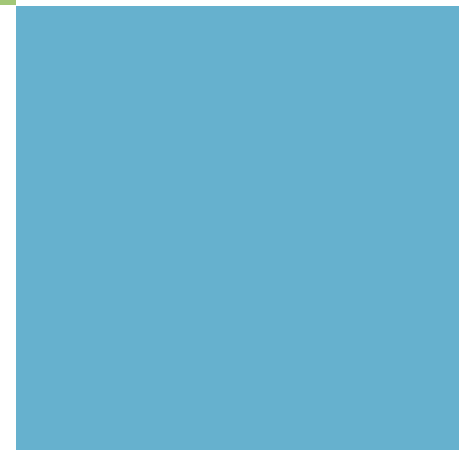


Fiscal 2025 Recommended Budget

City of Baltimore
Budget Briefing
May 16th, 2024

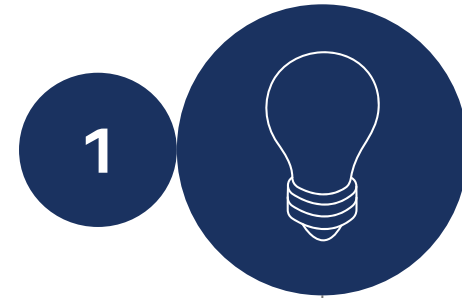
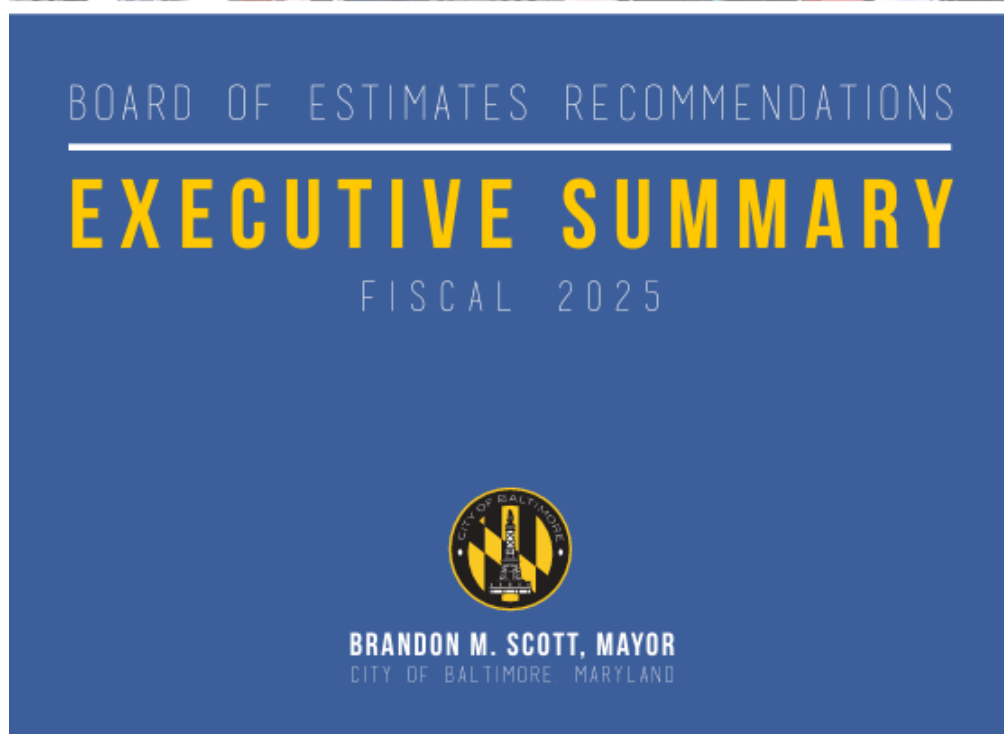


Brandon M. Scott
Mayor



BMORE
BUDGET

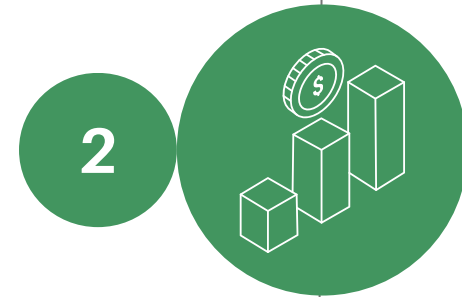
Agenda



1

Highlights

Budget Outlook, Balancing the Budget, Key Investments, Impact of Schools Funding



2

General Fund Revenue Overview

Where the Money Comes From, Major Revenue Forecasts



3

Expenditure Overview

Where the Money Goes, Overview of Mayor Scott's Pillars



4

Other Budgets Overview

Utility Budgets, Grant Funds, and Capital Budget Overview

FY 2025 Highlights



Brandon M. Scott
Mayor

BM  RE BUDGET

Fiscal 2025 Budget Highlights

BALANCED GENERAL FUND BUDGET

\$107 million shortfall closed with targeted agency trims, new efficiencies, and reduced long-term liabilities.

TARGETED INVESTMENTS

Continues progress on top priorities: violence prevention, consent decree compliance, vacants initiative, climate action, and procurement transformation.

INFLATION

City still facing some lingering cost pressure from recent high inflationary period (2021 to 2023), especially on wages and labor contracts.

EDUCATION COSTS

City's contribution will decrease in Fiscal 2025 but City's investment is still 47.6% higher than pre-Kirwan levels.



Fiscal 2025 by the Numbers

FISCAL 2025	Recommended Amount	Change from Fiscal 2024, \$	Change from Fiscal 2024, %
Operating Plan	3,477.2 million	-50.1 million	-1.4%
Capital Plan	732.5 million	-99.3 million	-11.9%
Total	\$4,209.7 million	-\$149.4 million	-3.4%

FISCAL 2025 General Fund	Recommended Amount	Change from Fiscal 2024, \$	Change from Fiscal 2024, %
Budget	\$2,347.7 million	\$129.9 million	+5.9%
Positions	9,746	-172	-1.7%



Brandon M. Scott
Mayor



Fiscal 2025 General Fund Outlook

Projecting the Fiscal 2025 Outlook

- BBMR initial forecast was completed in the Fall of 2024.
- The forecast included assumptions for two large factors updated in January each year:
 - **Property Tax** re-assessments for 1/3 of City properties
 - The City’s required **Local Share** contribution to City Schools
- For Fiscal 2025 both of these revisions broke in the City’s favor.
- BBMR also made revisions to two revenue line items based on more current data for Investment Earnings and Income Tax.

Fiscal 2025 General Fund Outlook Recap

(in \$ millions)

FY 2025 General Fund Outlook (Initial)	(107.3)
Property Tax Group 3 Re-Assessments	9.5
Schools Formula	18.2
Investment Earnings	13.0
Income Tax	5.3
All Other Revisions	(0.5)
FY 2025 General Fund Outlook (Rev’d)	(61.9)



Balancing the FY 2025 Budget

Budget Balancing Actions

- The Preliminary Budget balanced a \$61.9 million budget gap
 - \$58.1M realized through budget balancing actions in both revenues and expenditures
 - \$5.8M invested for critical enhancements.

Use of One-Time Resources

- Fiscal 2025: Utilizing \$20.7M in Fund Balance from fiscal 2022 and 2023 HUR surplus receipts for one-time capital expenses, and \$9.6M of one-time resources from Investment Earnings to balance.
- Fiscal 2024: Utilized \$39.4M of one-time resources to balance:
 - \$29.4M of Fund Balance.
 - \$10.0M of State Aid.

Balancing Action	Amount
Parking Revenue	6.2
Fines and Fees	1.0
OPEB "Catch-Up" Contributions	17.6
Agency Position Savings	13.3
Agency Other Savings	20.0
ARPA Transition	(1.7)
Enhancements	(4.1)
Investment Income (one-time)	9.6
Total Savings	61.9

(In \$ millions)



Brandon M. Scott
Mayor



Balancing 2025: Revenue Enhancements

- **Parking Enforcement (\$2.6 million)**

- City will pilot enforcement of Residential Permit Parking (RPP) rules with license-plate reader (LPR) technology.



- **Parking Penalties (\$3.2 million)**

- The City will turn parking penalties back on, which were turned off as an emergency protective measure during COVID-19.

- **Parking Tax Legislation (\$0.4 million)**

- The City will introduce legislation to close a loophole in the parking tax law, which allows online brokers and apps to avoid the tax.



- **Municipal Fees and Fines (\$1.0 million)**

- The City will submit a package of fee updates to the BOE to reflect recent inflationary trends.



Balancing 2025: Budgeting Other Post-Employment Benefits (OPEB)

- The City transitioned retirees to Medicare Advantage Plans in 2021.
- This action significantly reduced the City’s long-term liability in the OPEB Trust Fund.
- Current assets in the Trust Fund have now almost reached the level of liability so that we are near fully funded status (97.7%) at the end of FY 2023.
- The City’s actuary has determined that the City no longer needs to make “catch-up” payments, resulting in a **\$17.6 million** savings.

Other Post-Employment Benefits (OPEB)
(in \$ millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Assets	648.5	666.4	866.3	811.4	877.1
Liabilities	2,141.0	2,135.5	1,410.5	931.5	898.1
Funded Ratio	30.3%	31.2%	61.4%	87.1%	97.7%

Balancing 2025: Citywide Vacancies

- Citywide vacancies have declined by 6% since the start of Fiscal 2024
- Civilian vacancies have declined while sworn vacancies have increased.

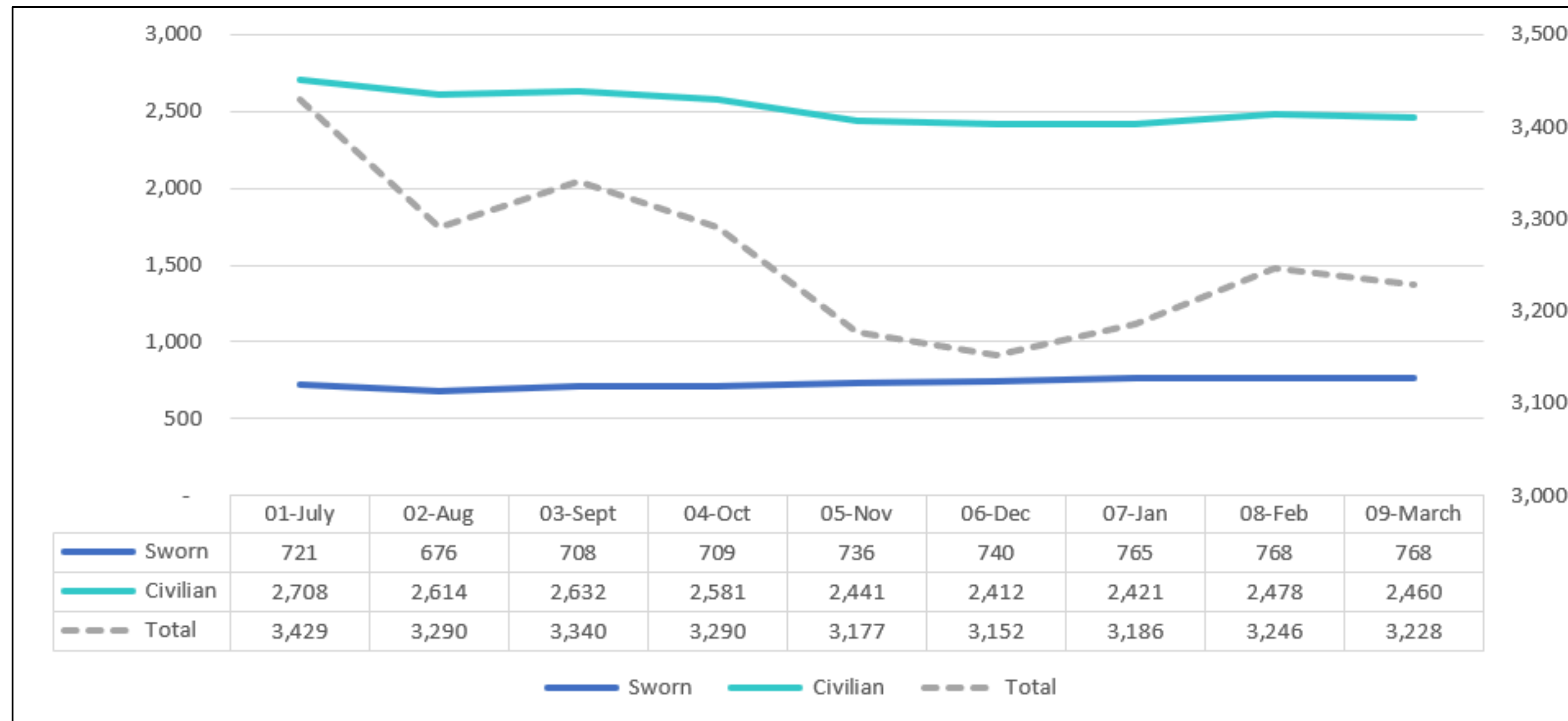
Civilian

Sworn

-9%

+7%

Citywide Vacancies: FY 24 (July-March)
Sworn vs. Civilian Positions



Brandon M. Scott
Mayor

Balancing 2025: Agency Savings

Position Reductions

- The Fiscal 2025 budget guidance asked agencies to identify long-term vacant positions that could be foregone without impacting service delivery.
- BBMR asked agencies to focus on:
 - Positions with extended periods of vacancy.
 - Service areas where efficiencies have been gained from better technology or business process improvement.
- This exercise resulted in funding being eliminated for 89 vacant positions totaling **\$13.3 million**.

Agency	Positions
Police	-55
Housing	-5
Public Works	-8
Recreation and Parks	-8
Library	-7
Transportation	-3
Office of Equity / Civil Rights	-2
Human Resources	-1
Total Positions	-89



Balancing 2025: Agency Savings

Other Agency Spending

- The Fiscal 2025 budget guidance asked agencies to identify savings ideas totaling 5% of their total budget as part of their budget submission.
- BBMR asked agencies to focus on:
 - Opportunities to “right-size” a budget which didn’t yet reflect a new service delivery method.
 - Efficiencies gained from better technology or business process improvement.
 - Line items with multiple years of surplus.
- This exercise resulted in funding of **\$20.0 million** being eliminated from agency budgets.

Agency	\$ millions
Health	6.5
Miscellaneous General	2.7
Information Technology	2.5
Police	2.0
Housing	1.8
Finance	1.3
Royal Farms / CFG Arena	0.6
All Other	1.9
Total Savings	20.0



Brandon M. Scott
Mayor

FY 2025 General Fund Revenue Overview



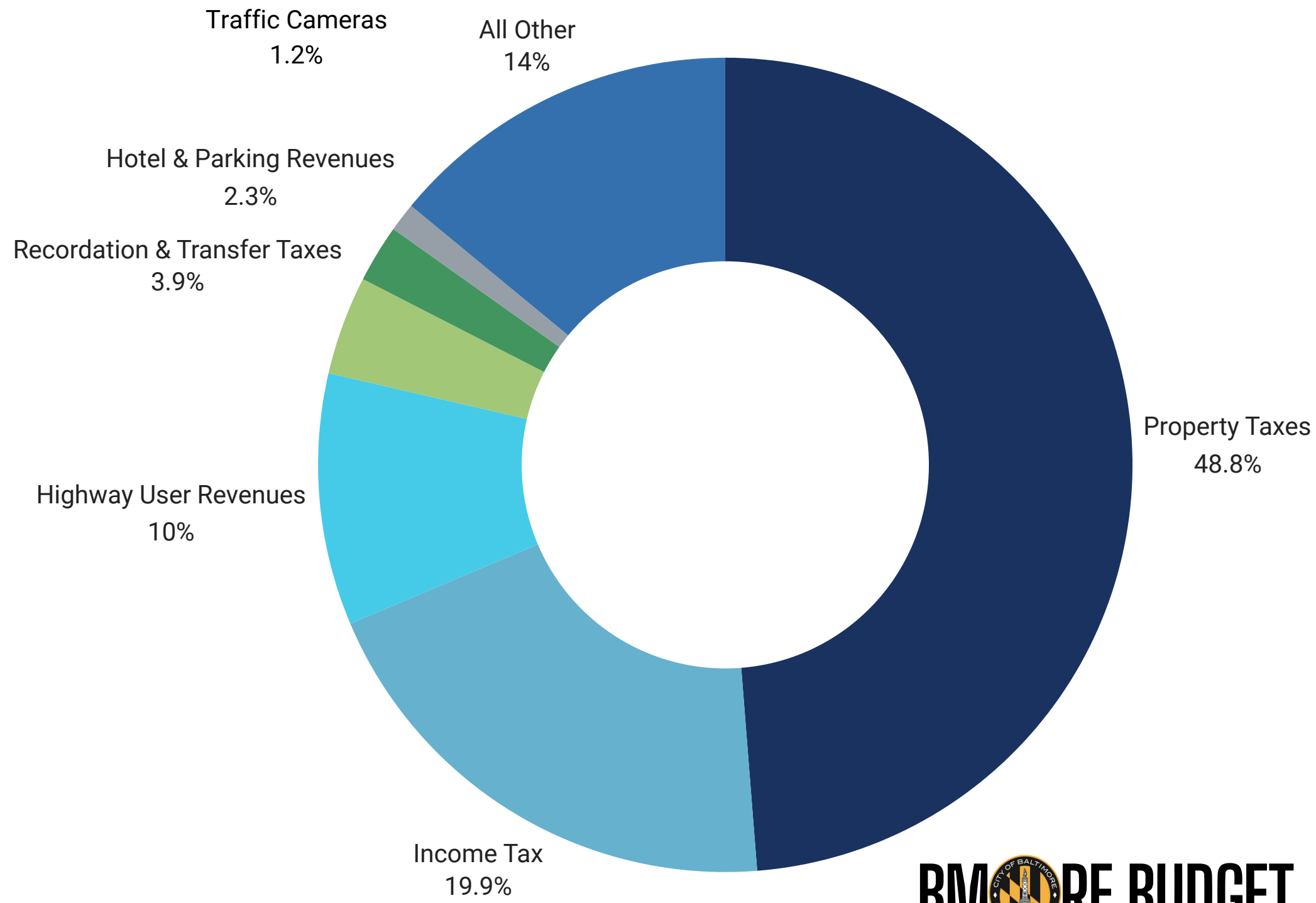
Brandon M. Scott
Mayor

BM  RE BUDGET

Where the Money Comes From



Fiscal 2025 General Fund Revenues \$2.3 Billion



Brandon M. Scott
Mayor

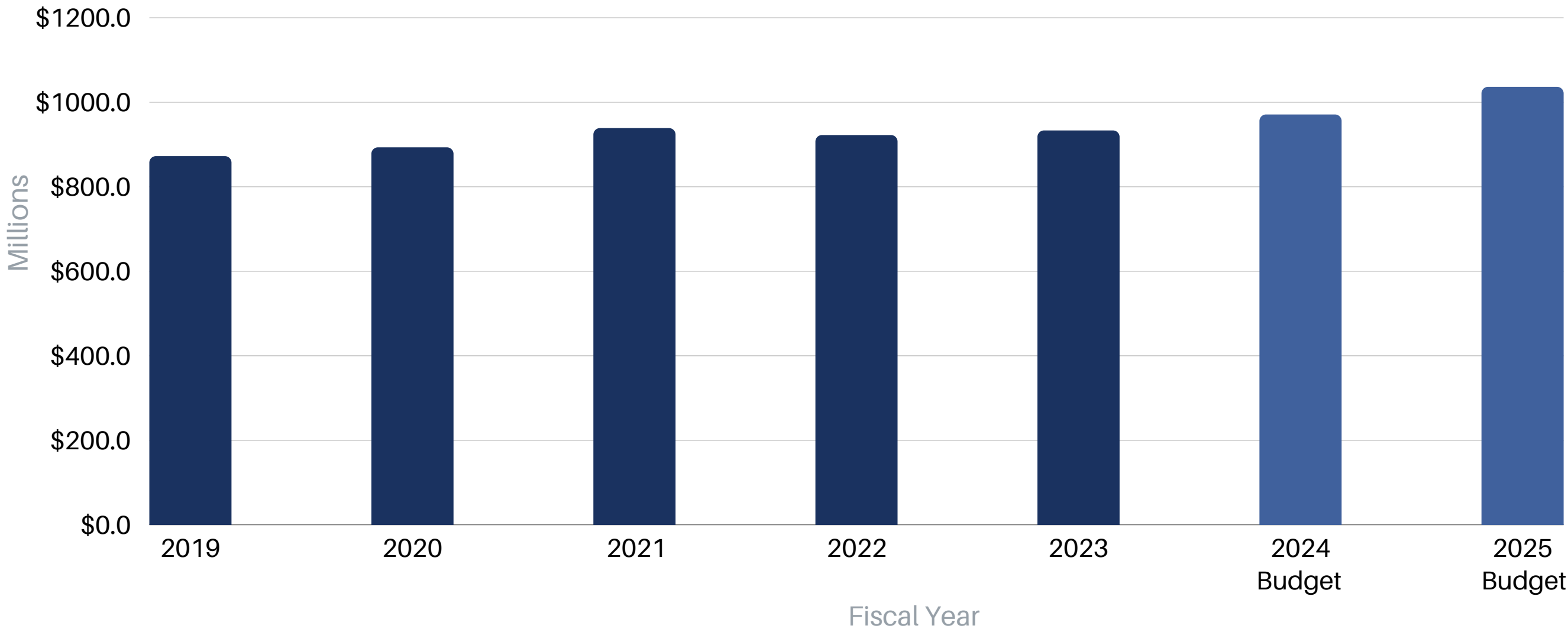


Property Tax

+\$65.4 MILLION

+6.7%

Real Property Tax Revenues



Real Property Assessment Growth

Group 3 Reassessment

- Group 3 was re-assessed for Fiscal 2025.
- Includes properties in the southern portion of the City.
- Tri-ennial growth of 17.9% overall.

Continued Growth in Assessed Values

- Fiscal 2025 represents the 11th consecutive year of assessment increases for Baltimore City.
- Fiscal 2024 and 2025 were the top two growth rates for that 11-year period.
- The City’s Fiscal 2025 assessment growth still ranked last among all other counties.

Fiscal Year Reassessment	Assessment Group	Full Cash Value Assessment Increase
Fiscal 2015	Group 2	7.0%
Fiscal 2016	Group 3	9.6%
Fiscal 2017	Group 1	10.9%
Fiscal 2018	Group 2	6.2%
Fiscal 2019	Group 3	3.6%
Fiscal 2020	Group 1	8.4%
Fiscal 2021	Group 2	9.1%
Fiscal 2022	Group 3	4.1%
Fiscal 2023	Group 1	6.6%
Fiscal 2024	Group 2	21.6%
Fiscal 2025	Group 3	17.9%

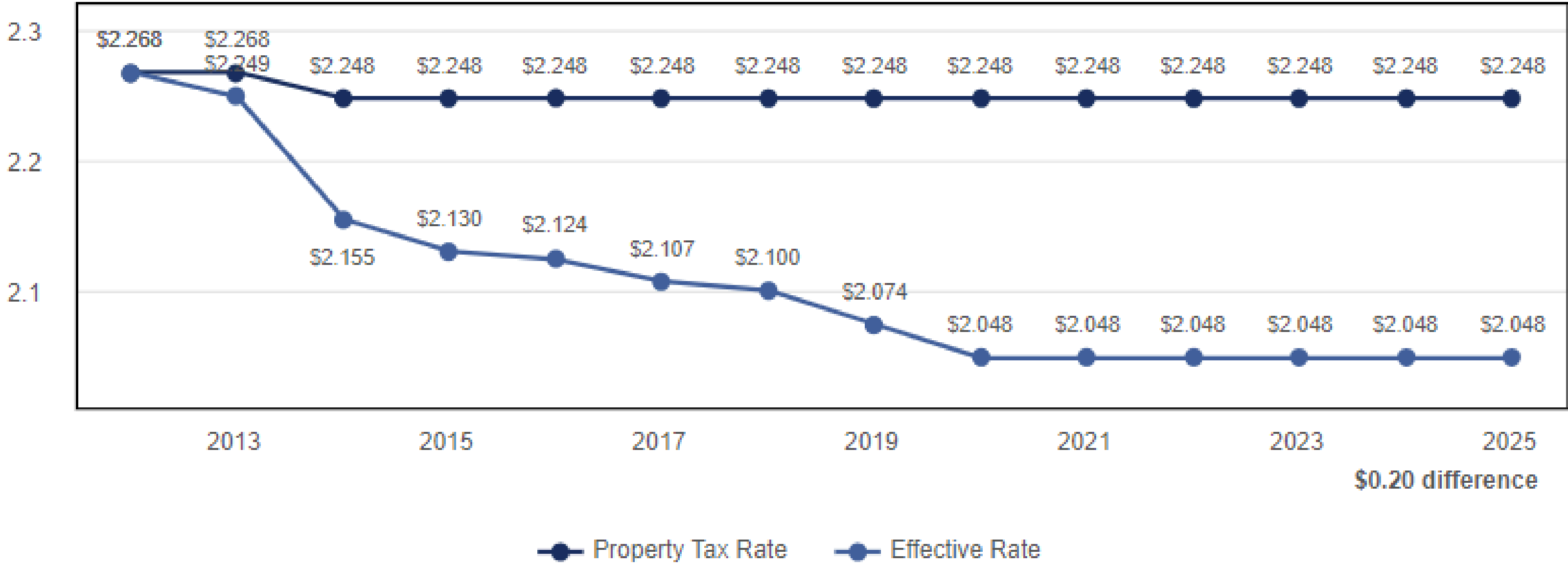


Brandon M. Scott
Mayor



Property Tax

Effective Property Tax Rate History (Per \$100 of Assessed Value)

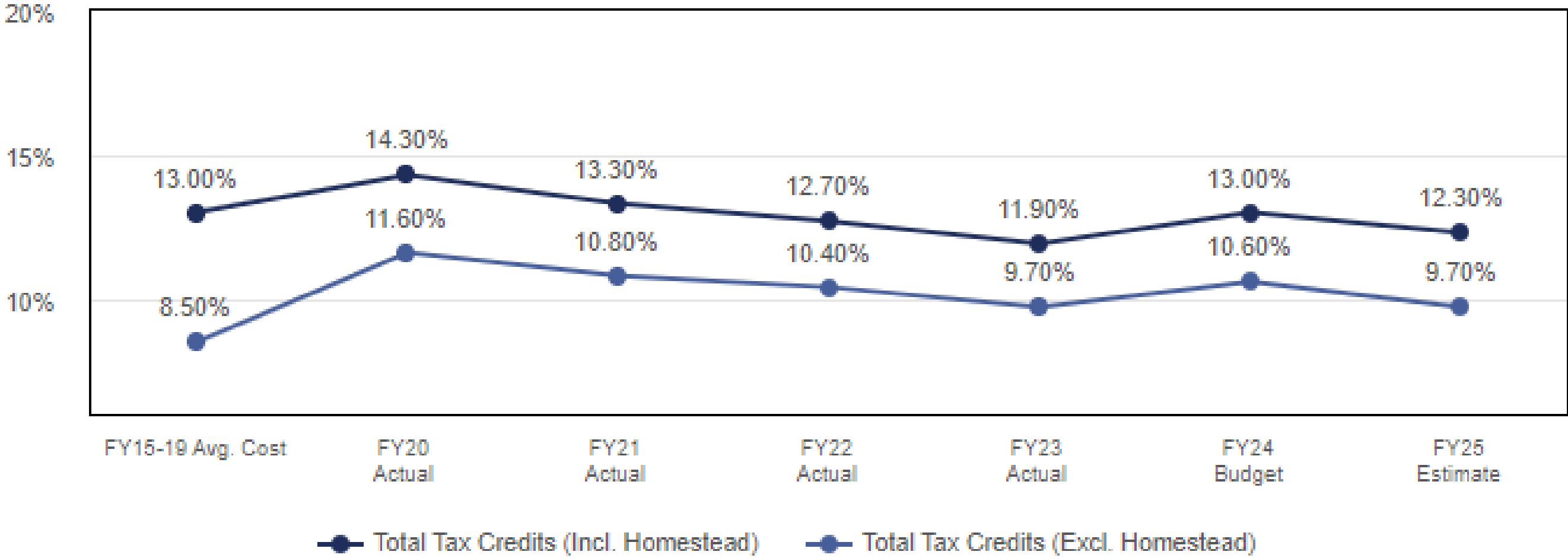


Tax Credits

+\$2.5 MILLION

-2.4%

Tax Credits as a Percent of Real Property



Changes in Tax Credit Costs

- The Fiscal 2025 budget reflects the anticipated reduction in the cost of two tax credits: the Enterprise Zone (EZTC) and the Historic (CHAP) tax credits. This reduction is due primarily to expiring credits on a handful of projects.



Transfer & Recordation Taxes

-\$4.8 MILLION

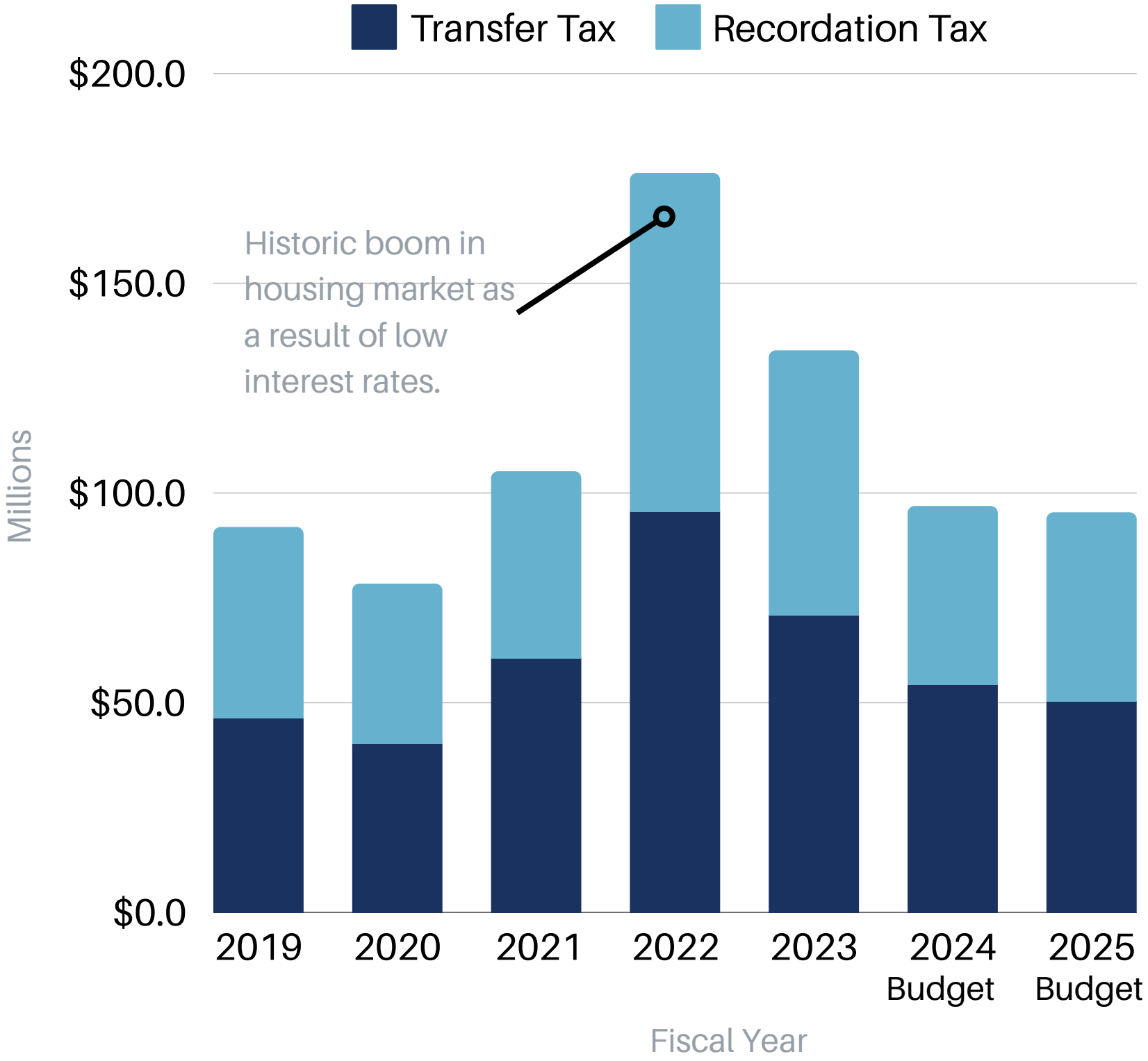
-4.9%

Residential Property Values

- This revenue source is driven by both the number of transactions and the value of those transactions.
- Despite a decline in the number of transactions, the value of those transactions grew 0.7% from Fiscal 2022 to Fiscal 2023, suggesting some resilience in housing prices.

Stabilizing Activity in the City's Housing Market

- The housing market is projected to continue stabilizing into Fiscal 2025, after reaching record highs in Fiscal 2022.



Income Tax

+\$18.9 MILLION

+4.2%

Income Tax Bracket	Change in # Tax Returns
< \$30,000	5,173 Decrease
\$30,000-\$59,999	1,709 Increase
\$60,000-\$149,999	4,040 Increase
\$150,000-\$499,000	1,583 Increase
> \$500,000	157 Decrease
Net Change	2,002 Increase

Declining Unemployment Rate

- The City’s income tax base continues to grow overall as its labor market remains strong.
- In Calendar 2023, the unemployment rate for City residents reached an average of 2.9%, the lowest since 1990.

Increasing Number of Tax Returns Filed

- 2022 tax return data by income bracket indicate that the number of tax returns by individuals earning less than \$30k continues declining, while tax returns filed by individuals earning more than \$30k is increasing.



Brandon M. Scott
Mayor



Highway User Revenues

+\$41.3 MILLION

+21.3%

Fiscal Year	HUR Allocation, %
Fiscal 2023	8.3%
Fiscal 2024	9.5%
Fiscal 2025	11.0%
Fiscal 2026	12.2%
Fiscal 2027	12.2%
Fiscal 2028	9.5%

Allocation Changes

- Fiscal 2025 is the second of five years where the City was projected for higher HUR allocations, based on changes to State law passed in 2022 under House Bill 1187.
- Final State budget bill raises new revenues and maintains City's higher share in FY26 and FY27.

HUR Funding Formula Components

- HUR is funded by statewide proceeds from fuel tax, titling tax, vehicle registration fees, corporate income tax, and a portion of sales tax.
- Prior to Fiscal 2023 HUR primarily funded operating costs. Increased allocations are programmed for transportation capital projects. Loss of HUR funding will impact the City's ability to fund these projects going forward.

HUR: Updates between Prelim & BOE Rec Budget

- Fund balance related to HUR was increased by \$20.7 million between releasing the Preliminary and BOE Recommended Budget. This increase reflects budgeting prior & projected HUR surplus funds for additional DOT PAYGO capital.



Brandon M. Scott
Mayor



Investment Earnings

+\$15.6 MILLION

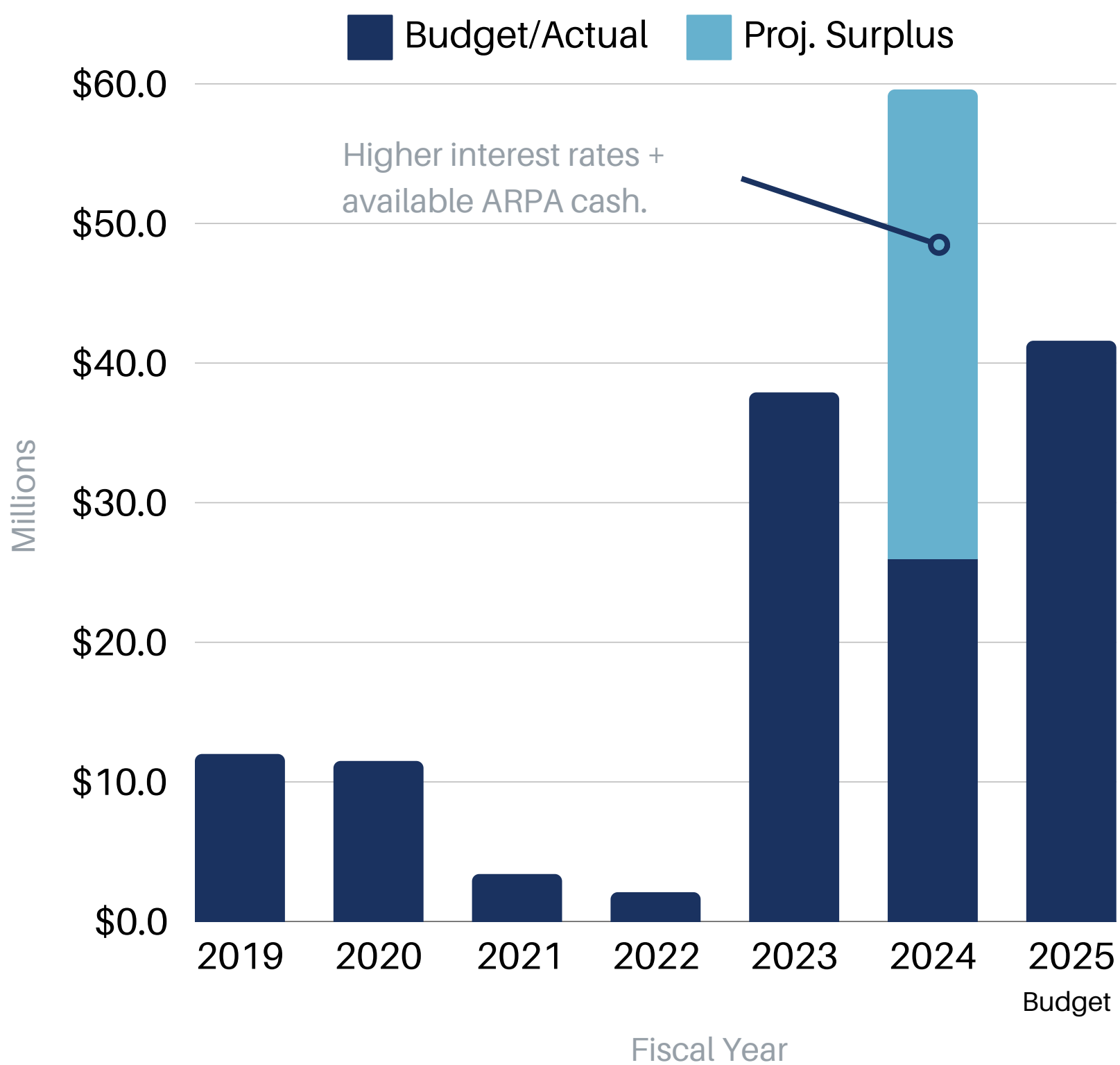
+59.8%

Cash Available for Investment

- The City will have more cash available for short-term investment than is customary due to ARPA cash that can be invested along with the City's other cash balances.

Average Return Rate and Yields

- The Fiscal 2025 projected revenue assumes an investment yield of 4.5% on short-term investments.
- The current 3-month Treasury bill yield exceeds 5.0% but the Federal Reserve has indicated that rate cuts are possible this calendar year.



Tourism & Visitor Revenues

+\$5.1 MILLION

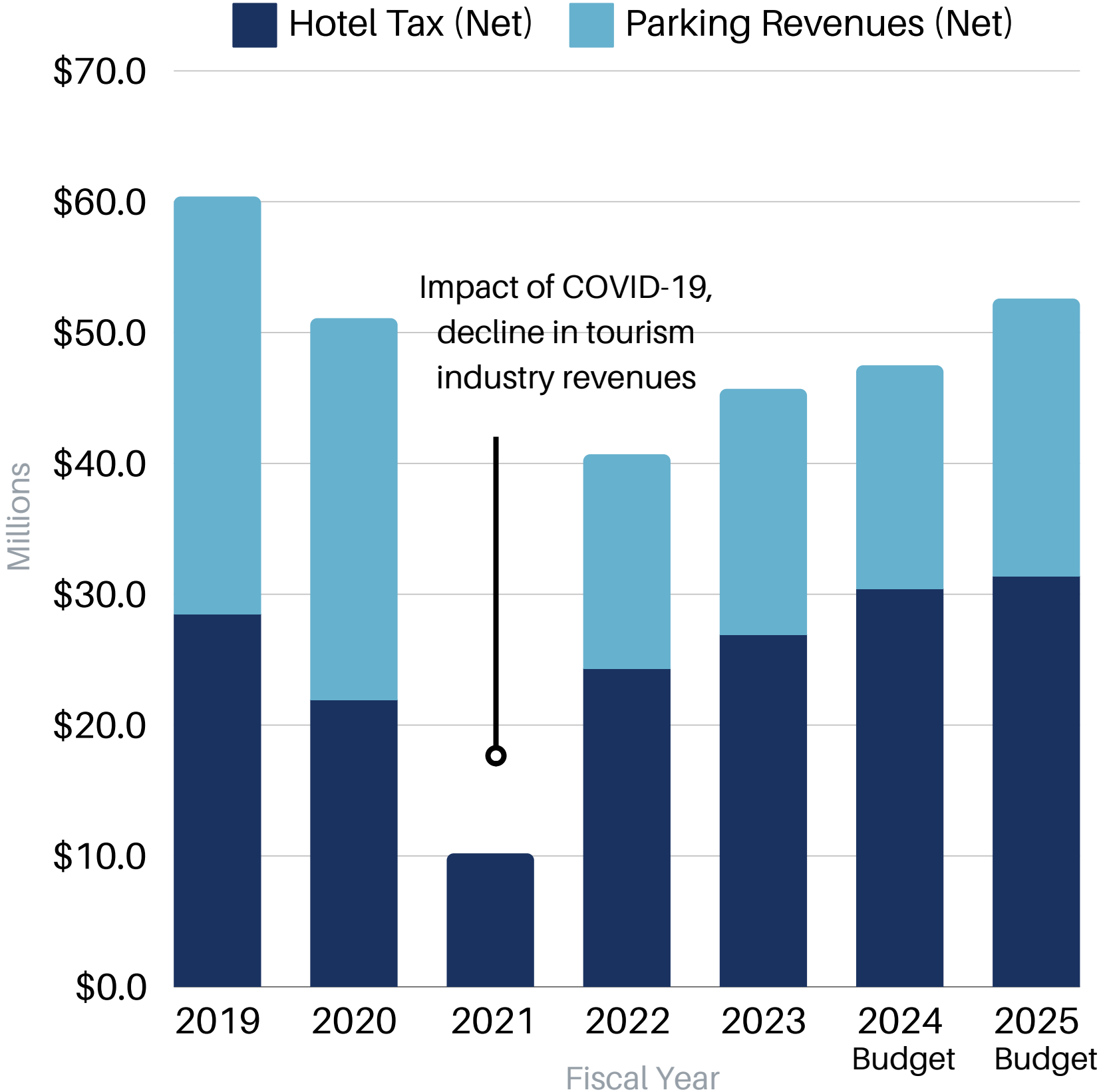
+10.6%

Growth in Hotel Room Prices

- The Fiscal 2025 budget assumes an additional \$0.4 million of hotel tax revenue.
- Average room rates (ARR) are expected to grow. ARR rates were up \$6.30 to \$168.00 per night as of December 2023, a 3.9% increase versus the prior year.

Parking Enhancements

- The Fiscal 2025 estimate includes \$6.2 million of expected parking revenue enhancements related to parking enforcement, parking penalties, and parking tax.

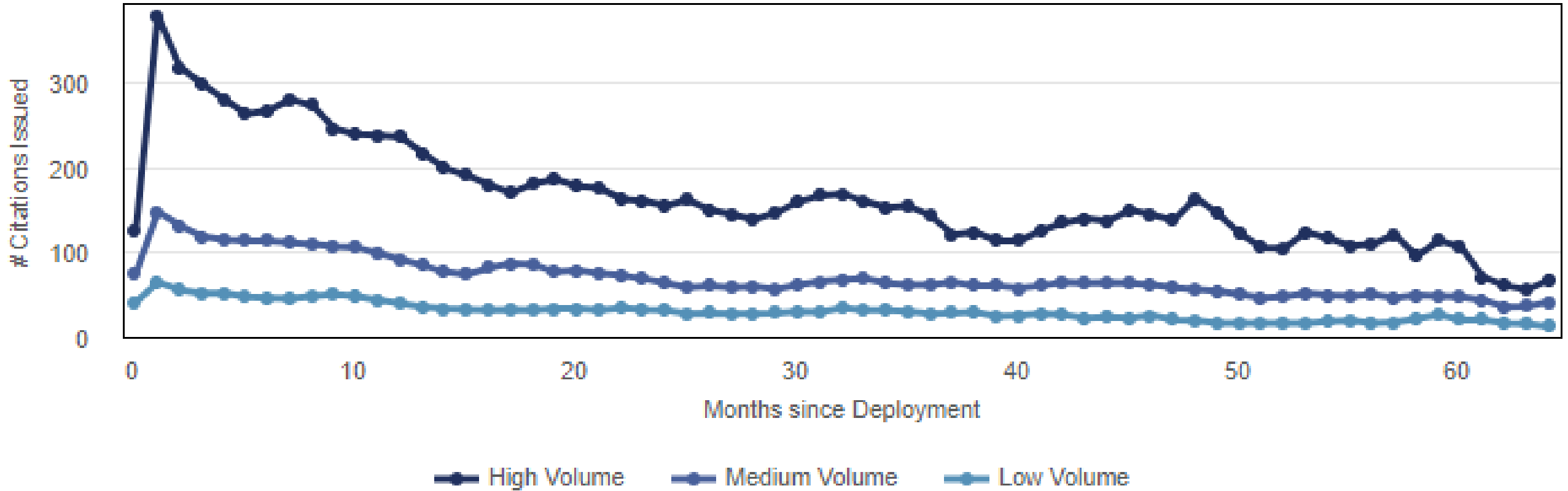


Traffic Cameras

+\$0.8 MILLION

+3.2%

Average Red Light Camera Violations Issued over Time per Camera



Collection Rate

The assumed collection rate for Fiscal 2025 is approximately 55% for new cameras, in line with prior results.

Deployment Strategy

The increase in revenues is driven by the planned deployment of 24 new red-light cameras in the summer of 2024, which would bring the totals to 153 (speed) and 183 (red light).



Brandon M. Scott Mayor



FY 2025 Expenditure Overview



Brandon M. Scott
Mayor

Challenges from the System Transition & Impact

System Transition Background

- Fiscal 2023 was the first full year of using Workday for financial transactions (payroll, accounting, and purchasing).
- Fiscal 2025 was the first year of utilizing the budget module for the City's operating and capital budgets.
- While the system is stabilized, handling of prior year transactions impacted data availability for the Fiscal 2025 budget.

Impacts to the Fiscal 2025 Budget

Fiscal 2023 Actuals

- A number of large accounting adjustment entries were incorrectly tagged during the Fiscal 2023 closeout process.
- These errors distort true actual expenditures at the agency and service level.
- Fiscal 2023 expenditure data is not included in the Agency Detail book; this data will be included in future publications.

Newly Created Positions

- Year over year position changes reflect midyear position actions, but do not include positions added as part of the Fiscal 2025 budget.
- BBMR & DHR are working on system adjustments to include newly created positions in the counts for future budget cycles.



Grant Funds Overview

New Approach to Budgeting Grants

- Fiscal 2025 budget based on known grant awards rather than estimated amounts.
- Grants received after the start of the Fiscal Year will be approved through supplemental budget appropriation (will require BOE and City Council approval).
- This change does ***not*** reflect a loss of grant funding, but provides a more accurate picture of known grant awards.

-21.9%

-\$162.4M

	FY 2024	FY 2025	Change
Federal	296.3	206.6	(89.7)
State	232.2	154.5	(77.7)
Special Revenue	199.4	214.0	14.7
Special Grant	11.3	1.6	(9.7)
TOTAL	739.2	576.7	(162.4)

(In \$ millions)

Impacted Agencies

- Six agencies account for 75% of the overall reduction:
 - Fire
 - Health
 - MR-Office of Children & Families
 - MR-Office of Homeless Services
 - MR-Office of Information & Technology
 - Police



Performance Plans

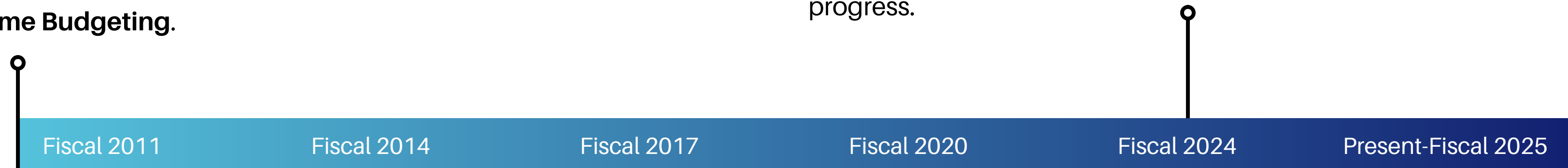
Background + Updates

Initial Performance Measures

Beginning in **Fiscal 2011**, City agencies began reporting performance measures as a part of **Outcome Budgeting**.

Performance Plans

In **2023**, the Mayor’s Office of Performance and Innovation worked with agencies to develop **Performance Plans** to establish annual performance goals & monitor progress.



Performance measures were designed to communicate:

- How much does the service provide
- How well the service is provided
- Is anyone better off from service delivery

New Metrics in Fiscal 2025 Budget Books

- As a part of the Fiscal 2025 budget process, agencies submitted their metrics from their performance plans. During this process, agencies changed some metrics to **better reflect service performance**.
- Note: new metrics do not include prior year target data; prior actual data may be available if agencies were previously tracking the metric.

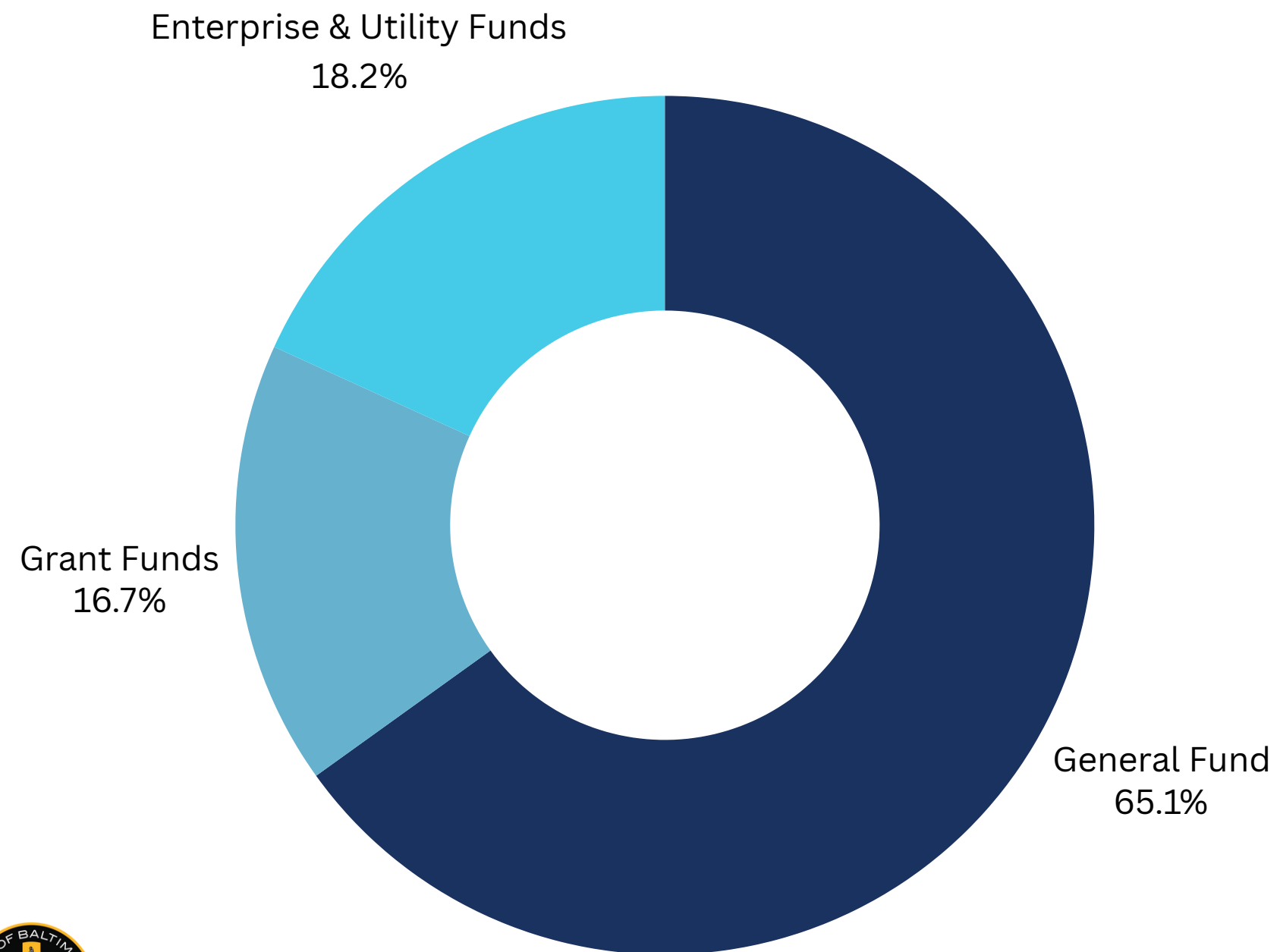


Brandon M. Scott
Mayor

Where the Money Goes

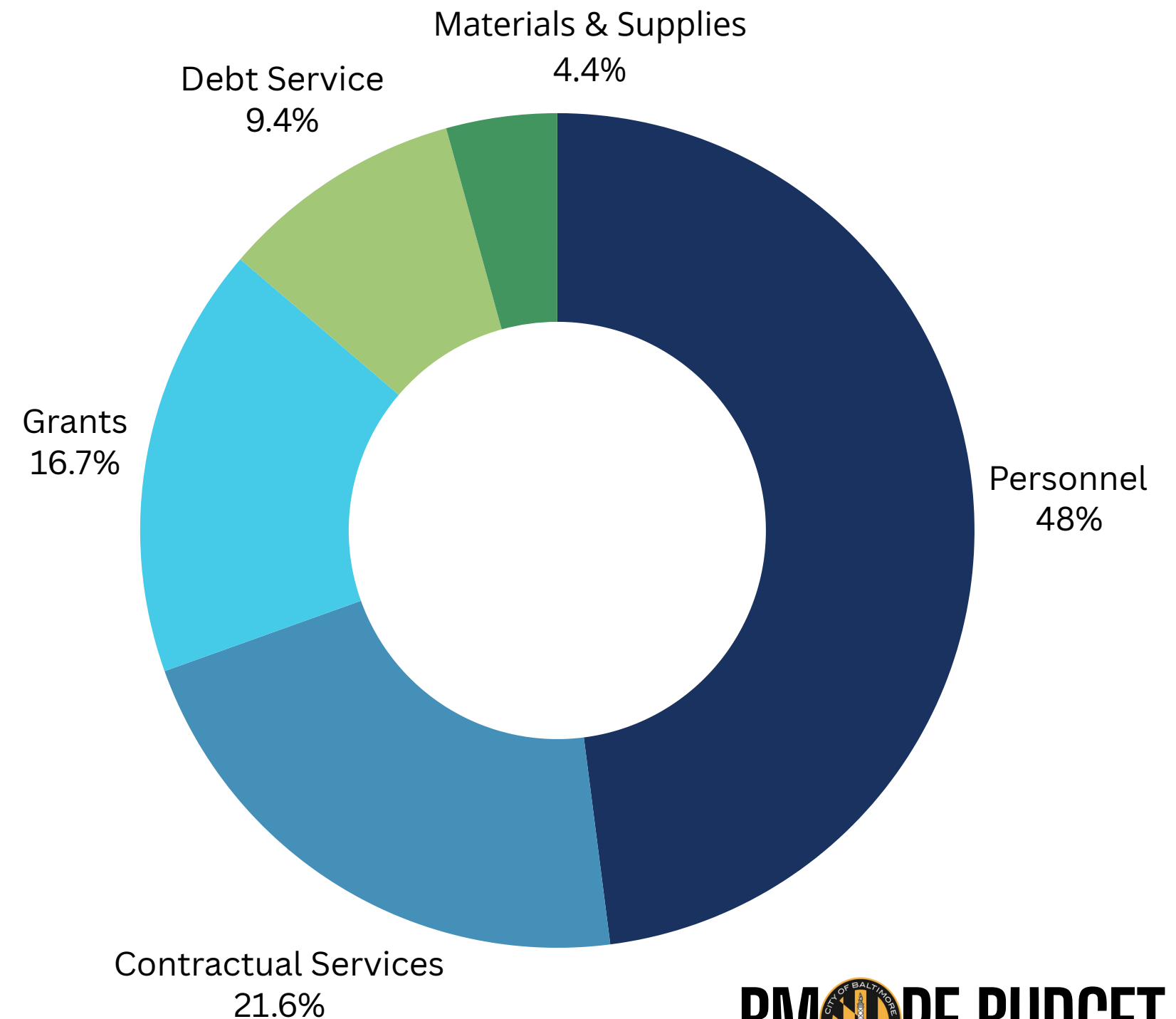
Where the Money Comes From

\$3.4 billion



How the Money is Used

\$3.4 billion

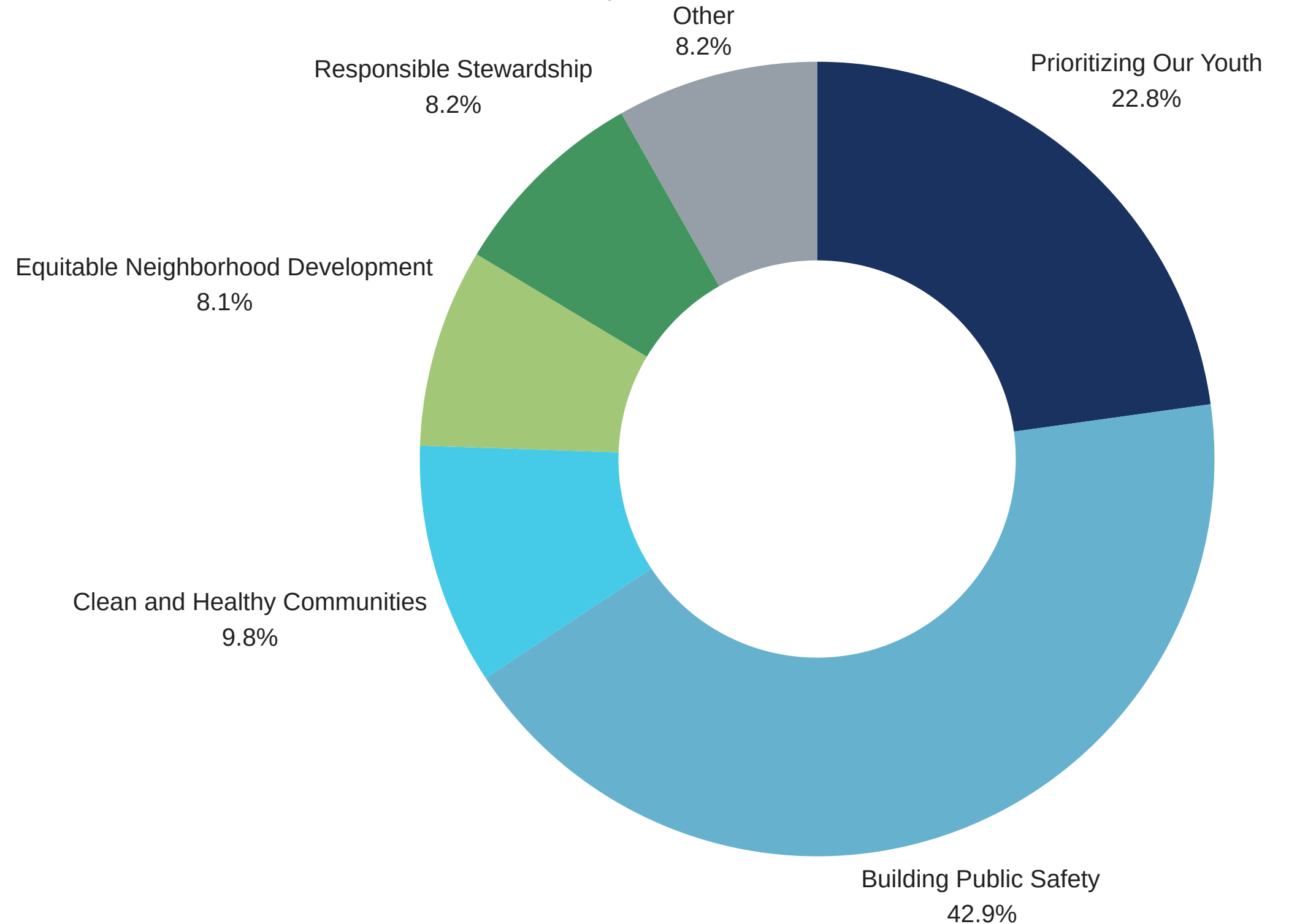


Where the Money Goes



General Fund Expenditures by Pillar

\$2.3 Billion



Brandon M. Scott
Mayor

Major CLS Assumptions

Current Level of Service

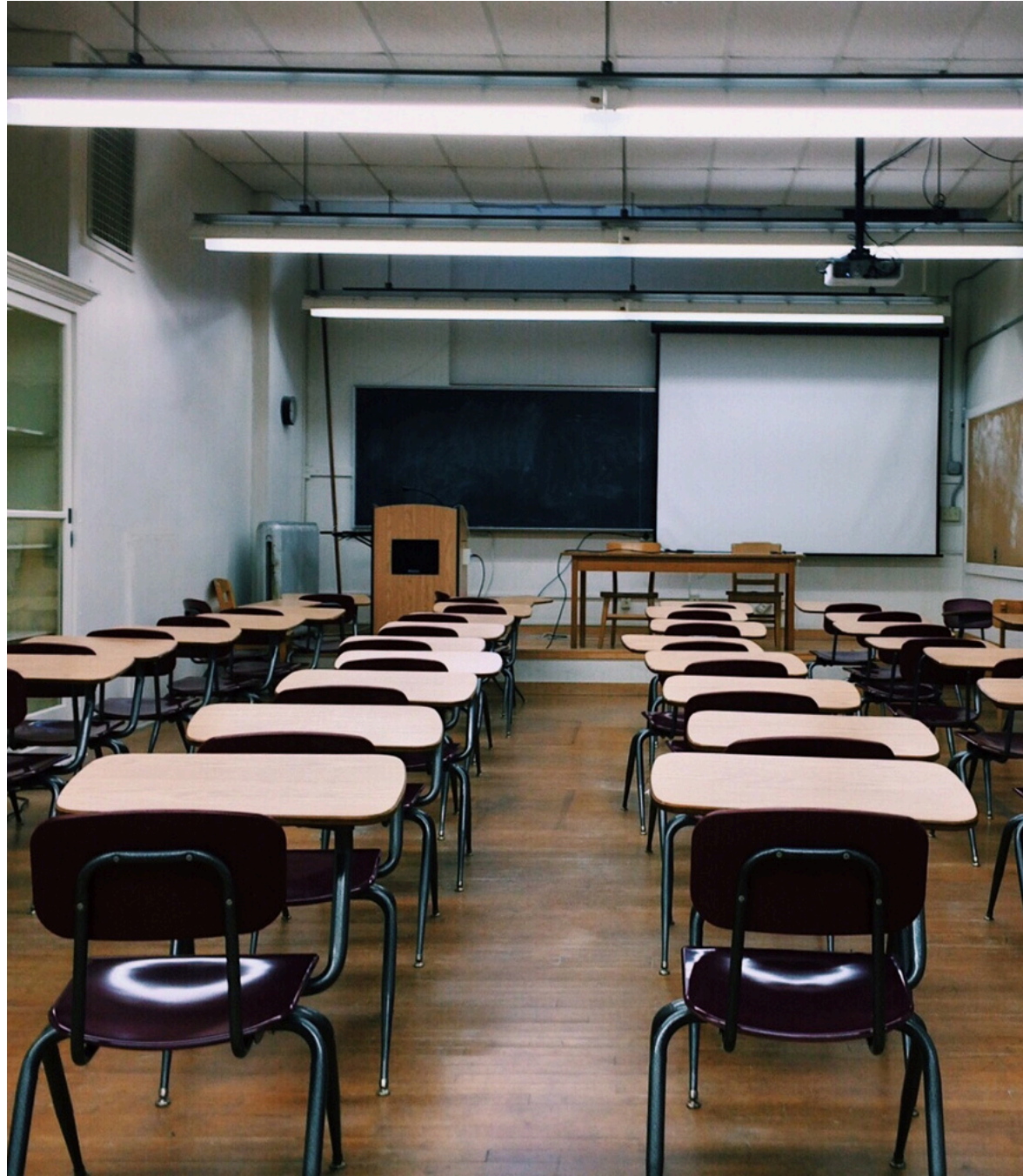
CLS=Current Level of Service

- The Fiscal 2025 Recommended Budget maintains current service levels.
- Agency budgets reflect updated assumptions to reflect the cost of providing current services in the upcoming fiscal year.

Expenditure Item	Assumption
Salaries & Wages	<ul style="list-style-type: none"> • Agency budgets reflect negotiated and anticipated pay increases based on labor contracts. • Temporary vacancy savings included in the Fiscal 2024 budget have been removed.
Employee Benefits	<ul style="list-style-type: none"> • Health Insurance: 10% increase based on known rates for calendar year 2024 and anticipated rates for calendar year 2025. • Pension: Increases based on most recent valuation reports (Civilian=+5; Sworn=+6%)
Contractual & Materials	<ul style="list-style-type: none"> • The budget reflects a standard 3-6% inflationary increases for contractual, equipment, and supply budgets <ul style="list-style-type: none"> ◦ Individual agency budgets may reflect higher adjustments based on specific expenditures.



Prioritizing Our Youth



City Schools

- Continuing the City's stepped up contribution for City Schools under the Blueprint for Maryland's Future. Since implementation of the Blueprint local funding is up 47.6%, or \$125.6 million. The Fiscal 2025 Local Share is \$389 million, \$3.2 million less than Fiscal 2024.

Mayor's Office of Employment Development

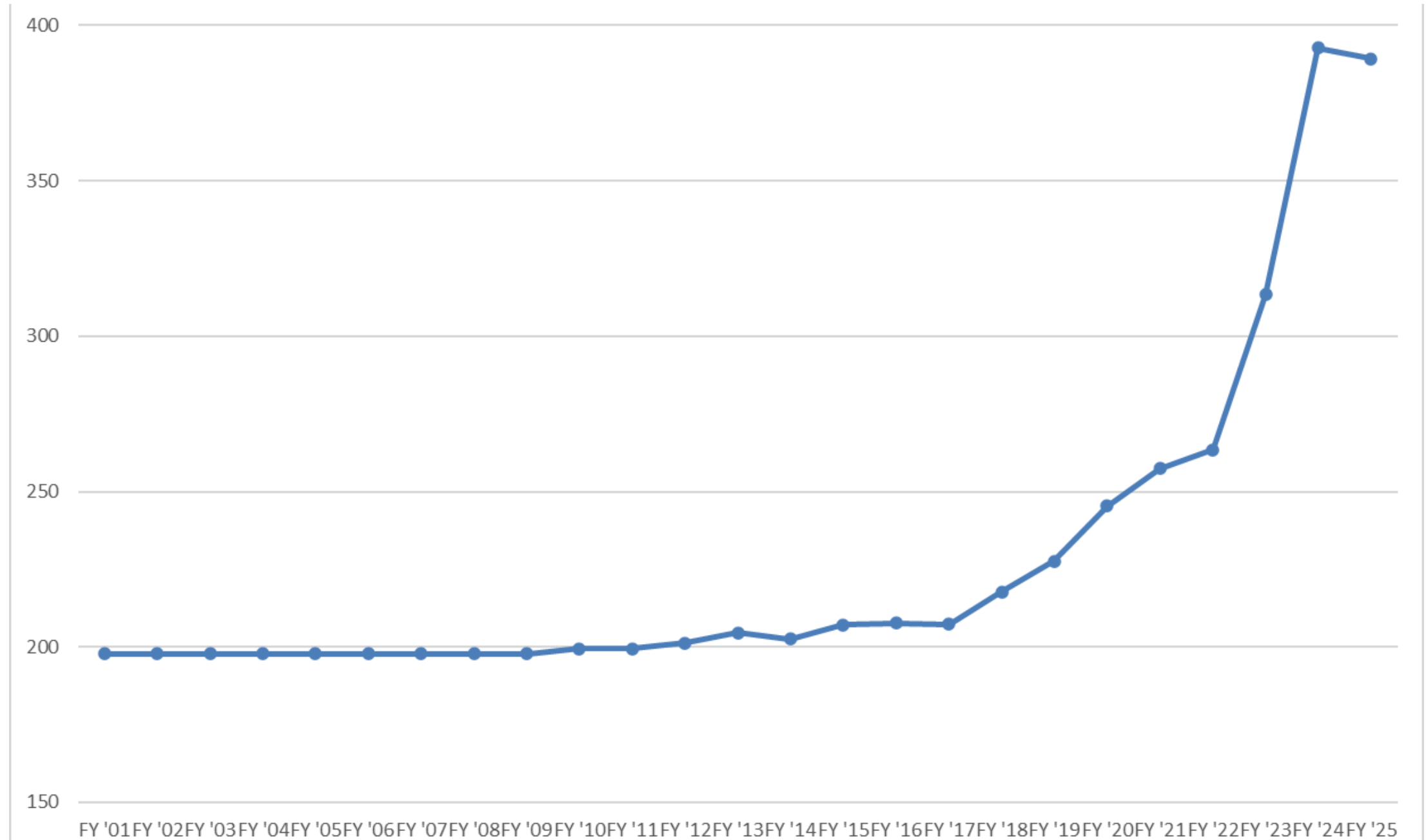
- City Schools will provided \$4.2 million in funding to MOED to provide Career Coaching for all middle & high school student. This funding will support 56 positions.
- Funding to support 240 spots for year-round YouthWorks jobs. All YouthWorks participants will receive the \$15 minimum wage.



School Funding Trends

- In Fiscal 2025 the City’s contribution to City Schools will decrease by \$3.2 million.
- This follows two years of significant growth in the City’s contribution:
 - +\$49.8 million in Fiscal 2023
 - +\$79.4 million in Fiscal 2024
- Despite the small decrease in Fiscal 2025, the City’s annual contribution to City Schools is \$125.6 million higher than pre-Kirwan costs, an increase of 47.6% over just a three-year period.
- The FY24 and FY25 contributions are a result of the City’s declining ranking in the Education Effort Index.

Local Schools Funding: FY 2001-FY 2025



Breaking Down the Schools Formula

Education Effort Index Credit % per State Law

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Index Greater Than 1.27	100%	100%	100%	100%	100%	100%	100%	100%
Index Between 1.15 and 1.27	20%	35%	45%	55%	65%	75%	85%	90%
Index Between 1.0 and 1.15	15%	20%	25%	30%	35%	40%	45%	50%

EXPLANATION

- DLS projected Baltimore City to remain in the top tier of Education Effort Index through FY 2030, but the City fell out in FY 2024.
- The City should pick up some additional State help each year through FY 2030, but will never recover to original cost projection.



Building Public Safety

Gun Violence Reduction Strategy

- Creates funding for two new positions to expand the GVRS strategy to the Eastern and Southern Police Districts. Preliminary research in the Western District suggests that GVRS has played a role in reducing homicides and shootings.

Police Professionalization

- Adds 40 civilian positions via the State Aid to Police (SAPP) grant. This effort will redirect sworn officers to critical policing work, reduce overtime costs, and improve the quality of support functions.



Clean & Healthy Communities



Energy Efficiency

- Adds \$982,000 of funding to upgrade the Building Automation System, which tracks energy efficiency for the downtown building campus. DGS expects the investment to pay back in four years.

Health Gap Funding

- Adds \$1.0 million of gap funding to continue intake centers for the B'More for Healthy Babies Programs and a mobile clinic supporting patients with opioid use disorder. The gap funding will allow both programs to continue while Health explores options to replace a loss of grant funding.

Weekly Recycling

- Continuing increased funding to provide weekly recycling services citywide. The Fiscal 2025 budget annualizes funding for 10 additional crews that were funded for a partial year in Fiscal 2024. Weekly recycling resumed in March.



Equitable Neighborhood Development

Vacants Strategy

- Adds two new positions to help speed the process for acquiring vacant properties and putting them back to productive use. The City expects to utilize \$50 million of State funding from Project CORE to jump-start the initiative.

Parking Enforcement Efficiency

- Invests \$650,000 to pilot the use of license-plate reader (LPR) technology for the enforcement of Residential Parking Permit violations. The new technology will enable more efficient deployment of enforcement personnel and improve compliance with existing regulations.

Non-Profit Grants

- Makes \$1 million of one-time funding available for small grants to arts, cultural, and civic promotion organizations.



Responsible Stewardship of City Resources



Climate Action

- Invests \$592,000 in an electric vehicle charger hub which will support 84 vehicles, as a first step towards the City's requirement to transition all administrative vehicles to electric by 2030.

Procurement Transformation

- Adds 5 new positions to improve contract management, provide more support to City agencies, and to expand the use of the procurement card program.

Hiring Incentives

- Continuing funding for the CDL hiring and retention incentive. Since implementing this incentive vacancies in these classifications have declined by 30%.



FY 2025 Other Budgets Overview

Utility Funds & the Capital Budget



Brandon M. Scott
Mayor

BM  RE BUDGET

Utility Budgets Overview

Anticipated Rates

- Scheduled rate increases for FY 2025 already approved by BOE in June 2022:
 - Water: 3.0%
 - Wastewater: 3.5%
 - Stormwater: 3.0%

+6.8%

+\$38.1M

Budget Highlights

- The Fiscal 2025 budget annualizes pay increases implemented in Fiscal 2024 based on a salary study for all Utility staff.
- Increased funding will support higher contractual and supply costs for the Utilities.

	FY 2024	FY 2025	\$ Change
Water	218.3	226.6	8.3
Wastewater	314.8	342.1	27.3
Stormwater	29.5	32.0	2.5
Total	562.6	600.7	38.1

(In \$ millions)



Capital Budget Fund Sources

Capital Funds	FY24	FY25	Dollar	Percent
Pay-As-You-Go				
General	46,175,000	105,000,000	58,825,000	127.4%
Conduit Enterprise	3,000,000	0	(3,000,000)	-100.0%
Wastewater Utility	11,079,000	9,508,000	(1,571,000)	-14.2
Water Utility	34,868,000	35,000,000	132,000	0.4
Stormwater Utility	3,010,000	10,000,000	6,990,000	232.2
Grant and Special Funds				
Federal	53,050,000	92,455,703	39,405,703	74.3%
State	52,978,000	67,660,400	14,682,400	27.7%
Loans and Bonds				
General Oblig. Bonds	80,000,000	80,000,000	0	0.0%
Revenue Bonds	334,815,000	208,450,702	(126,364,298)	-37.7%
County Trans. Bonds	0	0	0	—%
Other				
Other	212,772,000	124,379,352	(88,392,648)	-41.5%
Grand Total	831,747,000	732,454,157	(99,292,843)	-11.9%

(In Dollars)

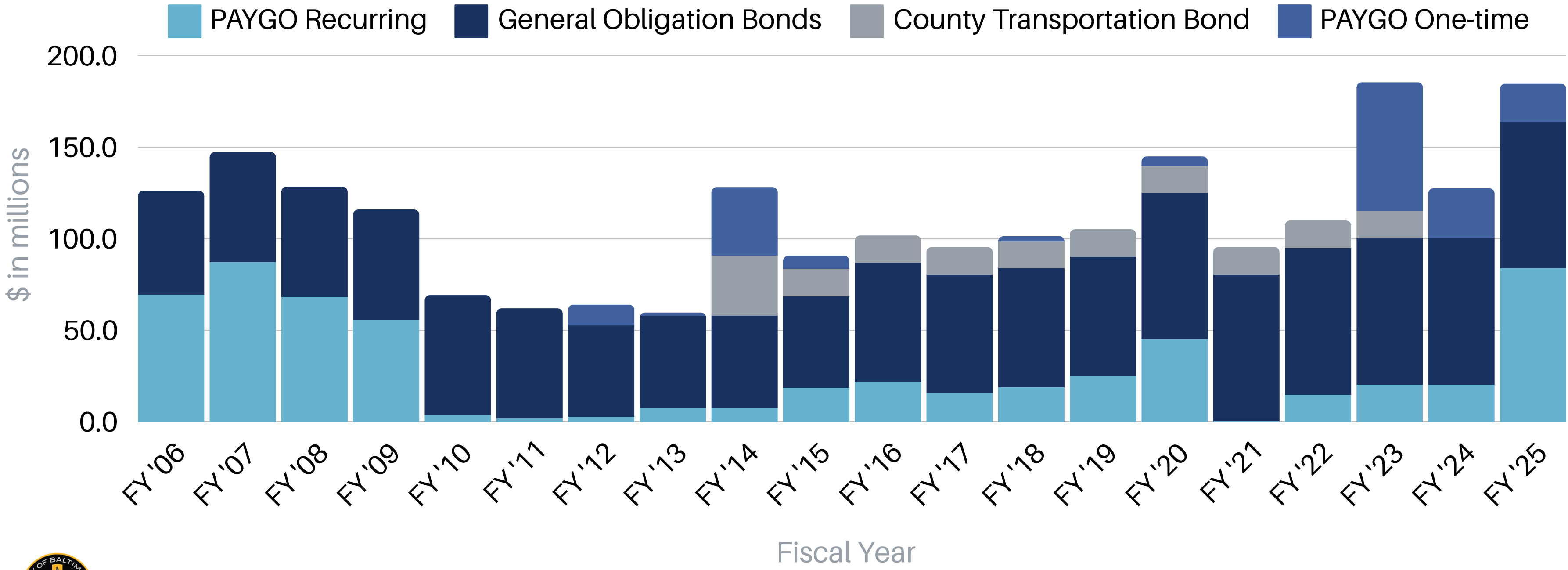


Brandon M. Scott
Mayor



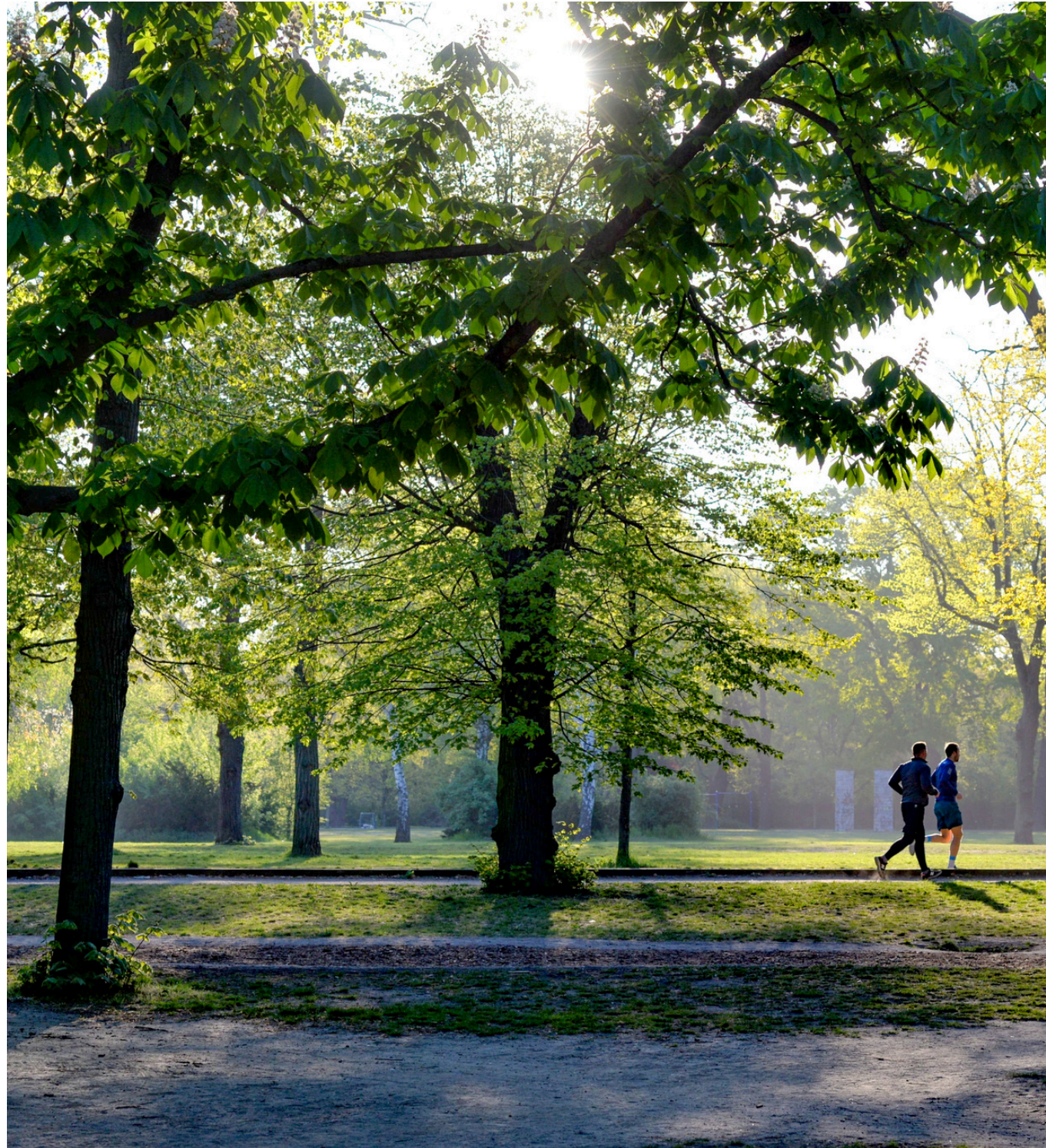
Capital Budget, Historical Outlook

All General Fund Backed Sources



Brandon M. Scott
Mayor

Fiscal 2025 Capital Budget-Key Projects



Prioritizing Our Youth

- \$19.0 million in continued funding for school construction
- \$4.5 million for renovations & upgrades at 3 library branches

Building Public Safety

- \$3.5 million for building upgrades at the Southern and Eastern Police district stations

Equitable Neighborhood Development

- \$19.0 million for improvements to various parks and rec centers
- \$6.5 million for ADA improvements to roads, sidewalks, & alleys

Responsible Stewardship of City Resources

- \$14.2 million to modernize various citywide software including the tax and permitting systems



Discussion



Brandon M. Scott
Mayor

