

# Fiscal 2021 Recommended Budget Presentation

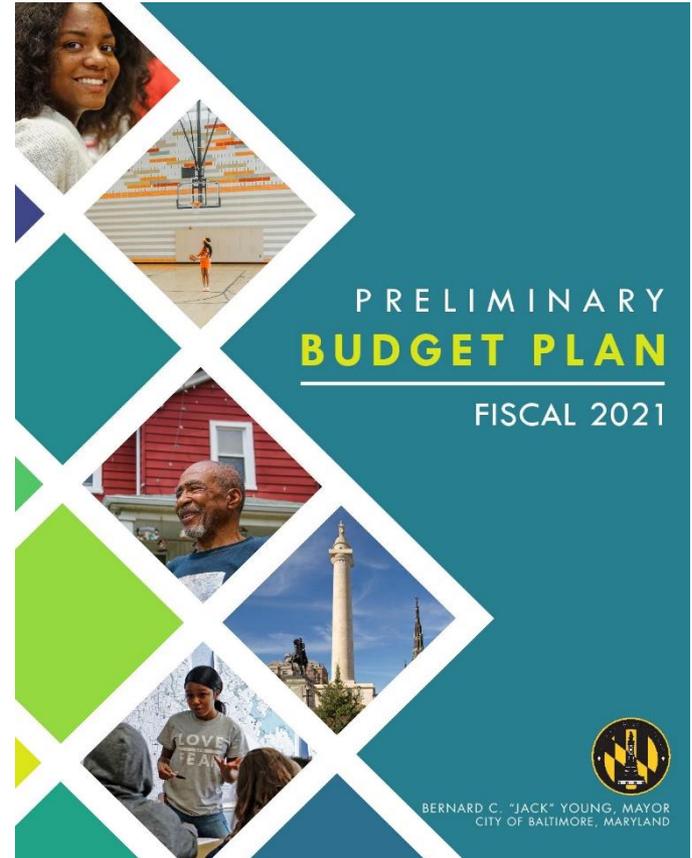
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Department of Finance | May 27, 2020



# Agenda

- COVID-19 Pandemic
- Overview
- Fiscal 2021
  - Revenue
  - Fixed Costs
  - Key Investments by Priority
  - Budget Balancing Actions
- Other Fund Sources
  - Capital
  - Utility
  - Casino Funds
  - Grants



# COVID-19 Pandemic

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- The severe financial implications of the pandemic became more clear in March.
- Due to timing constraints, the Preliminary Budget was released on April 1<sup>st</sup> with no changes to economic assumptions.
- The Fiscal 2021 Final Recommendation includes a \$103.1 million write-down of General Fund revenues.
- The Fiscal 2021 revenue forecast is still highly uncertain due to the wide range of potential economic scenarios.

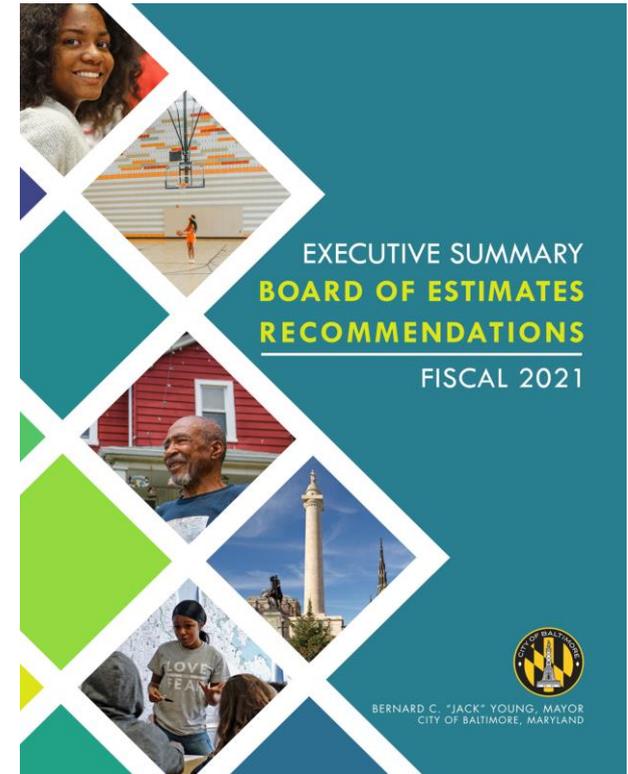
# Fiscal 2021 Overview

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July 1, 2020 to June 30, 2021

# Fiscal 2021 Highlights

- **\$408.7 million** support for City Schools
- Includes **\$30 million** down payment on School construction, which could leverage up to \$420 million in additional State funding.
- Protects youth programming across all services
- Establishes 2 new Baltimore Community Intelligence Centers, a best practice model
- Continues implementation of City-wide ERP project and cyber-security investments
- Requires some trims and reductions due to COVID-19 economic impact.



# Overview: FY21 by the Numbers

FISCAL 2021	Recommended Amount	Change from Fiscal 2020	Percent Change from Fiscal 2020
OPERATING PLAN	3,046,456,342	+118,602,254	4.1%
CAPITAL PLAN	823,212,000	+195,748,000	31.2%
<b>TOTAL PLAN</b>	<b>3,869,668,342</b>	<b>+314,350,254</b>	<b>8.8%</b>

FISCAL 2021 General Fund	Recommended Amount	Change from Fiscal 2020	Percent Change from Fiscal 2020
OPERATING + PAYGO CAPITAL	1,932,800,000	-34,450,000	-1.8%
POSITIONS	9,404	-182	-1.9 %

# General Fund Outlook

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# Visitor/Tourism-Related Revenues

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**Tourism and travel restrictions leads to fewer receipts in:**

- Hotel Tax – minimal occupancy at City hotels
- Convention Center – no events until emergency passes
- Admissions and Amusement Tax – fewer ticketed events for concerts and sporting events

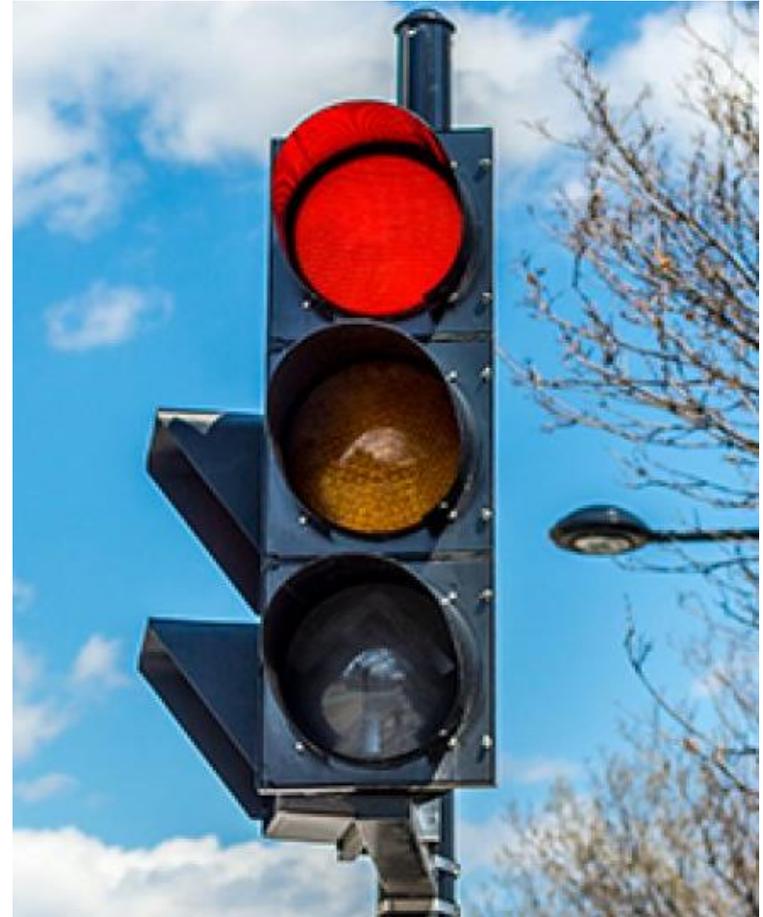


# Transportation-Related Revenues

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## Fewer people driving leads to:

- fewer receipts in garage income, parking tax, parking meter revenue, parking fines, traffic cameras.
- Highway User Revenue (HUR), a State-shared source of revenue, is also dependent on transportation activity such as gas taxes, vehicle registration fees, and titling fees.



# Market-Based Revenues

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## Income Tax

- Receipts are dependent upon people working and earning wages.
- Federal unemployment rates are projected at rates as high as 20%.

## Investment Earnings

- The City earns interest by investing cash balances in short-term instruments, such as money market funds and treasury bills.
- The Federal Reserve actions to lower interest rates have reduced the City's interest income.

# Where The Money Comes From

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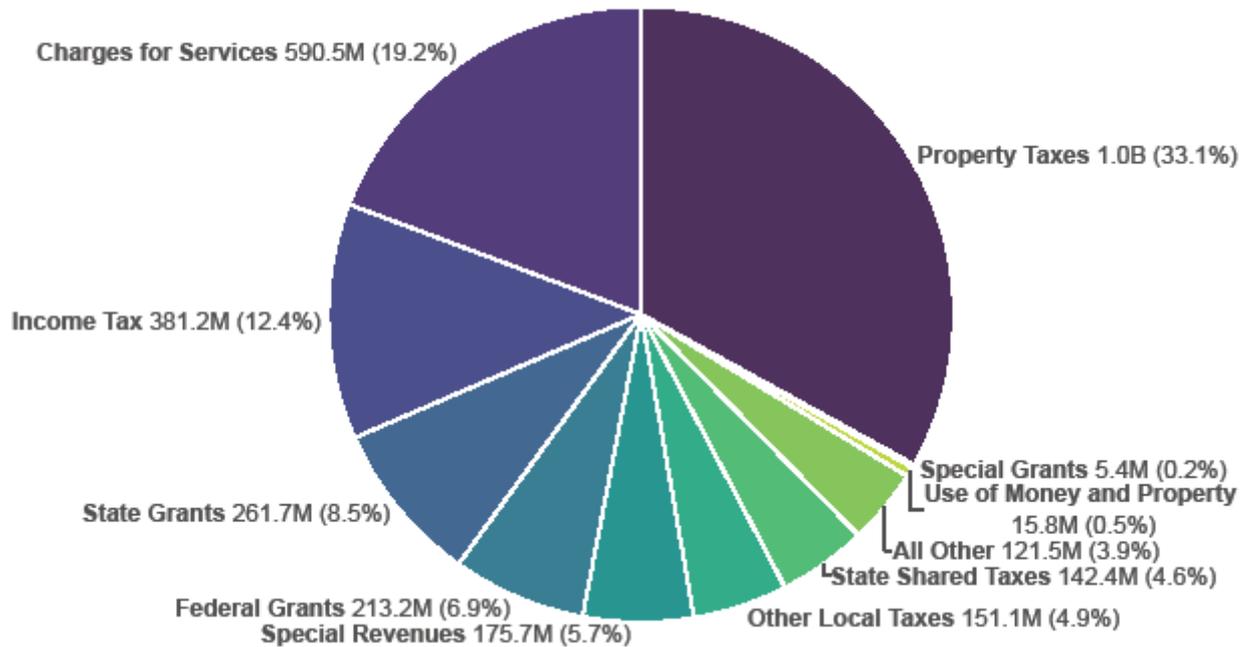
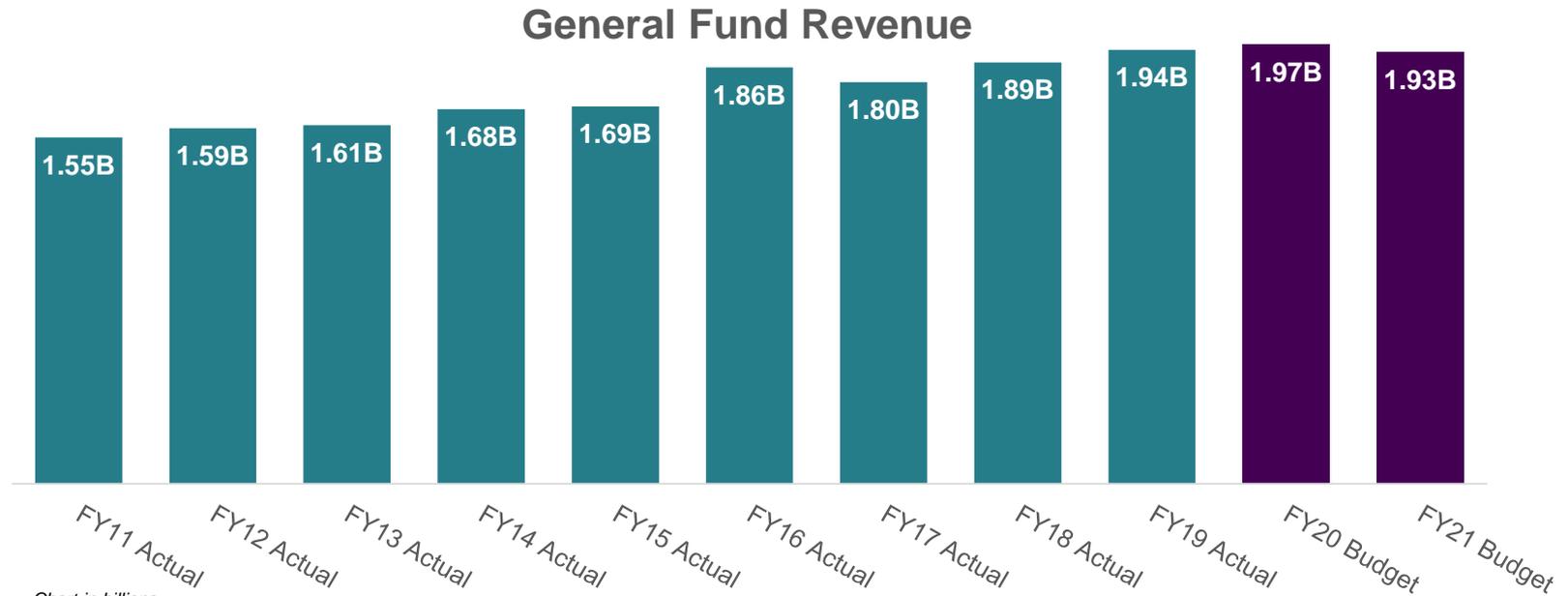


Chart in millions.

# General Fund Revenue

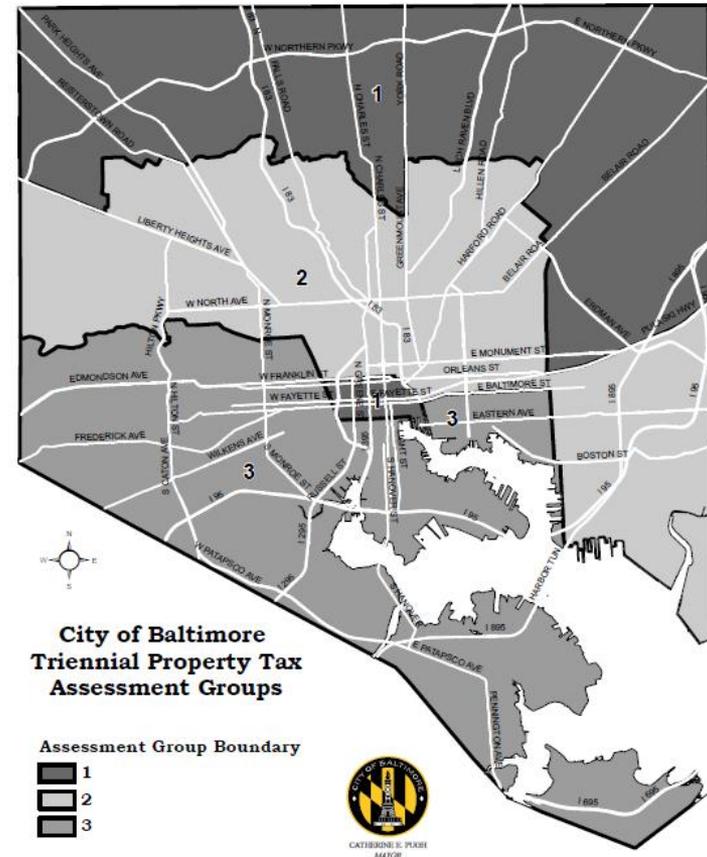


*Note: Actuals for Fiscal 2014, Fiscal 2015, Fiscal 2016, Fiscal 2017 and Fiscal 2019 include \$39.3 million, \$7.5 million, \$27.4 million, \$16.1 million and \$17.8 million respectively, from fund balance and prior year reserves. The Fiscal 2020 Budget includes \$28.0 million from fund balance. The Fiscal 2021 Estimate includes \$21 million from fund balance.*

# Revenue: Property Re-Assessments

Fiscal Year	Assessment Group	Full Cash Value Assessment Increase
Fiscal 2011	Group 1	(2.6%)
Fiscal 2012	Group 2	(8.7%)
Fiscal 2013	Group 3	(6.8%)
Fiscal 2014	Group 1	(3.1%)
Fiscal 2015	Group 2	7.0%
Fiscal 2016	Group 3	9.6%
Fiscal 2017	Group 1	10.9%
Fiscal 2018	Group 2	6.2%
Fiscal 2019	Group 3	3.6%
Fiscal 2020	Group 1	8.4%
Fiscal 2021	Group 2	8.2%

- Assessments for Fiscal 2021 were issued in December, prior to COVID-19.



Tax assessment group areas have been derived from the State of Maryland's assigned assessment group code identified from the City of Baltimore's real property file.

# Revenue: Property Tax

Real and Personal Property Tax Revenues

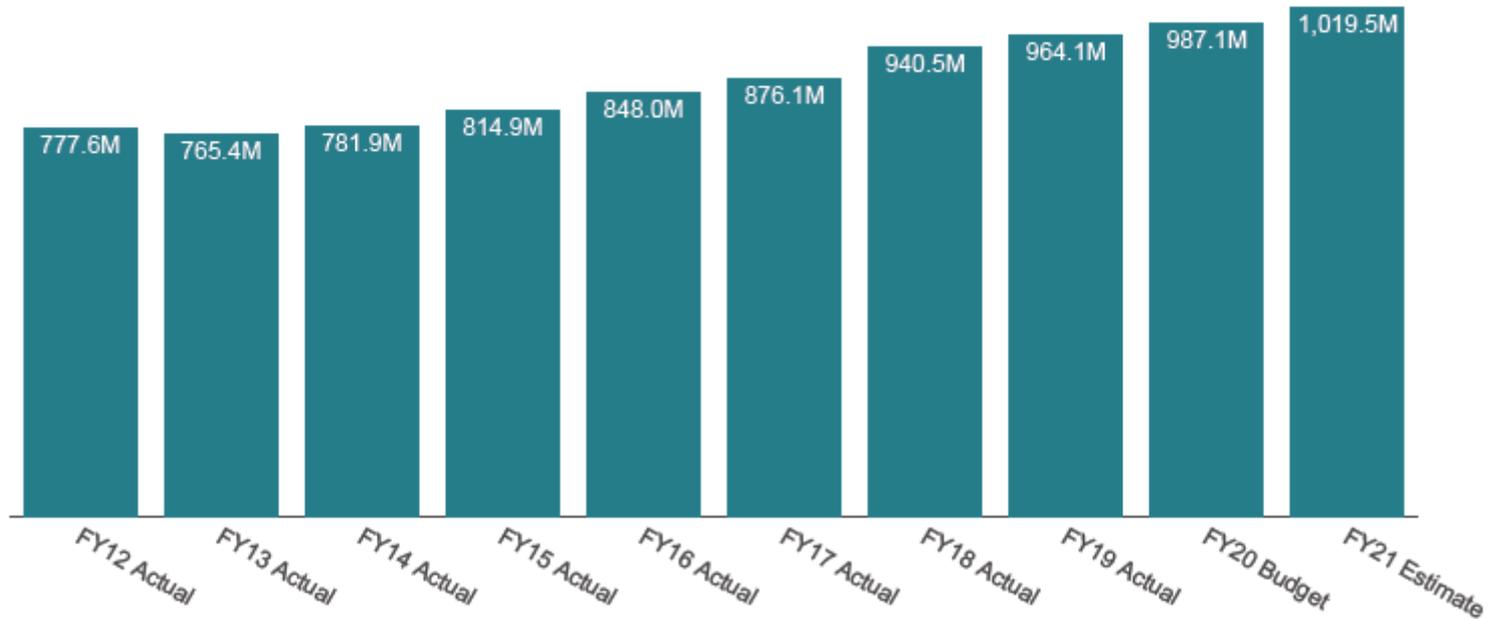
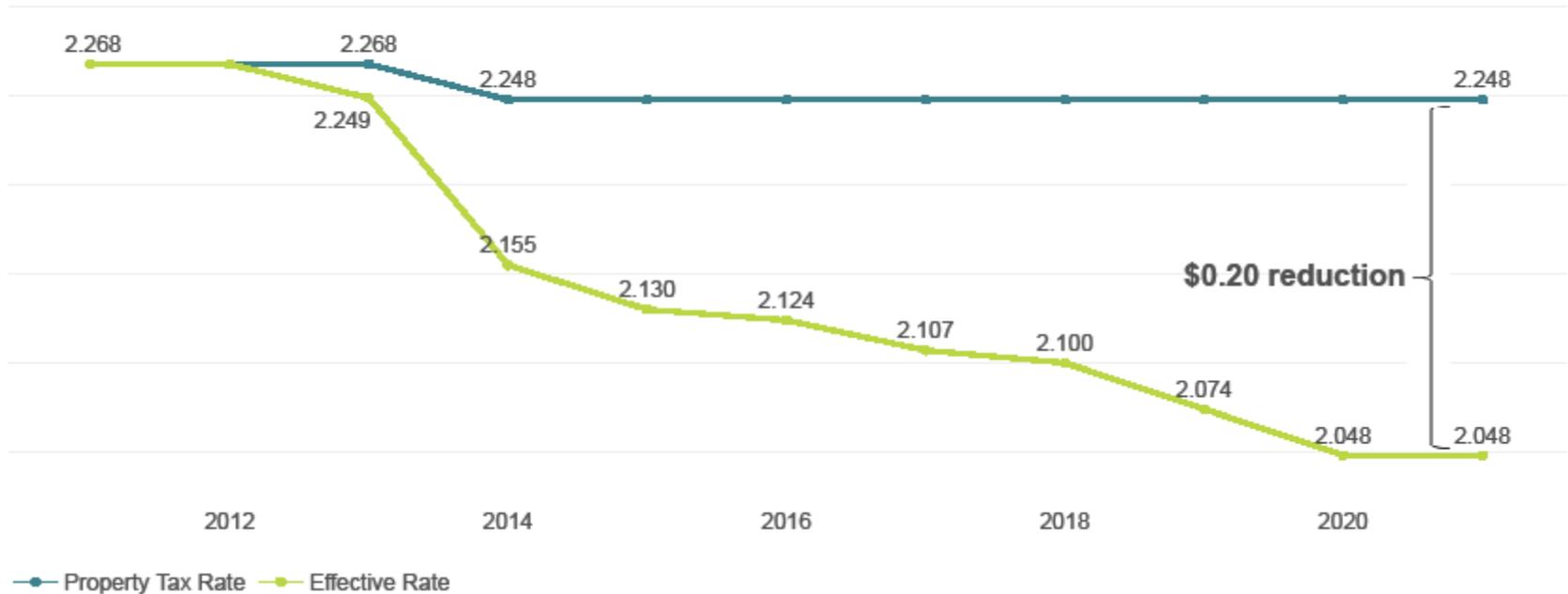


Chart in millions.

- Write-down of \$2.8 million vs. Preliminary estimate.
- Post-COVID, there is a risk of lower collection rates due to backlogs in the housing market.
- For perspective, even a 1% lower collection rate leads to \$10 million of lost General Fund revenue.

# Targeted Homeowners Tax Credit 20 Cents by 2020

Effective Property Tax Rate History (Per \$100 of Assessed Value)



- Fiscal 2021 budget maintains the effective tax rate at \$2.048 per \$100 of assessed value for owner-occupied residential properties.

# Income Tax Recovery

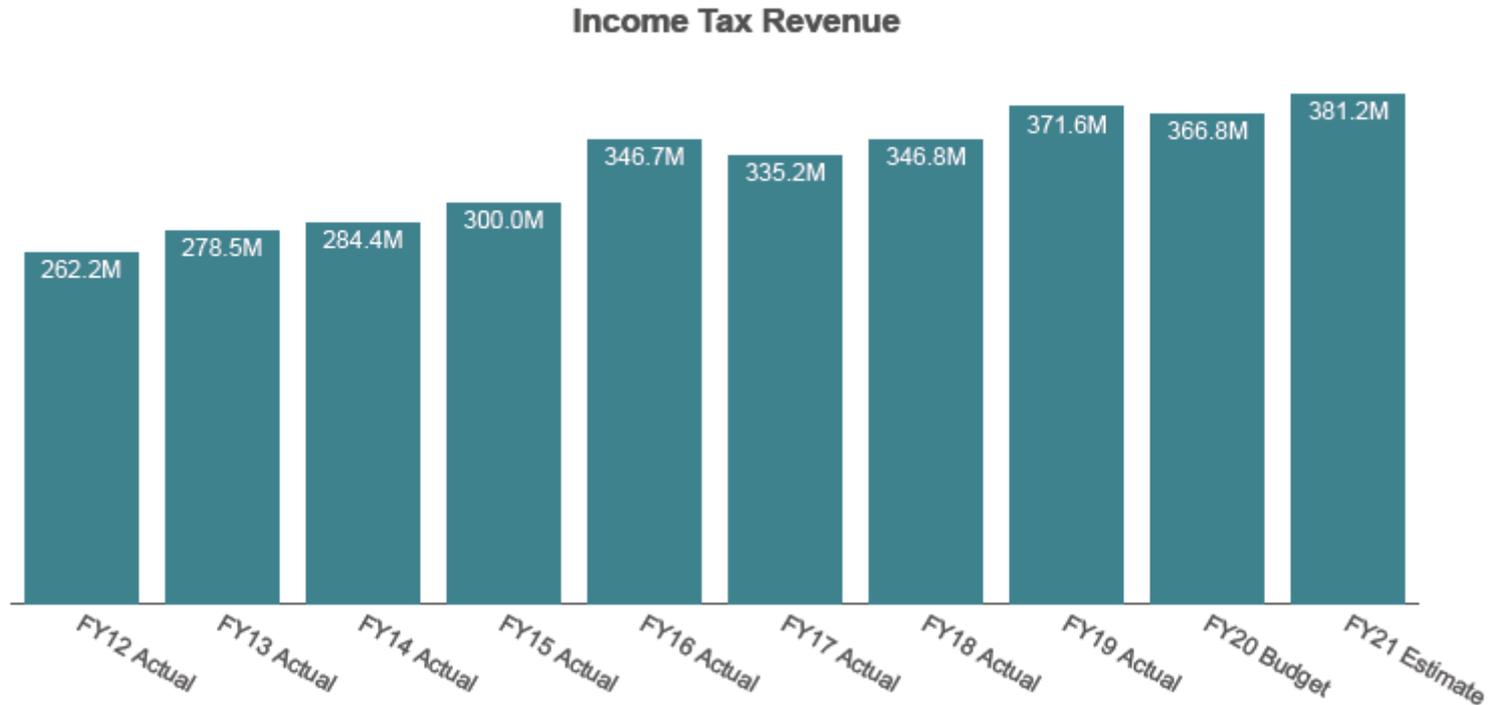


Chart in millions.

- Write-down of \$25.4 million vs. Preliminary estimate.
- Still higher than Fiscal 2020 on a year-over-year basis due to strong pre-COVID growth from impact of Federal tax law.
- High risk in Fiscal 2021 due to uncertainty around employment and economic recovery.

# Highway User Revenues

State Highway User Revenue

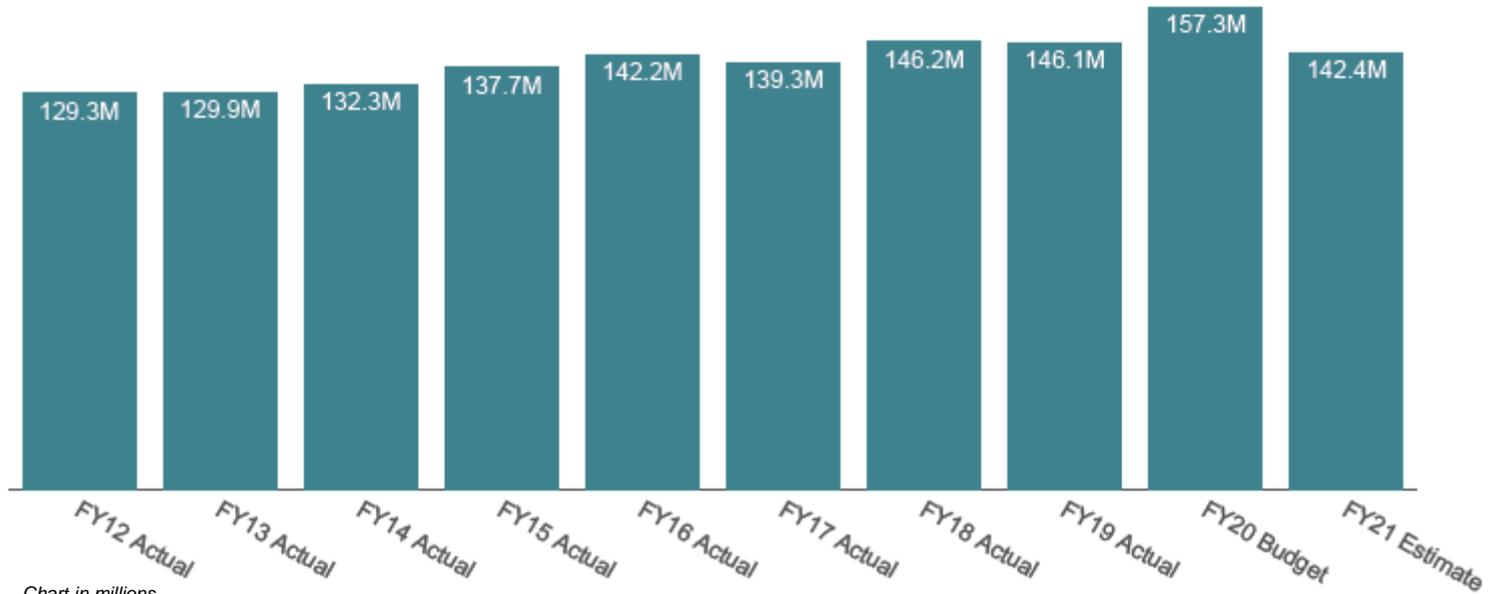
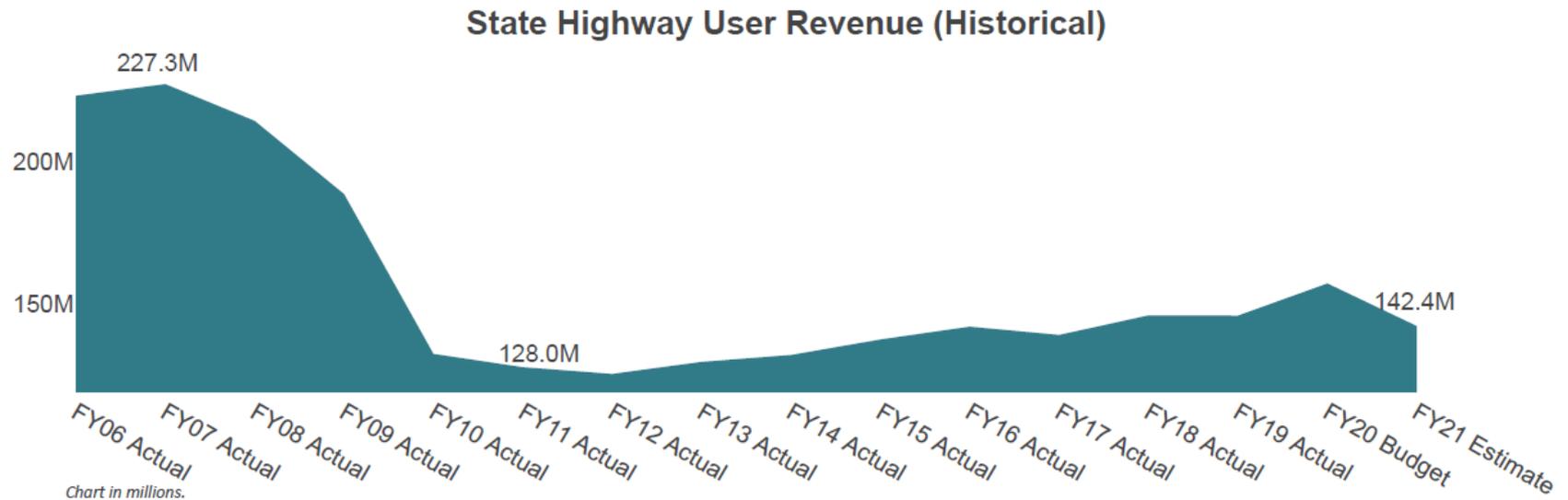


Chart in millions.

- Write-down of \$20 million vs. Preliminary estimate.
- All components of HUR – fuel tax, titling fees, registration fees – are affected by COVID-19.

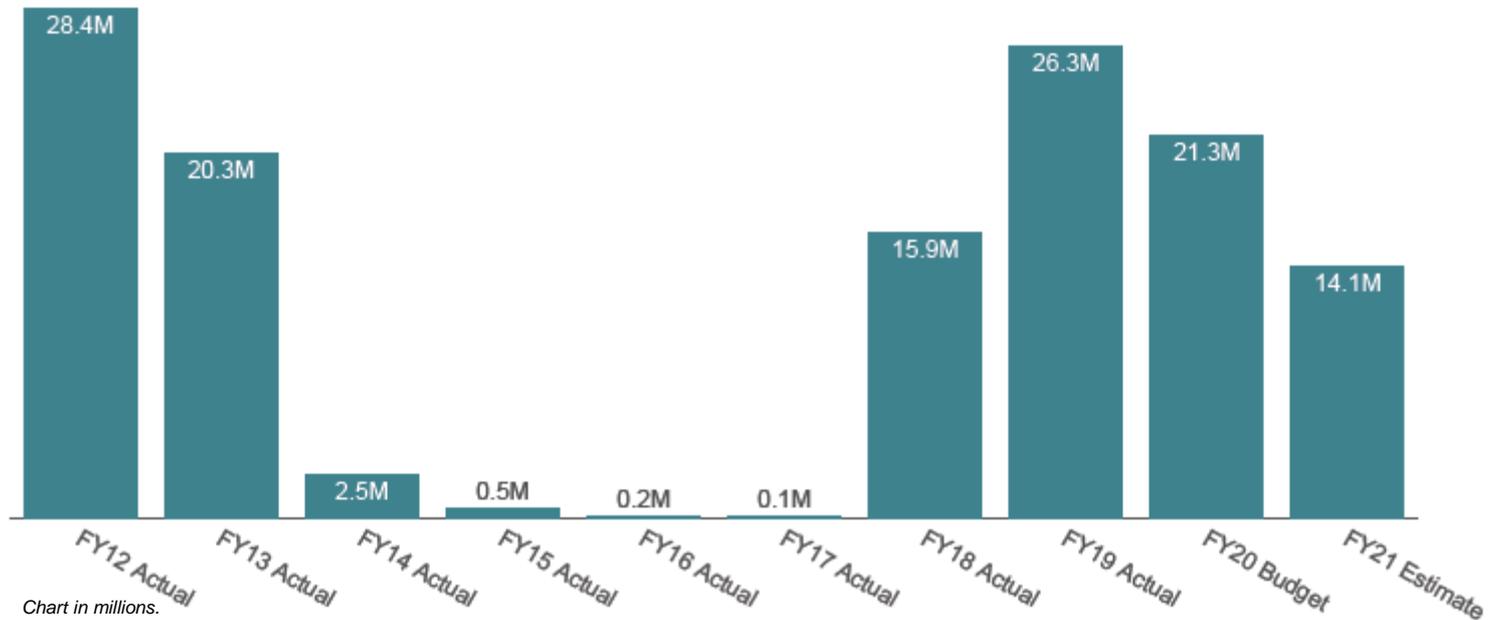
# Highway User Revenues: History



- HUR is now \$85 million below pre-Great Recession levels from over a decade ago.
- This reduction has severely curtailed the City's transportation investments.

# Speed Cameras and Red-Light Violations

Speed and Red Light Camera Violation Revenues



- Write-down of \$8.0 million vs. Preliminary estimates.
- Pre-COVID, revenue was already declining due to driver's adaptive behavior.
- Post-COVID, there is some early evidence of **more** speed camera citations.

# Recordation and Transfer Tax

Recordation and Transfer Tax Revenues

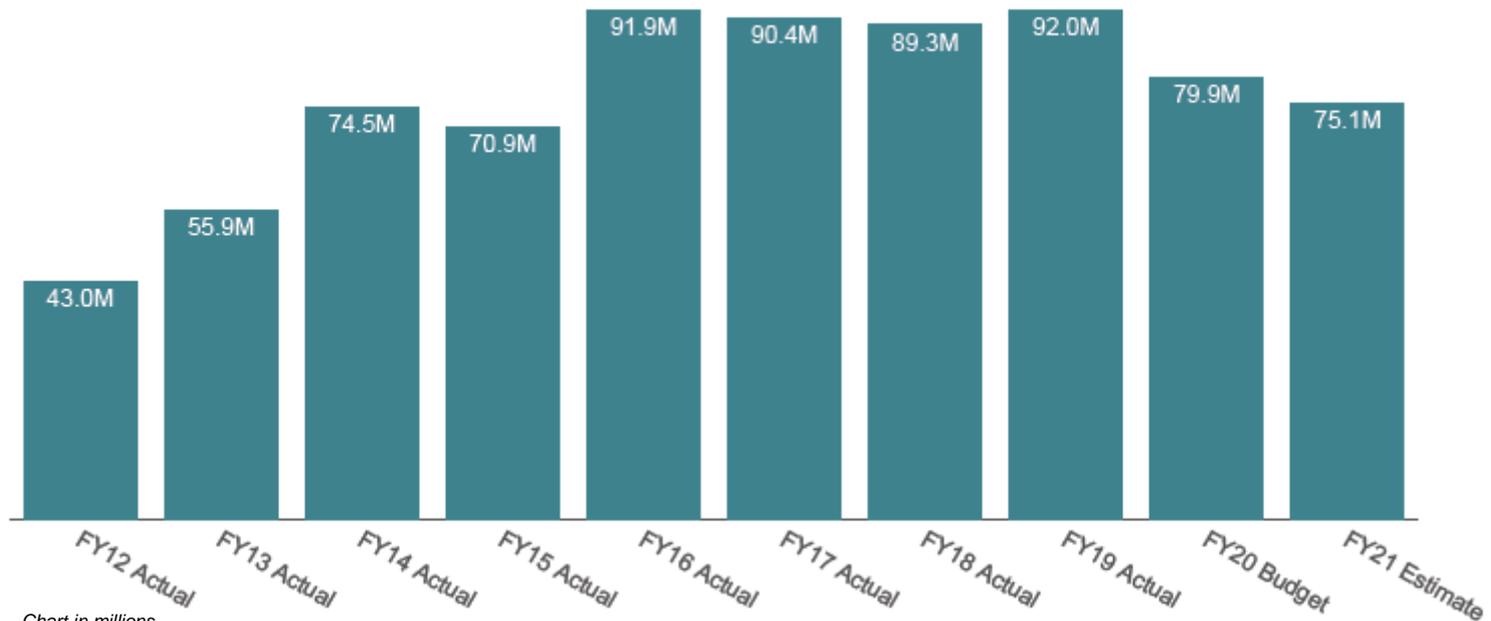


Chart in millions.

- Write-down of \$9.4 million vs. Preliminary estimates.
- Assumes fewer real estate transactions due to limitations on housing market.
- There is some early anecdotal evidence that refinancing transactions are increasing due to very low interest-rates.

# Net Parking Revenues

Parking Revenues (Net Transfer to the General Fund)

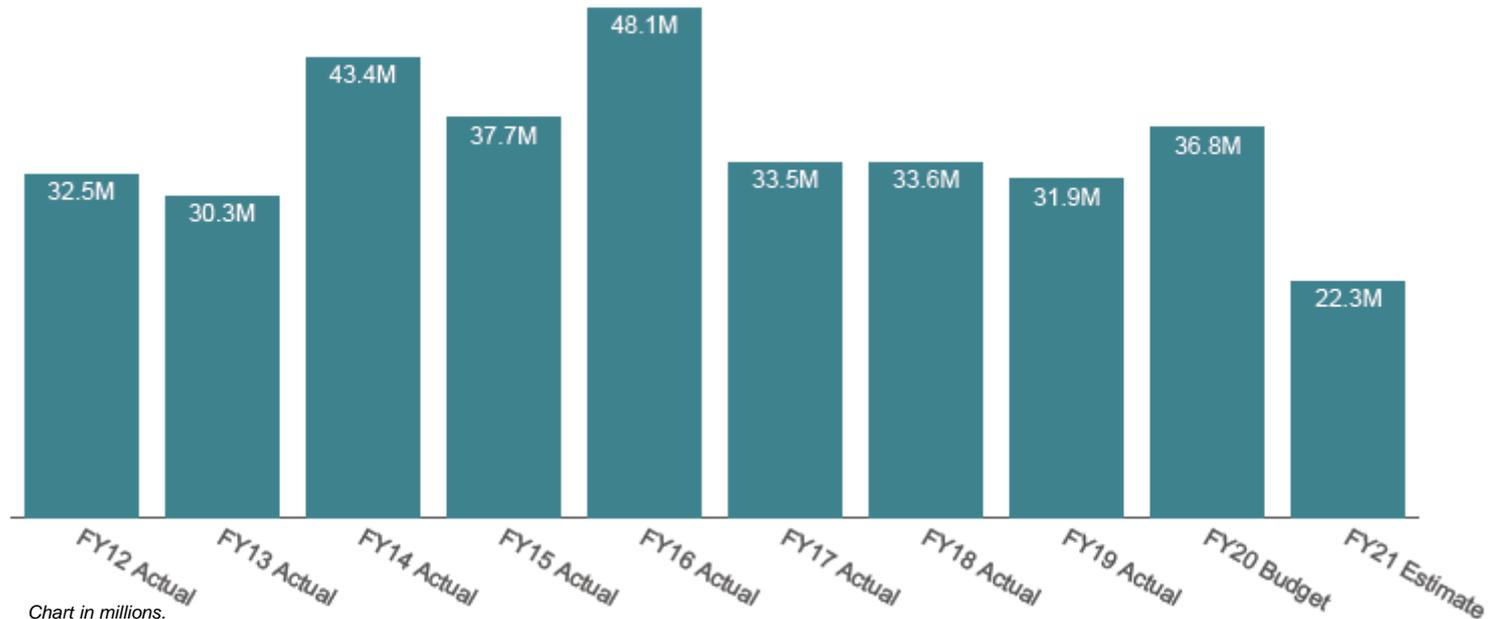


Chart in millions.

- Write-down of \$10.8 million vs. Preliminary estimate.
- Pre-COVID, City was already experiencing a decline due to consumer shift to ride-sharing and dockless vehicles.
- Post-COVID, additional decline forecasted due to less activity and waiving of certain enforcement mechanisms.

# Investment Earnings

Earnings on Investments Revenue

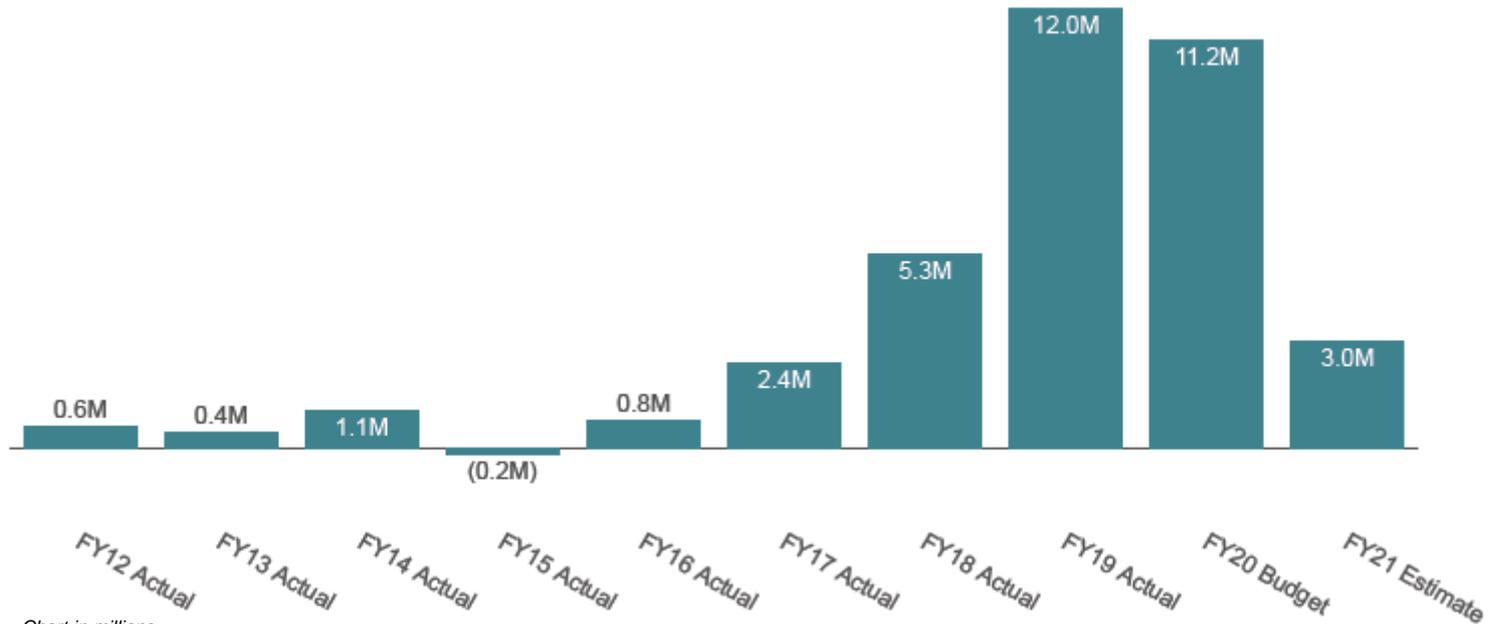


Chart in millions.

- No write-down vs. Preliminary estimate.
- Preliminary Budget had already included a reduction due to Federal Reserve activity to reduce interest rates.
- Assumes an average rate of return of only 0.25% on the City's cash balances.

# Fixed Costs

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# Fixed Costs by Category

General Fund Fixed Costs Trend

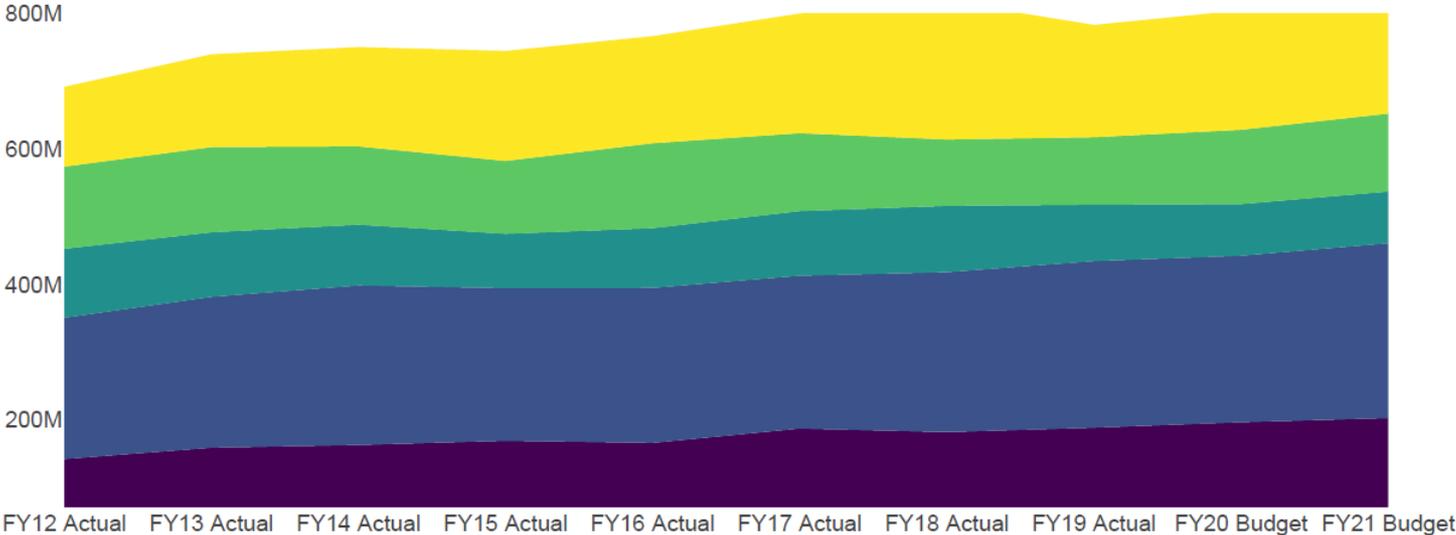
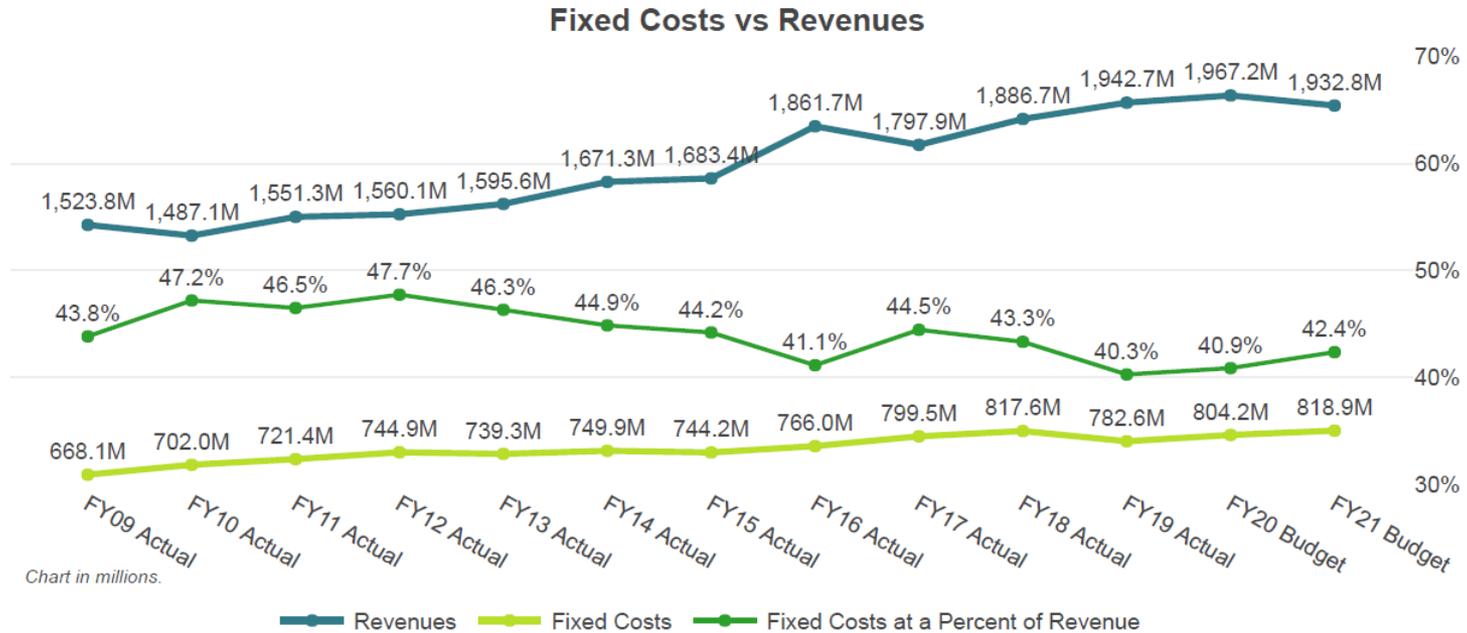


Chart in millions.

■ Other  
 ■ Debt Service  
 ■ Retiree Health  
 ■ BCPS Required Contribution  
 ■ Pension

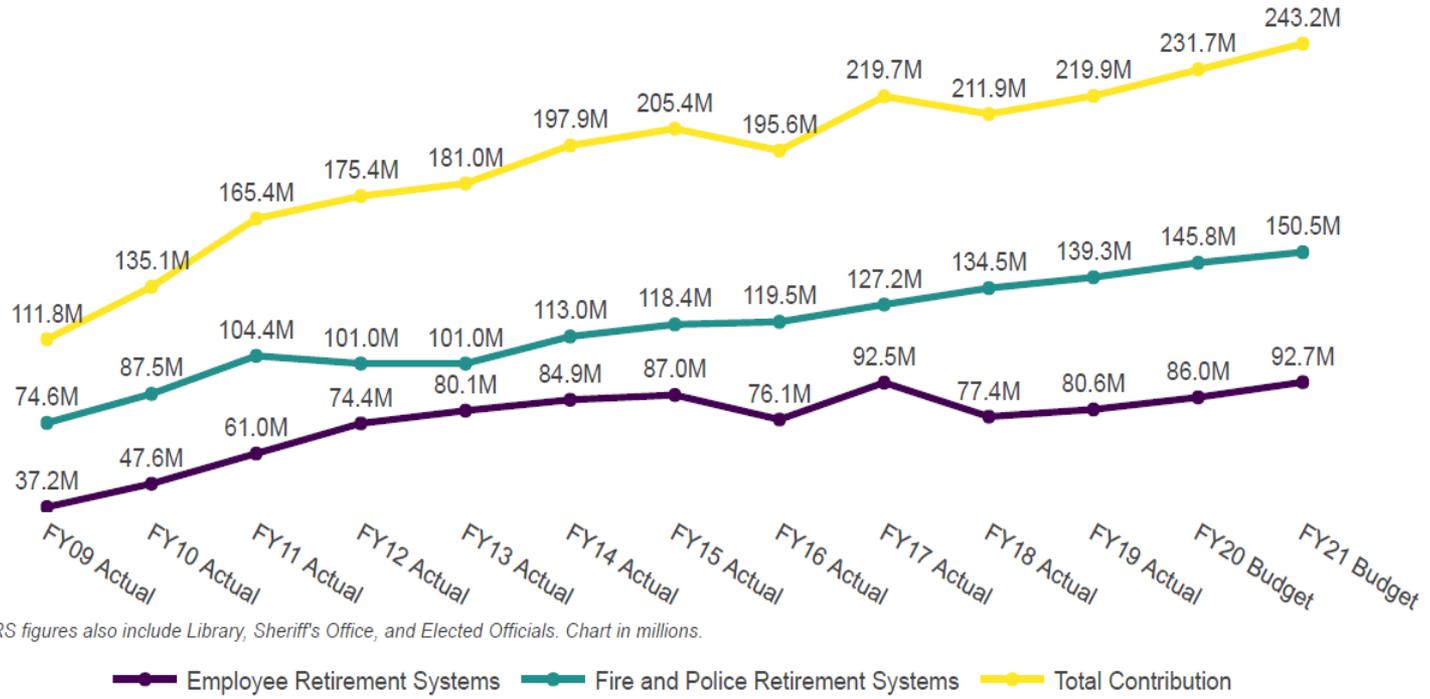
# Reforms Reduce Fixed Costs



- Fixed Costs as a % of General Fund revenues peaked in Fiscal 2012.
- Subsequent declines were due to pension reforms, health benefit reforms, and steady growth in revenue.
- Fixed Cost % growth in Fiscal 2021 is due to declining revenues and higher pension contributions.
- Further growth in Fiscal 2022 is likely due to flattening revenues, and higher pension contributions to make up for current-year market losses. This trend will put extreme pressure on other core spending.

# Employee Retirement Systems (ERS) Contribution

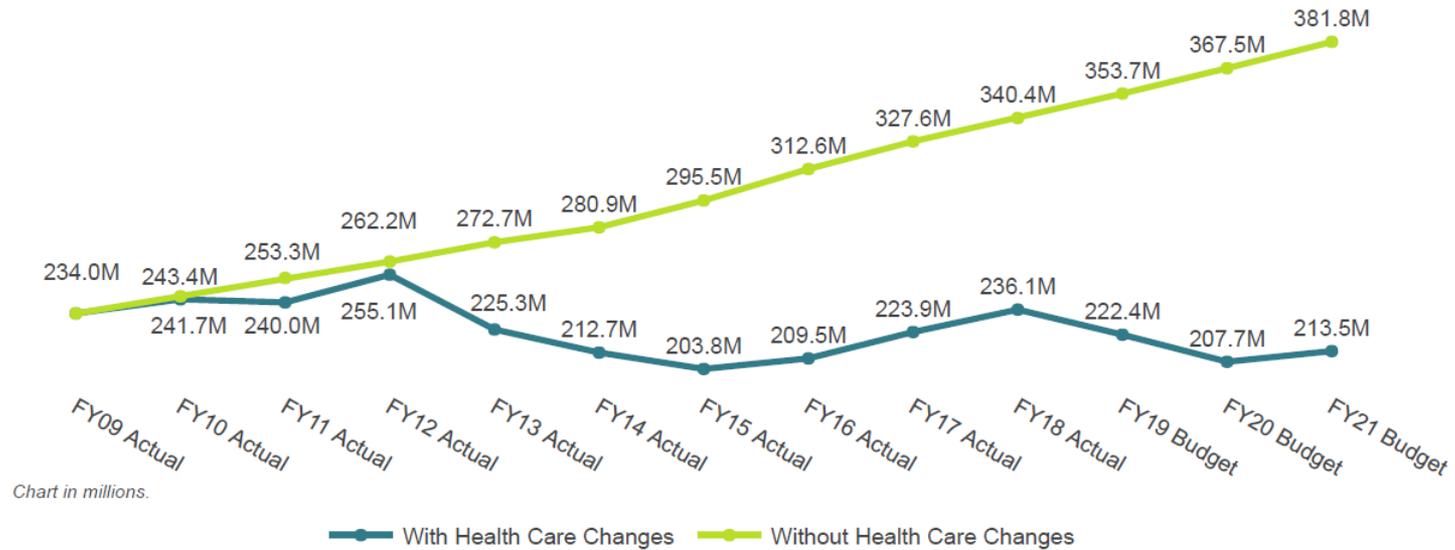
Contribution to Employee Retirement Systems (All Funds)



ERS figures also include Library, Sheriff's Office, and Elected Officials. Chart in millions.

# Health Benefit Reform Savings

Baltimore City Health Care Costs



- Key inflection points in Fiscal 2012, from health benefit reforms, and Fiscal 2018, from the rebid of prescription drug contract and administrative cost savings.

# Budget Recommendations

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# Baltimore's Priority Outcomes: Outcomes & Indicators

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## **CHILDREN & FAMILIES**

Academic Achievement  
College & Career Readiness  
Infant Mortality

## **EQUITABLE NEIGHBORHOOD DEVELOPMENT**

Employment Rate  
Number of Jobs  
Visitors to Baltimore

## **CLEAN & HEALTHY COMMUNITIES**

Recycling Rate  
Citywide Energy Use  
Asthma Visits  
Recreational Opportunities  
Blight Elimination  
Water Cleanliness

## **PUBLIC SAFETY**

Homicides & Non-Fatal Shootings  
Property Crime  
Opioid-Related Deaths

## **INNOVATIVE GOVERNMENT**

Prompt Vendor Payment  
311 Responsiveness

# Children & Families

## Supporting City Schools

The Fiscal 2021 includes over **\$408.8 million** for City Schools, a record high. Funding supports Maintenance of Effort payments, the 21st Century Schools Fund, teacher pension costs, retiree health benefits, and school health and crossing guard services.



## Built to Learn

The City is providing a **\$30 million** down payment on the State's "Built to Learn" school construction legislation. Per the legislation, every \$1 of City contributions will be matched by approximately \$9 of State funds, which could leverage up to \$420 million of additional funding for City Schools.



# Children & Families

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## *The proposed level of funding supports:*

- **1,000** participants trained by the Health Department's Office of Youth and Trauma Services in trauma-informed care
- **6,500** participants in the Enoch Pratt Free Library computer training classes at branch technology labs.
- **90%** of 3 year olds in Head Start scoring "ready" in each school readiness domain.
- **350,000** health suite visits provided by the Health Department's School Health Services , including health and vision screenings, to youth enrolled in Baltimore City Public Schools.
- Note that Baltimore City Recreation and Parks is creating modified summer programming for youth during COVID-19.

# Public Safety



## Baltimore Community Intelligence Centers

**\$1.4 million** of new funding for two new Baltimore Community Intelligence Centers, modeled after a best practice that has demonstrated success in Chicago. The Centers are district-level operations that will use data, technology, and real-time intelligence to rapidly respond to crime.

## Baltimore City Fire Department Efficiencies

The Fire Department budget includes several operational improvements, including a comprehensive inventory management system that is expected to result in savings. BCFD will also work with a consultant to assess staffing; time-keeping and leave policies; overtime; policies, schedules, and compensation plans; and fees for services.



# Public Safety

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## *The proposed level of funding supports:*

- **1,500** conflicts in high-crime neighborhoods mediated by Safe Streets
- **90%** of Emergency Medical Services incidents responded to within nine minutes
- **350** arrests assisted or initiated by the CitiWatch program
- **2,000** ex-offenders receiving employment assistance services
- **22** collaborative meetings and presentations between community and the Civilian Review Board
- **250** Police recruits hired

# Clean & Healthy Neighborhoods



## Quarantine Road Landfill Expansion

The Fiscal 2021 budget marks the second year of an eight-year plan for landfill redevelopment. **\$9.7 million** will be deposited into the Landfill Trust Fund, to prepare the City for the eventual expansion of the Quarantine Road site which is nearing the end of its useful life.



## Capital Investment in Utilities

The budget includes **\$608 million** of new capital investment is included across the Water, Wastewater, and Stormwater Funds to continue progress on the modernization of the City's core infrastructure.

# Clean & Healthy Neighborhoods

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## *The proposed level of funding supports:*

- **250** affordable housing units created
- **52,250** seniors accessing services through Senior Centers
- **5,600** households receiving housing related services, such as lead remediation and housing counseling
- **10** miles of new bike infrastructure constructed
- **95%** of children with reduced asthma-related ER visits following home visits from Baltimore City Health Department
- **1.8 million** needles exchanged through the Needle Exchange Program

# Equitable Neighborhood Development

## Tourism Improvement District

**\$4.5 million** will be generated for Visit Baltimore as part of the new Tourism Improvement District (TID), which is generated by a surcharge on hotel room stays. The funding will help backfill losses in Visit Baltimore's base budget that are tied to Hotel Tax Receipts.



## DHCD Capital Investments

**\$42.1 million** of capital funding across multiple funding sources will support Department of Housing and Community Development projects in demolition, development, homeownership incentives, and affordable housing.

# Equitable Neighborhood Development

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## *The proposed level of funding supports:*

- **30,000** people receive job searching, career counseling, and skills training assistance and **2,300** people receive job placements through the Career Center network
- **2,420** jobs attracted or retained with loans, tax credits, and outreach
- **1,565** minority- or women-owned businesses certified
- **83%** of wage investigation cases closed in under 6 months

# Innovative Government

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## Enterprise Resource Planning

The Baltimore City Information Technology (BCIT) budget includes **\$17 million** to continue implementation of the Enterprise Resource Planning (ERP) system, designed to replace and integrate the City's core finance, payroll, and human resources systems, while reducing manual data entry and improving access to real-time financial information.



## Cybersecurity

BCIT's capital budget includes **\$8.3 million** for cyber-security infrastructure, such as remediation of end-of-life systems, new cable and wiring, and a new data warehouse. These investments will strengthen the City's IT backbone and minimize the ongoing risk of a service disruption.



# Innovative Government

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## Employee Training

The Department of Human Resources will re-launch its **Office of Learning and Development**, with a focus on free foundational training for staff and change management instruction for ERP project leaders.



## Real Estate Consolidation

The Department of Finance, in collaboration with General Services and Real Estate, will deploy the first phase of its **real estate maximization strategy**. Various public safety functions will be consolidated downtown under one roof, freeing up valuable vacated real estate to be put back to productive, and taxable, private use.

# Innovative Government

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## *The proposed level of funding supports:*

- **6,500** hours of government meetings aired on CharmTV
- **457,000** records made publicly available online
- **\$500,000** saved and recovered from Inspector General investigations
- **890,000** calls addressed through 311 Call Center
- **6,000** employees trained through the Department of Human Resources Learning and Development Division
- **460** lawsuits handled regarding Litigation, Labor and Employment, and Land Use
- **250** procurement trainings conducted
- **20,000** views on CharmTV's website

# Innovation Fund

**Convention Center:** Following the model of facilities across the country, the Convention Center will construct a digital sign at the corner of Howard and Conway Streets that will display 60% paid content, with the remainder available for public messaging. Approximately 60,000 cars pass the sign's location daily.



**Recreation and Parks:** Building on the success of the Camp Small project, BCRP will purchase equipment that will allow them to produce high-quality lumber slabs, mulch, playground fiber, firewood, and biochar for government, nonprofit, private sector, and individual buyers.

# Budget Reductions

*(between Preliminary and Final Recommended Budget)*

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# Financial Assumptions

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Action Taken	Funds
Revised assumptions for inflation, fuel costs, and debt service costs	\$3.6 million
Reduced contribution to Rainy Day Fund	\$4.0 million
Reduced payment to Risk Management Fund	\$2.4 million
Reduced Visit Baltimore's budget	\$5.2 million
<b>Total</b>	<b>\$15.2 million</b>

# Other Fund Sources

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Action Taken	Funds
Utilize unspent Youth Fund balance	\$8.0 million
Utilize unspent Community Development Block Grant balance	\$2.0 million
Revise existing tax credit programs	\$2.0 million
<b>Total</b>	<b>\$12.0 million</b>

# Pause New Initiatives

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Action Taken	Funds
Defer General Fund PAYGO capital projects	\$10.7 million
Pause 5 Baltimore Community Intelligence Centers	\$3.4 million
Pause additional year of Risk Management support to BCPSS	\$11.0 million
Pause Charm City Circulator improvements	\$1.6 million
All other new initiatives	\$0.5 million
<b>Total</b>	<b>\$27.2 million</b>

# Employee Pay & Benefits

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Action Taken	Funds
Negotiate personnel savings with unions	\$15.6 million
Negotiate changes to active employee benefits	\$2.9 million
Offer a more cost-effective Medicare	\$1.9 million
<b>Total</b>	<b>\$20.4 million</b>

# Service Efficiencies & Reductions

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Action Taken	Funds
Defund 240 vacant civilian positions	\$15.4 million
Efficiencies in non-essential spending	\$5.1 million
Close two Fire companies	\$3.6 million
Reorganize BPD special units	\$3.4 million
Eliminate graffiti removal service	\$0.8 million
<b>Total</b>	<b>\$28.3 million</b>

# Other Fund Sources:

*Capital, Utility, Casino, Grants Funds*

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# Capital Improvement Plan

Capital Funds	Fiscal 2020 Budget	Fiscal 2021 Budget	Dollar Change	Percent Change
<b>Pay-As-You-Go</b>				
General	50,000,000	500,000	(49,500,000)	-99%
Conduit Enterprise	23,000,000	23,000,000	0	0%
Wastewater Utility	16,388,000	0	(16,388,000)	-100%
Water Utility	19,578,000	0	(19,578,000)	-100%
Stormwater Utility	2,275,000	1,750,000	(525,000)	-23%
<b>Grant and Special Funds</b>				
Federal	75,191,000	39,967,000	(35,224,000)	-47%
State	26,235,000	8,630,000	(17,605,000)	-67%
<b>Loans and Bonds</b>				
General Obligation Bonds	80,000,000	80,000,000	0	0%
Revenue Bonds	223,623,000	451,538,000	227,915,000	102%
County Transportation Bonds	26,018,000	15,000,000	(11,018,000)	-42%
<b>All Other</b>				
All Other	85,156,000	202,827,000	117,671,000	138%
<b>GRAND TOTAL</b>	<b>627,464,000</b>	<b>823,212,000</b>	<b>195,748,000</b>	

# Utility Funds

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<b>OPERATING FUNDS</b>	<b>Fiscal 2020 Budget</b>	<b>Fiscal 2021 Recommended</b>
Water Utility	\$192,375,485	\$201,535,654
Wastewater Utility	\$277,356,115	\$273,303,492
Stormwater Utility	\$27,145,365	\$34,016,956
<b>Total</b>	<b>\$496,876,965</b>	<b>\$508,856,102</b>

# Casino Revenues

Casino funding supports the General Fund at large, tax reduction, school construction, and services within the radius of the Horseshoe Casino and Pimlico Racetrack (South Baltimore and Park Heights, respectively).

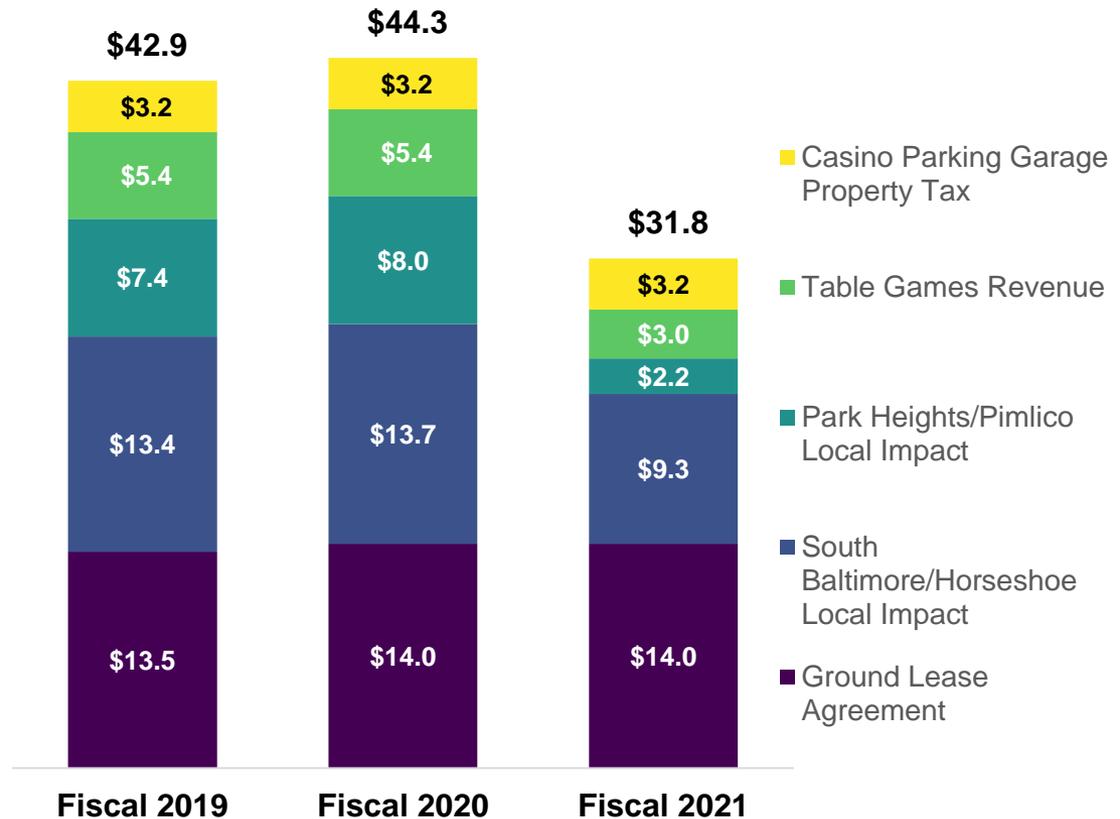


Chart in millions.

# Grant Funds

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## Federal Stimulus (CARES Act)

- City has contracted with Ernst & Young to provide strategic support and direction on Federal Aid.
- Known awards from State Stabilization Fund (\$103M), CDBG (\$13M), ESG (\$6M)
- Other opportunities from FEMA, DOJ, CDC, etc...
- Only covers COVID costs.
- Not allowed for revenue backfill.



# Questions?

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