

FROM	NAME & TITLE	Laura Larsen, Budget Director 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 469, City Hall		
	SUBJECT	Fiscal 2022 Closeout Supplementary Appropriations		

DATE:

TO

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

February 17, 2023

Position: Support

The Department of Finance is herein reporting on the following City Council Bills 22-0304, 22-0305, 22-0306, 22-0307, 22-0308, 22-0309, 22-0310, 22-0311, 22-0312, 22-0313, 22-0314, 22-0315, 22-0316, 22-0317, 22-0318, and 22-0319, the purpose of which is to increase the Fiscal 2022 appropriation of General Funds by \$95.2 million. These supplemental appropriations will balance the Fiscal 2022 budgets for the Baltimore City Health Department, Convention Center Hotel, Department of General Services, Department of Finance, Department of Planning, Department of Public Works, Department of Transportation, and Miscellaneous General Expenses.

Background

The Baltimore City Charter requires that each agency ends the fiscal year in balance. The Department of Finance recommends appropriation transfers and supplementary appropriations when an agency is projected to close the fiscal year in deficit. These supplemental appropriations are required to meet the Charter mandate. In Fiscal 2022, the City’s operating budget closed with a surplus of \$113.9 million.

Fiscal Impact

Specific costs are detailed below by agency.

Baltimore City Health Department

Requested Supplemental Amount: \$33.8 Million

Funding Source: FEMA Reimbursement

The Baltimore City Health Department’s (BCHD) Fiscal 2022 spending exceeded the budget by \$33.8 million in four Services: Clinical Services (303), School Health Services (Service 310), Emergency Services-Health (315), and Advocacy for Seniors (723). BCHD incurred unexpected expenditures resulting from the COVID-19 pandemic, including costs related to testing and medical supplies; pandemic response personnel costs, contact tracing, and vaccinations; the school nurse program; and the senior food program.

Convention Center Hotel

Requested Supplemental Amount: \$5,375,000

Funding Source: Recordation Tax

The Convention Center Hotel’s Fiscal 2022 spending exceeded the budget by \$5,375,000 in Service 535-Convention Center Hotel. This facility was financed with \$300 million of tax-exempt bonds in 2006. The repayment of debt was expected to be covered by hotel operational revenue and Hotel Tax and Property Tax generated by the Convention Center Hotel itself. Per the original bond agreement, the City is required to divert up to \$7 million of General Fund Hotel Tax revenue to fill the gap if necessary. In Fiscal 2022, the

Convention Center Hotel did not have sufficient revenues to cover the annual debt service cost as a result of the continued impact of COVID-19. Finance recommends an amendment to 22-0312 to correct the fund source listed in the legislation.

Department of General Services

Requested Supplemental Amount: \$9,800,000

Funding Source: Transfer Tax

The Department of General Services' (DGS) Fiscal 2022 spending exceeded the budget by \$9.8 million in three Services: Facilities Management (731), Capital Projects Division (734), and Administration (726). DGS incurred unexpected expenditures due increased costs related to building maintenance and supply costs, fuel costs, and capital project costs as a result of rising inflation.

Finance recommends an amendment to 22-0308 and 22-0309 to correct the fund source listed in the legislation. An additional supplemental appropriation will be submitted to the Council for \$660,000 for Facilities Management (731) that was not submitted in error.

Department of Finance

Requested Supplemental Amount: \$1,900,000

Funding Source: Recordation Tax

The Department of Finance's Fiscal 2022 spending exceeded the budget by \$1.9 million in Service 704: Accounting. The spending deficit was driven by contractual and personnel costs associated with Phase II of the Workday implementation. Phase II consolidated the City's financial and procurement systems into Workday and went live on August 8, 2022.

Department of Planning

Requested Supplemental Amount: \$14,000,000

Funding Source: FEMA Reimbursement

The Department of Planning's Fiscal 2022 spending exceeded the budget by \$14.0 million in two Services: Planning for a Sustainable Baltimore (765) and Administration-Planning (768). Planning incurred unexpected expenditures resulting from the City's COVID-19 response, these costs related to the City's feeding programs that included grocery and produce boxes, and personnel costs to implement the program.

Finance recommends an amendment to 22-0314 to correct the appropriation amount to \$480,000 to accurately reflect the amount of funding required and authorized by the Board of Estimates.

Department of Public Works

Requested Supplemental Amount: \$2,725,000

Funding Source: Transfer Tax

The Department of Public Works' Fiscal 2022 spending exceeded the budget by \$2.725 million in Service 676: Administration-DPW. This reflects personnel costs for staff that oversee administrative functions across the Department's divisions.

Finance recommends an amendment to 22-0316 to correct the fund source listed in the legislation.

Department of Transportation

Requested Supplemental Amount: \$4,425,000

Funding Source: Recordation Tax

The Department of Transportation's Fiscal 2022 spending exceeded the budget by \$4.425 million in three Services: Snow and Ice Control (688), Street Lighting (500), and Traffic Safety (Service 697). The budget

for Service 688: Snow and Ice Control is based on average snow expenditures over the past 10 years, excluding years with extraordinary snowfall. Fiscal 2022 costs associated with snow and ice removal were higher than budgeted due to a higher number of winter weather events. Deficits in Street Lighting and Traffic safety were due to unplanned expenditures.

Miscellaneous General Expenses

Requested Supplemental Amount: \$22,400,000

Funding Source: Transfer Tax

The Miscellaneous General Expenses Fiscal 2022 spending exceeded the budget by \$22.4 million due to unexpected expenditures from prior and current payroll expenses (leave time) for the Fire and Police Departments. These expenses were originally posted in error to a balance sheet account, as opposed to the operating budget, which were properly posted prior to the year-end for the annual financial audit and Workday transition.

Other Considerations-Status of FEMA Reimbursement

The City continues to receive 90% reimbursement from FEMA for costs related to the COVID-19 response. The City will continue to receive this reimbursement through May 11th, 2023. As of December 1, 2022, the City has received \$90.8 million in Federal reimbursement, with approval of another \$37.8 million approved and pending payment and \$36.8 million under review. Current activities receiving reimbursement include: hotel shelters for individuals experiencing homeless, Health Department COVID-19 costs, and vaccine programs.

Conclusion

These supplemental appropriations are required to meet the Charter mandate that annual agency expenditures do not exceed appropriations, and are necessary due to the increased costs outlined above. These appropriations will be funded from FEMA reimbursement and excess Transfer Tax and Recordation Tax revenues.

For the reasons stated above, the Department of Finance supports City Council Bills 22-0304, 22-0305, 22-0306, 22-0307, 22-0308, 22-0309, 22-0310, 22-0311, 22-0312, 22-0313, 22-0314, 22-0315, 22-0316, 22-0317, 22-0318, and 22-0319.

cc: Michael Moiseyev
Nina Themelis