

# Fiscal 2022 1<sup>st</sup> Quarter Update

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Baltimore Bureau of the Budget & Management Research



# Agenda

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- **Federal Aid Update**
- **Fiscal 2022 1<sup>st</sup> Quarter Projection**
- **Revenue Detail**
- **Expenditure Detail**
- **Summary**

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# Federal Aid Rules

	<u>CARES</u>	<u>FEMA</u>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• Direct award to City.</li> <li>• Total of <b>\$103.1 million</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Reimbursable; City must apply.</li> <li>• <b>\$36.4M</b> already received.</li> </ul>
<b>Match Requirement</b>	<ul style="list-style-type: none"> <li>• No City match required.</li> <li>• Can be used as 25% match for FEMA.</li> </ul>	<ul style="list-style-type: none"> <li>• 25% City match required.</li> <li>• 0% match going forward per Executive Order.</li> </ul>
<b>Deadline</b>	<ul style="list-style-type: none"> <li>• Original deadline of Dec 2020.</li> <li>• Extended to Dec 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• No end date, but FEMA can close disaster period any time.</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Only for necessary expenses due to pandemic emergency.</li> <li>• Cannot be used for lost revenue.</li> </ul>	<ul style="list-style-type: none"> <li>• Only for emergency protective measures, as defined by FEMA.</li> </ul>
<b>Examples</b>	<ul style="list-style-type: none"> <li>• Economic support for businesses, non-profits, and families</li> <li>• Employee compensation for direct response</li> <li>• Building retrofits</li> </ul>	<ul style="list-style-type: none"> <li>• EOC costs</li> <li>• Food purchase / distribution</li> <li>• Sheltering and quarantine</li> <li>• Medical care, facilities, and transport</li> </ul>

# CARES Act Status

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- City received direct allocation from U.S. Treasury in March 2020.
- Deadline for spending is December 30, 2021 by the Consolidated Appropriations Act.
- BBMR has been reporting quarterly spending to the U.S. Treasury, per Federal law.
- **Both the revenue and expenditure estimates reflect \$24.5 million in CARES funding in FY22.**

# FEMA Reimbursement Status

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- FEMA funds are reimbursable.
- FEMA-eligible applications have been prioritized for submission by highest dollar.
- Past FEMA practice is 75% Federal / 25% City share for eligible costs.
- New Executive Order allows for 100% FEMA reimbursement for eligible costs dated back to January 2020.
- **Both the revenue and expenditure estimates reflect \$27.5 million in reimbursement from FEMA for food distribution, sheltering the homeless, and vaccination in FY22.**

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# Fiscal 2022 Q1 Projection

Fiscal 2022 GENERAL FUND	Adopted Budget (in millions)	1 <sup>st</sup> Quarter Projection (in millions)	Surplus / (Deficit) (in millions)
Revenue	\$2,007.8	\$2,071.2	\$63.4
PAYGO Capital	\$15.0	\$15.0	\$0.0
Expenditures	\$1,992.8	\$1,996.3	(\$3.5)
<b>Surplus / (Deficit)</b>	<b>\$0.00</b>	<b>\$59.9</b>	<b>\$59.9</b>

**An operating surplus (revenue less expenditures) totaling nearly \$60 million is projected in the General Fund at 1<sup>st</sup> Quarter.**

**Notes: Both the FY22 budget and 1<sup>st</sup> Quarter projection include \$52 million in Federal Aid (FEMA, CARES).**



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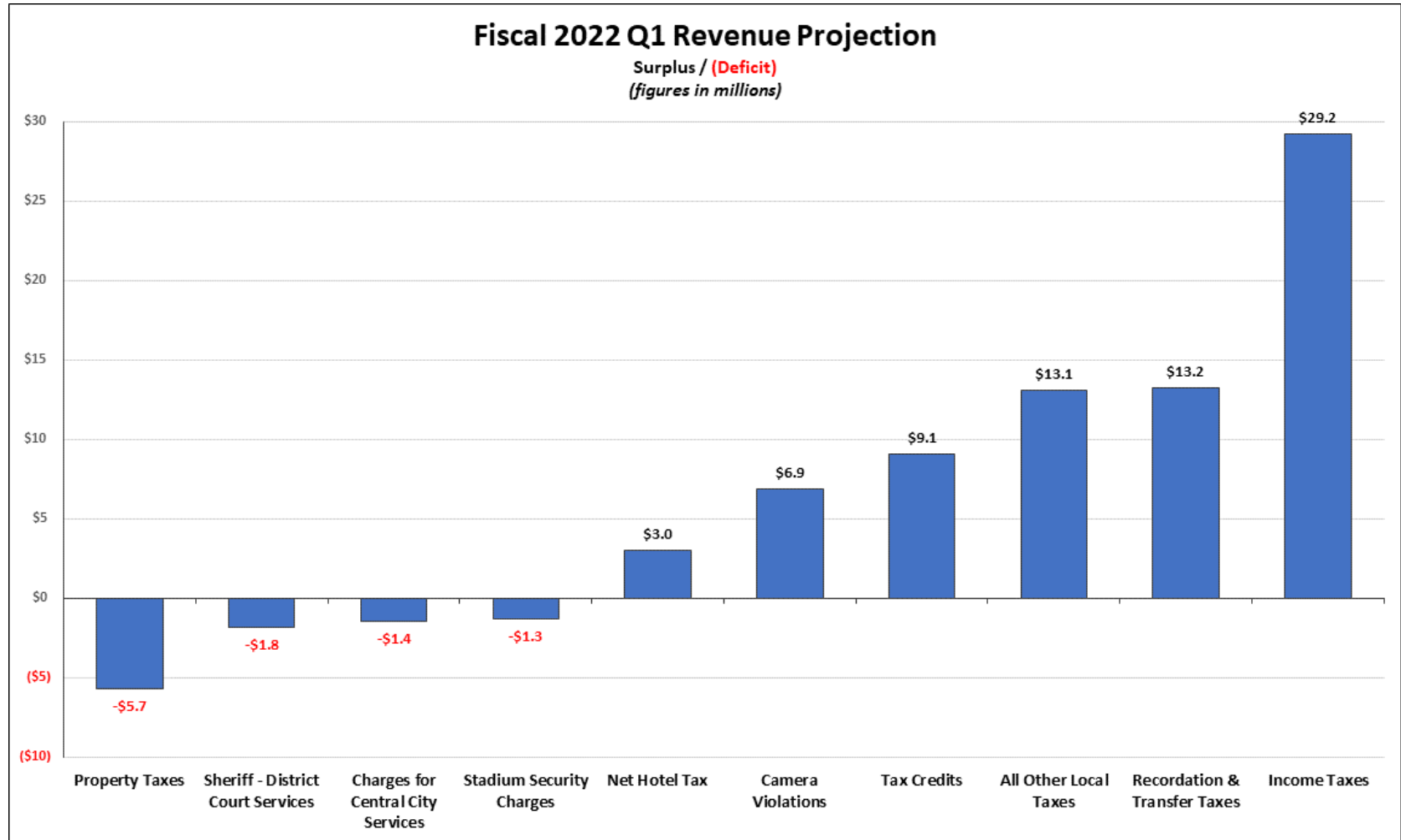
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# Revenue Summary

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- **FY22 General Fund revenue is projected to total \$2.071 billion.** This is \$63 million – or more than 3.0% - higher than what was anticipated in the budget.
- Both the budget and the projection assume **\$52 million in Federal Aid** (CARES, FEMA). Even without this additional revenue, the 1<sup>st</sup> Quarter projection reflects sufficient revenue to cover current year expenditures.
- **Federal Aid from the ARP Act is *not* reflected in the General Fund.**

# Revenue Summary



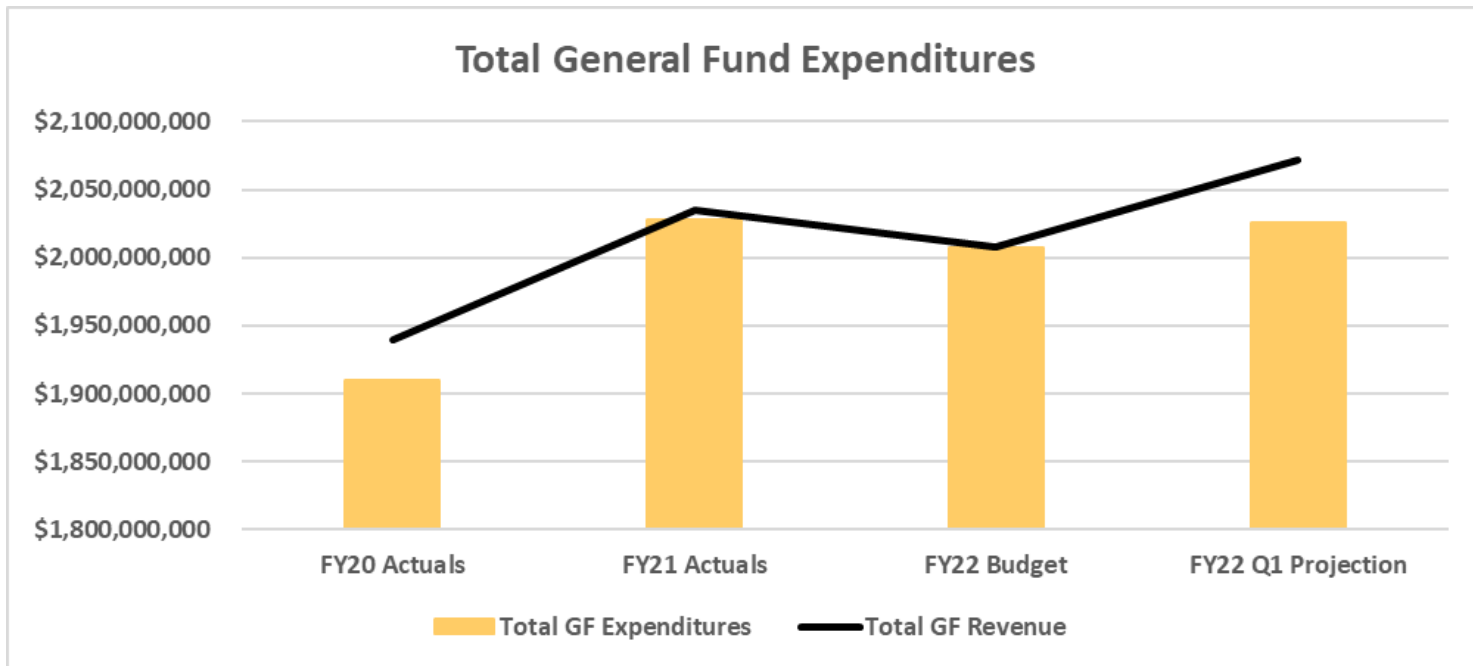
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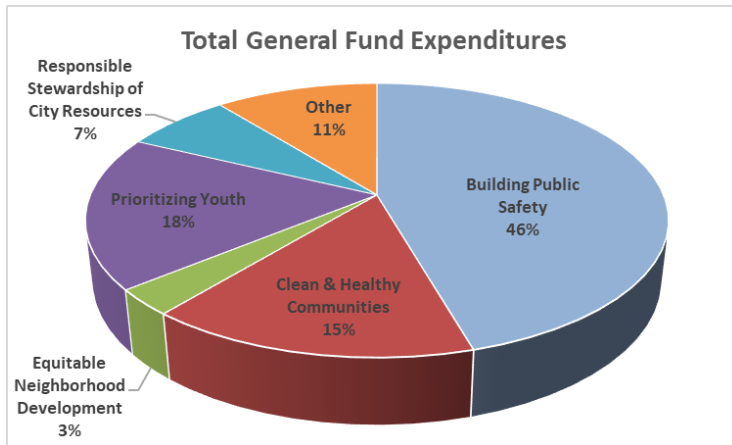
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# Expenditure Summary

- **FY22 General Fund spending is projected to total just over \$2 billion.** This represents less than a 1% decrease from total spending in FY21.
- **Spending is projected to total \$3.5 million *more* than what was budgeted** – this represents a projected deficit of less than 1%

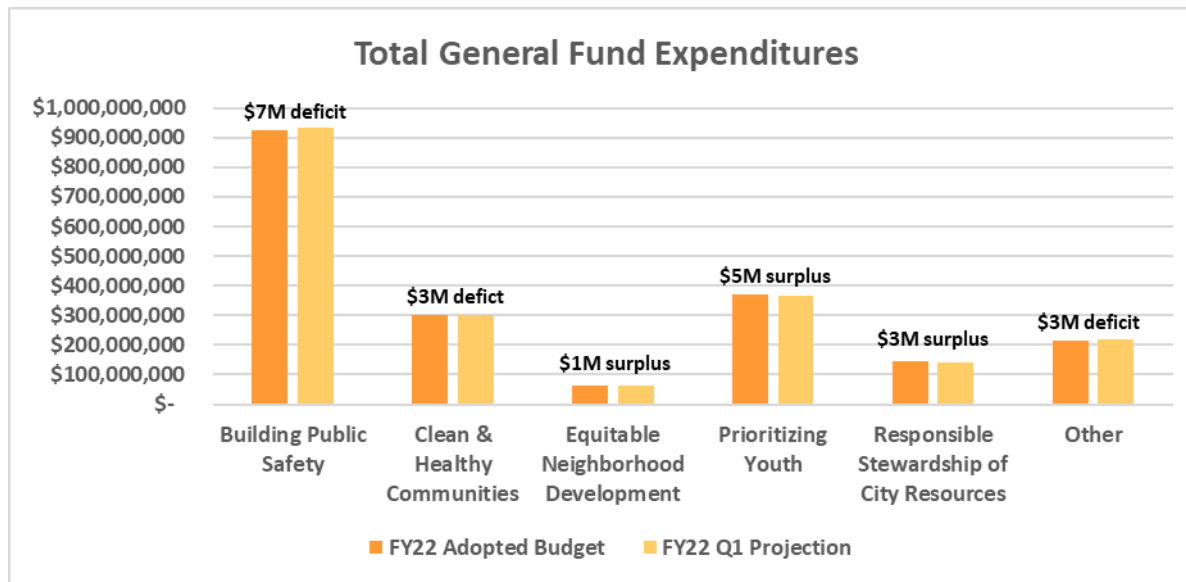


# Expenditure Summary



Spending in support of the Mayor’s commitment to Building Public Safety and Clean and Healthy Communities is projected to exceed what was anticipated in the budget. This reflects the City’s response to the COVID-19 pandemic.

Spending in all other pillars is projected to be at or below what was budgeted.



# Expenditure Summary

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- **Approximately one-third of the total projected surplus is in personnel** – this largely is driven by vacant positions in many of the agencies. These vacancies can be attributed to **difficulty in filling frontline positions** (e.g. police, health), **routine attrition**, **the nationwide worker shortage**, and the **return to hiring after the cessation of the hiring freeze**.
- **The remainder of the surplus is distributed throughout the City** and discussed on the next slide.

# Agency Expenditure Surpluses

Agency surpluses totaling \$19 million are projected throughout the City; the largest are in the following agencies:

Agency	Proj. Surplus	% of Budget	Comments
Recreation & Parks	\$2.5 million	5%	The surplus can be attributed to personnel and reflects difficulty hiring part-time workers; the number of vacancies has actually increased since the hiring freeze ended in July.
Information & Technology	\$2 million	5%	Sizeable surpluses in personnel and equipment offset a projected deficit in contractual spending of more than \$6 million. Nearly one-third of the agency's positions are currently vacant, which is driving the overall surplus.
Police	\$2 million	0.4%	The surplus is largely driven by personnel and reflects vacant positions throughout the Department. The salary surplus is offset by an increase in overtime expenses associated with ensuring that shifts & posts are covered despite the vacancies.
Transportation	\$1.9 million	2%	The surplus, largely isolated to equipment and materials spending, offsets a projected shortfall in personnel costs.
Pratt Free Library	\$1.8 million	6%	The surplus is in personnel and reflects the effects of the hiring freeze, that only ended in July 2021. The Library has resumed hiring, but the filling of positions has been slow.
State's Attorney's Office	\$1.7 million	4%	The surplus is largely driven by attrition. The SAO has trouble retaining staff due to salaries that are below-market. The SAO has recently eliminated five attorney positions to increase salaries for 43 attorneys to curb attrition.



# Agency Expenditure Deficits

Agency	Proj. Deficit	% of Budget	Comments
Health	\$11.7 million	15%	This deficit is driven by the City's response to the COVID-19 pandemic, which includes housing homeless individuals in hotels to prevent the spread. The cost of the hotels was budgeted only through the end of December.
Fire	\$5.3 million	2%	The deficit largely reflects overtime spending, particularly in the area of Fire Suppression and Emergency Rescue. Currently, the Fire Department is conducting an operational assessment, the results of which will be analyzed and responded to by the Administration as appropriate. Additionally, the Fiscal 2021 budget included savings of \$3.6M for disbanding two fire companies, which, to date, has not occurred.
General Services	\$1.9 million	14%	The deficit reflects the added cost to the City to properly clean and equip the buildings in response to the COVID-19 pandemic.
Public Works	\$1.2 million	1%	There are nearly 100 vacant positions in DPW. This is offset by spending on overtime and stipends, which are both projected to exceed what was budgeted. Additionally, there is a projected deficit of \$1.4 million, largely driven by the cost of waste removal.
Finance	\$0.5 million	2%	The Department has hired temporary workers to address the backlog of vendor payments in accounts payable. The additional workers – who were not included in the budget – have reduced the backlog by 75% from \$20 million in March 2021 to approximately \$5 million in October 2021. The current estimates assume that the temporary workers will continue to work through the end of the fiscal year.

# Agency Expenditure Projections

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The currently projected surpluses – which offset deficits in other areas of the budget – *could decrease or be eliminated* based on:

- **Police** – The City plans to issue debt to support the purchase of four new helicopters for the Police Department. Two of the existing helicopters are scheduled to be decommissioned at the end of calendar 2022 and two will be decommissioned at the end of calendar 2023. The FY22 budget does not include funding to cover debt service. The 1<sup>st</sup> Quarter projections assume, based on the timing of the issuance that payments will begin in FY23. **Should the debt be issued earlier, payments could start in FY22, which will eliminate the projected surplus of \$2 million in the Department.**
- **All Agencies** – Testing and Vaccination Program – The total cost of the City’s testing/vaccination mandate are not yet known due to the uncertainty of the impact on employees and operations.

# Summary

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- **As of 1<sup>st</sup> Quarter, the City's financial recovery is clearly improving.** An overall operational **surplus** of nearly \$60 million is projected in the General Fund.
- **The revenue side of the budget is driving the surplus.** Income Tax and Transfer & Recordation Taxes are still strong, and tourist-related revenues are improving more rapidly than anticipated.
- **Most agencies are operating within budget** and those that aren't are spending mostly in response to the COVID-19 pandemic. Over-spending – which represents less than 1% of the total budget – is mostly isolated to programs and services that fall within the **Clean and Healthy Communities** and **Building Public Safety** pillars.
- There is still significant **uncertainty** built into this projection, due to the COVID-19 pandemic, the availability of Federal aid, and the impact of testing and vaccine mandates to City operations.

# *Questions?*

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