

Andrew Klein

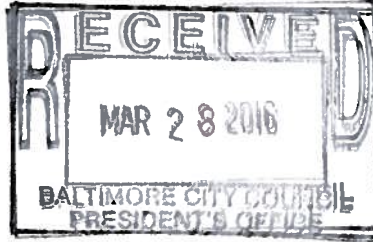
FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941
	SUBJECT	City Council Bill #12-0113

CITY of
BALTIMORE
MEMO



TO The Honorable President and
Members of the City Council
Room 400, City Hall

DATE: March 25, 2016



Attention: Ms. Natawna Austin

Council Bill 12-0013 is a charter amendment that would give the City Council new authority to increase items of appropriation or add new items, so long as the increases are offset and the total amounts of the operating and capital budgets do not exceed the amounts proposed by the Board of Estimates.

Article VI of the Baltimore City Charter clearly defines the roles of the Mayor, Board of Estimates, and City Council in the development and enactment of the Ordinance of Estimates. The process is designed to be open and orderly and to ensure sound fiscal stewardship.

The charter requires the Mayor to submit a detailed plan of revenues and expenditures to the Board of Estimates, which is the City's fiscal policy body. It mandates that the Board hold public hearings on the plan and deliver a proposed Ordinance of Estimates and supporting materials to the City Council in a timely manner.

The City Council is required to hold its own hearings on the Ordinance of Estimates and has the ultimate power to approve or reject the legislation. To prevent excessive spending, the charter gives the City Council the authority to reduce proposed appropriation levels and property tax rates and precludes it from increasing amounts fixed by the Board of Estimates or inserting amounts for any new purpose. In many budget cycles, the City Council has used its authority to negotiate with the Mayor for post-adoption adjustments to the budget.

Baltimore's budget process has served the city well. It gives weight to the budget plans developed by the departments of Finance and Planning, checks potential excesses of the Mayor and City Council, guards against unilateral changes to the Ordinance of Estimates proposed by the Board of Estimates, and focuses fiscal accountability on the executive. Baltimore's fiscal governance structure is one reason that, despite decades of population loss and economic struggle, the city has not gone into default, receivership or bankruptcy like New York, Philadelphia, Pittsburgh, Washington, D.C., Cleveland, and Detroit.

Reducing executive authority in the budget process would almost certainly raise red flags for our bond rating agencies. Baltimore's AA bond rating is remarkable, given that the city's economic and demographic profile is far worse than the medians for AA-rated jurisdictions. The reason for the strong rating is unambiguous: Moody's and Standard and Poor's consistently laud the City's fiscal planning and management. The agencies also consider the constitutionally and legislatively conferred powers and City

unfav w/ comments

Council Bill #12-0113 continued

responsibilities of the local government entity. It is important the City demonstrate an ability to control and predict its revenues as well as an ability to control and predict its expenditures. If such ability is diluted or becomes unpredictable, it will be reflected negatively in the City's rating evaluation. It is fair to say that Baltimore's bond rating is tenuous, and moves to diffuse fiscal authority and accountability would weaken the City's case for sustaining its recent upgrade.

While the Finance Department recognizes that this bill would retain controls on overall spending levels, we are concerned that the proposed charter amendment – in combination with City Council Bill 15-0479 – undoes a carefully designed process in ways that would create chaos and compromise the city's fiscal management. The proposed Ordinance of Estimates is developed over many months and must balance the funding of day-to-day city services with longer-term liabilities and capital needs. Within the overall funding level is millions of dollars for building adequate reserves, properly funding retiree health benefits and workers' compensation, supporting capital projects from current revenue, and other purposes that represent the nuts and bolts work of keeping the City's finances on track. Changes to appropriation levels that put parochial or special interests ahead of fiscal responsibility would be disastrous for the City.

At the end of the day, if there is consensus in the City Council that any proposed Ordinance of Estimates is bad for the city, the City Council has the power to reject the legislation. The Finance Department believes that this is sufficient and appropriate authority for the City Council in the budget process and opposes City Council Bill 12-0113.

CC: Henry Raymond
Angela Gibson