

Fiscal 2024 First Quarter Projections

Bureau of the Budget & Management Research
City Council Briefing
December 7th, 2023



Fiscal 2024: First Quarter Outlook

1st Quarter Projected Deficit: -\$0.6 Million

Time Period & Key Takeaways

- The 1st Quarter analysis reflects actual revenues & expenditures from July 1st through September 30th
- The Q1 Revenue Surplus is \$12.8 million. However, \$6.3 million of the Revenue surplus is from Highway User Revenue; this revenue can only be used for HUR-eligible expenses-not overall General Fund balance.
 - The \$6.3 million surplus HUR funds need to be appropriated prior to end of Fiscal 2024; Potential Uses-snow costs or DOT Capital

Revenue



Expenditures



Fiscal 2024 General Fund Revenue Overview

Fiscal 2024: First Quarter Revenue Outlook

Key Notes on First Quarter

- Investment Earnings is anticipated to yield higher returns due to interest rates and a larger daily cash balance.
- The projected overall cost of offering tax credits has decreased from amounts assumed in the Fiscal 2024 budget.
- The relocated speed cameras have brought in over \$725,000 thus far (Fiscal 2024 budget action).
- The real estate market continues to slow down, yet early October data shows signs of strong activity.
- The surplus excludes the use of \$29.4 million from budgeted Fund Balance.
- Improved HUR proceeds are mainly explained by the increased City allocation and Corporate Income tax to State Highway User Revenues.
 - This surplus must be used for HUR eligible activities; cannot be used as overall GF surplus.

FISCAL 2024
FIRST QUARTER

\$6.5M*

PROJECTED SURPLUS

**Doesn't include projected HUR revenue surplus; with HUR total projected surplus=\$12.8m*

Revenue Highlights

General Fund Revenue Summary Table

REVENUES	FY 2023 Preliminary	FY 2024 Adopted Budget	FY 2024 Q1 Projection	Surplus / (Deficit)
Total Local Taxes	\$1,726.1	\$1,717.8	\$1,717.7	(\$0.1)
Total State Collected Taxes	\$173.5	\$193.4	\$199.8	\$6.3
Total Licenses and Permits	\$33.5	\$28.2	\$27.2	(\$1.0)
Total Fines and Forfeits	\$33.9	\$33.1	\$33.1	\$0.0
Total Use of Money and Property	\$53.7	\$45.7	\$83.3	\$37.6
Total State Aid	\$100.9	\$120.7	\$120.5	(\$0.2)
Total Private and Federal Grants	\$4.2	\$0.0	\$0.1	\$0.1
Total Charges for Current Services	\$31.4	\$41.9	\$40.1	(\$1.8)
Other Revenues	\$13.1	\$4.7	\$5.2	\$0.5
Total Revenues Before Transfers	\$2,170.3	\$2,185.5	\$2,227.0	\$41.5
Net Transfers	\$5.1	\$2.9	\$3.6	\$0.7
HUR Additional Appropriation*	\$0.0	\$0.0	(\$6.3)	(\$6.3)
Prior Year Fund Balance	\$0.0	\$29.4	\$0.0	(\$29.4)
Total General Fund	\$2,175.3	\$2,217.8	\$2,224.3	\$6.5

*This amount represents HUR's revenue surplus that would be appropriated for transportation related expenses.

Revenue Highlights

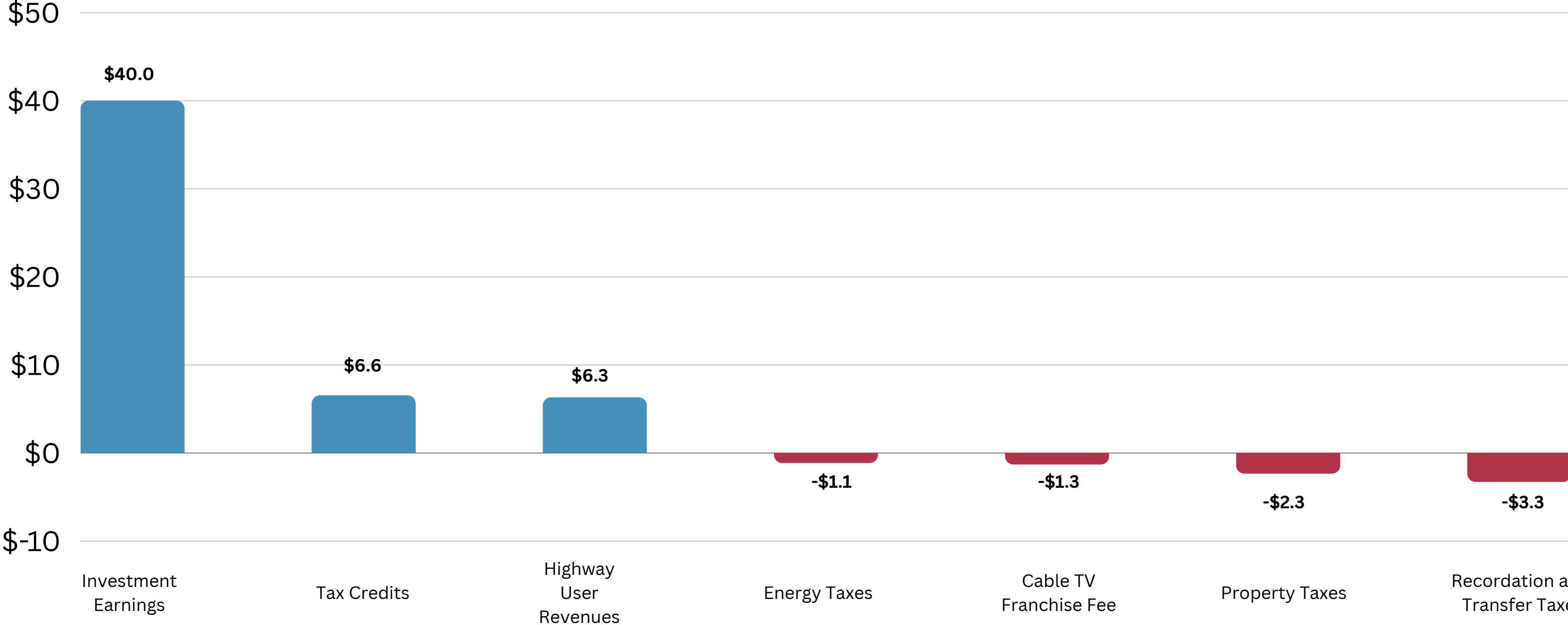
Local Taxes Revenue Summary Table

REVENUES	FY 2023 Preliminary	FY 2024 Adopted Budget	FY 2024 Q1 Projection	Surplus / (Deficit)
Local Taxes				
Property Taxes	\$1,033.7	\$1,080.8	\$1,078.5	(\$2.3)
Income Taxes	\$450.1	\$447.5	\$447.5	\$0.0
Recordation & Transfer Taxes	\$140.2	\$96.9	\$93.6	(\$3.3)
Energy Tax	\$49.8	\$49.8	\$48.7	(\$1.1)
Telecommunication Tax	\$33.4	\$34.9	\$34.3	(\$0.6)
Net Hotel Tax	\$26.9	\$30.4	\$30.4	(\$0.0)
Video Lottery Terminal	\$12.6	\$12.6	\$12.6	\$0.0
Admission Tax	\$10.5	\$8.5	\$8.5	\$0.0
All Other Local Taxes	\$59.7	\$59.6	\$60.4	\$0.8
Tax Credits	(\$90.8)	(\$103.4)	(\$96.8)	\$6.6
Local Taxes	\$1,726.1	\$1,717.8	\$1,717.7	(\$0.1)

Revenues: Major Variances

First Quarter Projections, Budget Variances

Surplus / (Deficit)
(figures in millions)



This chart excludes \$29.4 million of budgeted Fund Balance.

Projected Surpluses

Investment Earnings

Budget: \$26,038,000

Q1 Projection: \$66,065,000

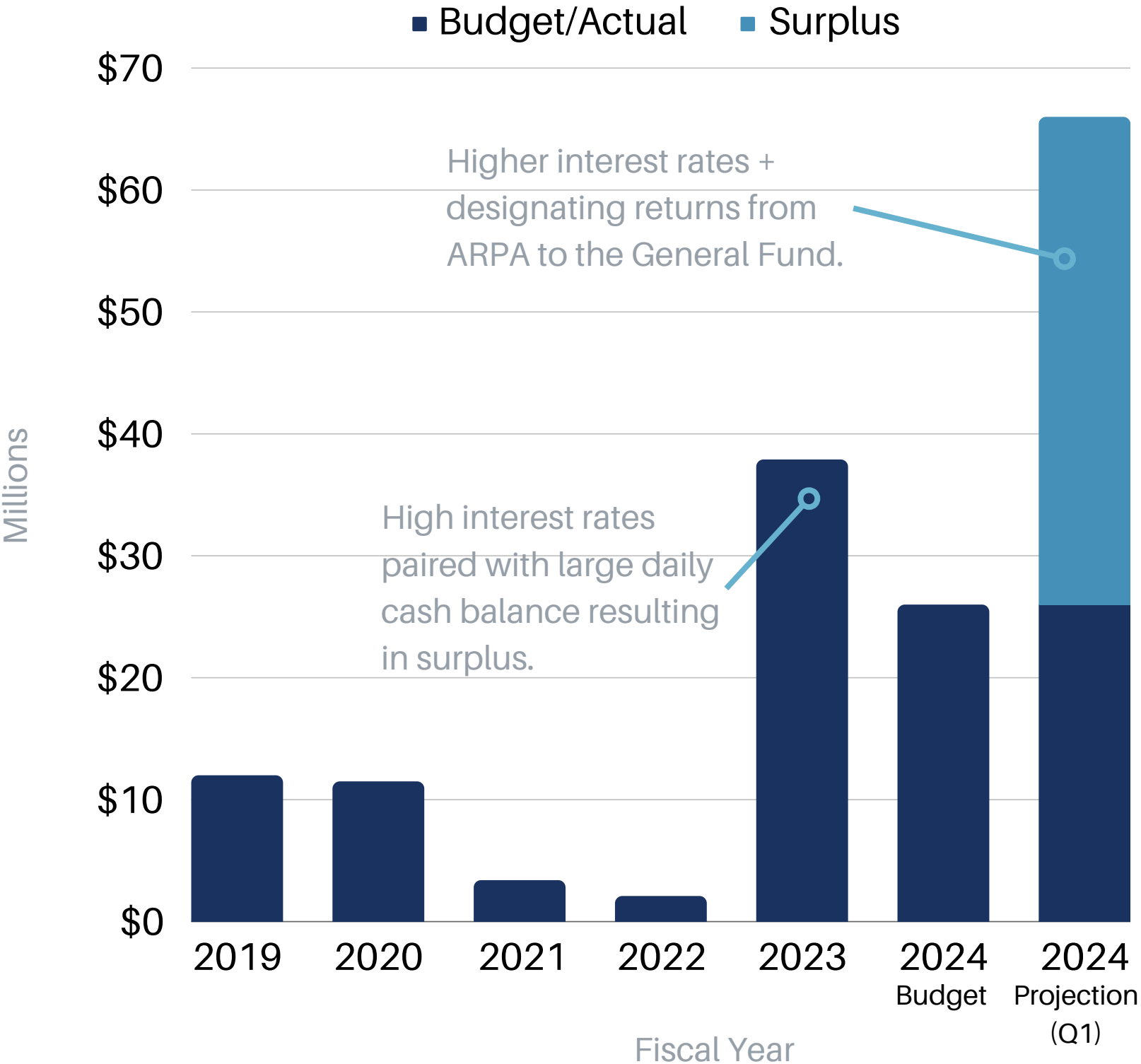
Surplus: \$40,027,000

CASH AVAILABLE FOR INVESTMENT

- The average monthly cash available for investment has been adjusted to designate returns from ARPA to the General Fund.

AVERAGE RETURN RATE AND YIELDS

- Annualized interest rates averaged 5.4% during the first quarter of Fiscal 2024, and it is anticipated that they will remain at that level for the rest of the Fiscal Year.



Tax Credits*

Budget: (\$103,363,000)

Q1 Projection: (\$96,804,000)

Surplus: +\$6,559,000

SAVINGS REALIZED FOR ALMOST ALL CREDITS

- The projected overall cost of offering tax credits is lower than projected amounts reflected in the Fiscal 2024 budget.
- The projection is based on YTD activity of credits granted and anticipated new assessments subject to them.

Tax Credit Name	FY2024 Adopted Budget	FY2024 Q1 Projection	Surplus/ (Deficit)
Enterprise Zone Tax Credit	(\$18,963,000)	(\$17,005,000)	\$1,958,000
High-Performance Market-Rate Rental Housing Tax Credit	(\$17,938,000)	(\$16,458,000)	\$1,480,000
Historic Property Tax Credits	(\$13,970,000)	(\$12,500,000)	\$1,470,000
Newly Constructed Dwellings Tax Credit	(\$1,333,000)	(\$1,055,000)	\$278,000
Other Property Tax Credits	(\$21,309,000)	(\$21,334,000)	(\$25,000)
Public Safety Officer Tax Credit	(\$1,050,000)	(\$755,000)	\$295,000
Supplemental Homeowner's Tax Credit	(\$1,300,000)	(\$1,350,000)	(\$50,000)
Targeted Homeowners Tax Credit	(\$27,500,000)	(\$26,347,000)	\$1,153,000
Total Tax Credits	(\$103,363,000)	(\$96,804,000)	\$6,559,000

*Note: This category excludes the Homestead Tax Credit.

Highway User Revenues

Budget: \$193,444,051

Q1 Projection: \$199,771,000

Surplus: +\$6,326,949

ALLOCATION FORMULA

- Improved HUR proceeds are mainly explained by the allocation of Corporate Income tax to State Highway User Revenues.

INCREASED STATE HUR FORECASTS

- This projection anticipates a 3.3% increase HUR cash for distribution compared to the budget.
 - The \$79.2M increase is driven by Titling, Registration, and Fuel taxes; and partly offset by \$12.5M from Corporate Income tax.
 - The net increase is only 0.6% compared to the Fiscal 2023 yearend.
 - The \$6.3 million surplus is restricted for transportation related expenses.

Distribution:	Fiscal 2023 Allocation	Fiscal 2024 Budget	Fiscal 2024 Allocation
Corporation Income Tax	17.2%	20.0%	20.0%
Department of Transportation	86.5%	84.4%	84.4%
Baltimore City	8.3%	9.5%	9.5%
Counties	3.2%	3.7%	3.7%
Municipalities	2.0%	2.4%	2.4%
Total Distribution	100.0%	100.0%	100.0%
Motor Vehicle Fuel Tax and Fees	\$673,595,000	\$653,800,000	\$675,956,000
Corporation Income Tax	\$339,169,000	\$361,299,000	\$348,838,000
Sales Tax on Rental Vehicles	\$33,064,000	\$33,198,000	\$33,064,000
Motor Vehicle Titling Tax	\$685,028,000	\$654,959,000	\$685,028,000
Motor Vehicle Registration Fees	\$359,959,000	\$332,989,000	\$359,959,000
	\$2,090,815,000	\$2,036,245,000	\$2,102,845,000
			0.6%
Department of Transportation	\$1,808,555,000	\$1,718,591,000	\$1,774,802,000
Baltimore City	\$173,538,000	\$193,444,000	\$199,771,000

Projected Deficits

Real Property Taxes

Budget: \$971,119,000

Q1 Projection: \$968,184,000

Deficit: (\$2,935,000)

ASSESSABLE BASE

- The Fiscal 2024 Budget assumed a taxable based that ended \$524.9 million lower than the July 1, 2023, taxable base.

DECLINING COLLECTION RATE

- The gain from increased taxable assessment is offset by the revised collection rate of 95.9%. This reduction mainly results from the recent year's removal owner-occupied delinquent accounts from tax sale.



ASSESSMENT CHANGE

- During the 1st Quarter, 501 properties experienced reduction in assessment while 660 increased values. The net assessment change within the fiscal year yields \$36.2 million, equivalent to a reduction of \$814K in real property tax revenues. This change is built into the projection under the 0.89% net appeal.

Transfer & Recordation Taxes

Budget: \$96,896,000

Q1 Projection: \$93,614,000

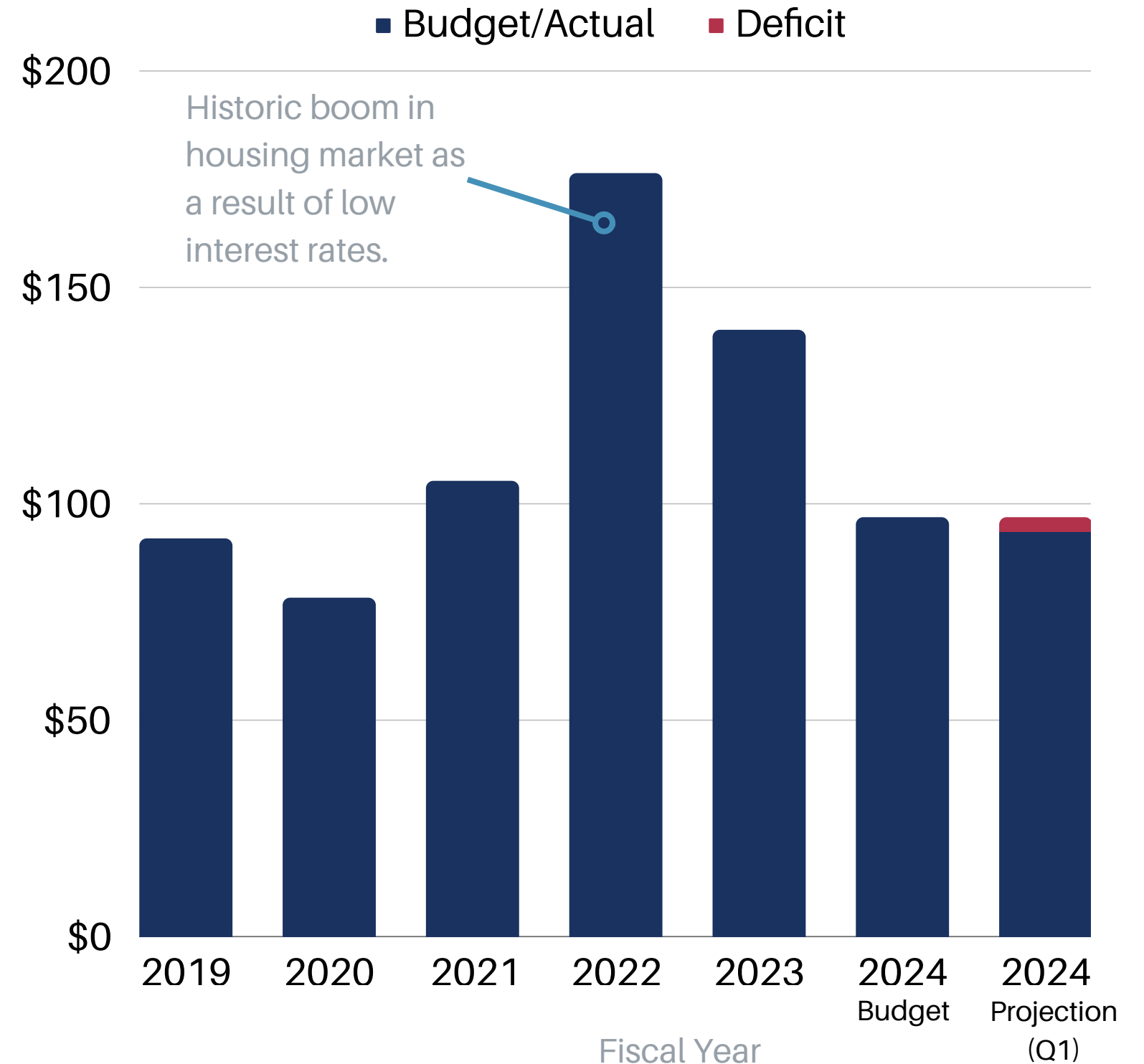
Deficit: (\$3,282,000)

TRANSACTION VOLUME DROPS

- Continued decline in real estate market activity is driving the drop in projected revenue.
- Transactions declined by 26.1% and 23.8% compared to the same period of the prior year for recordation and transfer related items respectively.

PRICES AND RESIDENTIAL HOME VALUES

- Anticipated 0.6% increase year-over-year in residential home values within the City
 - FY2024 Q1 Median Sales Price: \$220,667
 - FY2023 Median Sales Price: \$216,807



Cable TV Franchise Fee

Budget: \$6,300,000

Q1 Projection: \$5,000,000

Deficit: (\$1,300,000)

COMCAST - Franchise Fee Calculation					
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024
Total Gross Receipts	\$33,213,664.45	\$32,669,233.78	\$32,165,427.64	\$28,803,661.53	\$25,655,915.15
Franchise fee (City)	5.0%	5.0%	5.0%	5.0%	5.0%
Franchise Fee	\$1,660,683.2	\$1,633,461.7	\$1,608,271.4	\$1,440,183.1	\$1,282,795.8
Subscribers Final	106,574	97,221	87,487	73,534	59,917
Receipts per Subscriber	\$311.65	\$336.03	\$367.66	\$391.71	\$428.19

DECLINING SUBSCRIBERS

- Total number of subscribers have dropped 43.8% from 106,574 in Fiscal 2020 to 59,917 in Fiscal 2024.
- Even though this trend was identified, the gross receipts subject to the franchise fee did not show alarming changes until Fiscal 2023 when experienced more than 10% decline

TREND ANALYSIS

- The Fiscal 2024 Q1 Projection captures a trend analysis indicating the reduced reported amount from Comcast subject to the franchise fee.

Fiscal 2024

Expenditure Overview

Fiscal 2024: First Quarter Expenditure Outlook

Key Notes on First Quarter

- General Fund vacancies have declined by 4.5% from 2,083 in July to 1,990 in November.
- 4 agencies that required supplemental appropriations in Fiscal 2023 are on track to be within budget in Fiscal 2024 (Board of Elections, Health, Liquor Board, & MOCFS).
- Fire, Law, Police, and Public Works have the largest projected deficits driven by unbudgeted contractual costs & personnel expenses
- Mischarging of non-General Fund personnel costs is contributing to deficits across grant-dependent agencies.

FISCAL 2024
FIRST QUARTER

\$7.1m

**PROJECTED EXPENDITURE
DEFICIT**

Expenditure Surpluses

Agencies Projected With Significant Budget Surplus: > 10% Budget Variance

- City Council
- Council Services
- Comptroller
- Courts - Orphans' Court
- General Services
- Legislative Reference
- M-R Convention Complex and Convention Center Hotel
- Office of Equity and Civil Rights
- Municipal and Zoning Appeals

Expenditure Surpluses

Agencies Projected With Minor Budget Surplus: <10% Budget Variance

- Courts - Circuit Court
- Board of Elections
- Health
- Housing and Community Development
- Human Resources
- Enoch Pratt Free Library
- Liquor License Board
- M-R Office of the Inspector General
- M-R Office of Children and Family Success
- M-R Office of the Labor Commissioner
- M-R Office of Neighborhood Safety and Engagement
- M-R Environmental Control Board
- M-R Office of Employment Development
- Planning
- Recreation & Parks
- Sheriff
- State's Attorney
- Transportation

Expenditure Deficits

Agencies Projected With An Operating Deficit

Agency	Variance		Explanation
	\$	%	
Finance	(0.2M)	(0.5%)	<ul style="list-style-type: none"> • Unbudgeted contractual costs to support payroll functions
Fire	(25.7M)	(10.5%)	<ul style="list-style-type: none"> • Significant Fire Suppression Overtime due to high vacancies • Use of unbudgeted contracts to supplement BLS ambulance service • Mischarges of Fire Communications service to General Fund
Law	(1.2M)	(9.5%)	<ul style="list-style-type: none"> • Personnel costs from position reclassification actions

Expenditure Deficits

Agencies Projected With An Operating Deficit

Agency	Variance		Explanation
	\$	%	
M-R Cable and Communications	<(0.1M)	(3.9%)	<ul style="list-style-type: none"> Exceeding assumed turnover savings
M-R Office of Homeless Services	(1.2M)	(8.9%)	<ul style="list-style-type: none"> Grant related personnel costs hitting the General Fund Shelter contract costs committed higher than budgeted amounts
Police	(-3.7M)	(0.7%)	<ul style="list-style-type: none"> Reliance on Overtime to staff shifts due to growing number of vacancies Unexpected costs for on-call pay due to arbitration rulings
Public Works	(3.2M)	(3.1%)	<ul style="list-style-type: none"> Unbudgeted contractual expenses to support trash and recycling routes Increased tipping fees

Discussion and Questions

