



THE CITY OF BOSTON FINANCE COMMISSION  
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## City of Boston Fiscal Year 2018 Budget Overview

The City of Boston's Fiscal Year 2018 has an adopted budget totaling \$3.15 billion dollars. This budget is an increase of \$148.5 million, or 5%, over the City of Boston FY17 budget. As with any budget, evaluations of revenues and expenditures are vital to assure that municipal operations and initiatives can be fully funded. This report is being created to allow City of Boston residents a brief roadmap to the Fiscal Year 2018 budget.

### REVENUES

Revenues, money that the City of Boston receives to help fund city operations, are generated from several sources, the two largest sources of revenue are outlined below:

**Property taxes** are the largest revenue stream and it is anticipated that Boston will generate over \$3 billion in property taxes in FY18. This is due, in part, to increased development which allows the City to capture new property taxes estimated to generate \$50 million in FY18. Unlike existing property stock which is capped at 2.5% taxable growth, "new-build" property can be taxed at the current market value. This is extremely important to a municipality in the growing real estate market that we have today, since it provides new revenue and is not limited by Proposition 2 ½ (which limits tax increases on existing property to no more than 2.5% over the prior year). The City of Boston property tax rate in FY17 was \$10.59 per \$1,000 for residential and \$25.38 per \$1,000 for commercial/industrial. There are several exemptions that can additionally lower the total tax assessment. The FY17 net property taxes totaled \$2.048 billion and the FY18 property tax revenues are estimated to increase to \$2.159 billion. This figure represents about 70% of recurring revenues for the City of Boston.

**State Aid** is the second largest revenue source for the City of Boston, which has seen a 52% reduction in the last ten years. State revenue projected in Fiscal Year 2018 is \$440.5 million; however, the city is also assessed for payments by the State for items such as charter school tuition reimbursement and MBTA service; in FY18 that cost is assumed to be \$264.9 million. This means that the net State aid is predicted to total \$175.7 million.

## EXPENDITURES

Expenditures are monies that the City spends and are defined in several categories:

**Appropriation** expenditures can be seen in the budgeted amount that each department is given. As a quick guide, attached is a list of City of Boston departments alphabetical by name with the Fiscal Year 2017 and Fiscal Year 2018 appropriations, and the percentage increase/decrease. This outline will allow a snapshot view of each department's overall budget in context, since the percentage change can be misleading in the actual dollar increase/decrease. Appropriation growth in the FY18 budget increased 4% over the last Fiscal Year. Some interesting trends regarding the City of Boston's budget, since FY15 to present:

- Mayor's cabinet departments increased 9.64%
- Operations departments decreased by 3.8%
- Boston Public Schools overall increase has been 8.82%
- Environment, Energy & Open Space departments increased 15.8%
- Health Insurance increased by 20.46%
- Medicare has increased by 28.24%
- Department of Innovation & Technology has decreased its budget by 6.82%
- Fire Department has increased by 9.91%
- Police Department has increased by 10.69%
- Total City of Boston budget since FY15 increased 8.86%

**Fixed cost growth** includes items such as pensions and debt service, which have increased by a total of 8%. The City's pension liability increased 9.5% or \$18.9 million, to a total of \$218,208,797. The City's pension liability is currently 74.96% funded. Debt service costs increased 6.1%, or \$10.6 million, to a FY18 total of \$185,583,169. It is important to note that the City of Boston has an AAA bond rating which translates into the City being able to borrow money at extremely favorable rates for projects such as building schools, roads and firehouses. An AAA bond rating also helps the city lower yearly expenditures.

## CONSIDERATIONS

Ideally, as with any budget, the goal is to maximize revenues while decreasing expenditures. The Commonwealth's municipal budgeting relies heavily upon a strong real estate market, so that the primary source of revenues and property taxes continue to support municipal operations at the maximum level. It is also equally important to generate new ideas for revenues, due to the following reasons:

- State aid continues to trend downward as the costs for charter school reimbursements and MBTA services increase. Boston has been working towards trying to create a new formula for charter school reimbursement which will be more beneficial for taxpayers.
- Though the number of students that attend City of Boston public schools has been trending downward, the costs to transport students had increased at an alarming rate. Boston spends about \$2,000 per student on transportation, when the national average, (according to data from the U.S. Census bureau) for large school districts the cost is about \$350 per student. The cost for this expense in fiscal year 2018 increased 7.4% to \$124 million. Additionally, the cost to insure the bus fleet in FY18 is \$3.195 million which has increased yearly as well.
- The City has enjoyed a prosperous period of real estate development, but the real estate market is volatile and new building growth projections cannot be relied upon to fund municipal operations forever. Local options taxes have been a great revenue stream for the City of Boston. In FY16 the city received \$28 million in meals tax revenues. The meals tax benefits residents, since much of the revenue is generated from tourists, this hospitality industry and commuters who work in the city but do not necessarily utilize municipal services. Working with tax exempt property owners in Boston for Payment In Lieu of Tax agreements generated \$32 million in fiscal year 2016. It is estimated that 50% of property in the City of Boston is tax exempt, so agreements such as these are vital to Boston's continued success.
- Insurance costs are demanding a large portion of the City's budget. The Fiscal Year 2018 budget includes \$395 million for all health benefit related costs which is 12.6% of city expenditures. This trend has been continuing for a long time. In an effort to mitigate some of these costs in the past, the city has limited the number of health plans to employees. The city now offers three optional plans after deducting employee contributions.

The City of Boston Budget Department has compiled additional data. The link to the department is <https://www.boston.gov/departments/budget>

Cabinet	Department	FY 15	FY 16	FY17	FY 18	% Increase
<b>Mayor's Office</b>						<b>From FY17-FY18</b>
	Mayor's Office	\$2,500,499	3,223,711	\$4,042,280	\$4,159,940	2.91%
	Election Dept.	\$3,332,733	\$3,774,800	\$4,329,343	\$4,245,915	-1.93%
	Law Dept.	\$5,992,561	\$5,752,779	\$5,872,445	5,849,901	-0.38%
	Public Information	\$1,190,249	\$0	\$0	\$0	0%
	Women's Advancement	190,982	\$212,106	\$233,614	\$225,519	-3.47%
<b>Operations</b>						
	Intergovernmental Relations	\$1,237,386	\$1,275,064	\$1,185,168	\$1,165,620	-1.65%
	Property Management Dept.	\$23,696,180	\$23,896,827	\$18,340,813	\$17,095,514	-6.79%
	Public Facilities Dept.	\$0	\$0	5,625,883	\$5,724,456	1.75%
<b>Civic Engagement</b>						
	Elderly Commission	\$3,095,092	\$3,071,888	\$3,233,749	\$3,178,100	-1.72%
	Neighborhood Services	\$1,421,969	\$2,524,900	\$3,194,730	\$3,287,613	2.91%
<b>Arts &amp; Culture</b>						
	Office of Arts & Culture	\$975,519	\$1,274,583	\$1,349,436	\$1,333,931	-1.15%
	Library Dept.	\$33,290,968	\$34,862,519	\$34,501,738	\$36,030,488	4.43%
<b>Economic Development</b>						
	Office of Economic Dev.	\$1,552,693	\$1,559,781	\$2,460,614	\$2,473,392	0.52%
	Boston Planning & Development Ag	\$0	\$0	\$0	\$1,500,000	
	Consumer Affairs & Licensing	\$459,931	\$379,274	\$1,177,027	\$1,116,728	-5.12%
	Office of Tourism	\$1,011,559	\$1,092,949	\$1,399,710	\$1,326,163	-5.24%
	Licensing Board	\$704,752	\$637,734	\$0	\$0	0%
<b>Education</b>						
	Boston Public Schools	\$974,925,124	\$1,016,278,855	\$1,031,684,000	\$1,060,932,783	2.84%
<b>Environment, Energy &amp; Open Space</b>						
	Environment Dept.	\$2,018,443	\$1,897,416	\$2,232,944	\$2,517,729	12.75%
	Inspectional Services Dept.	\$16,701,349	\$18,232,924	\$18,812,691	\$18,513,530	-1.59%
	Parks & Recreation Dept.	\$18,397,999	\$23,648,127	\$20,981,060	\$21,976,548	4.74%
<b>Administration &amp; Finance</b>						
	Administration & Finance	\$934,781	\$888,236	\$1,071,275	\$1,065,310	-0.55%
	Assessing Dept.	\$6,346,438	\$7,103,484	\$7,199,877	\$7,192,684	-0.10%
	Auditing Dept.	\$2,493,517	\$2,570,261	\$2,705,370	\$2,686,563	-0.69%
	Budget Management	\$2,585,056	\$2,722,787	\$3,199,976	\$3,404,758	6.40%
	Execution of Courts	\$9,698,309	\$10,454,319	\$5,000,000	\$5,000,000	0%
	Health Insurance	\$180,006,658	\$191,265,768	\$206,208,108	\$216,851,225	5.16%
	Human Resources	\$3,485,224	\$3,497,023	\$4,132,833	\$3,936,932	-4.74%
	Medicare	\$8,577,221	\$7,989,395	\$10,000,000	\$11,000,000	10%
	Office of Labor Relations	\$1,364,176	\$1,310,608	\$1,424,077	\$1,439,006	1.05%
	Pensions & Annuities - City	\$3,336,691	\$4,063,355	\$5,289,000	\$4,100,000	-22.50%
	Pensions & Annuities - County	\$36,114	\$36,894	\$100,000	\$100,000	0%
	Purchasing Division	\$1,545,202	\$1,771,568	\$1,832,370	\$1,775,366	-3.11%
	Registry Division	\$995,449	\$968,056	\$1,031,501	\$1,018,464	-1.26%
	Treasury Dept.	\$4,524,802	\$4,744,790	\$4,385,635	\$4,334,178	-1.17%
	Unemployment Compensation	\$34,251	\$0	\$350,000	\$350,000	0%
	Worker's Compensation Fund	\$1,865,719	\$1,328,171	\$2,200,000	\$2,200,000	0%
<b>Health &amp; Human Services</b>						
	Boston Centers for Youth & Families	\$24,129,637	\$24,917,746	\$25,259,047	\$25,529,783	1.07%
	Commission for Persons w/ Disabili	\$364,997	\$287,325	\$418,195	\$426,618	2.01%
	Fair Housing & Equity	\$223,027	\$160,430	\$282,830	\$278,727	-1.45%
	Office of Immigrant Advancement	\$362,789	\$381,363	\$425,022	\$439,937	3.51%
	Public Health Commission	\$73,827,152	\$76,155,435	\$77,267,200	\$79,077,172	2.34%
	Boston VETS	\$4,442,074	\$3,948,302	\$4,677,730	\$4,708,453	0.66%
	Youth Engagement & Employment	\$4,989,678	\$5,759,935	\$6,058,544	\$6,331,229	4.50%
<b>Housing &amp; Neighborhood Development</b>						
	Boston Housing Authority	\$0	\$0	\$4,000,000	\$0	
	Leading the Way	\$5,500,000	\$0	\$0	\$0	0%
	Neighborhood Development	\$4,968,260	\$11,544,054	\$12,963,182	\$13,125,614	1.25%
<b>Information &amp; Technology</b>						
	Dept. of Innovation & Technology	\$30,614,392	\$32,046,766	\$28,523,574	\$28,891,966	1.30%
<b>Public Safety</b>						
	Emergency Management	\$464,649	\$650,930	\$637,722	\$637,209	-0.08%
	Fire Dept.	\$211,234,480	\$216,917,856	\$220,990,371	\$232,186,186	5.07%
	Police Dept.	\$337,310,896	\$348,887,846	\$364,087,493	\$373,380,191	2.55%
<b>Streets</b>						
	Central Fleet Management	\$2,672,445	\$2,148,719	\$2,590,424	\$2,707,429	4.52%
	Office of Streets	\$1,360,423	\$1,649,755	\$1,973,144	\$1,962,521	-0.54%
	Public Works Dept.	\$82,178,496	\$85,054,750	\$81,989,711	\$83,775,845	2.18%
	Snow Removal	\$38,453,034	\$14,785,551	\$22,563,964	\$22,563,964	0%
	Transportation Dept.	\$31,257,048	\$32,792,030	\$33,174,525	\$34,104,959	2.80%
<b>Non-Mayoral Departments</b>						
	City Clerk	\$1,073,705	\$1,147,041	\$1,220,396	\$1,214,825	-0.46%
	City Council	\$5,061,273	\$5,206,449	\$5,340,777	\$5,340,777	0%
	Finance Commission	\$233,475	\$256,944	\$268,475	\$271,275	1.04%