

Fiscal 2024 Second Quarter Projections

Bureau of the Budget & Management Research
City Council Briefing
February 29th, 2024



Fiscal 2024: Second Quarter Outlook

2nd Quarter Projected Surplus: \$18.5 Million

Time Period & Key Takeaways

- The 2nd Quarter analysis reflects actual revenues & expenditures through December 31st, plus BBMR’s projection of activity through the end of the fiscal year.
- Note that the Revenue surplus includes \$6.3 million of Highway User Revenue surplus, which must be re-directed to additional PAYGO Capital projects.

Revenue

**\$24.5M
SURPLUS**

**+1.1%
Variance**

Expenditures

**\$0.3M
SURPLUS**

**0%
Variance**

Capital

**\$6.3M
DEFICIT**

**-13.8%
Variance**

Fiscal 2024 General Fund Revenue Overview

Fiscal 2024: Revenue Outlook

Key Notes on Second Quarter

- The anticipated revenue surplus is **\$24.5 million**.
- The surplus is largely driven by **investment earnings**, yielding higher rates of return and a larger daily cash balance than budgeted.
- Improved **Highway User Revenue** proceeds are estimated to bring in additional revenues of \$6.3 million, but the City will need to use these proceeds for additional Capital transportation projects or other HUR-eligible operating costs.
- The City **does not anticipate needing the \$29.4 million** of Fund Balance that was used to balance the Fiscal 2024 budget.

FISCAL 2024
SECOND QUARTER

\$24.5M
PROJECTED SURPLUS

Revenue Highlights

General Fund Revenue Summary Table

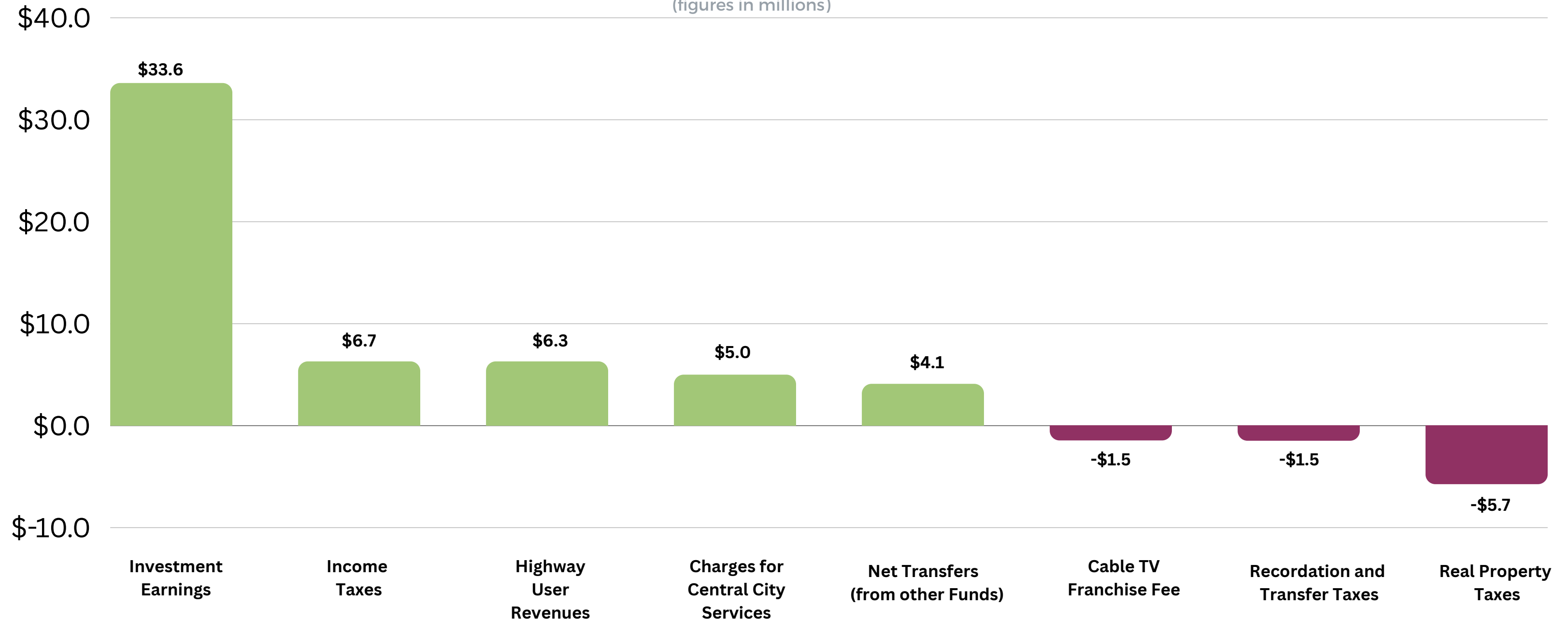
REVENUES	FY 2024 Budget	FY 2024 Q1 Projection	FY 2024 Q2 Projection	Surplus/ (Deficit)
Local Taxes	\$1,717.9	\$1,717.8	\$1,726.8	\$8.9
State Collected Taxes	\$193.4	\$199.8	\$199.7	\$6.3
Licenses and Permits	\$28.1	\$27.1	\$29.7	\$1.6
Fines and Forfeits	\$33.1	\$33.1	\$32.2	(\$0.9)
Use of Money and Property	\$45.7	\$83.3	\$75.8	\$30.1
State Aid	\$117.7	\$117.5	\$117.5	(\$0.2)
Private and Federal Grants	\$0.0	\$0.1	\$0.1	\$0.1
Charges for Current Services	\$43.4	\$42.1	\$47.2	\$3.8
Other Revenues	\$6.2	\$6.2	\$6.4	\$0.2
Total Revenues Before Transfers	\$2,185.5	\$2,227.0	\$2,235.4	\$49.9
Net Transfers	\$2.9	\$3.6	\$7.0	\$4.1
Prior Year Fund Balance	\$29.4	\$0.0	\$0.0	(\$29.4)
Total General Fund	\$2,217.8	\$2,230.6	\$2,242.4	\$24.5

Note: Highway User Revenues are anticipated to bring in an additional \$6.3 million which will either be used for operating expenses related to transportation or capital projects for transportation.

Revenues: Major Variances

Second 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

Q2 Projection: \$59,664,000

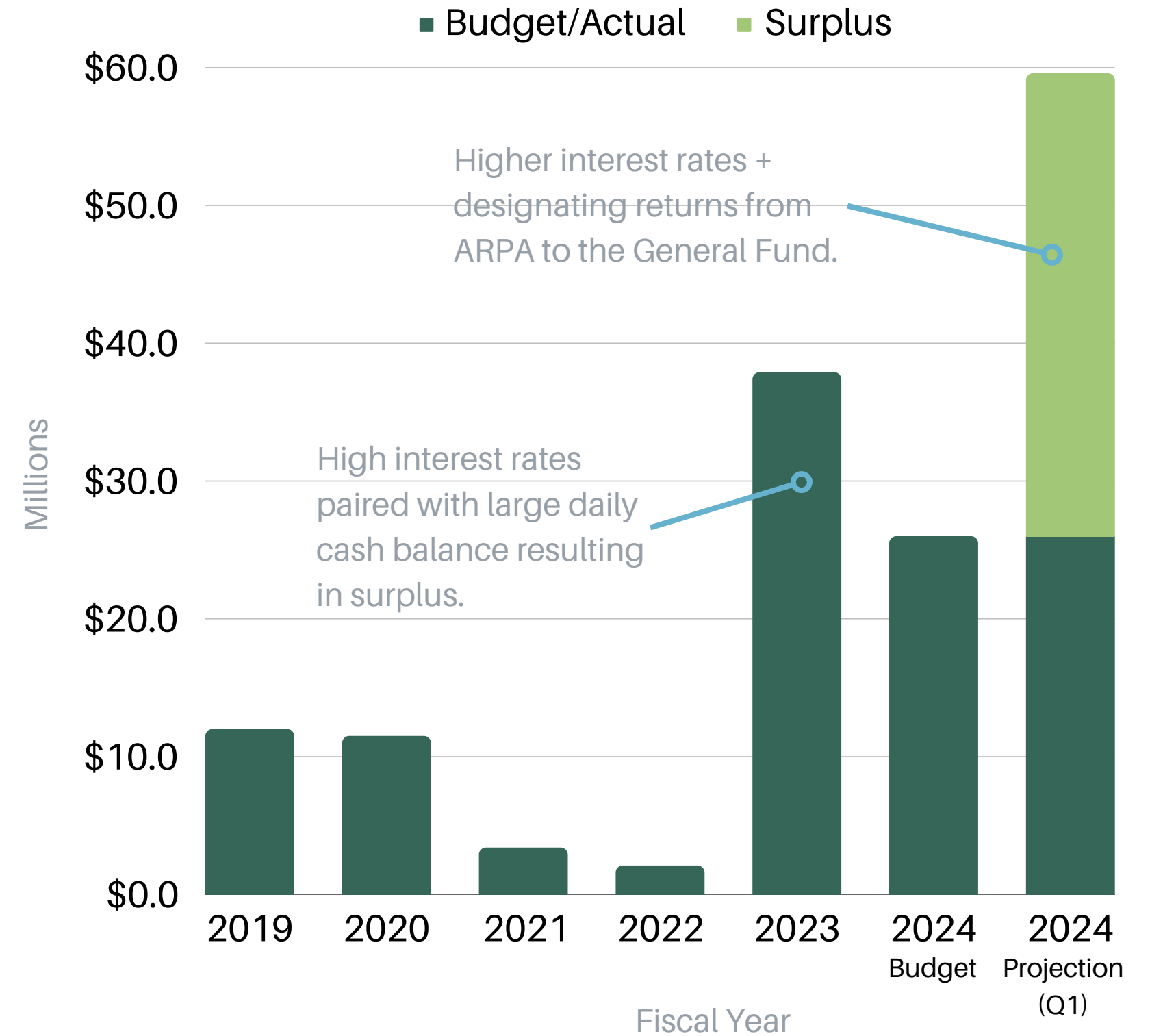
Surplus: \$33,626,000

CASH AVAILABLE FOR INVESTMENT

- The average monthly cash available for investment is higher due to the availability of ARPA cash to be invested along with the City's other cash balances.

AVERAGE RETURN RATE AND YIELDS

- Annualized interest rates averaged **5.4%** during the first and second quarter of Fiscal 2024.
- BBMR anticipates that rates will remain at that level for the 3rd Quarter before falling to **5.1%** in the 4th Quarter of the Fiscal Year.



Charges for Central City Services

Budget: \$14,500,000

Q2 Projection: \$19,500,000

Surplus: \$5,000,000

OVERVIEW OF REVENUE STREAM

- Charges for Central City Services represent a 6% overhead payment from Enterprise Funds to the City's General Fund for use of city services.
- The calculation is based on total operating expenses less debt service.

YEAR-TO-DATE ACTIVITY INCREASED

- Thus far into the Fiscal Year, \$9.7 million has been collected for overhead costs for Charges for Central City Services.
- The combined operating expenses for the utility and enterprise funds has been higher than what was anticipated in the budget, resulting in a higher transfer to the General Fund.



Income Taxes

Budget: \$447,543,000

Q2 Projection: \$453,886,000

Surplus: +\$6,343,000

INCREASED YIELDS FOR INCOME TAX

- The projection is based on YTD activity of income tax proceeds as of January 2024.
- Q2 projection for Income taxes includes receipts corresponding to November 2023 distribution, which was not available at the time of Q1 projection.
- Withholding and estimated payments distributed to the City reflected a 1.5% increase.

FIDUCIARY AND WITHHOLDINGS

- It is anticipated that revenues related to Fiduciary Returns and Unallocated Withholdings will remain at budget levels: \$10.3 million and \$13.3 million respectively.



Highway User Revenues (HUR)

Budget: \$193,444,051

Q2 Projection: \$199,738,000

Surplus: +\$6,293,949

ALLOCATION FORMULA

- In Fiscal 2024, the allocation of Corporate Income tax to State Highway User Revenues increased, improving the overall revenue for the City. This is built into the budget.



INCREASED STATE HUR FORECASTS

- BBMR anticipates a **3.3% increase in HUR cash for distribution** compared to the budget.
 - The majority of this increase is driven by Titling, Registration, and Fuel taxes; and partly offset by Corporate Income tax coming in lower than anticipated.
 - The \$6.3 million surplus is restricted for transportation related expenses.
 - The City anticipates transferring this surplus to the Capital budget for transportation projects.

Parking Transfer to General Fund

Budget: \$17,126,624

Q2 Projection: \$21,198,760

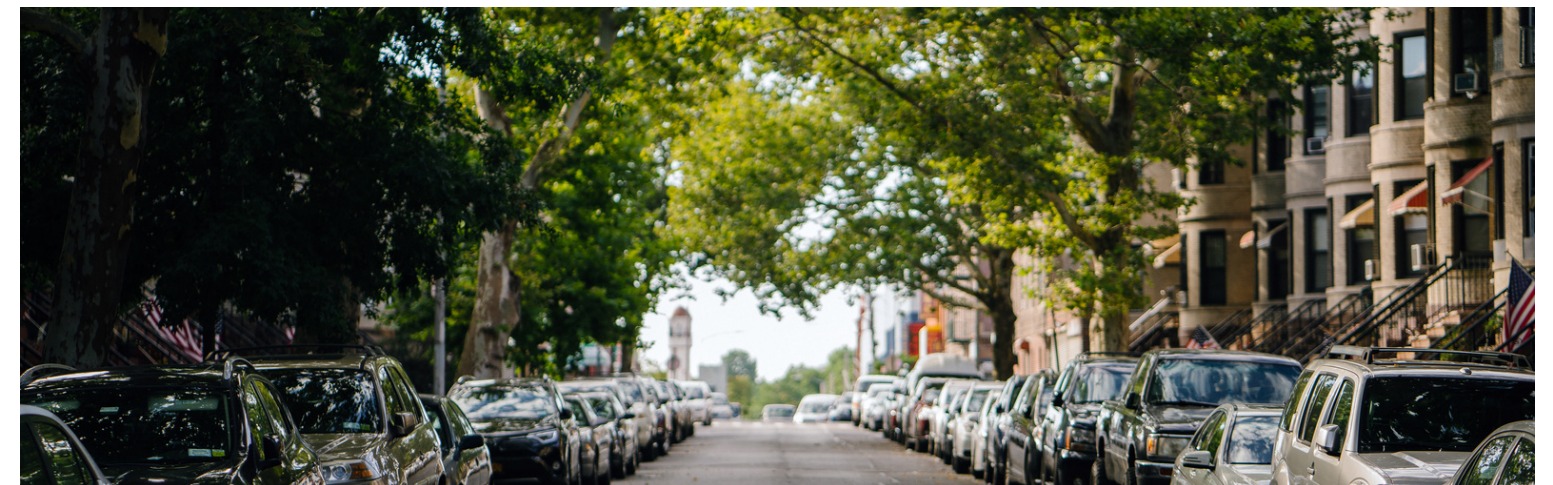
Surplus: +\$4,072,136

REVENUE CHANGES

- Parking revenue overall expected to end **\$1.0 million** below budget.
- BBMR projects deficits in metered revenue and garage income but a surplus in parking tax.

SAVINGS REALIZED

- Parking Enterprise Fund (+**\$3.0 million**): Lower-than expected spending for debt service, contractual spending, and meter installation costs.
- Parking Management Fund (+**\$1.9 million**): Surplus driven by vacancy savings from unfilled TEO positions.



Projected Deficits

Real Property Taxes

Budget: \$971,119,000

Q2 Projection: \$968,774,000

Deficit: (\$2,345,000)

ASSESSABLE BASE

- The net real property tax base decreased by \$181 million from July to February of Fiscal 2024.
- This reduction matched our budgeted expectation of an 0.89% reduction due to property owner appeals and off-cycle re-assessments.

DECLINING COLLECTION RATE

- The projection assumes a reduced collection rate of 95.9%, lower than the budgeted 97.5%, to reflect the most recent year experience where some properties were removed from tax sale.
- If collection rate is assumed at budget, property taxes could generate a \$15.9 million surplus.



Real Property Taxes

MAJOR COMMERCIAL CHANGES

- Inner Harbor:
 - \$92.7 million in reduced tax base.
 - One property alone (100 Pratt St - T. Rowe Price) accounted for \$54 million of tax base loss.
 - This is a large office building with a high number of tenant vacancies.
- Downtown
 - \$73 million in reduced tax base over 42 properties.
 - One property alone (1 South Street) accounted for \$26 million dollar loss.
- Charles Village
 - \$50 million in reduced tax base from 9 properties.
 - One property alone (3200 St. Paul St.) accounted for \$49.8 million loss.



Transfer & Recordation Taxes

Budget: \$96,896,000

Q2 Projection: \$95,414,000

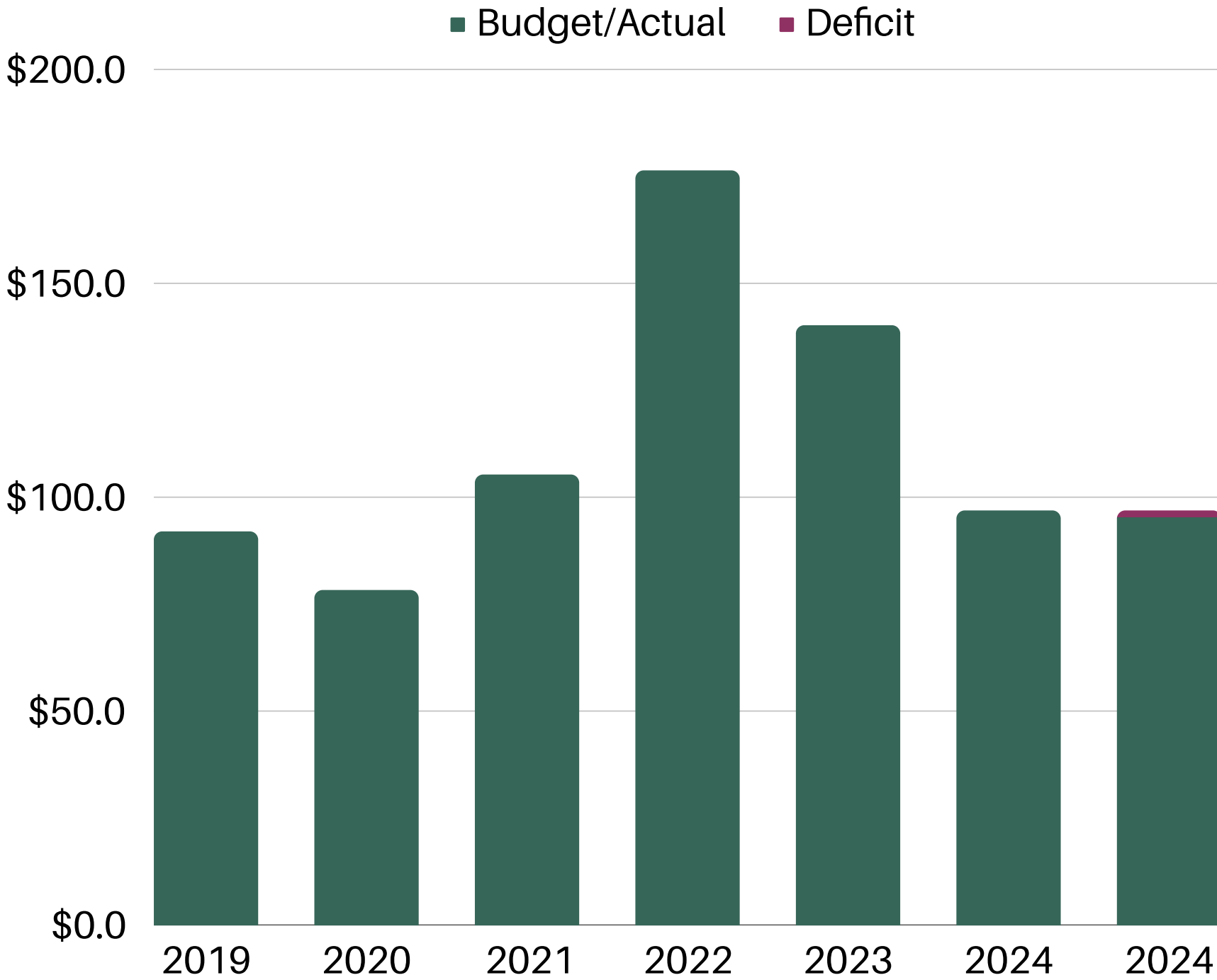
Deficit: (\$1,482,000)

MARKET ACTIVITY

- Transactions declined by 14.5% and 19.7% compared to the same period of the prior year for recordation and transfer related items respectively.
- The budget anticipated a sharp decline in transactions due to a higher interest-rate environment; however the experience so far is slightly worse than the budget assumption.

PRICES AND RESIDENTIAL HOME VALUES

- Residential home sale prices have remained resilient, retaining value despite market conditions.
 - FY2023 Q2 Avg Sales Price: \$251,964
 - FY2024 Q2 Avg Sales Price: \$253,645



Cable TV Franchise Fee

Budget: \$6,300,000

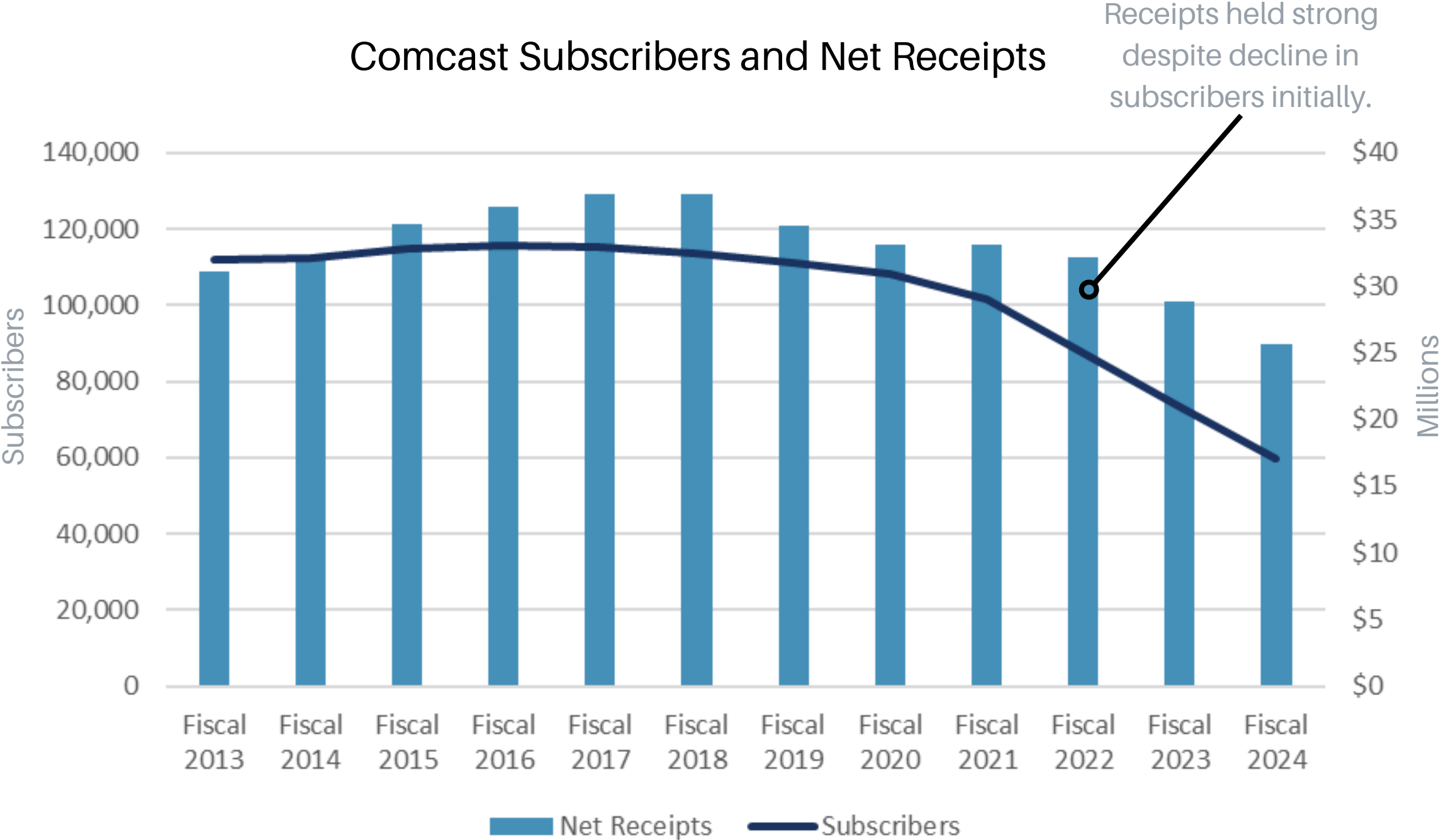
Q2 Projection: \$4,850,000

Deficit: (\$1,450,000)

TREND ANALYSIS: DECLINE IN SUBSCRIBERS AND RECEIPTS

- Total number of subscribers have dropped 46.0% from 111,032 in Fiscal 2019 to 59,917 in Fiscal 2024.
- BBMR is exploring other avenues for offsetting this loss of revenue in the 10-Year Financial Plan.

Comcast Subscribers and Net Receipts



Receipts held strong despite decline in subscribers initially.

Fiscal 2024

Expenditure Overview

Fiscal 2024: Second Quarter Expenditure Outlook

Key Notes on Second 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 has the largest projected deficit, primarily driven by personnel and overtime expenses.
- Posting of grant-related or eligible operating expenses to the General Fund is contributing to deficits across grant-dependent agencies (MOHS, Enoch Pratt Free Libraries). This should be corrected by year-end.

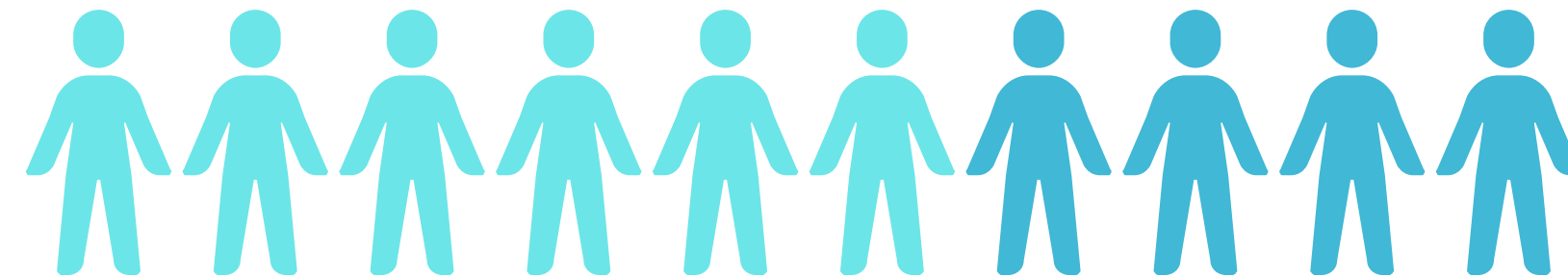
Vacancies

- General Fund vacancies have declined by 4.5% from 2,083 in July to 1,990 in November.

FISCAL 2024
SECOND QUARTER

\$0.3M

**PROJECTED EXPENDITURE
SURPLUS**

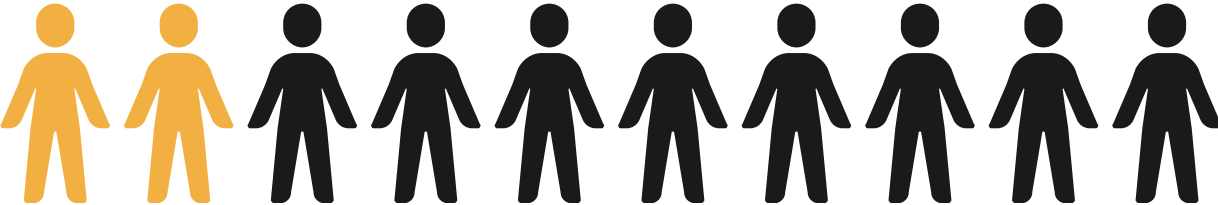
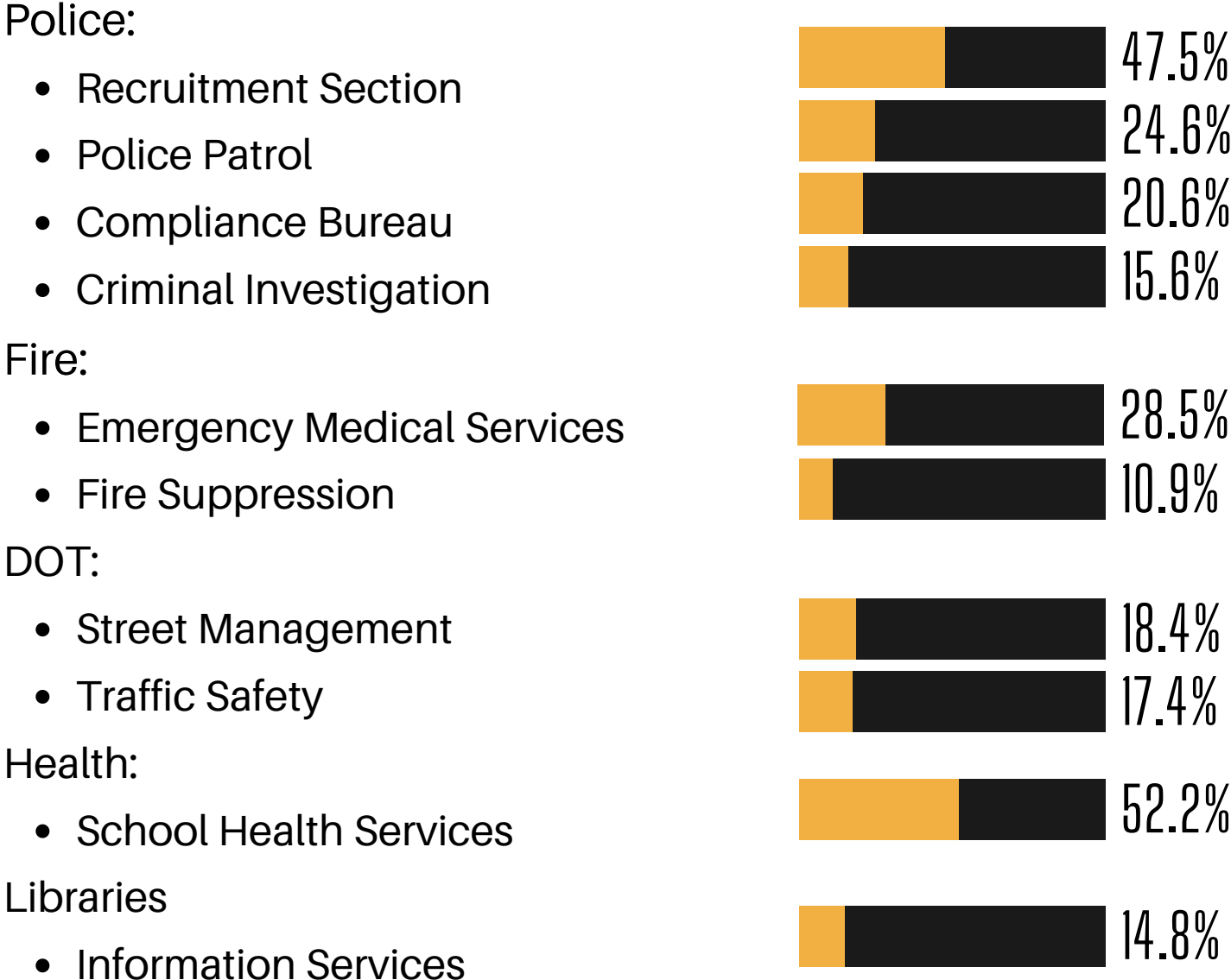


Fiscal 2024: Second Quarter Expenditure Outlook

Vacancies

- General Fund vacancies have declined slightly, from 20.3% in July to 19.7% as of February 1st.

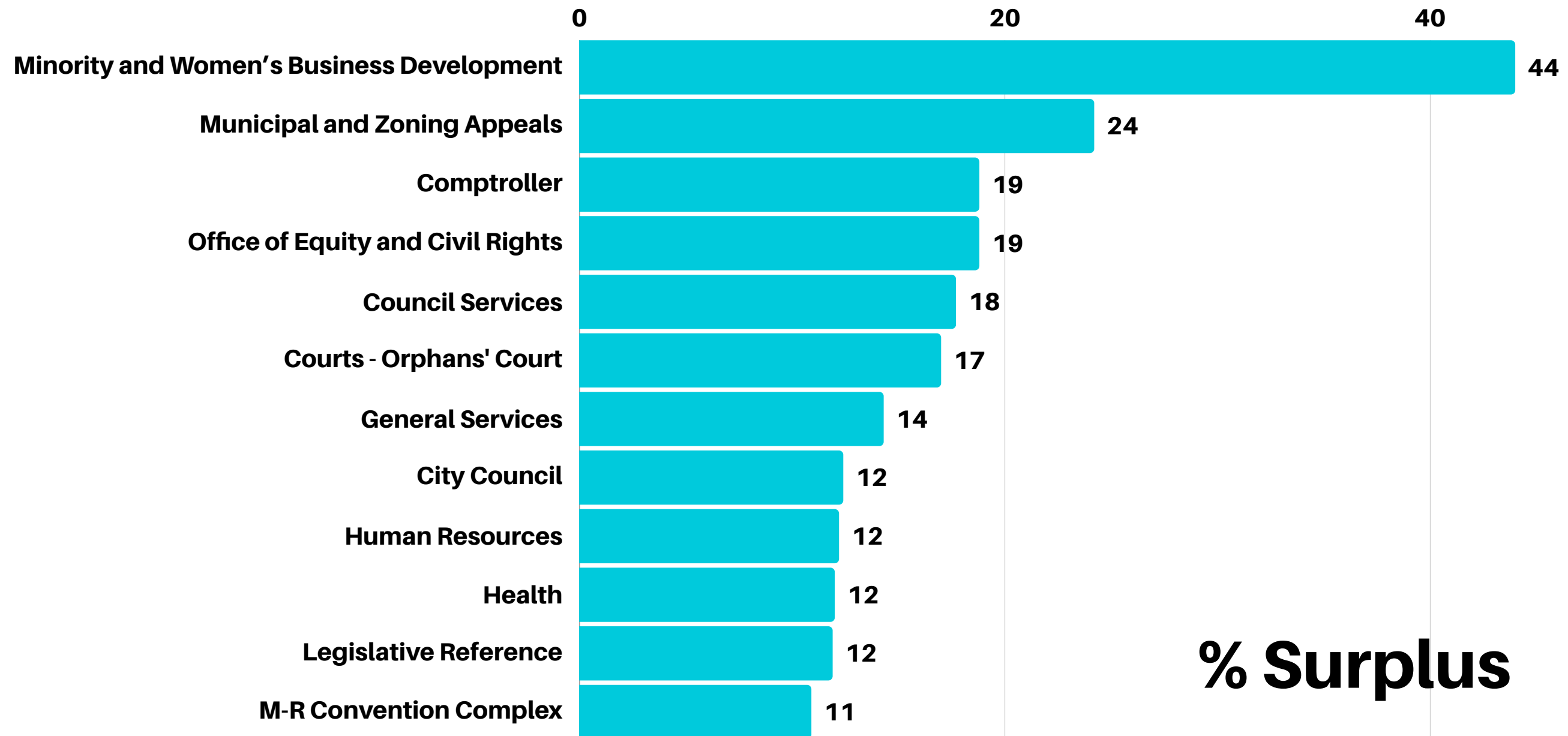
Services with 50+ vacancies and vacancy rate:



CITYWIDE 2 OUT OF EVERY 10 POSITIONS ARE CURRENTLY VACANT

Expenditure Surpluses

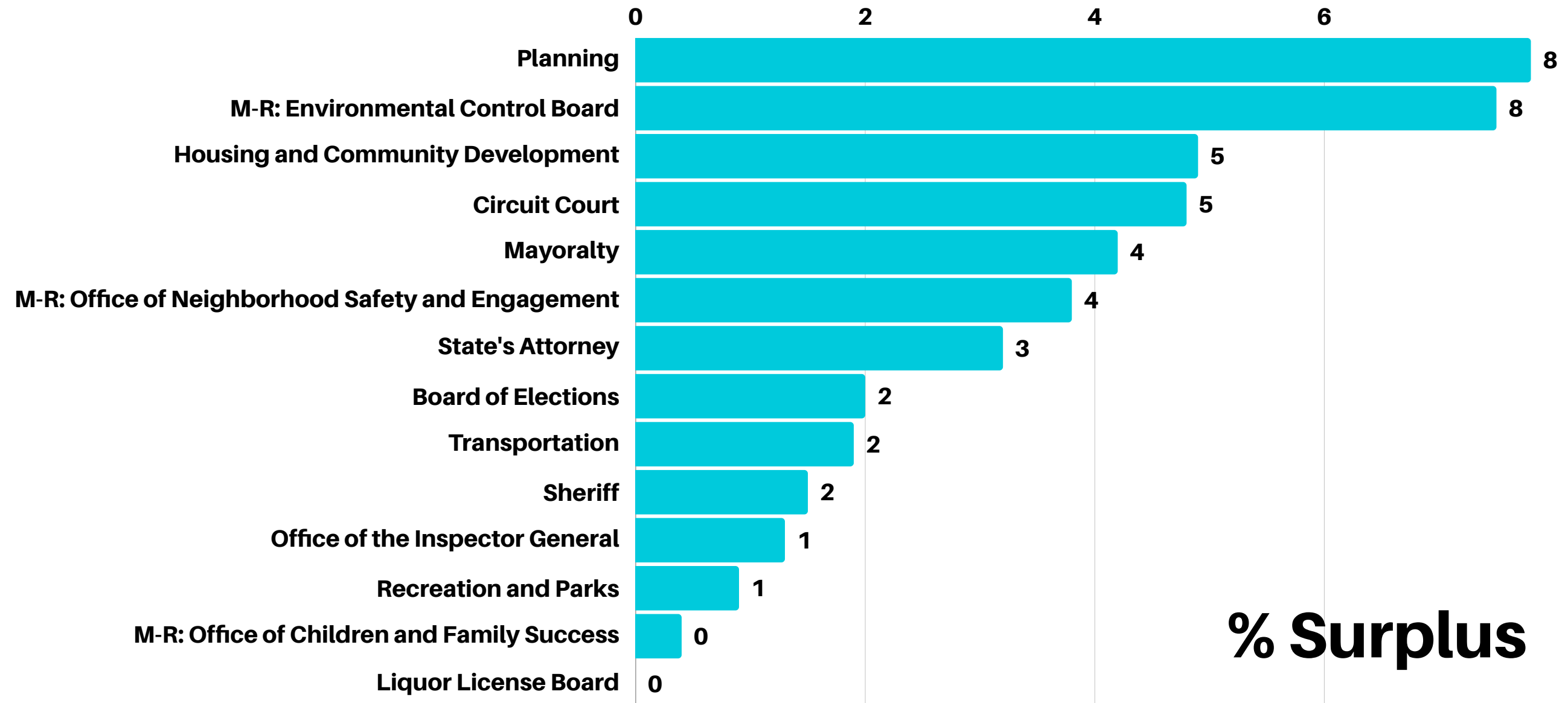
Agencies Projected With Significant Budget Surplus: > 10% Budget Variance



% Surplus

Expenditure Surpluses

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



% Surplus

Expenditure Deficits

Agencies Projected With An Operating Deficit

Agency	Variance		Explanation
	\$	%	
Finance	(0.6M)	(2.0%)	<ul style="list-style-type: none"> • Unbudgeted contractual costs to support payroll functions through FY24
Fire	(23.2M)	(9.5%)	<ul style="list-style-type: none"> • Significant 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)	(10.0%)	<ul style="list-style-type: none"> • Personnel costs from position reclassification actions
Enoch Pratt Free Library	(0.3M)	(1.0%)	<ul style="list-style-type: none"> • Operating expenses that may be reclassified to grants
M-R: Convention Center Hotel	(0.9M)	(7.5%)	<ul style="list-style-type: none"> • Hotel tax above budgeted amount for FY24

Expenditure Deficits

Agencies Projected With An Operating Deficit

Agency	Variance		Explanation
	\$	%	
M-R Art & Culture Grants	(0.8M)	(8.7%)	<ul style="list-style-type: none"> Higher than projected outlay for Museum benefits costs
M-R Office of Information and Technology	(0.5M)	(1.0%)	<ul style="list-style-type: none"> Exceeding assumed turnover savings
M-R Cable and Communications	<(0.1M)	(2.6%)	<ul style="list-style-type: none"> Exceeding assumed turnover savings
M-R Office of Homeless Services	(3.0M)	(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	(-1.8M)	(0.3%)	<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	(0.3M)	(0.3%)	<ul style="list-style-type: none"> Unbudgeted contractual expenses to support trash and recycling routes Increased tipping fees

Discussion and Questions

