney-Vento transportation reimbursement and other departmental reimbursements.

Licenses and Permits

This category primarily consists of *building permits revenue*, from which the City received $64.1 million and $80.3 million in FY22 and FY23 respectively. Building permits revenue rose in FY23 due to a higher volume of development projects. In FY24 this source was budgeted closer to historical averages at $60.0 million and in FY25 is being budgeted at $63.0 million.

The second largest Licenses and Permits revenue is the *cable television license fee*, from which the City received $5.7 million in FY22 and $4.7 million in FY23. A declining base of cable subscribers explains the decrease over time. Revenue from cable television was conservatively budgeted at $4.0 million in FY24 and $4.3 million in FY25.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds $4 million in annual revenue. This revenue source has been consistent even during the pandemic with $4.6 million in collections in FY22 and $4.6 million in FY23. Alcoholic beverage licenses are budgeted at $4.4 million in FY24 and $4.6 million in FY25.

Penalties and Interest

Taxpayers are assessed both penalties and interest for late payments of property tax bills, motor vehicle excise bills, and other payments. The City collected $12.8 million in such penalties and interest in FY22 and $12.0 million in FY23. The City budgeted this revenue source at $9.5 million in FY24 and $9.9 million in FY25.

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 typically builds up a balance in both funds. Trust fund balances, such as the Cemetery Trust, also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments.

The City transferred $20 million from the Parking Meter Fund to the General Fund in FY21 but did not make any transfers in FY22 or FY23. The City has budgeted transfers of $30 million from the Parking Meter Fund and $950,000 from the Cemetery Trust Fund to the General Fund in FY24 and FY25.

See the *Financial Management* section of Volume I for details.

Non-Recurring Revenue

Surplus Property

The surplus property disposition fund contains proceeds from the sale of various City land or buildings. The use of these funds is usually restricted to one-time expenditures. No funds are included in the FY24 or FY25 budgets 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.

In FY21 $40.0 million in Budgetary Fund balance was dedicated to supporting the appropriation for Other Post-Employment Benefits (OPEB), the liability associated with retiree health insurance costs. This same amount was budgeted but not taken in FY22 and FY23. The sum of $40.0 million is designated for the same purpose in both FY24 and FY25.

See the *Financial Management* section of Volume I for more details on this revenue source.

American Rescue Plan Act

In response to decreased local receipts following the onset of the COVID-19 pandemic, the City utilized $95 million in federal aid to reduce the shortfall. These funds were part of the State and Local Fiscal Recovery Funds (SLFRF) program provided by the 2021 American Rescue Plan Act. The funds were split across two years, $55 million in FY22 and $40 million in FY23. As local revenues recovered back to pre-pandemic levels, the City opted not to use

American Rescue Plan Act funds for revenue replacement in FY24 and FY25.

See the *Operating* section of Volume I (*External Funds* subsection) for more details on the City's programming of federal relief funding.

Revenue Detail

	FY22 Actual	FY23 Actual	FY24 Budget	FY25 Budget
Property Tax	2,826,969,330	2,998,918,437	3,188,712,075	3,328,429,877
40116 Property Tax Overlay	-33,174,590	-29,845,007	-52,000,000	-33,000,000
Subtotal	2,793,794,740	2,969,073,430	3,136,712,075	3,295,429,877
EXCISES				
Motor Vehicle Excise	60,802,975	59,834,716	54,090,000	59,700,000
40129 Room Occupancy Excise	75,470,253	129,271,291	116,000,000	139,000,000
40130 Aircraft Fuel Excise	22,848,966	49,639,023	36,500,000	40,000,000
40140 Condominium Conversion Excise	644,500	917,000	500,000	450,000
40162 Short Term Rental	551,532	648,814	530,000	700,000
40601 Meals Excise Tax	29,409,214	37,669,911	34,000,000	38,000,000
40602 Marijuana Excise	1,013,109	2,197,933	1,750,000	2,600,000
40603 Community Host Agreements	0	0	0	0
41113 Vehicle Rental Surcharge	872,872	1,124,536	1,000,000	1,350,000
Boat Excise	30	29,298	30,000	30,000
Subtotal	191,613,451	281,332,521	244,400,000	281,830,000
FINES				
Total Parking Fines	57,381,087	56,078,417	52,040,000	53,977,000
45104 Code Enforcement - Trash	1,569,454	1,246,204	1,000,000	1,200,000
Other Fines	2,817,511	3,305,312	2,775,000	3,168,500
Subtotal	61,768,052	60,629,932	55,815,000	58,345,500
Interest On Investments				
47151 Interest On Investments	4,429,142	88,335,175	29,003,515	100,000,000
Subtotal	4,429,142	88,335,175	29,003,515	100,000,000
Intergovernmental Revenues				
49201 BPDA Transfer	0	0	0	42,363,742
Subtotal	0	0	0	42,363,742
PILOTs				
40167 PILOTs	35,953,890	34,292,702	30,750,000	34,000,000
40168 Other PILOTs	116,676	106,189	150,000	125,000
40169 Massport/DOT	20,538,256	21,978,239	20,700,000	23,000,000
Subtotal	56,608,822	56,377,130	51,600,000	57,125,000
URBAN REDEVLOPMENT CHAPTER 121A				
40230 121B Section 16	11,747,609	11,778,125	8,500,000	9,500,000
40231 121A Section 6A	22,994,536	33,051,098	7,315,000	15,000,000
40232 121C	485,196	1,091,691	1,050,255	0
41013 Chapter 121A Section 10	19,083,349	16,802,860	15,000,000	15,000,000
Subtotal	54,310,690	62,723,774	31,865,255	39,500,000

	FY22 Actual	FY23 Actual	FY24 Budget	FY25 Budget
MISC DEPARTMENT REVENUE				
43105 Registry Division Fees	1,783,110	1,708,113	1,600,000	1,700,000
43109 Liens	733,125	484,225	450,000	425,000
43120 City Clerk Fees	600,108	598,546	500,000	600,000
43137 Municipal Medicaid Reimbursement	10,909,924	5,435,903	6,000,000	6,800,000
43138 Medicare Part D	1,124,083	263,767	80,000	0
43202 Police Services	904,136	608,564	600,000	700,000
43211 Fire Services	6,909,805	7,575,426	5,900,000	6,800,000
43301 Parking Facilities	2,456,442	5,183,031	5,800,000	7,000,000
43311 PWD - Street Occupancy.	14,394,679	25,695,130	15,725,000	15,000,000
43425 St. Furniture Prgm Fixed Fees	2,500,000	1,500,000	1,500,000	1,500,000
43426 St. Furniture Prgm Ad. Fees	943,829	1,195,310	1,000,000	1,218,000
44002 Tuition & Transportation	2,477,316	2,634,466	2,000,000	2,594,500
47119 Affirmative Recovery Unit	2,827,428	168,526	200,000	300,000
47130 Fringe Retirement	6,324,572	8,958,238	5,800,000	7,750,000
47131 Pensions & Annunities	6,592,675	8,082,237	6,000,000	8,900,000
47132 Indirect Costs Reimbursement	743,141	720,712	500,000	500,000
48000 Detail Admin Fee	3,130,149	3,107,589	3,000,000	3,000,000
Other Misc Department Revenue	18,255,565	14,517,131	13,030,000	18,825,644
Subtotal	83,610,086	88,436,914	69,685,000	83,613,144
LICENSES & PERMITS				
40211 Building Permits	64,075,168	80,297,909	60,000,000	63,000,000
40213 Weights & Measures	259,375	250,212	250,000	250,000
40215 BTD - Street & Sidewlk Permits	2,787,674	1,883,398	1,500,000	1,500,000
40221 Health Inspections	1,656,364	1,693,674	1,500,000	1,700,000
40220 Boat Mooring Permits	0	0	0	0
40222 Alcoholic Beverage Lics.	4,562,672	4,570,004	4,400,000	4,600,000
40223 Marijuana License	28,646	56,605	50,000	75,000
40224 Entertainment Licenses	1,776,699	1,883,354	1,620,000	1,900,000
40227 Police - Firearm Permits	61,397	120,613	50,000	60,000
40229 Other Business Lic. & Permits	155,801	226,421	150,000	180,000
40235 Cable Television	5,689,843	4,664,896	4,000,000	4,300,000
46001 Dog License	250,043	236,613	220,000	230,000
Other Licenses & Permits	2,727,995	3,508,606	2,550,000	4,100,000
Subtotal	84,031,677	99,392,304	76,290,000	81,895,000

	FY22 Actual	FY23 Actual	FY24 Budget	FY25 Budget
PENALTIES & INTEREST				
40133 Pen & Int - Property Tax	3,774,741	3,584,177	2,750,000	3,200,000
40134 Pen & Int - MV Excise	3,198,876	3,283,303	2,750,000	2,650,000
40136 Pen & Int - Tax Title	5,776,634	5,102,868	4,000,000	4,000,000
Other Penalties & Interest	0	289	0	0
Subtotal	12,750,251	11,970,636	9,500,000	9,850,000
AVAILABLE FUNDS				
42502 Approp. Cemetery Trust Fund	0	0	950,000	950,000
42503 Approp. Parking Meters	0	0	30,000,000	30,000,000
Subtotal	0	0	30,950,000	30,950,000
STATE AID				
41015 State Owned Land	483,133	611,856	705,484	708,836
41104 Exemptions - Elderly	1,094,096	1,103,534	1,907,419	823,976
41114 Veterans Benefits	1,317,927	965,979	1,096,325	958,747
41118 Unrestricted General Government Aid	208,334,641	219,466,517	226,489,446	233,284,129
41119 Local Share Of Racing Taxes	430,852	358,396	480,000	560,700
41301 School Construction	0	0	0	0
41305 Charter Tuition Asses. Reimb.	34,705,243	44,225,385	54,963,799	46,479,166
41306 Chapter 70 Education Aid	223,624,026	227,236,505	230,700,785	232,421,855
Subtotal	469,989,918	493,968,172	516,343,258	515,237,409
RECURRING REVENUE TOTAL	**3,812,906,829**	**4,212,239,988**	**4,252,164,103**	**4,596,139,672**
NON-RECURRIMG REVENUE				
42501 Approp. Surplus Property Fund	0	0	0	0
42504 Approp. Fund Balance	0	0	40,000,000	40,000,000
42507 American Recovery Plan	55,000,000	40,000,000	0	0
GRAND TOTAL	**3,867,906,829**	**4,252,239,988**	**4,292,164,103**	**4,636,139,672**

Table 1