

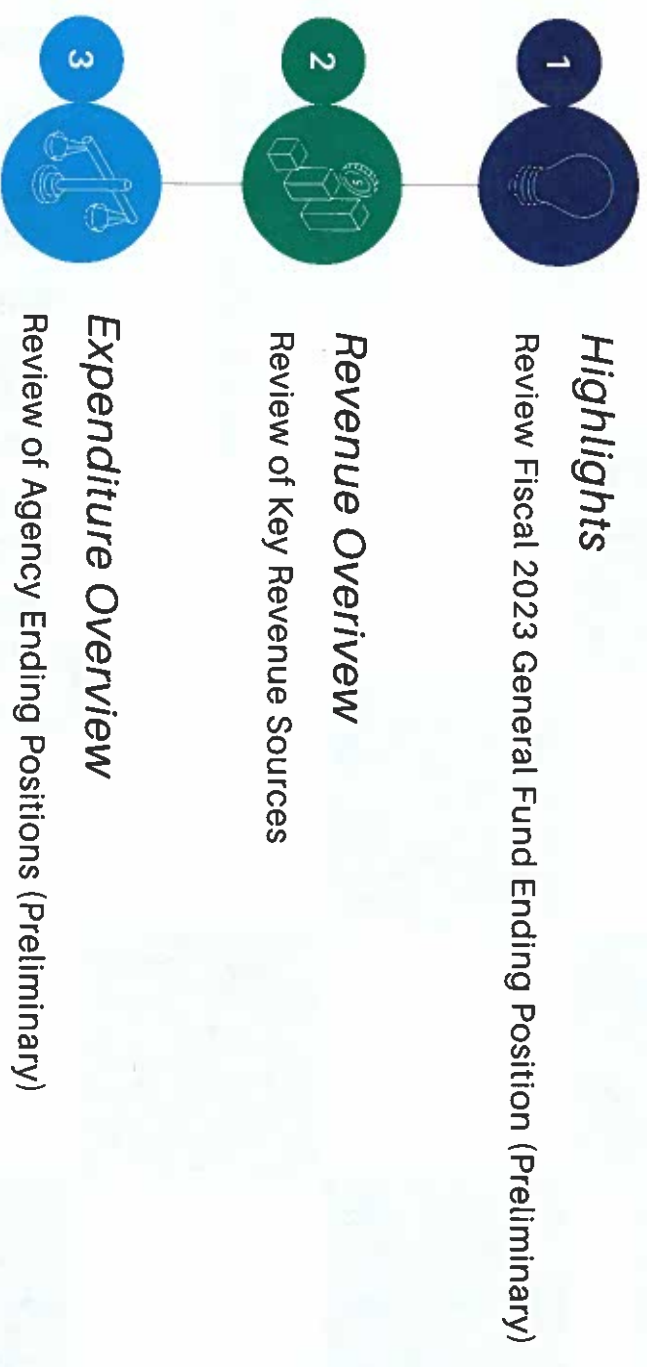
Fiscal 2023 Closeout Briefing

Briefing to Finance & Performance Committee
September 28, 2023

City of Baltimore
Bureau of the Budget & Management Research



Agenda



Fiscal 2023 Closeout Highlights

Fiscal 2023: Second Quarter Outlook

Fiscal 2023 Prelim Surplus: \$90.4 Million

Changes from Prior Projections

- Ending revenue surplus driven by income taxes & transfer and recordation taxes.
- Ending expenditure surplus driven by slower than anticipated contractual spending in agency budgets.
- Savings from vacant positions almost entirely offset by overtime (sworn & civilian), leave payouts, and budgeted savings from vacant positions.

Budget to Actual Variance

- Revenue: 1.5% Variance
- Expenditure: 2.8% Variance

Revenue

**\$31.5M
SURPLUS**

Expenditures

**\$58.9M
SURPLUS**

Fiscal 2023 by the Numbers

| | FY 2023 Adopted | Prelim Yearend | Surplus/Deficit, \$ | Surplus/Deficit, % |
|--------------------------------|-------------------|-------------------|-----------------------|--------------------|
| Revenues (General Fund) | \$2,147.4 million | \$2,178.9 million | \$31.5 million | 1.47% |
| Expenditures (General Fund) | \$2,056.2 million | \$1,997.3 million | \$58.9 million | 2.86% |
| PAY-GO (General Fund) | \$90.5 million | \$90.5 million | \$0 | 0.0% |
| Total Surplus/(Deficit) | | | \$90.4 million | |

Fiscal 2023 Closeout

General Fund Revenue Overview

Revenue Highlights

Positive Highlights

- The housing market remained strong into as lingering impacts from Fiscal 2022 continued into Fiscal 2023.
- As a result of high interest rates throughout the year, the City's investment earnings achieved record highs when looking at recent years.
- The 4th Quarter Admissions & Amusement Tax receipts came in higher than expected, resulting in a yearend surplus of \$2.5 million.

Other Findings and Notes

- The City identified duplicate properties within the real property file which had initially led to an overstatement for the assessable base and initial estimate for Real Property tax.
- While the Income Tax revenue reported a surplus, the City's receipts only grew by 0.4% compared to the prior year.
- The City's General Fund had a surplus of \$31.5 million in Fiscal 2023 and did not use the fund balance reserves of \$70 million as a result.

Revenue Highlights

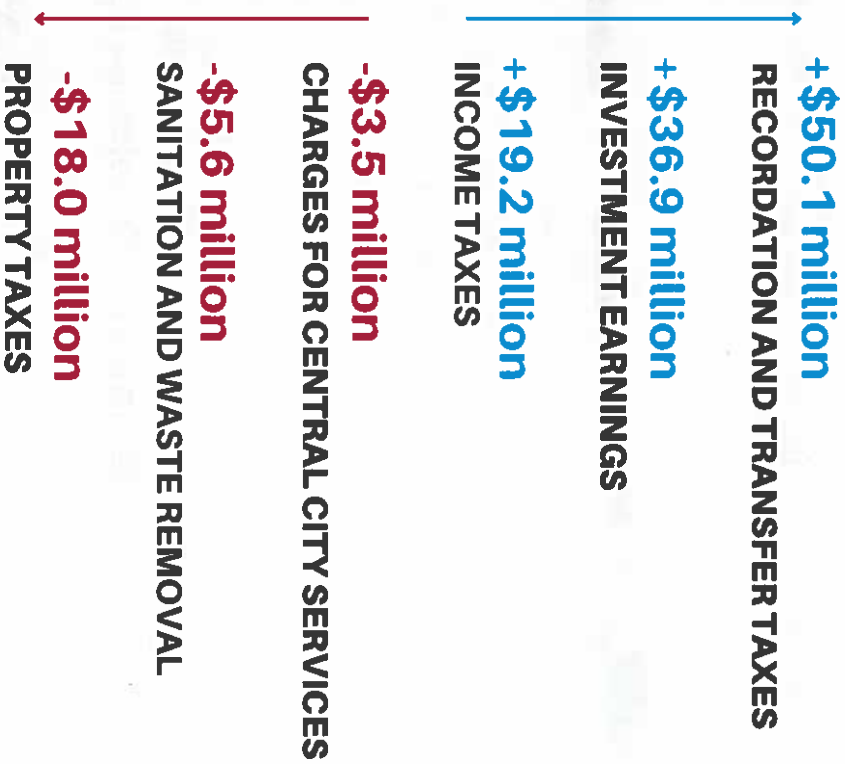
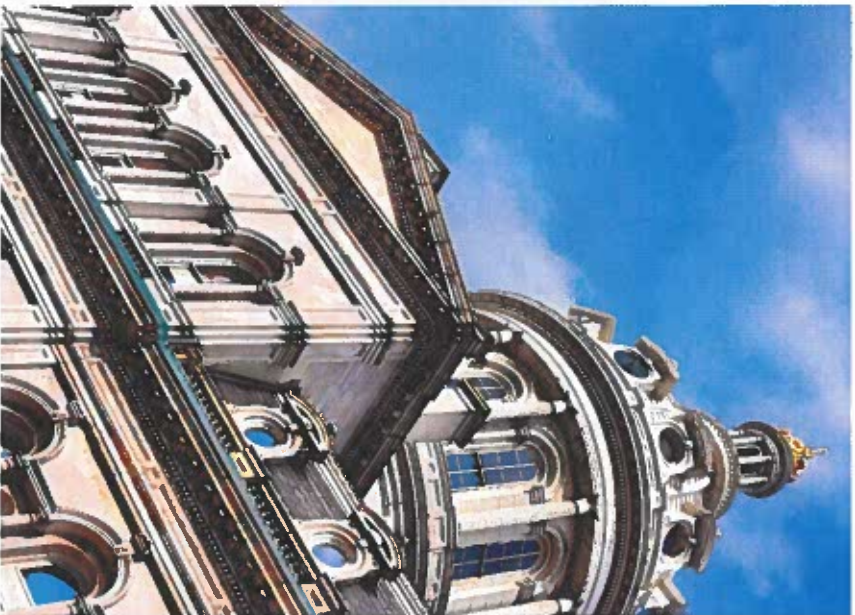
General Fund Revenue Summary Table

| REVENUES | FY 2023 | FY 2023 Q3 | FY 2023 | Surplus/ (Deficit) |
|---------------------------------|------------------|------------------|------------------|-----------------------|
| | Budget | Projection | Year-end | |
| Local Taxes | \$1,663.2 | \$1,693.7 | \$1,726.1 | \$62.8 |
| State Collected Taxes | \$170.0 | \$170.0 | \$173.5 | \$3.5 |
| Licenses and Permits | \$31.2 | \$28.9 | \$33.5 | \$2.3 |
| Fines and Forfeits | \$38.1 | \$34.4 | \$37.4 | (\$0.7) |
| Use of Money and Property | \$19.3 | \$41.5 | \$53.7 | \$34.4 |
| State Aid | \$104.8 | \$104.8 | \$100.9 | (\$3.9) |
| Private and Federal Grants | \$0.0 | \$4.1 | \$4.2 | \$4.2 |
| Charges for Current Services | \$47.1 | \$48.0 | \$33.8 | (\$13.3) |
| Other Revenues | \$2.0 | \$8.8 | \$10.7 | \$8.7 |
| Total Revenues Before Transfers | \$2,075.9 | \$2,134.3 | \$2,173.8 | \$97.9 |
| Net Transfers | \$1.5 | \$6.4 | \$5.1 | \$3.6 |
| Prior Year Fund Balance | \$70.0 | \$70.0 | \$0.0 | (\$70.0) |
| Total General Fund | \$2,147.4 | \$2,210.6 | \$2,178.9 | \$31.5 |

Local Taxes Summary Table

| REVENUES | FY 2023 | FY 2023 Q3 | FY 2023 | Surplus/ (Deficit) |
|-------------------------------------|------------------|------------------|------------------|-----------------------|
| | Budget | Projection | Year-end | |
| Local Taxes | | | | |
| Property Taxes | \$1,051.8 | \$1,041.5 | \$1,033.7 | (\$18.0) |
| Income Taxes | \$430.8 | \$442.2 | \$450.1 | \$19.3 |
| Recordation & Transfer Taxes | \$90.1 | \$119.4 | \$140.2 | \$50.1 |
| Energy Tax | \$46.2 | \$49.9 | \$49.8 | \$3.6 |
| Telecommunication Tax | \$34.9 | \$34.9 | \$33.4 | (\$1.6) |
| Net Hotel Tax | \$26.7 | \$27.5 | \$26.9 | \$0.3 |
| Video Lottery Terminal | \$12.6 | \$12.6 | \$12.6 | \$0.0 |
| Admission Tax | \$8.0 | \$8.4 | \$10.5 | \$2.5 |
| All Other Local Taxes & Tax Credits | (\$37.8) | (\$42.8) | (\$31.2) | \$6.7 |
| Total Local Taxes | \$1,663.2 | \$1,693.7 | \$1,726.1 | \$62.8 |

Major Variances



Revenues: Major Variances

Fiscal 2023 Year-end Estimates, Budget Variances

Surplus / (Deficit)
(figures in millions)



Fiscal 2023 Closeout Projected Revenue Surpluses

Transfer & Recordation Taxes

Budget: \$90,055,000

Prelim. Year-end: \$140,168,074

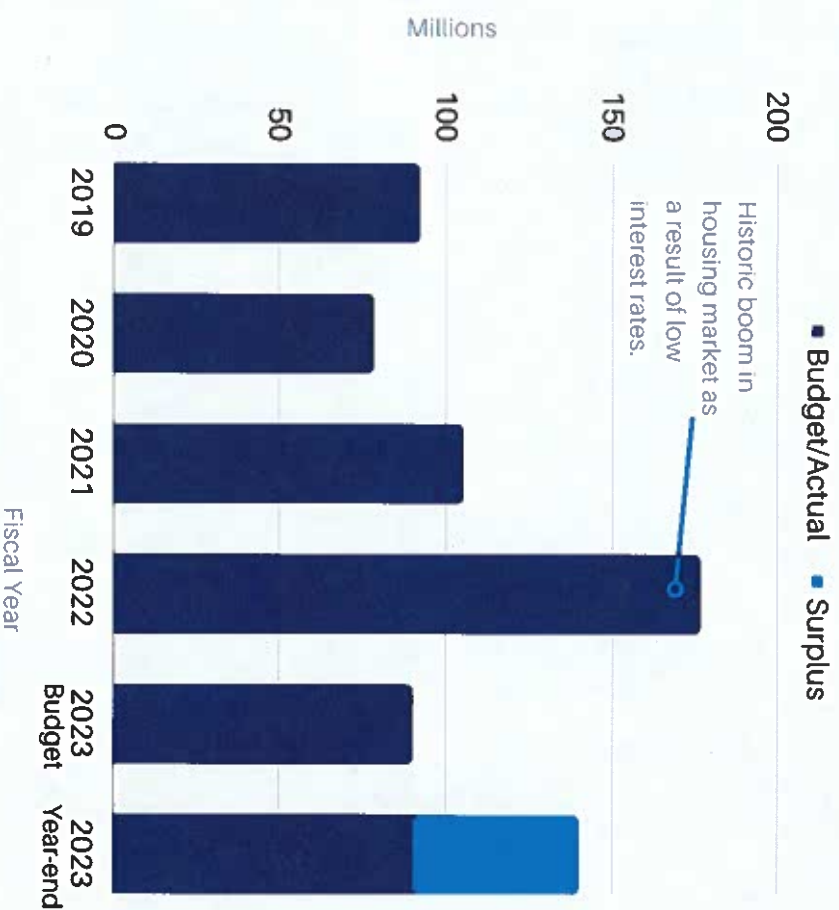
Surplus: +\$50,113,074

TRANSACTION VOLUME

- Despite increasing interest rates, the volume of activity in the real estate market remained strong into Fiscal 2023, though declining more so into the last few quarters.

REAL ESTATE SALES PRICES

- The average sold price for residential real estate was \$252,419 in Fiscal 2023.
- The top three neighborhoods with the most sales in the last quarter include Canton, Bel-air Edison, and Riverside.



Investment Earnings

Budget: \$990,000

Prelim. Year-end: \$37,874,645

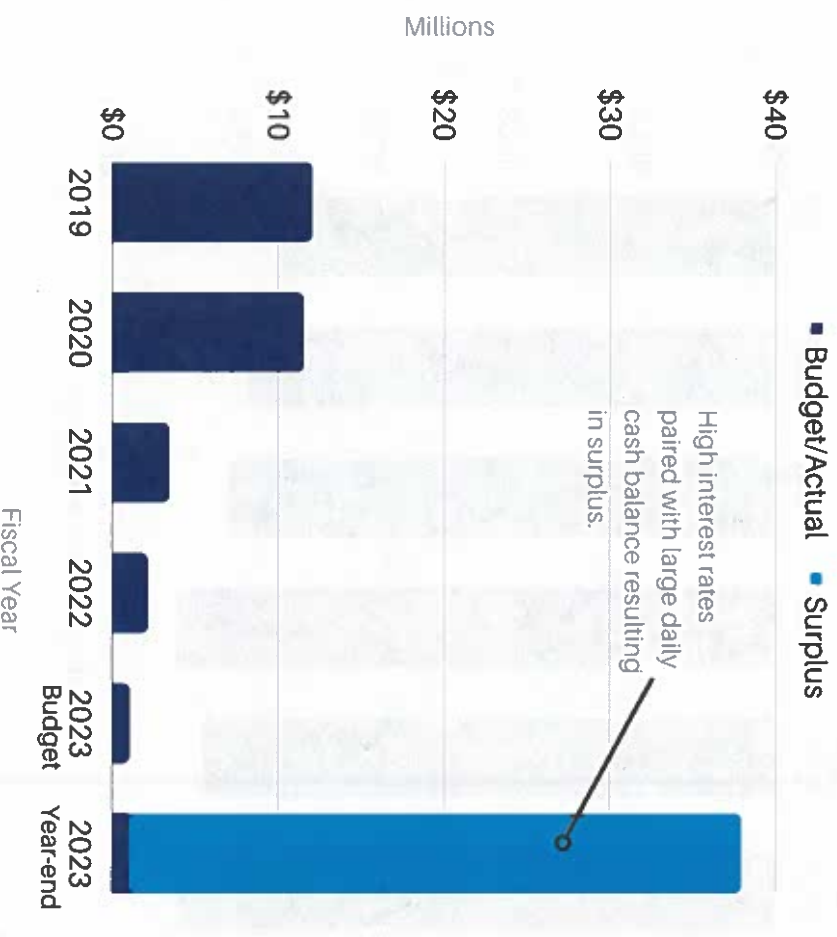
Surplus: +\$36,884,645

CASH AVAILABLE FOR INVESTMENT

- The current daily cash available for investment averaged \$1.6 billion across Fiscal 2023.

AVERAGE RETURN RATE

- The City reached an average return of 3.5% in Fiscal 2023, achieving the highest rate of return in April at 4.8%.



Income Tax

Budget: \$430,839,000

Prelim. Year-end: \$450,116,657

Surplus: +\$19,277,657

REGULAR INCOME TAX

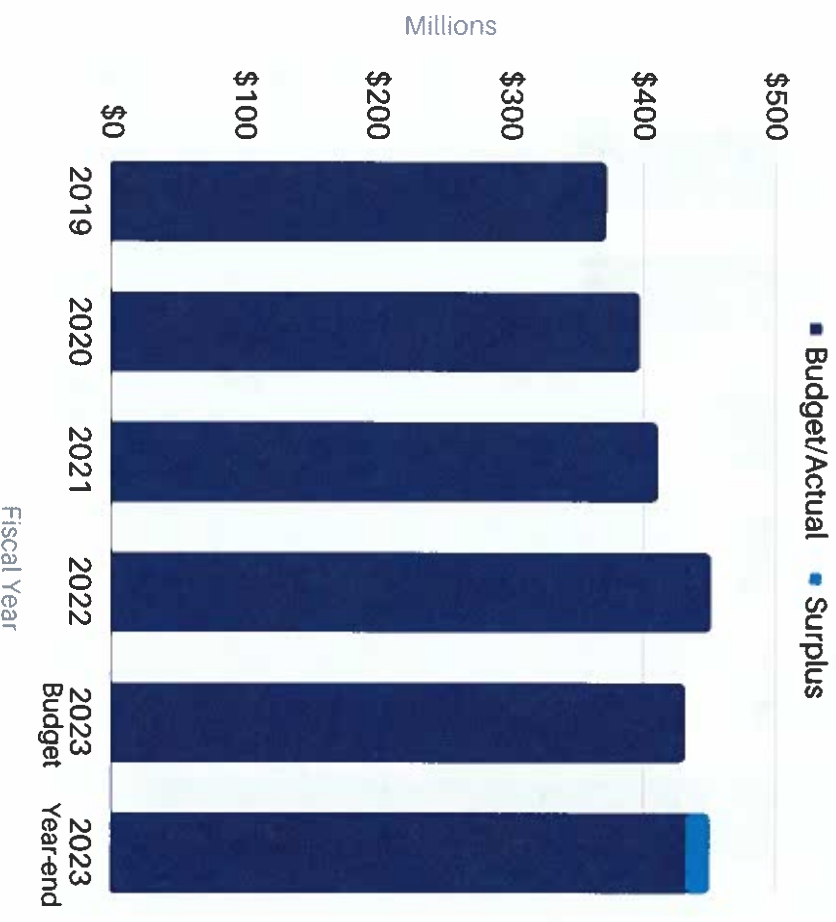
- The State's cash available for distribution was \$22.4 billion, or 6.6% higher than Fiscal 2022. However, the City's share of the State's total declined from 1.67% to 1.6%.
- The total income tax received only grew 0.4% compared to the previous year in the City.

FIDUCIARY RETURNS

- These receipts came in \$2.9 million higher than the budget, or an increase of 24.1%.

UNALLOCATED WITHHOLDINGS

- These receipts came in \$7.0 million higher than the budget, or an increase of 71.5%. Based on historical data, this growth may be a one-time occurrence.



Fiscal 2023 Closeout

Projected Revenue Deficits

Charges for Central City Services (CCCS)

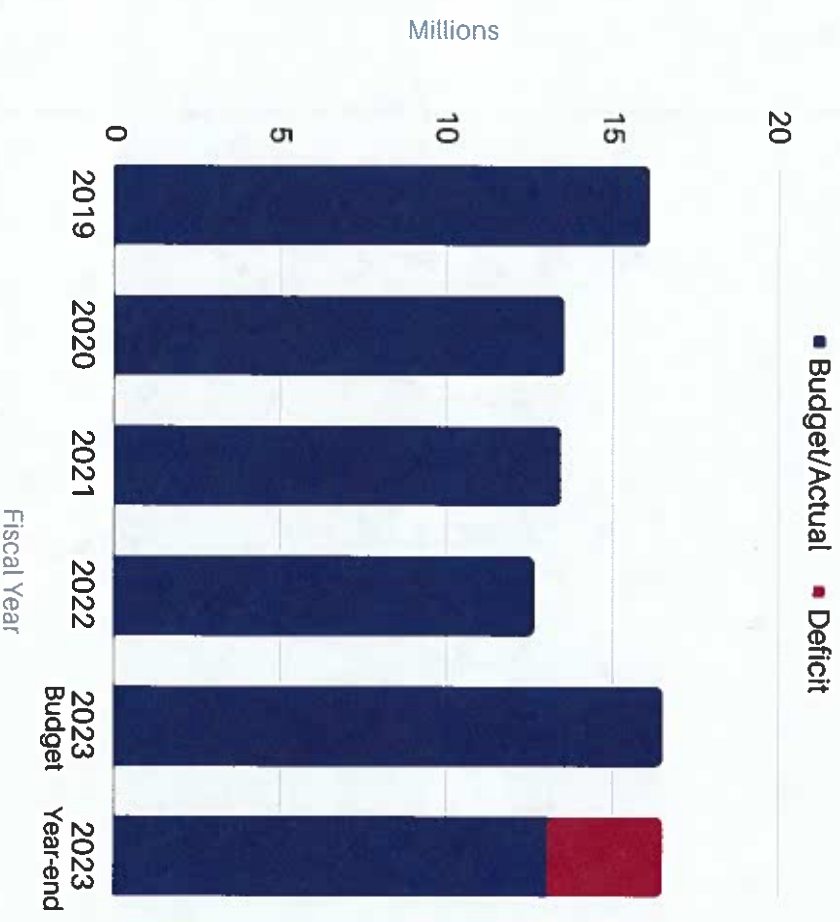
Budget: \$16,521,000

Prelim. Year-end: \$13,012,521

Deficit: (\$3,228,000)

CALCULATING CHARGES

- CCCS represents 6% overhead payments from enterprise funds to the General Fund for use of City services.
- The calculation is based on total operating expenses less debt service.
- The combined operating expenses for the utility and enterprise funds were lower than the budget, resulting in a lower transfer to the General Fund.



Sanitation and Waste Removal Fees

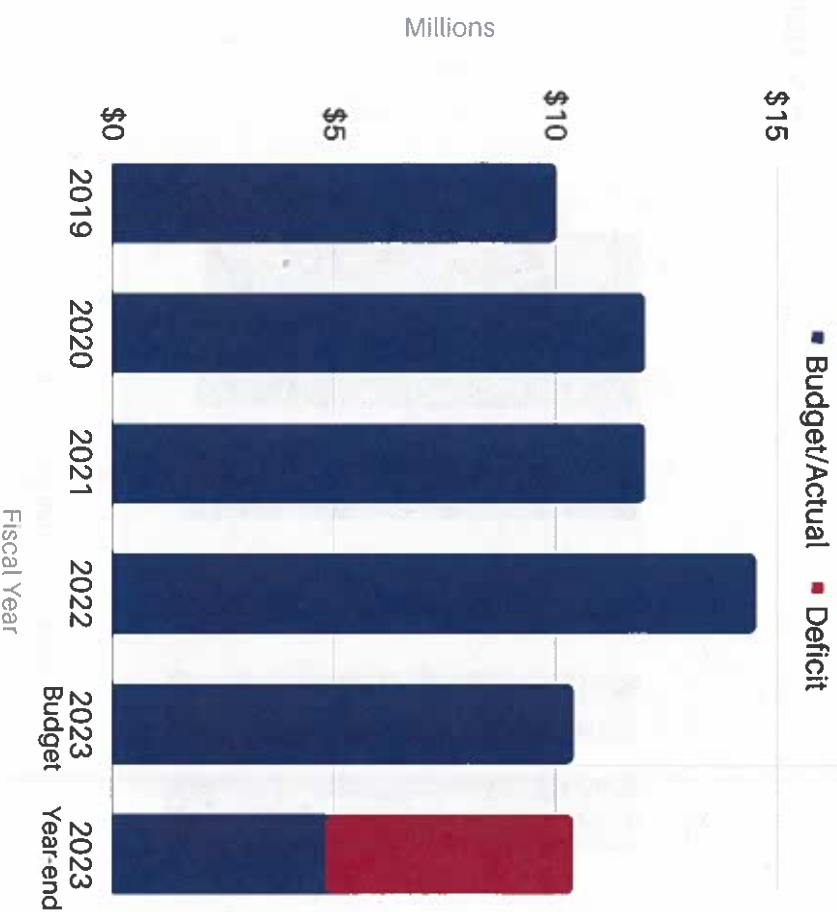
Budget: \$10,366,000

Prelim. Year-end: \$4,783,273

Deficit: (\$5,582,727)

BILLING AND PAYMENT ISSUES

- Based on preliminary receipts from Fiscal 2023, we have identified that bills were not sent for the full fiscal year for certain vendors. We recognize that this may be due to system challenges as a result of the transition to the new reporting capabilities within Workday.
- The Department of Public Works is coordinating efforts to expedite billings and collections for the missing payments.



Property Taxes

Budget: \$1,051,791,000

Prelim. Year-end: \$1,033,743,679

Deficit: (\$18,047,321)

PROPERTY TAXES

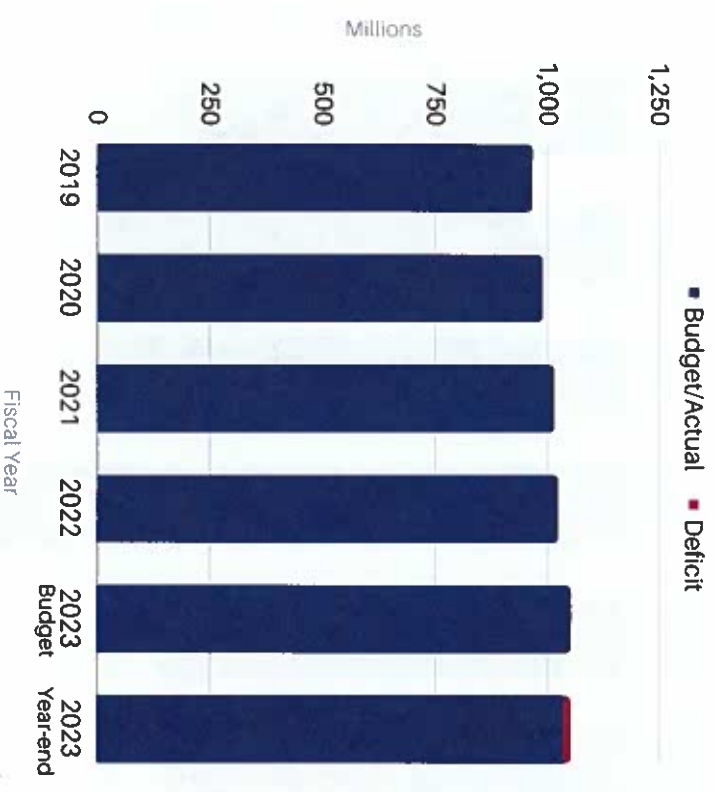
- Real Property, Personal Property, and the Phase in Tax Credit are included in this amount.

DUPLICATE PROPERTIES

- The deficit is partly explained by a **\$588.4 million overstatement of the taxable base**. BBMR identified duplicate bills and has worked with BCIT to remove them from the data.

COLLECTIONS

- Preliminary yearend data suggests a decline in the collection rate, falling from 97.5% in Fiscal 2022 to 95.9% in Fiscal 2023.
- Per the Mayor's direction, owner-occupied properties were exempt from tax sale, resulting in a reduction of \$13.2 million in property tax revenues.



Fiscal 2023 Closeout

Expenditure Overview

Expenditure Highlights

POSITIVE HIGHLIGHTS

The Fiscal 2023 budget yielded a **\$58.9 million** or

2.8% expenditure surplus driven primarily by savings in contractual services.

- Within Contractual Services, surpluses are identified due to payments to subcontractors (\$17M) and maintenance & repair of real property (\$7M).
- Other Contractual Services line-item surpluses include equipment repair and maintenance (\$6M), rental of real property (\$5M) and consultant payments (\$4M).

POTENTIAL AREAS OF CONCERN

The following expenditure sources produced line-item deficits that reduced the overall surplus figure:

- **Sworn Overtime:** Due to significant vacancy rates across agencies, total overtime spend was \$47M over budget. Approximately \$27M of the deficit is within the Fire Department and \$20M within the Police Department. Ongoing vacancy within these agencies will require offset through overtime to support current staffing models.
- **Other Salary/Wage Costs:** While citywide vacancies did produce savings within full-time salaries, these savings were also largely offset due to deficits in civilian overtime (\$7M) and severance (\$7M).

Fiscal 2023 Closeout

Agencies with Positive Ending Position

Expenditure Surpluses

AGENCIES ENDING THE YEAR WITH SIGNIFICANT BUDGET SURPLUS (PRELIMINARY FIGURES)

- Comptroller
- Courts - Orphans' Court
- General Services
- Housing and Community Development
- Human Resources
- Legislative Reference
- Enoch Pratt Free Library
- Mayoralty
- M-R Office of Information and Technology
- M-R Office of the Labor Commissioner
- M-R Convention Complex
- M-R Office of Homeless Services
- M-R Office of Employment Development
- Office of Equity and Civil Rights
- Planning
- Recreation and Parks
- Sheriff
- Municipal and Zoning Appeals

Significant Budget Surplus reflects an ending position of 10% or greater variance from budget.

Expenditure Surpluses

AGENCIES ENDING THE YEAR WITHIN BUDGET OR WITH MINOR SURPLUS (PRELIMINARY FIGURES)

- City Council
- City Council Services
- Courts - Circuit Court
- Finance
- M-R Office of the Inspector General
- M-R Environmental Control Board
- Police
- State's Attorney
- Transportation

Within Budget or Minor Surplus reflects an ending position of 0-10% variance from budget.

Fiscal 2023 Closeout

Agencies with Negative Ending Position

Expenditure Deficits

| Agency | Variance | | Explanation |
|----------------------|----------|-------|--|
| | \$ | % | |
| Board of Elections | \$1.3M | 14.1% | <ul style="list-style-type: none"> Election cycle costs budgeted in FY22, delay in primary election resulted in expected incurred in FY23. |
| Fire | \$18.9M | 8.3% | <ul style="list-style-type: none"> Overtime for Firefighters due to ongoing vacancies & contractual services including BLS ambulance service & equipment costs. |
| Health | \$12.3M | 28.3% | <ul style="list-style-type: none"> Provider contracts and support services related to COVID; will be reimbursed by FEMA. |
| Law | \$1.9M | 13.4% | <ul style="list-style-type: none"> Legal fees and support services above Adopted Budget. |
| Liquor License Board | \$0.3M | 10.2% | <ul style="list-style-type: none"> Higher than anticipated staff overtime. |

Expenditure Deficits

| Agency | Variance | | Explanation |
|---------------------------------------|----------|-------|--|
| | \$ | % | |
| Office of Children and Family Success | \$0.4M | 11.9% | <ul style="list-style-type: none"> Unplanned contractual staffing costs, not fully offset by vacancy savings. |
| MR: Cable and Communications | \$0.3M | 46.1% | <ul style="list-style-type: none"> Full-time personnel expenses above budget; credit for budgeted grant offset not realized |
| Public Works | \$1.9M | 1.9% | <ul style="list-style-type: none"> Landfill tipping fees and vehicle rental beyond Adopted Budget. |

Closeout Process: Next Steps

- Agencies that ended the year with a deficit will require a supplemental appropriation as part of the Fiscal 2023 closeout process.
- Aiming to submit Supplemental & carry forward requests to BOE in October and City Council in November.



Discussion

