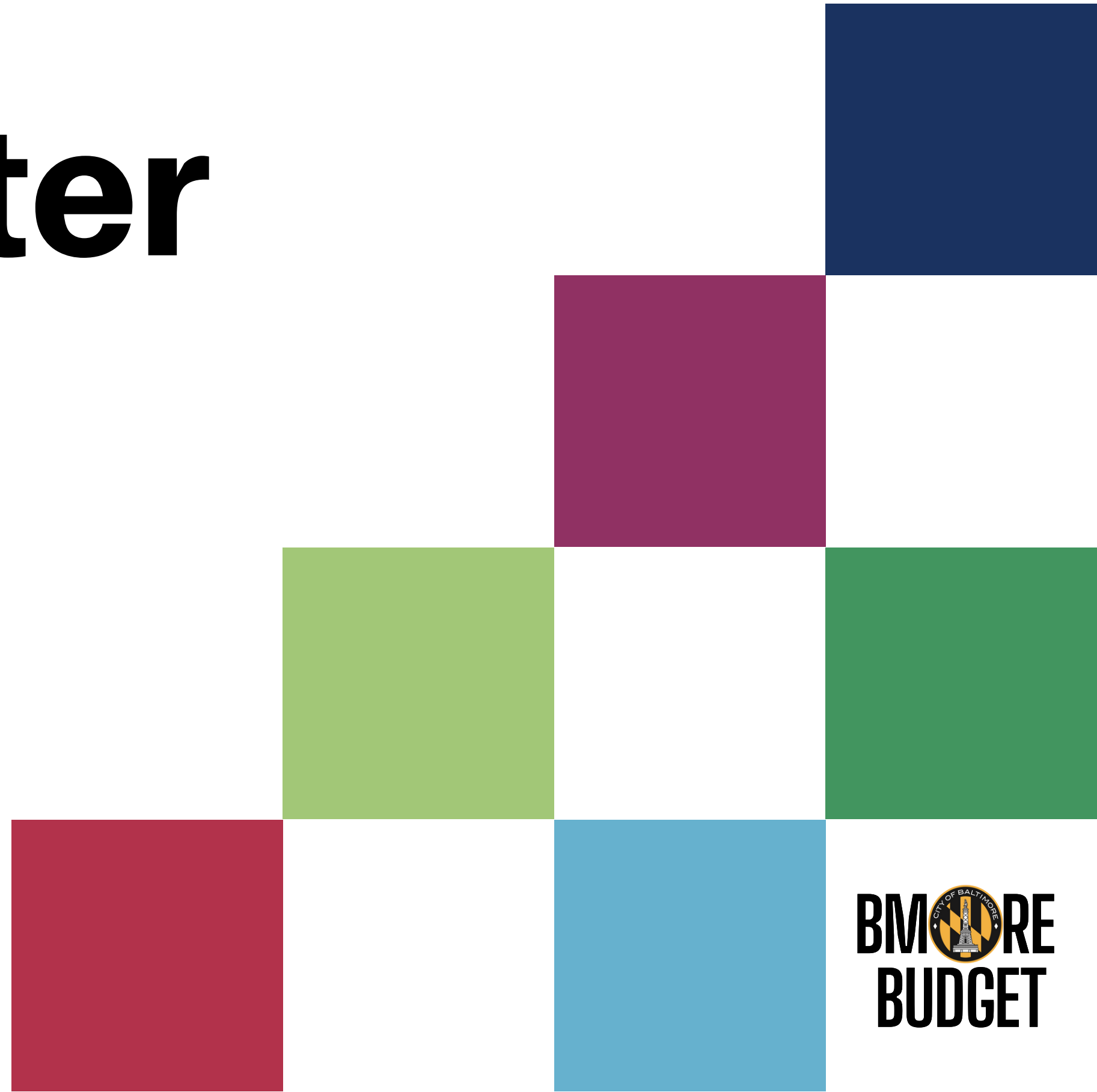


# Fiscal 2023

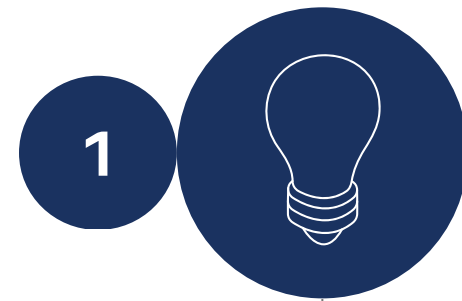
# Second Quarter

# Projections

## City of Baltimore



## Agenda



### *Highlights*

Second Quarter Highlights and Overview



### *Expenditure Overview*

Major Changes, Workday Reporting



### *General Fund Revenue Overview*

Highlights, Variances, Projection Detail,  
Understanding Projections



### *Fiscal 2024 Revenue Assumptions*

Revenue Assumptions Detailed

# Second Quarter Highlights

# Fiscal 2023: Second Quarter Outlook

## 2nd Quarter Projection: \$23 Million Surplus

### *Changes from 1st Quarter*

- Overall outlook improved by \$55.0 million from 1st to 2nd Quarter.
- The outlook change is primarily driven by improvements to the revenue forecast driven by Transfer and Recordation Taxes, Investment Earnings, & Income Taxes.
- The projected expenditure deficit is driven by public safety overtime & COVID response costs.

### *Key Notes on 2nd Quarter*

- Analysis based on actuals through Dec 31st. Analysis on the 3rd Quarter actuals is currently underway.

### Revenue

**\$63M  
SURPLUS**

### Expenditures

**\$40M  
DEFICIT**

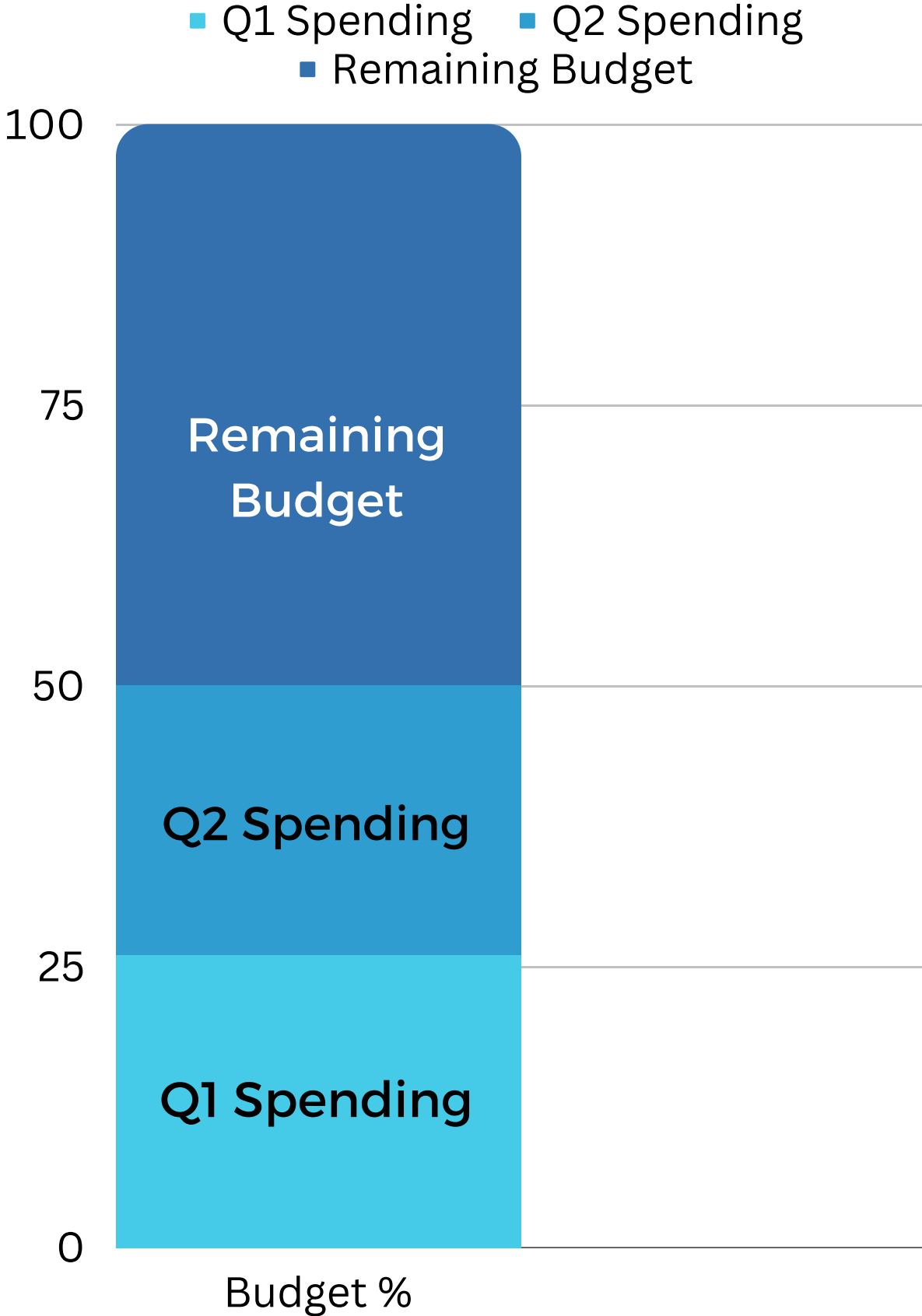
# Fiscal 2023 by the Numbers

	FY 2023 Adopted	Second Quarter Projection	Surplus/Deficit, \$	Surplus/Deficit, %
Revenues (General Fund)	\$2,147.4 million	\$2,210.6 million	\$63.2 million	2.93%
Expenditures (General Fund)	\$2,056.2 million	\$2,096.9 million	-\$39.9 million	-1.94%
PAY-GO (General Fund)	\$90.5 million	\$90.5 million	\$0	0.0%
<b>Total Surplus/(Deficit)</b>			<b>\$23.3 million</b>	

# Second Quarter Expenditure Overview

# When the Money is Spent

- Citywide quarterly spending is on track for FY 2023
  - 1st Quarter Spending: 26% of Budget
  - 2nd Quarter Spending: 24% of Budget
- Variance at the individual agency level varies based on seasonality in spending for various expenditures.
- This data reflects actual spending only, it does not include funding encumbered for contractual spending.



# Projected Expenditure Deficits

	\$ Variance	Explanation
Fire	-\$17.5m	<ul style="list-style-type: none"> <li>• Projected deficit driven by overtime costs; consistent with 1st Quarter projection</li> <li>• High overtime numbers driven by high vacancy numbers for sworn positions; the cost overtime has surpassed savings realized from vacant positions</li> <li>• As of May 1st, the Fire Department had 213 vacant sworn positions; up 21% since the start of FY 2023</li> </ul>
Police	-\$15.9m	<ul style="list-style-type: none"> <li>• Projected deficit is driven by overtime costs, incentives, and stipends</li> <li>• Consistent with the Fire Department, overtime projections are driven by vacancy numbers for sworn positions</li> <li>• As of May 1st, the Police Department had 158 vacant sworn positions, up 29% since the start of FY 2023</li> </ul>
Health- COVID Response	-\$20.1m	<ul style="list-style-type: none"> <li>• Projected deficit is driven by Citywide COVID response costs</li> <li>• These costs will be reimbursed by FEMA at 90% through May 11st 2023</li> <li>• The activities currently being funded by FEMA are:               <ul style="list-style-type: none"> <li>◦ Hotel Shelters &amp; Security Costs</li> <li>◦ Vaccine Rollout</li> <li>◦ Eligible Health Department Expenses</li> </ul> </li> </ul>



# Workday Implementation & Projection Analysis



- Fiscal 2023 is the first year of using Workday data for quarterly projections.
- New reports with Budget to Actual data are making it difficult to accurately interpret and analyze this information.
- Primary Areas of Concern:
  - Charging positions to correct funding sources
  - Ensuring grant expenditures are consistent with the budget
  - Accurately forecasting purchasing activity
- The budget modules of Workday are included in the 3rd phase of the project.

# Second Quarter General Fund Revenue Overview

## Revenue Highlights

### POSITIVE HIGHLIGHTS

The Fiscal 2023 Q2 Revenue Projection anticipates a **\$63.2 million or 2.9% revenue surplus** driven by Transfer and Recordation Taxes, Investment Earnings, & Income Taxes.

- Transfer and Recordation Taxes: Fiscal 2023 continues to capture some of the lingering impacts from the housing market activity in Fiscal 2022.
- Investment Earnings: High interest rates paired with large daily cash balance have resulted in an unanticipated revenue surplus.

### POTENTIAL AREAS OF CONCERN

The following revenue sources are trending lower than Fiscal 2023 assumptions.

- Real Property Tax: There were approximately 1,300 duplicates identified in the assessment file, which led to an overstatement of \$588.4 million in the taxable base. This will be resolved in the third quarter projections.
- Collection Rates: The YTD collection rate for traffic cameras at the time of the projection was 44%. BBMR expects this to climb to 50% over the course of the year and will continue to monitor and reevaluate this as the year progresses.

# Revenue Highlights

General Fund Revenue Summary Table

REVENUES	FY 2023 Budget	FY 2023 Q1 Projection	FY 2023 Q2 Projection	Surplus / (Deficit)
Local Taxes	\$1,663.10	\$1,693.70	\$1,693.70	\$30.60
State Collected Taxes	\$170.00	\$160.20	\$170.00	\$0.00
Licenses and Permits	\$31.40	\$27.10	\$28.90	(\$2.50)
Fines and Forfeits	\$38.10	\$36.60	\$34.40	(\$3.70)
Use of Money and Property	\$19.30	\$32.80	\$41.50	\$22.20
State Aid	\$104.80	\$104.80	\$104.80	\$0.00
Private and Federal Grants	\$0.00	\$4.10	\$4.10	\$4.10
Charges for Current Services	\$45.70	\$36.10	\$46.40	\$0.70
Other Revenues	\$3.40	\$3.70	\$10.40	\$7.00
<b>Total Revenues Before Transfers</b>	<b>\$2,075.90</b>	<b>\$2,099.10</b>	<b>\$2,134.30</b>	<b>\$58.40</b>
<b>Net Transfers</b>	<b>\$1.50</b>	<b>\$5.70</b>	<b>\$6.40</b>	<b>\$4.90</b>
<b>Prior Year Fund Balance</b>	<b>\$70.00</b>	<b>\$70.00</b>	<b>\$70.00</b>	<b>\$0.00</b>
<b>Total General Fund</b>	<b>\$2,147.40</b>	<b>\$2,174.80</b>	<b>\$2,210.60</b>	<b>\$63.20</b>

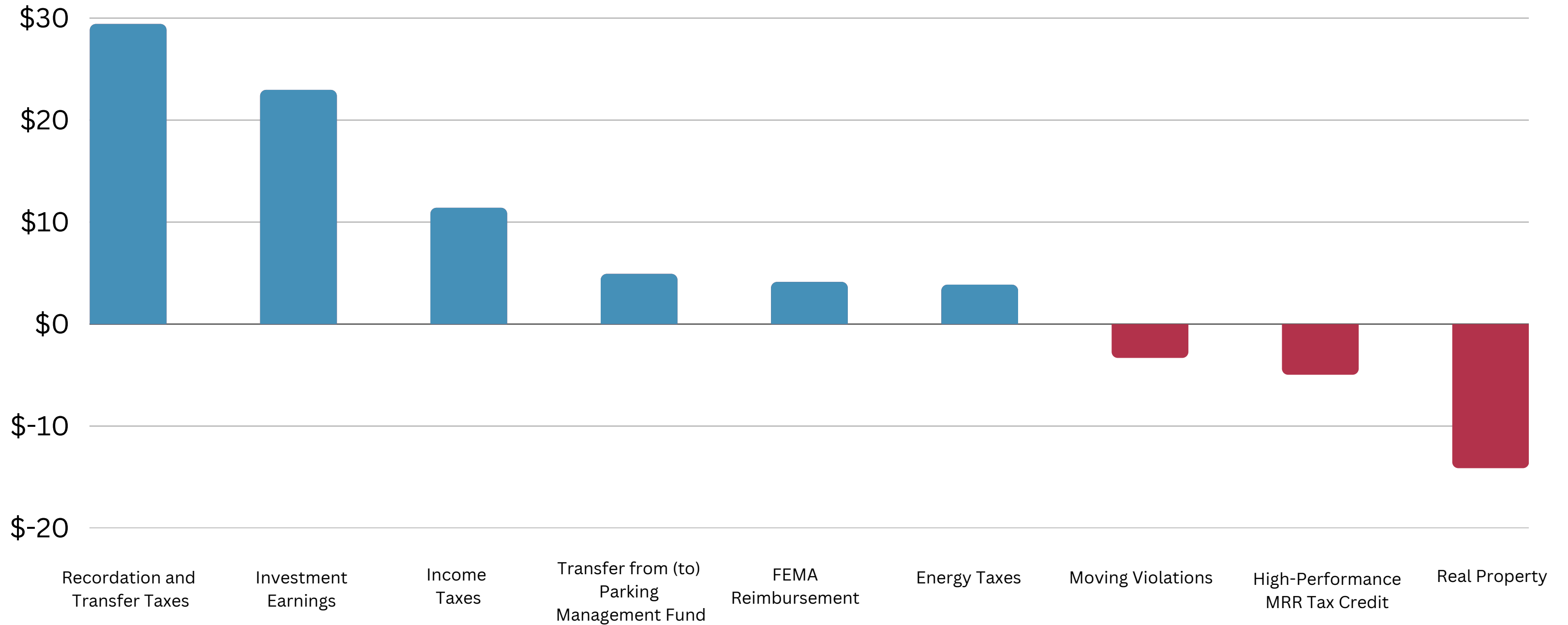
Local Taxes Summary Table

REVENUES	FY 2023 Budget	FY 2023 Q1 Projection	FY 2023 Q2 Projection	Surplus / (Deficit)
<b>Local Taxes</b>				
Property Taxes	\$1,051.80	\$1,048.50	\$1,041.50	(\$10.30)
Income Taxes	\$430.80	\$447.30	\$442.20	\$11.40
Recordation & Transfer Taxes	\$90.10	\$113.60	\$119.40	\$29.40
Energy Tax	\$46.20	\$46.70	\$49.90	\$3.70
Telecommunication Tax	\$34.90	\$34.90	\$34.90	\$0.00
Net Hotel Tax	\$26.70	\$25.90	\$27.50	\$0.80
Video Lottery Terminal	\$12.60	\$12.60	\$12.60	\$0.00
Admission Tax	\$8.00	\$8.60	\$8.40	\$0.40
All Other Local Taxes	\$58.40	\$56.30	\$57.80	(\$0.60)
Tax Credits	(\$96.30)	(\$100.90)	(\$100.60)	(\$4.30)
<b>Total Local Taxes</b>	<b>\$1,663.10</b>	<b>\$1,693.70</b>	<b>\$1,693.70</b>	<b>\$30.60</b>

# Revenues: Major Variances

Second Quarter Projections, Budget Variances

Surplus / (Deficit)  
(figures in millions)



# Major Changes from Q1



**+\$9.8 million**  
**HIGHWAY USER REVENUES**

**+\$8.9 million**  
**INVESTMENT EARNINGS**

**+\$5.8 million**  
**RECORDATION AND TRANSFER TAXES**

**-\$2.5 million**  
**TRAFFIC CAMERAS**

**-\$5.1 million**  
**INCOME TAXES**

**-\$11.0 million**  
**PROPERTY TAXES**

# Second Quarter Projected Revenue Surpluses

# Transfer & Recordation Taxes

Budget: \$90,055,000

Q2 Projection: \$119,448,000

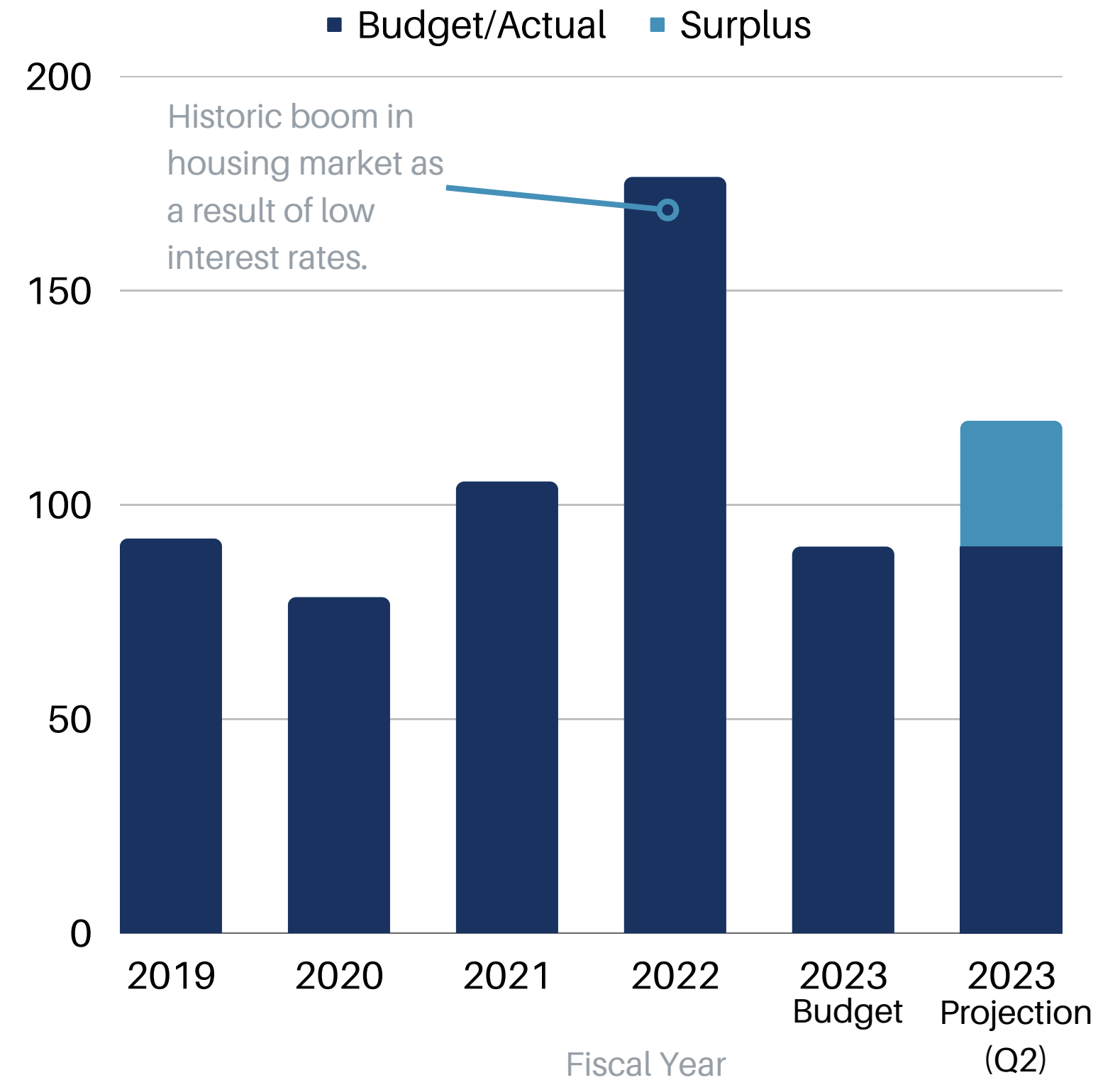
Surplus: +\$29,393,000

## SLIGHT INCREASE TO YIELDS

- Anticipated yields to increase by 0.7% across Fiscal 2023 due to increase in median sales price of real estate.

## TRANSACTION VOLUME DROPS

- Decline in real estate market activity
- Reduction in mortgage originations
- Reduction in refinancing volume (78% drop, factored in as impacting 27% of all recordation items).





# Investment Earnings

Budget: \$990,000

Q2 Projection: \$23,919,000

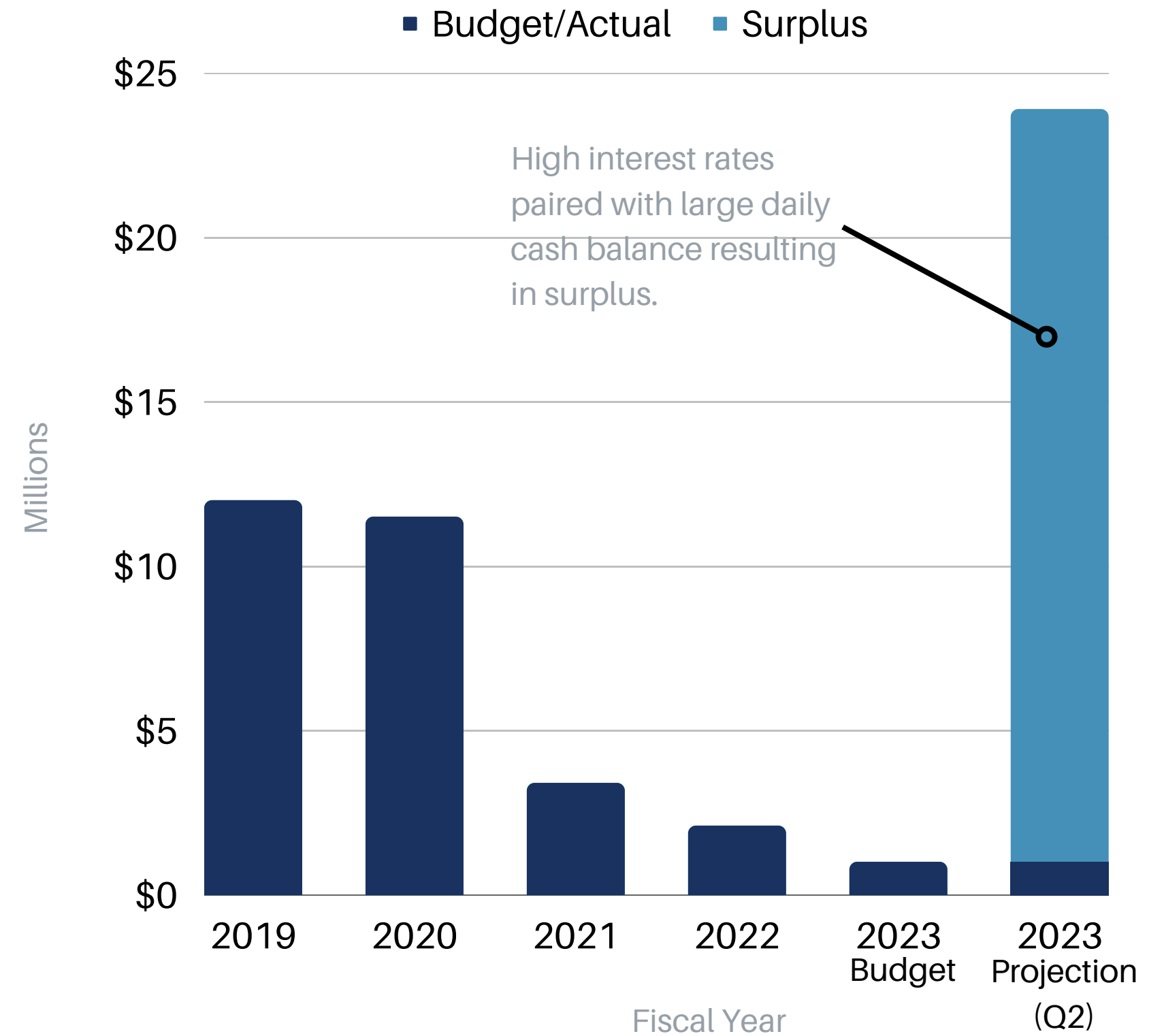
Surplus: \$22,929,000

## CASH AVAILABLE FOR INVESTMENT

- The current daily cash available for investment is anticipated to average \$2.3 billion.

## AVERAGE RETURN RATE

- The City anticipates earning an average return of 1.67% in Fiscal 2023. This is a large increase from the 0.21% average return experienced in Fiscal 2022.



## Income Tax

**Budget:** \$430,839,000

**Q2 Projection:** \$442,213,000

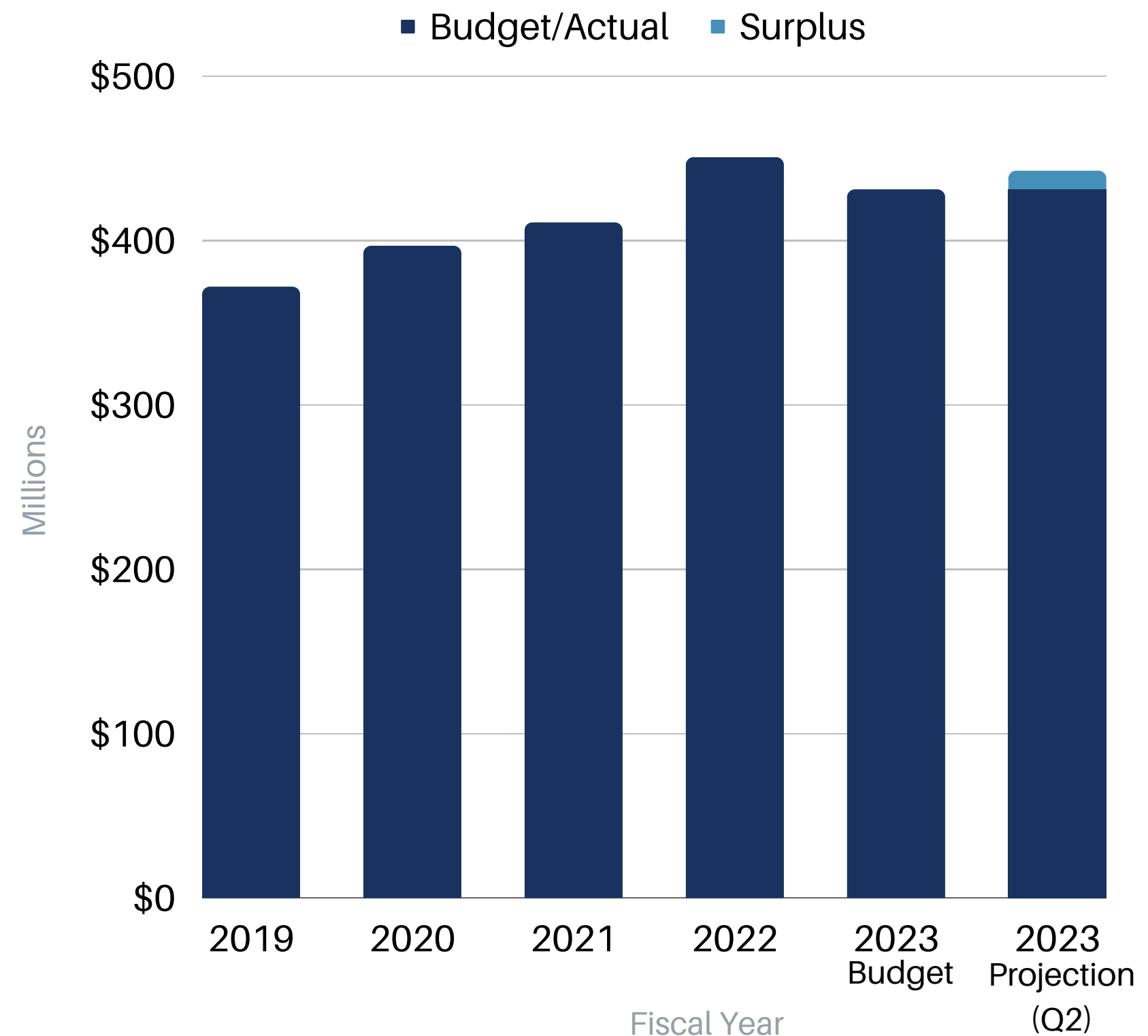
**Surplus:** \$11,374,000

### REGULAR INCOME TAX

- The State's cash available for distribution as of November 2022 was 10.8% higher than the Budget. However, the City's % of the State's total has been declining, which will prevent the City from yielding full growth.
- YTD non-quarterly receipts suggest that these components of the Income tax will be 2.1% lower than the prior year.

### FIDUCIARY RETURNS

- As of this projection, this component of the income tax revenues has been trending down.



# Second Quarter Projected Revenue Deficits

# Moving Violations

**Budget:** \$30,385,000

**Q2 Projection:** \$27,157,000

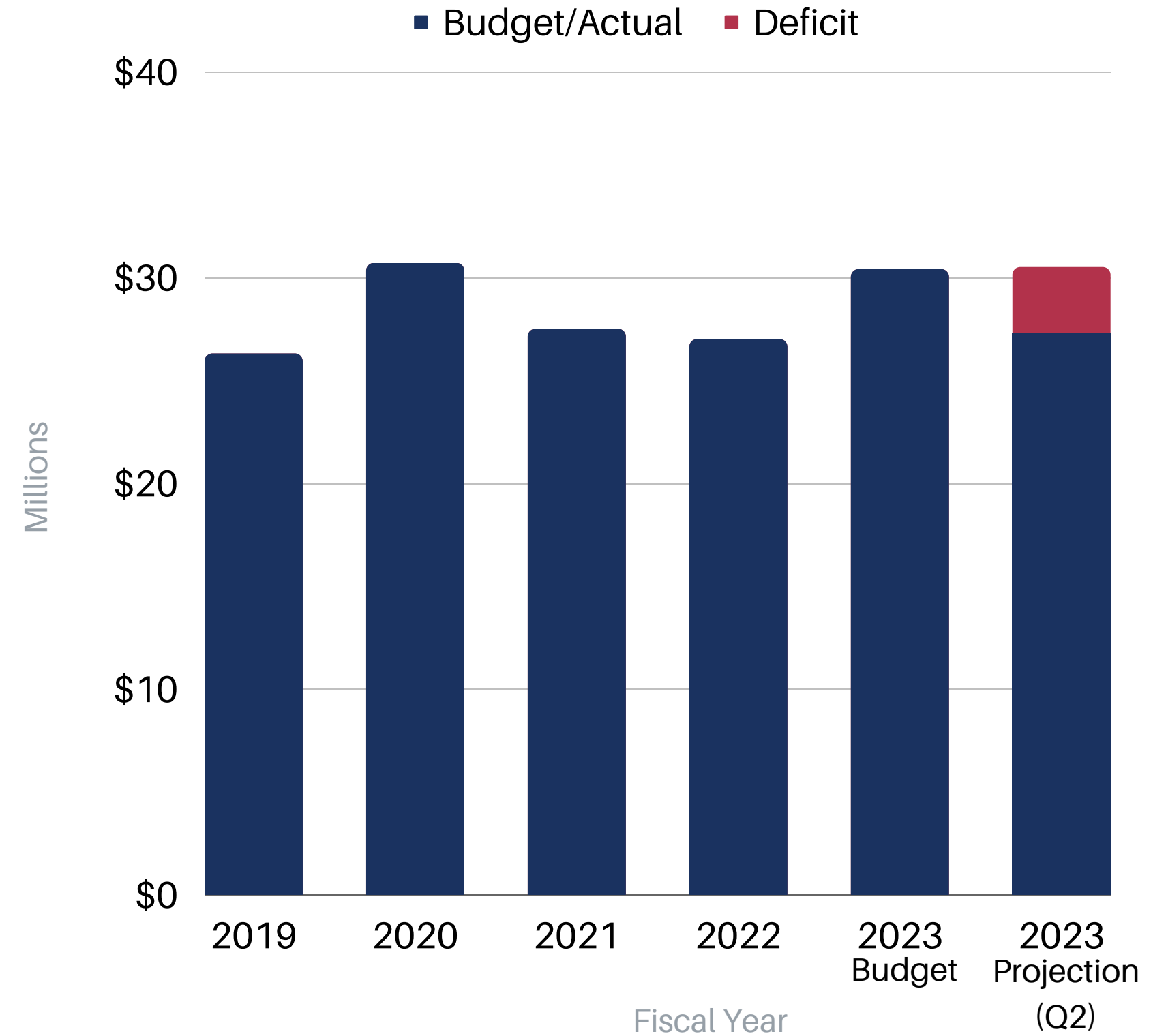
**Deficit:** (\$3,228,000)

## COLLECTION RATES

- The average rolling collection rate is 71% for speed violations and 72% for red light violations since the program began. The collection rate YTD is 44% for fines issued this fiscal year, but this rate is expected to grow to 50% prior to the end of the fiscal year.

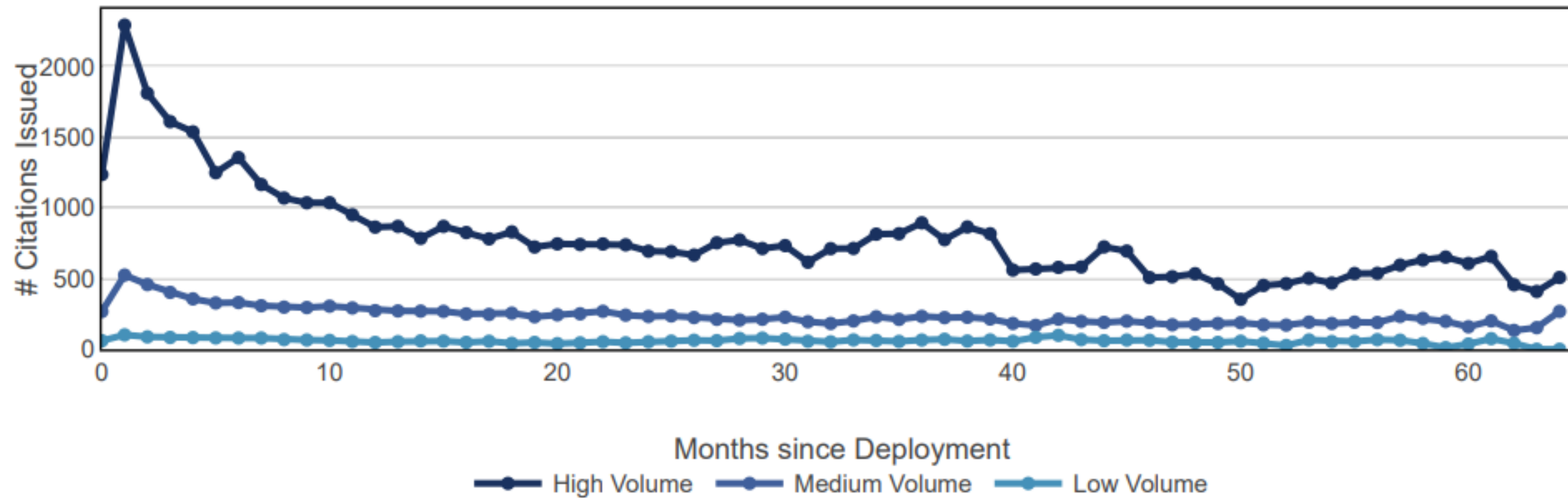
## PRIOR YEAR PAYMENTS

- Prior year payments accounted for 59.3% of Red-Light revenues (YTD) and 39.2% of Speed Violation revenues (YTD). Our model incorporates issued, unpaid fines beyond the current Fiscal Year.



# Moving Violations

Average Speed Camera Violations Issued over Time per Camera



## DECLINE IN VOLUME

As individuals become aware of camera locations and reduce speeds in those areas, we are seeing an increase in positive outcomes of the program. This also results in declining revenues driven by the drop in the number of citations issued over time.

# High-Performance MRR Tax Credit

**Budget:** (\$13,500,000)

**Q2 Projection:** (\$18,380,000)

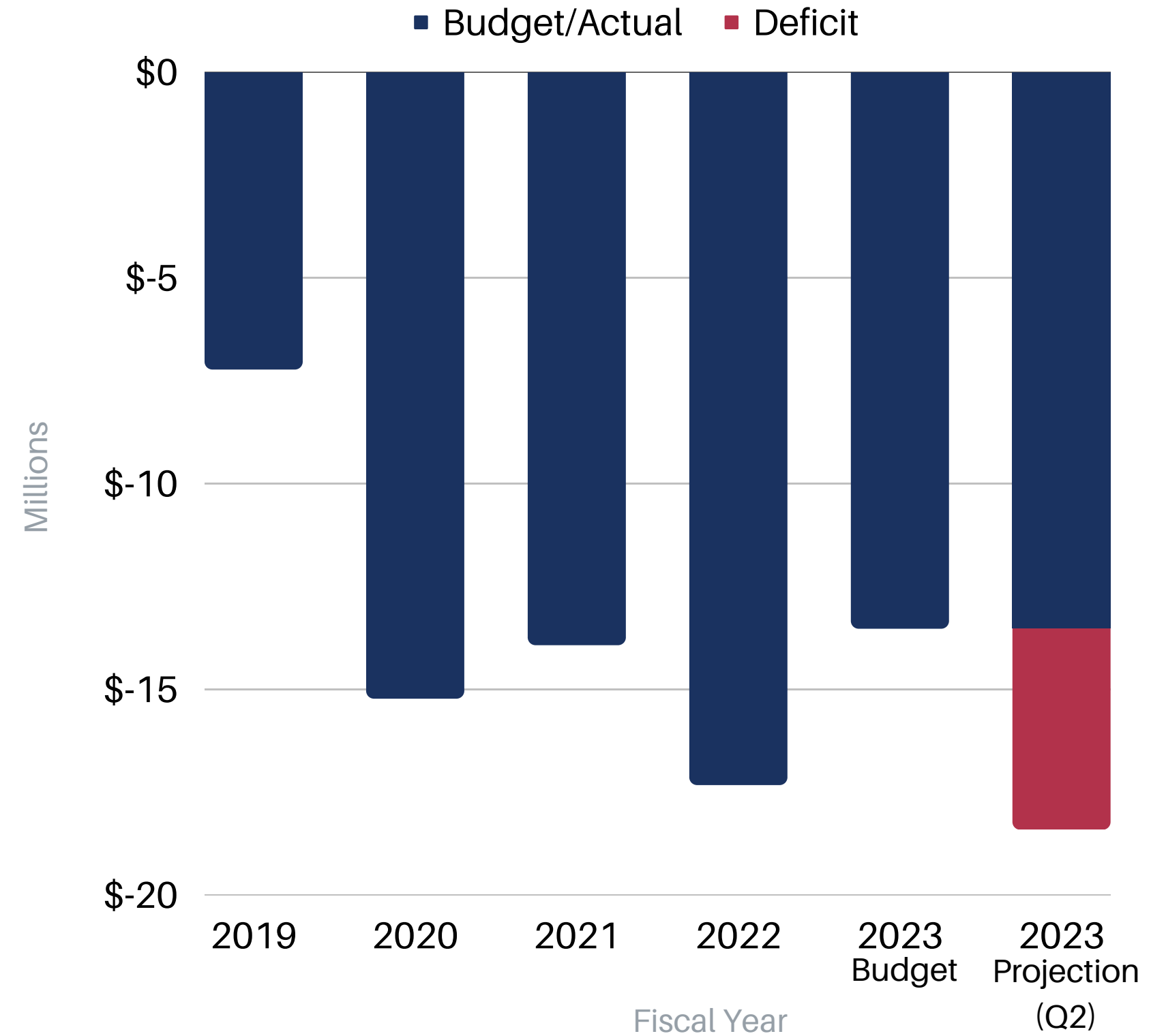
**Deficit:** (\$4,880,000)

## ADDITIONAL PROJECTS

- The anticipated increase in the cost assumes the additional projects in the pipeline as the result of the passage of CC Bill 21-0167 in December 2021.
- The Fiscal 2023 Budget did not incorporate pipeline projects coming due to this credit's application expansion.

## PARTICIPATION IN THE PROGRAM

- The anticipated increase is based on historical participation for this credit.



## Real Property Taxes

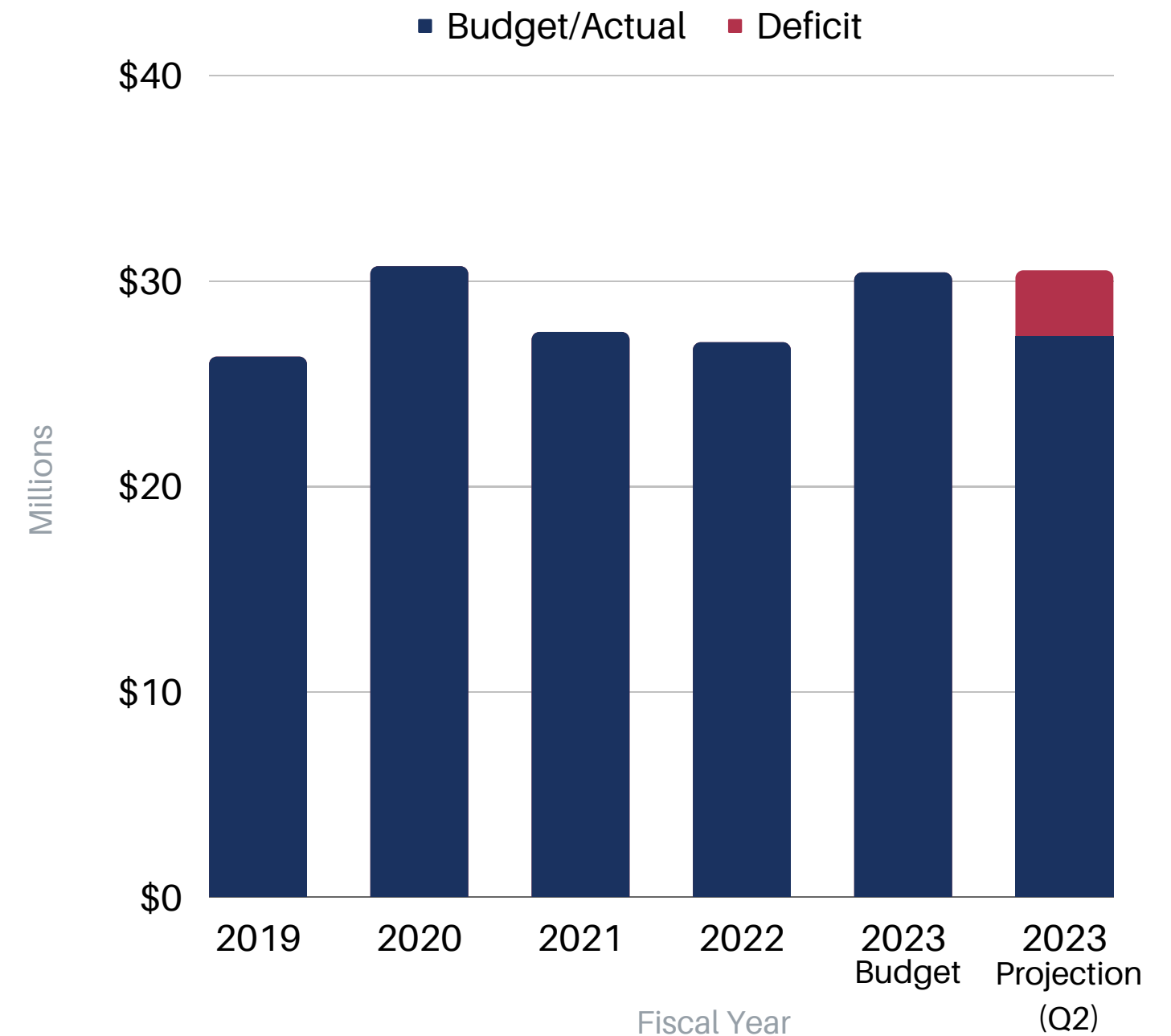
**Budget:** \$943,048,000

**Q2 Projection:** \$929,009,000

**Deficit:** (\$14,039,000)

### DUPLICATE PROPERTIES

- The deficit is explained mainly by a **\$588.4 million overstatement of the taxable base**. During the preparation for the 10-Year projection, BBMR identified that approximately 1,300 property tax records were duplicated. The issue was not unique to Fiscal 2023, but it has gradually grown as the result of the subdivision of lots not properly recorded in the database.
- BCIT and the Property Location office have resolved the duplication issue. The third quarter projections will reflect the corrections to the database.



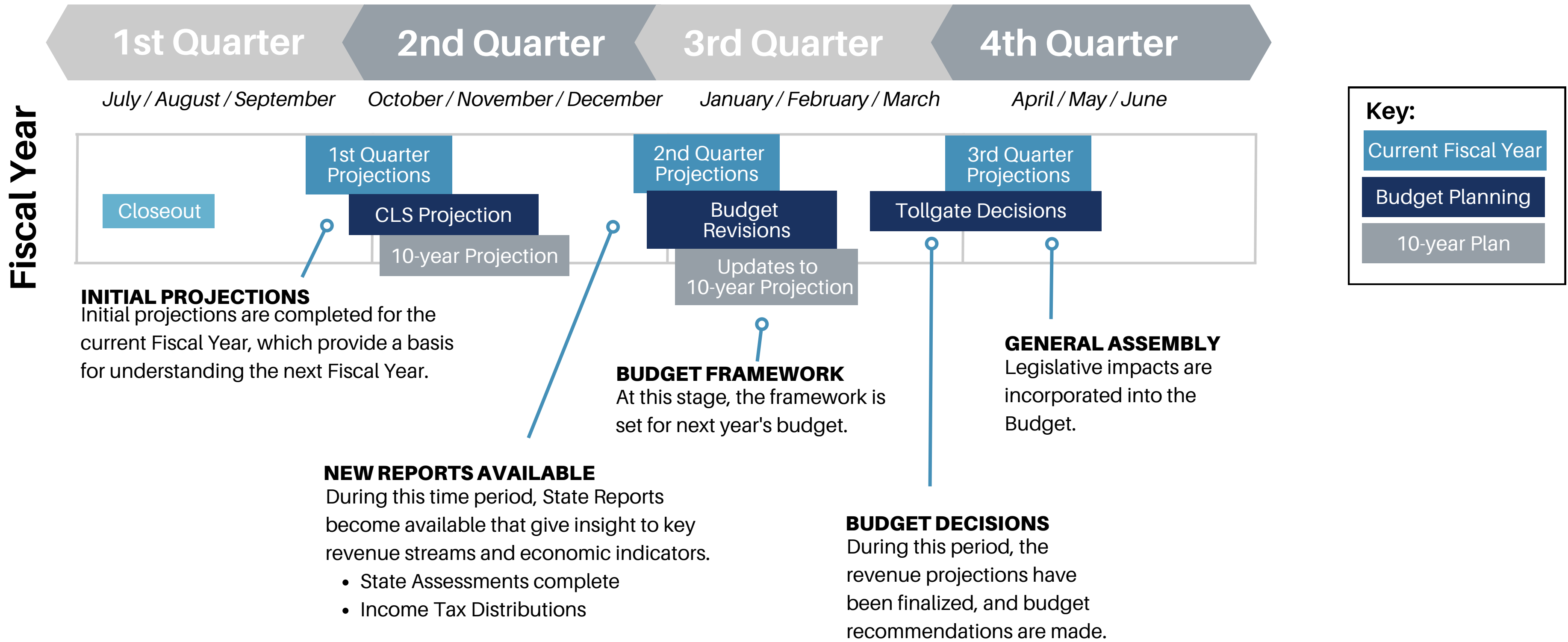
### DECLINING COLLECTION RATE

- Preliminary Fiscal 2022 Year-End data suggests a decline in Collection rates (from 98% to 97.5%) applied to the Fiscal 2023 projection

# Fiscal 2024 Understanding Projections



# Projections and the Budget Cycle



Note: The budgeted amounts for revenues are finalized 1-2 months prior to the release of the Preliminary Budget and updated based on budget decisions, grant awards, and General Assembly actions for the Executive Summary.

# Projection Accuracy Trends

BBMR - Budget Vs. Actuals Accuracy Rate								
(Figures in Millions)								
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
Budget	\$1,648.0	\$1,720.9	\$1,762.8	\$1,834.9	\$1,882.8	\$1,967.2	\$1,932.8	\$2,007.8
Actual	\$1,690.2	\$1,817.1	\$1,797.9	\$1,886.7	\$1,942.7	\$1,939.7	\$1,954.9	\$2,202.7
\$ Difference	\$42.2	\$96.2	\$35.1	\$51.8	\$59.9	(\$27.5)	\$22.1	\$194.9
Annual Accuracy Rate	2.6%	5.6%	2.0%	2.8%	3.2%	-1.4%	1.1%	9.7%

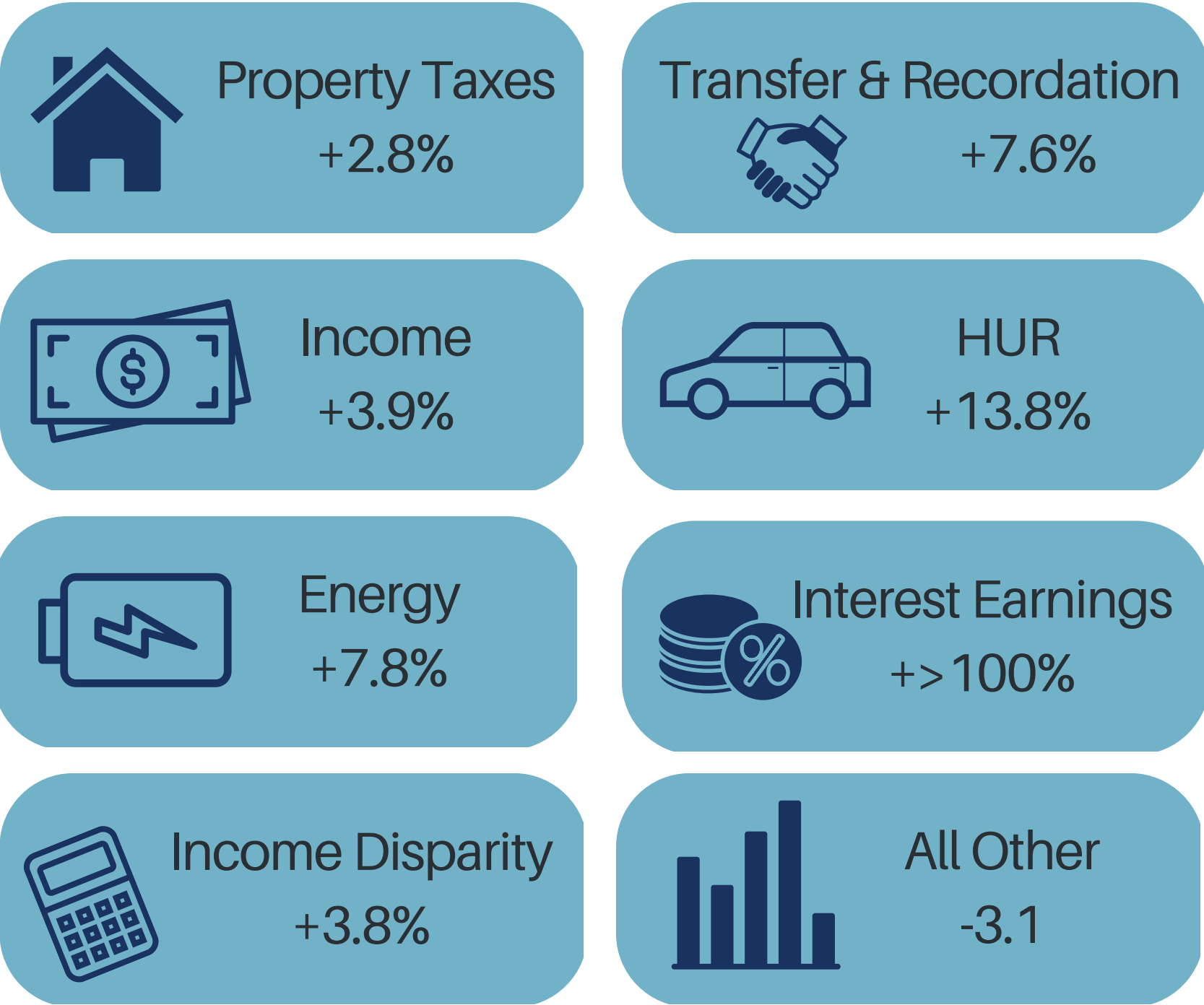
Note: Figures exclude the use or contributions to fund balance and one-time/unbudgeted CARES Act and FEMA Reimbursement

## REVENUE VARIANCES

- BBMR's goal is to achieve +/-2% Budget Vs. Actual revenue variance.
- In Fiscal 2022, the unanticipated boom in the housing market caused large surpluses.
- Based on the Q2 projection, BBMR is anticipating a 3% variance between the Fiscal 2023 Budget and Actual. Fiscal 2023 continues to capture some of the lingering impacts from the housing market activity in Fiscal 2022.

# Fiscal 2024 Revenue Assumptions

## Fiscal 2024 Assumptions

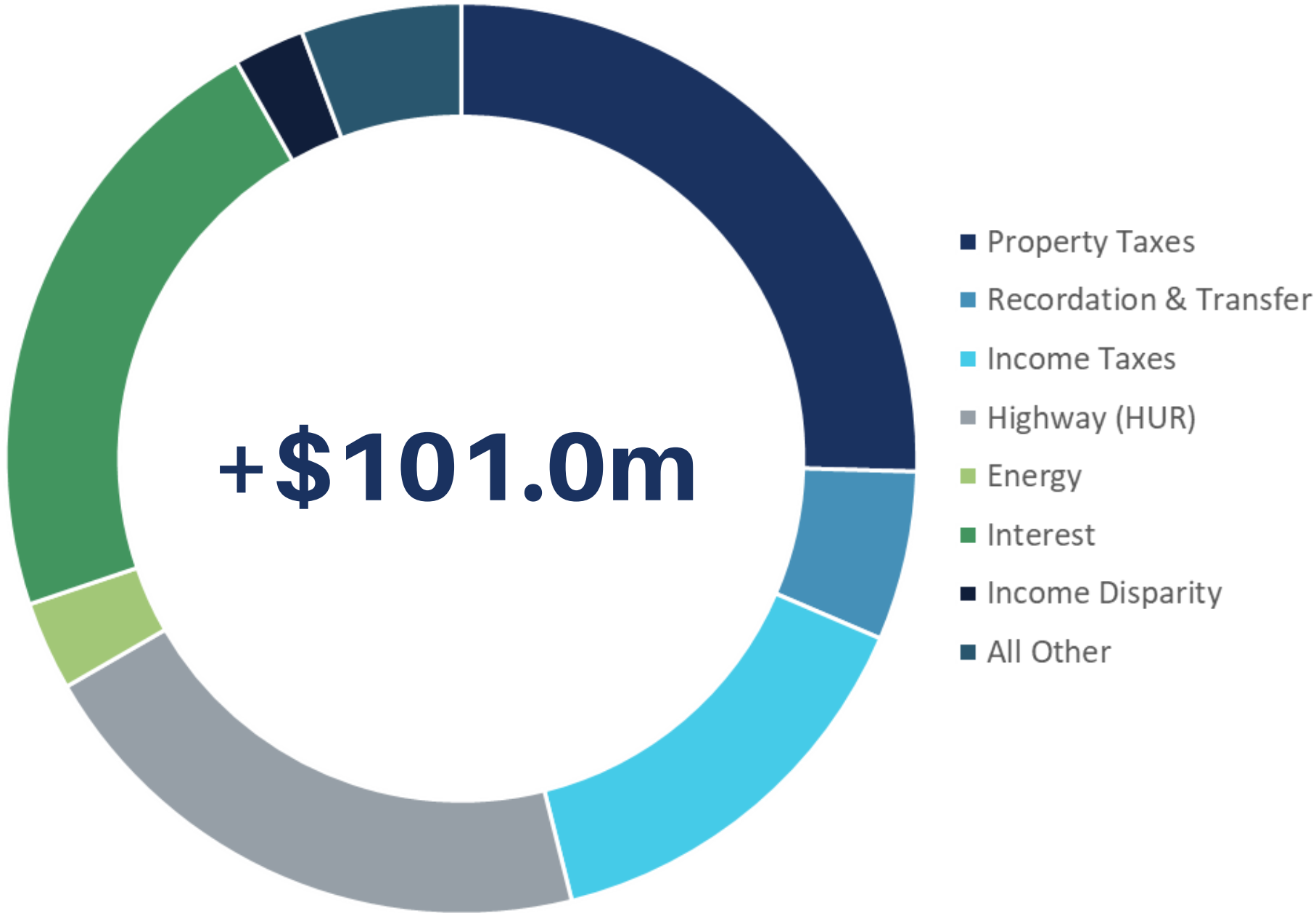


Overview of projected changes to key revenue sources compared to the Fiscal 2023 Adopted Budget.

The City's General Fund revenues are expected to grow by \$101.0 million from Fiscal Year 2023.

### Projected General Fund Revenue

FY 2024



\*This figure excludes the use of Fund Balance.

# Fiscal 2024 Assumptions

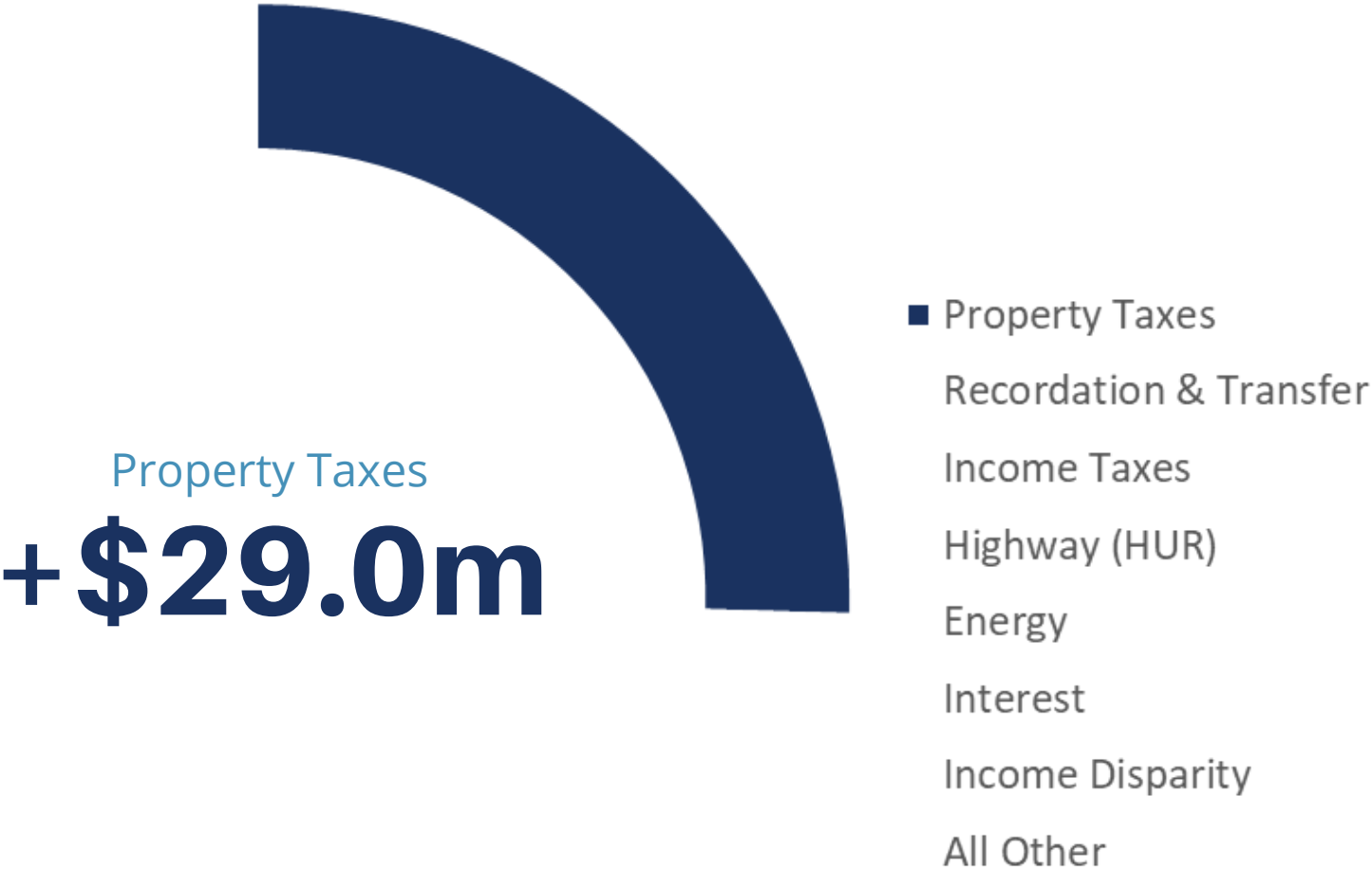


Property Taxes  
+2.8%

### ASSUMPTIONS

- Increase in Real Property reflects the anticipated 7.2% average increase in assessment for Group 2, combined with the -1.5% and 2.4% assessment change of Groups 1 and 3 for Fiscal 2024.
- Net overall assessments are projected to increase by 2.4%, driven by the sustained growth in value of residential properties.
- The Real Property tax projection assumes a 97.5% collection rate and 0.89% taxable assessment reduction resulting from appeals.
- The anticipated growth in Property taxes will be partially offset by the \$7.1 million increase in tax credits' cost.
- Personal Property tax is projected to increase by 1.9%.

### Projected General Fund Revenue FY 2024



Note: this includes Real and Personal Property Taxes net of the Homestead Tax Credit cost.

# Fiscal 2024 Assumptions



Property Taxes  
+2.8%

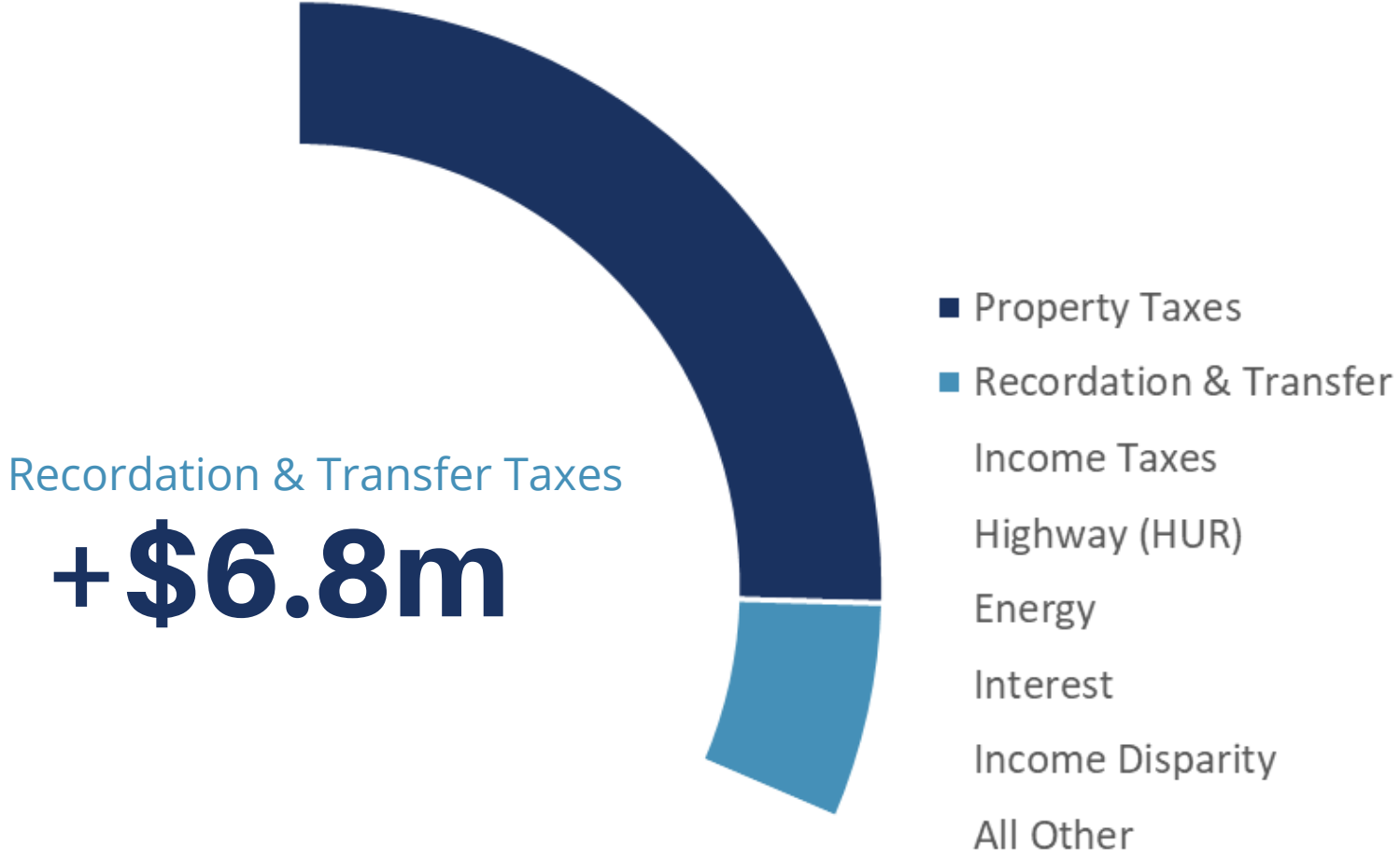


Transfer & Recordation  
+7.6%

### ASSUMPTIONS

- The volume of transactions related to refinancing and mortgage originations will continue to drop
- Real estate market activity will continue to slow, nearing levels prior to the housing boom experienced in Fiscal 2022
- The Fiscal 2024 projection assumes slight increases in the prices of real estate

### Projected General Fund Revenue FY 2024



# Fiscal 2024 Assumptions



Property Taxes  
+2.8%



Transfer & Recordation  
+7.6%



Income  
+3.9%

## Projected General Fund Revenue FY 2024

Income Taxes  
**+\$16.7m**



- Property Taxes
- Recordation & Transfer
- Income Taxes
- Highway (HUR)
- Energy
- Interest
- Income Disparity
- All Other

### ASSUMPTIONS

- Includes State Collected, Fiduciary Returns, and Unallocated withholdings.
- The increase in Income Tax reflects the anticipated 4.9% statewide growth of estimated payments and withholdings for Fiscal 2024.
- This projection reflects a reduction in the City's share of the State's Income Tax distribution, equivalent to \$8.3M fewer income tax receipts in Fiscal 2024.
- The projection assumes non-withholding/estimated payments (interest/penalties & prior years' reconciliations) to remain at FY23 levels.

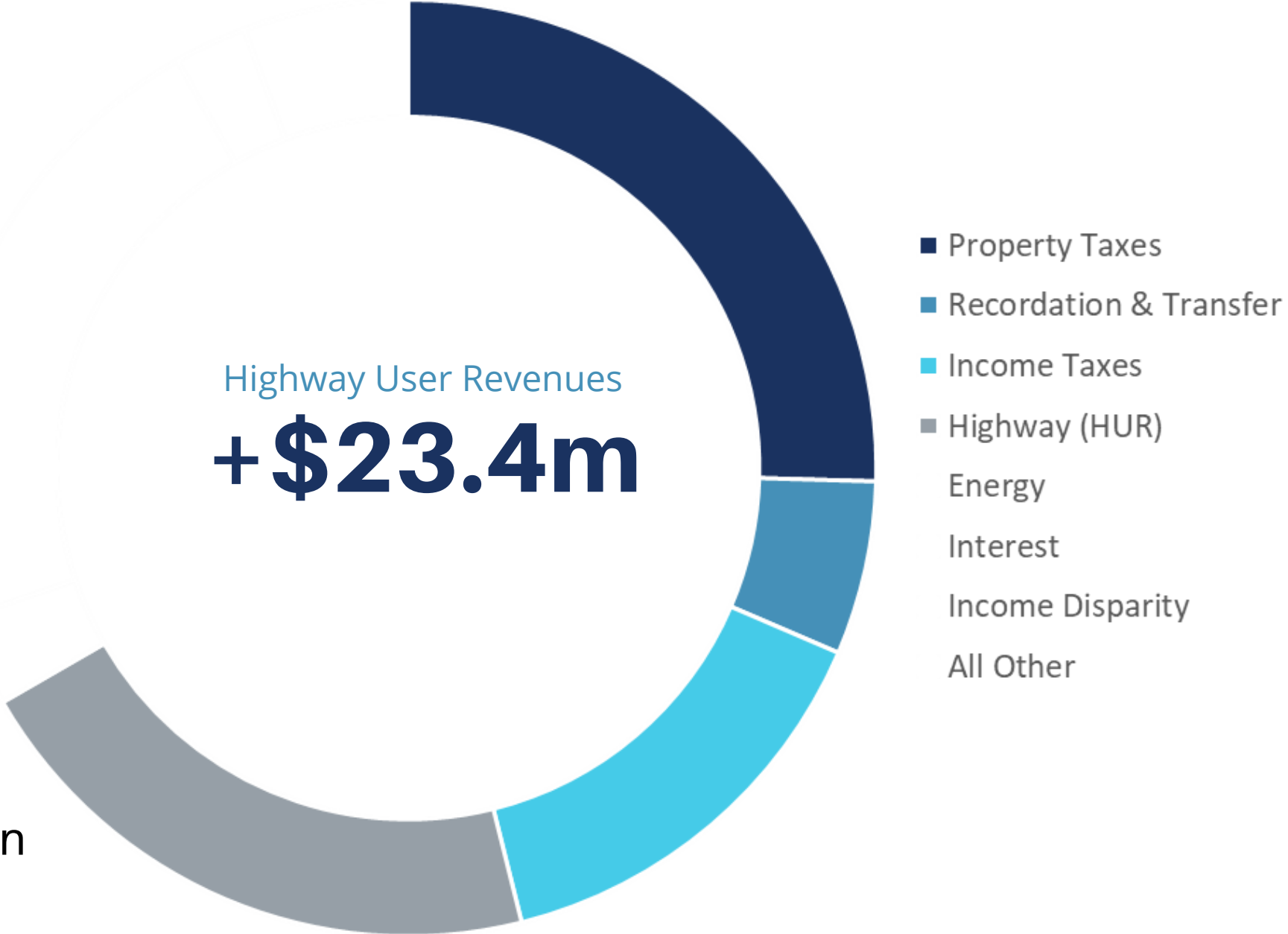
# Fiscal 2024 Assumptions



### ASSUMPTIONS

- The projection assumes trending activity for each component generating HUR (-2.1% Fuel tax, -5% Titling tax, -4.8% in Vehicle registrations, and 36.8% in SUT from rental vehicles)
- The projection incorporates the increased City's share of HUR from 8.3% in FY 23 to 9.5% in FY 24 resulting from HB1187 (2022 GA)
- The projection also reflects the increase from 17.2% in FY 23 to 20% in FY 24 of the Corporate Income tax allocation to HUR resulting from HB1187 (2022 GA).

### Projected General Fund Revenue FY 2024






# Fiscal 2024 Assumptions

 Property Taxes  
+2.8%

 Transfer & Recordation  
+7.6%

 Income  
+3.9%

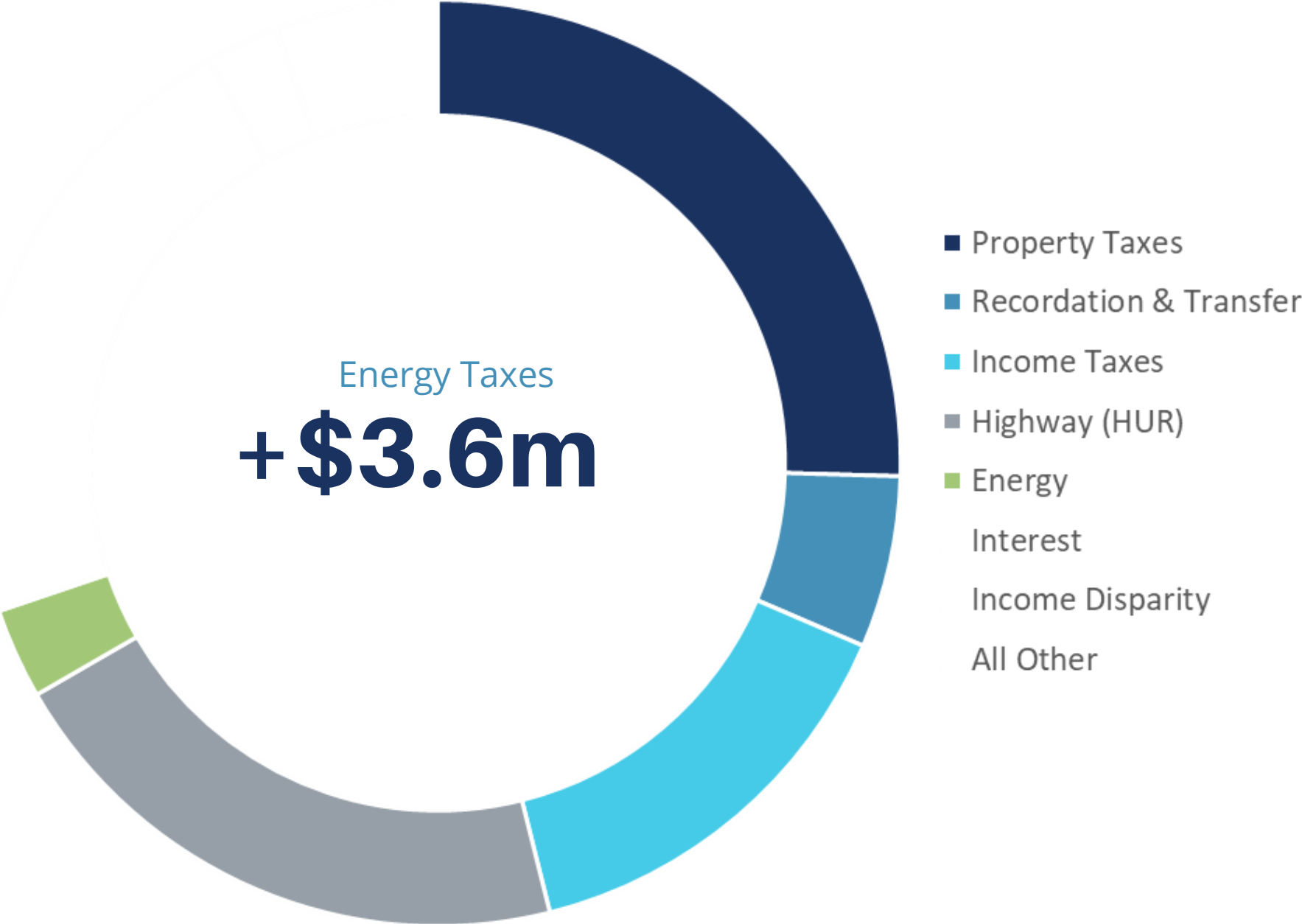
 HUR  
+13.8%

 Energy  
+7.8%

### ASSUMPTIONS

- Energy tax rates increased by 6.276% due to inflation
- Anticipated 5% decline in consumption of all energy types

Projected General Fund Revenue  
FY 2024




# Fiscal 2024 Assumptions

 Property Taxes  
+2.8%

 Transfer & Recordation  
+7.6%

 Income  
+3.9%

 HUR  
+13.8%

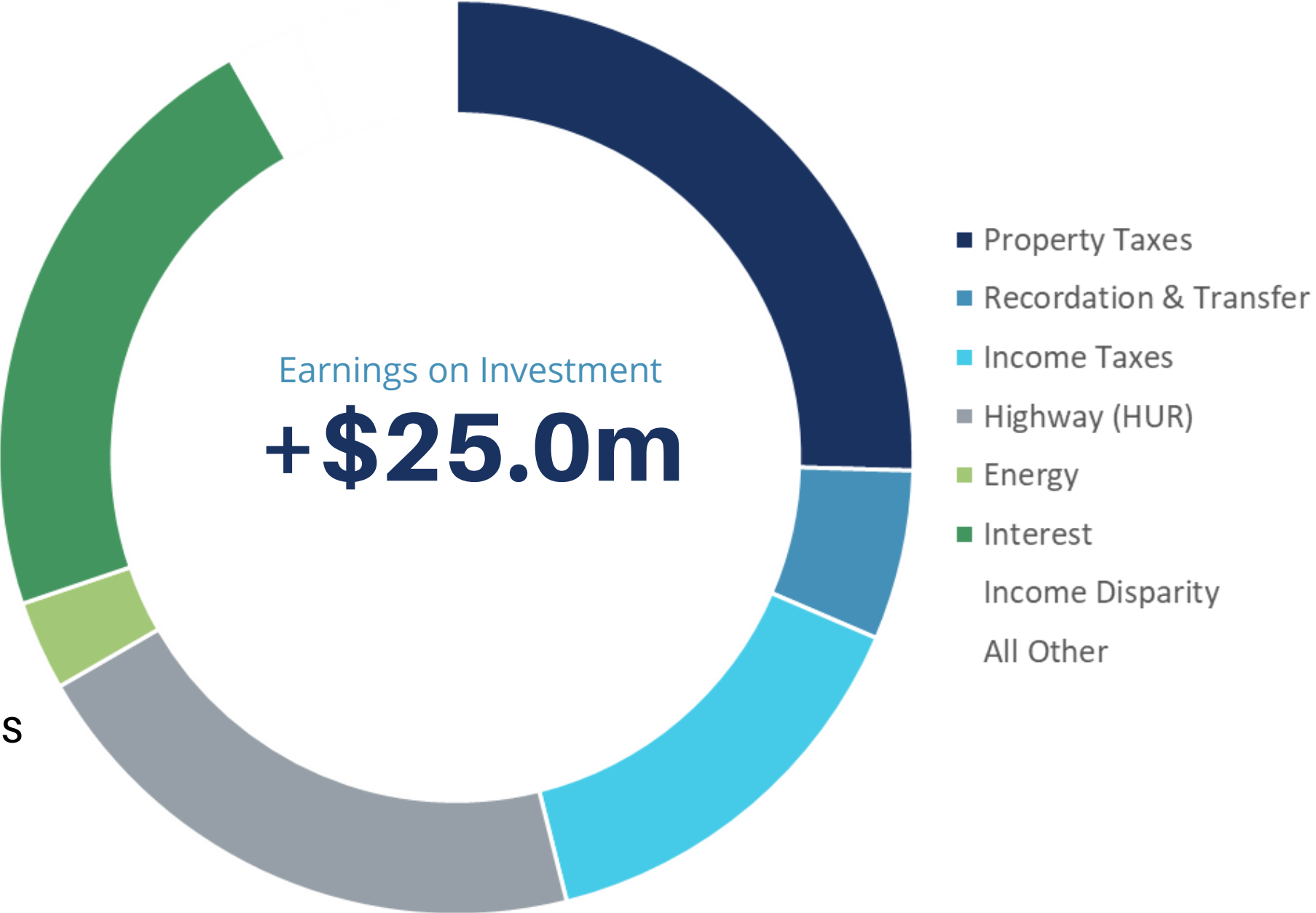
 Energy  
+7.8%

 Interest Earnings  
+>100%

### ASSUMPTIONS

- The projection is based on the estimated annual average cash available for short-term investment. This cash includes tax payments, unspent proceeds, multi-funds' cash balances, etc.
- The projection incorporates the projected short-term rate of return of US Government bonds (T-Bills) over the next 18 months.

Projected General Fund Revenue  
FY 2024




# Fiscal 2024 Assumptions

 Property Taxes  
+2.8%


 Transfer & Recordation  
+7.6%

 Income  
+3.9%

 HUR  
+13.8%

 Energy  
+7.8%

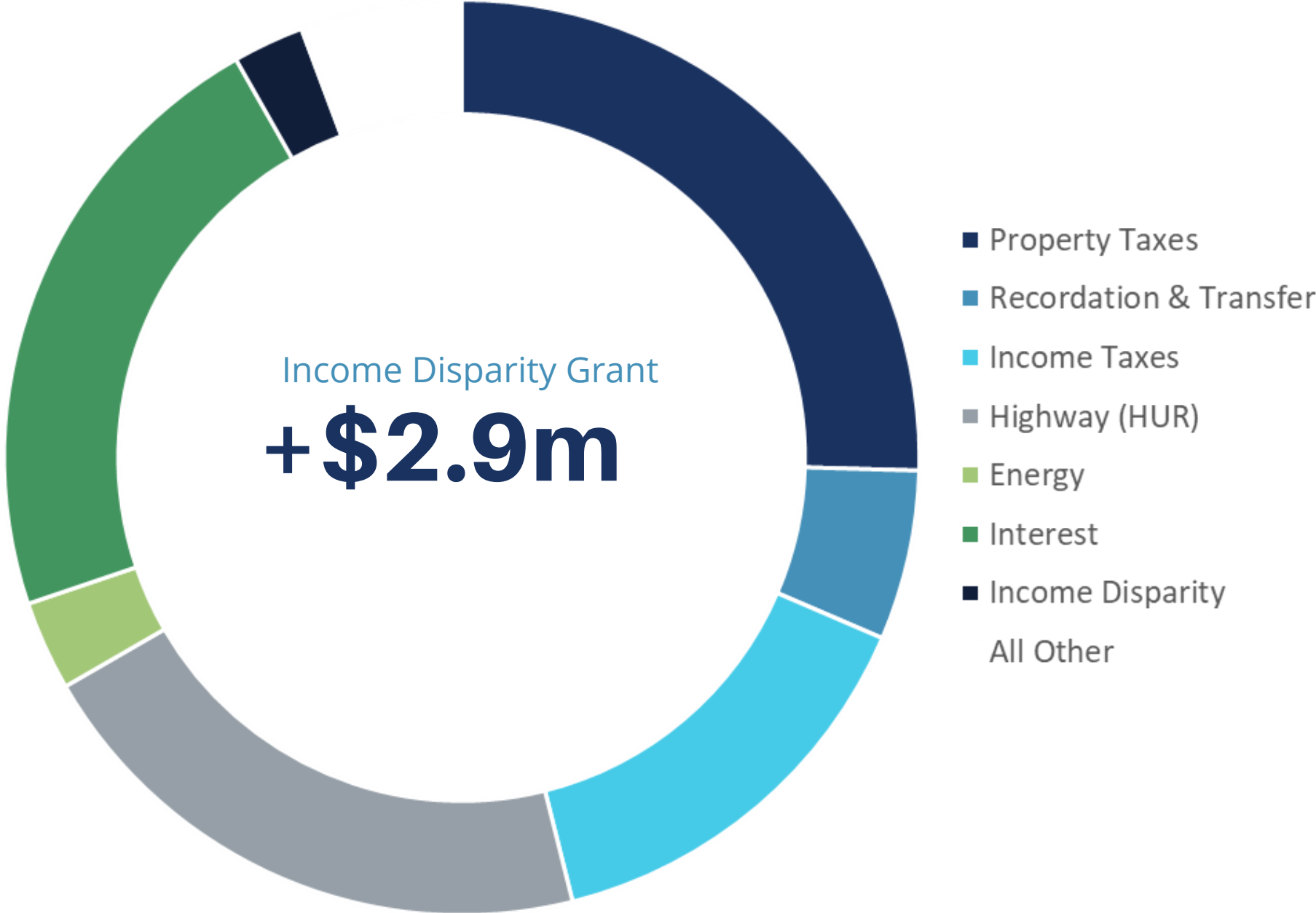
 Interest Earnings  
+>100%

 Income Disparity  
+3.8%

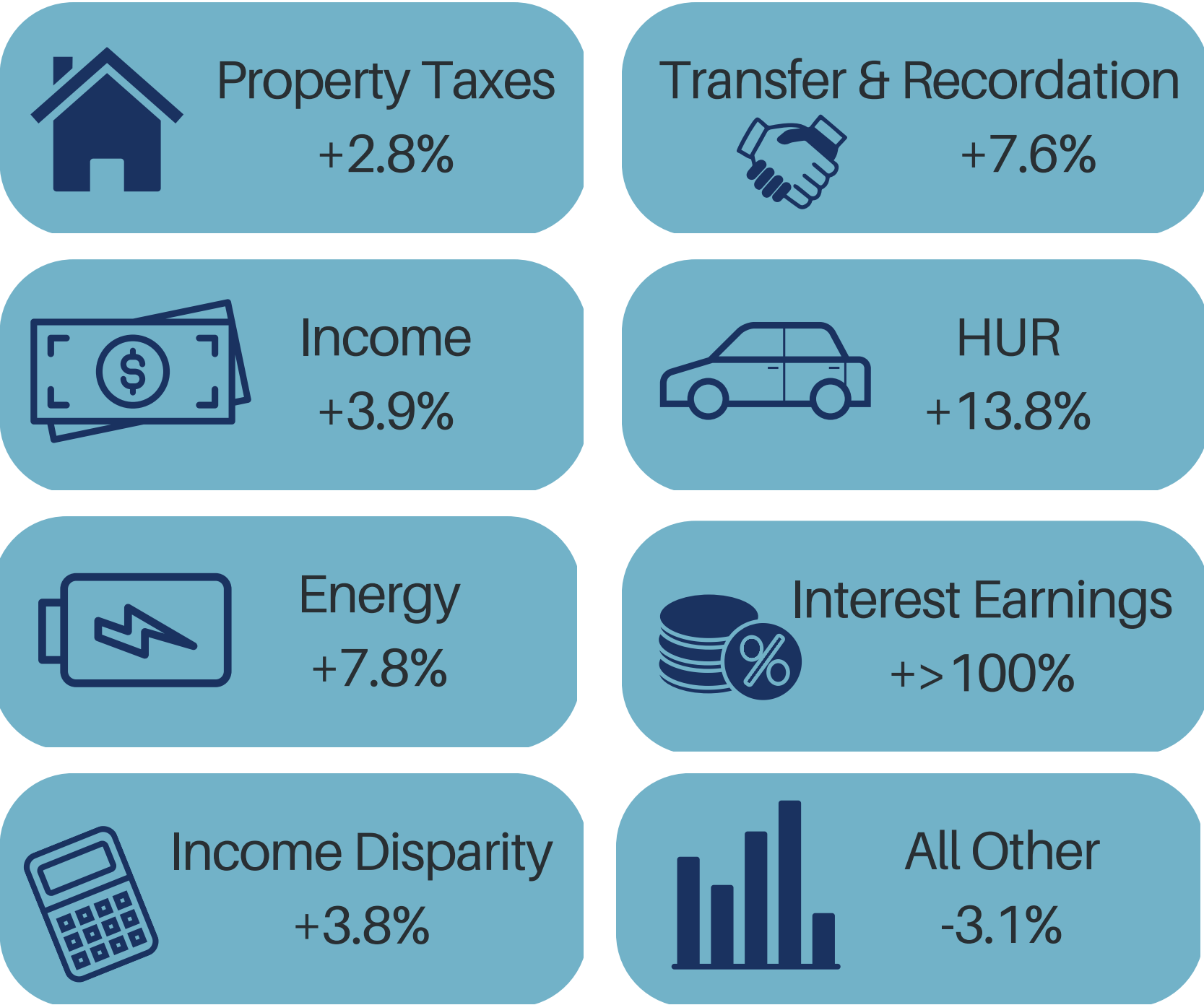
**ASSUMPTIONS**

- The increase in the Disparity Grant results from the updated statewide per-capita wealth calculation with 2021 Income tax and population data

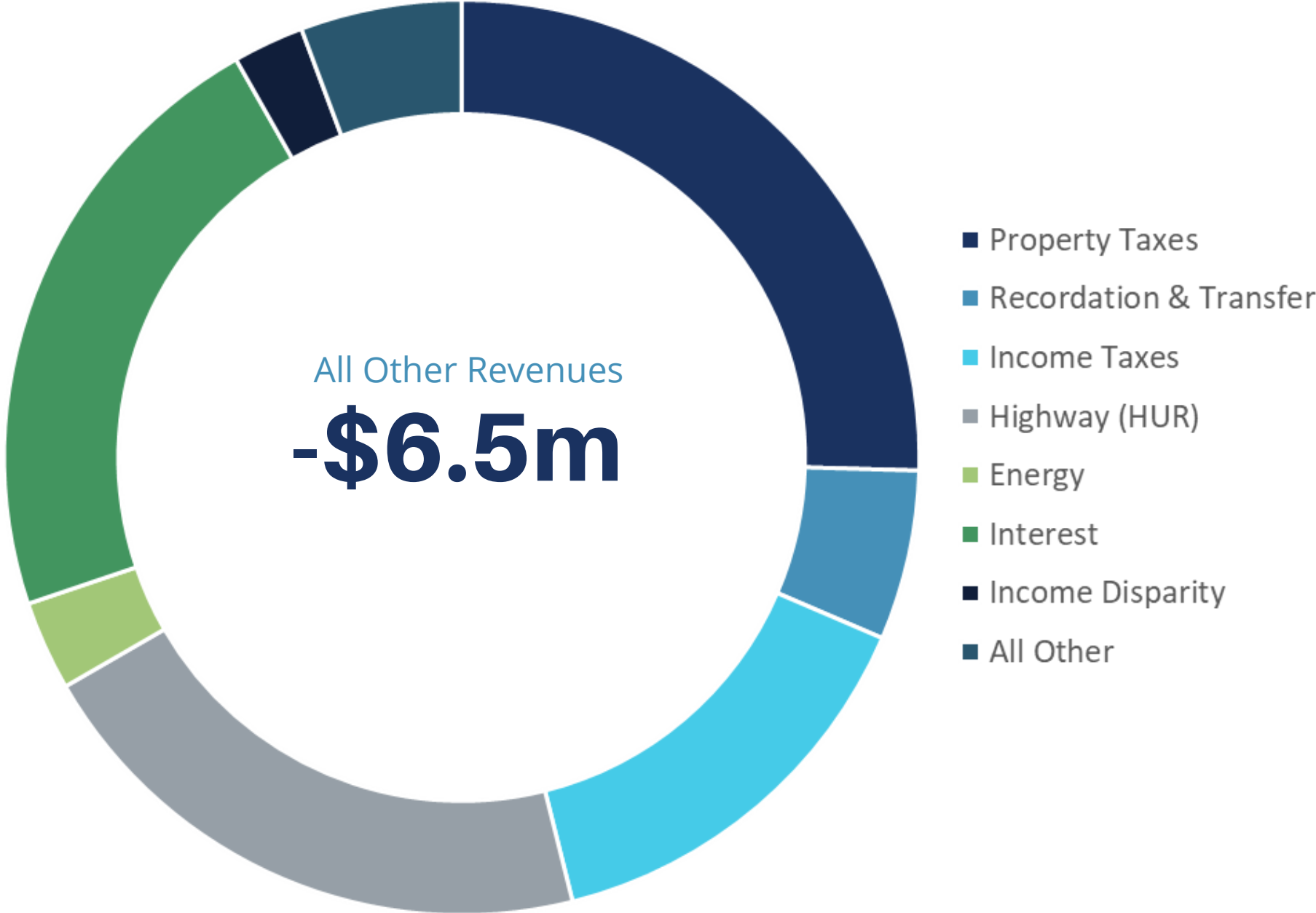
Projected General Fund Revenue  
FY 2024



# Fiscal 2024 Assumptions



Projected General Fund Revenue  
FY 2024



- The anticipated 3.1% reduction from "All Other" revenue sources is mainly explained by the increased cost of tax credits, and the projected revenue reduction in proceeds from camera violations

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