

Fiscal 2024 Budget

City Council
BBMR Overview Briefing
May 25th, 2023

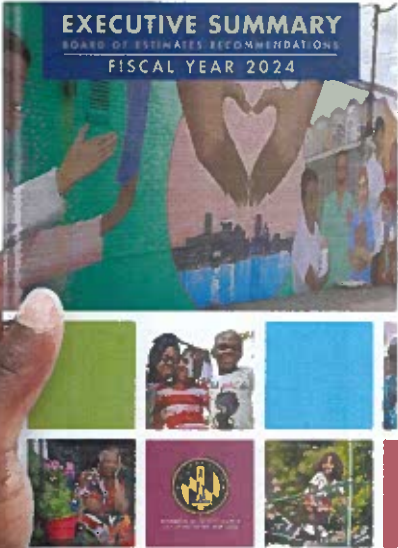


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Agenda



Highlights

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



Vacant Positions & the Recommended Budget

Budget and Spending, Vacancies by Union, Vacancies by Class



General Fund Revenue Overview

Where the Money Comes From, Major Revenue Forecasts



Expenditure Overview

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



Other Budgets Overview

Utility Budgets, Grant Funds, and Capital Budget Overview

FY 2024 Highlights



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Fiscal 2024: Fiscal Outlook

- In baseline projections, General Fund revenue was projected to grow by 4.6%, compared to 8% growth in General Fund expenditures.
- Expenditure growth is primarily driven by increase in the Local Share for schools costs, as established by State funding formulas.
- 84% of the revenue growth is allocated to meeting the City's obligation to Schools under the State funding formula.
- The Fiscal 2024 Budget was balanced by slowing expenditure growth through savings from vacant positions & reducing various agency expenditures.

Revenue

**\$95M
INCREASE**

Expenditures

**\$159M
INCREASE**



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Balancing the Fiscal 2024 Budget

BALANCING ACTIONS

- The Budget balances a \$64.0 million budget gap
 - \$24.6m realized through expenditure reductions & increases to locally controlled revenue
 - \$39.4m realized through one-time use of City fund balance

USE OF FUND BALANCE

- Fund balance is being used as a one-time source to bridge the unanticipated increase in Schools costs.

Recommended Balancing Actions

Balancing Action	Amount
Savings from Vacant Positions	5,000,000
Targeted Expenditure Reductions	10,000,000
Reduced contribution for Rainy Day & OPEB Fund	6,000,000
Tax Credit Reform	1,500,000
Traffic Camera Redeployment	1,500,000
Total Savings	\$24,600,000



Key Investments

The Fiscal 2024 Budget funds the full Local Share for City Schools and aims to make targeted investments in Core City services:

**FLEET
EQUIPMENT**



**MINORITY AND
WOMEN-OWNED
BUSINESSES**



**OLDER ADULT
SERVICES**



**VACANT
BUILDINGS**



Fiscal 2024 by the Numbers

FISCAL 2024	Recommended Amount	Change from Fiscal 2023, \$	Change from Fiscal 2023, %
Operating Plan	\$3.528 billion	\$211.5 million	6.38%
Capital Plan	\$833.2 million	\$40.7 million	5.13%
Total	\$4.361 billion	\$252.1 million	6.14%

FISCAL 2024 General Fund	Recommended Amount	Change from Fiscal 2023, \$	Change from Fiscal 2023, %
Budget	\$2.170 billion	\$113.9 million	5.5%
Positions	9,919	445	4.7%



FY 2024: Impact of Schools Funding

BLUEPRINT FISCAL ANALYSIS

- Initial fiscal analysis of the Blueprint for Education showed the Local Share significantly increasing in the first year followed by \$10-\$15 million annual increases.
- In Fiscal 2023 the City's Local Share increased by \$49.5 million.
- In Fiscal 2024 the State funding formula shows the City's Local Share increasing by \$79.3 million, while the State share is declining by \$30.1 million.
 - The Governor's Budget includes Hold Harmless funding that will be allocated directly to City Schools to offset decreased State funding.

State & Local Schools Funding: FY 2022-2024

	FY 2022	FY 2023	FY 2024
State Share	857,120,175	1,107,392,797	1,077,251,406
Local Share/MOE	263,528,469	313,229,545	392,537,225
Total	\$1,120,855,864	\$1,420,622,342	\$1,469,788,631

Schools Funding & the City Budget

- The City's funding for City Schools will be up \$129.0 million in two years.
- In Fiscal 2024, City Schools will represent 18% of the City's General Fund budget.

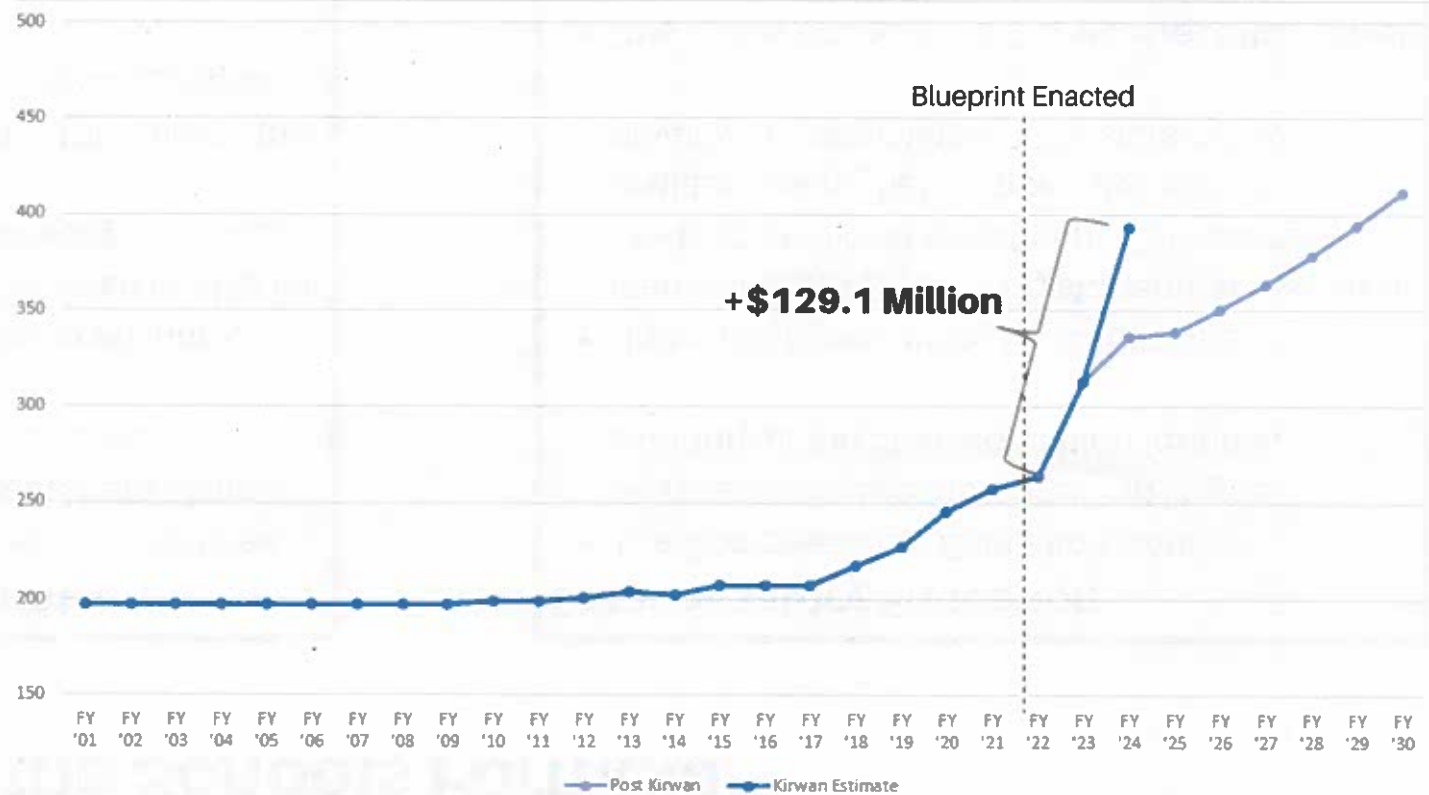


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School Funding Trends

- From FY 2001-2018 Schools funding was relatively flat at ~\$200 million annually.
- During this same period, enrollment began to decline but the City maintained its funding levels.
- In FY 2018 funding began to increase as part of the Bridge to Kirwan.
- The FY 2024 Local Share is consistent with what was projected in FY 2029 in the Blueprint fiscal analysis.

Local Schools Funding: FY 2001-FY 2030 (Blueprint Estimate)



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Breaking Down the Schools Formula

Education Effort Adjustment

- The Education Effort Adjustment is calculated by comparing the county's local share of major education aid by the county's wealth.
- All counties are compared against an index, where lower income jurisdictions can qualify for a credit increasing State Aid directly to schools.
- Baltimore previously received a 100% credit this program, in FY 2024 this credit is dropping to 35%.

Compensatory Education

- The Compensatory Education portion represents the broadest and 2nd largest category of the State education formula.
- Under the Blueprint for Education, the methodology for counting students shifted from FARM to Medicaid enrollment. This change resulted in a higher number of students in poverty (approximately 110k statewide).
- Due to this change, the City now reports a lower percentage of the students in poverty relative to the Statewide total.



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FY 2024 Vacant Positions & the Recommended Budget



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Impact of Vacancies on Budget & Spending



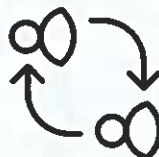
OVERTIME SPENDING

- Services that have daily minimum staffing requirements need to utilize overtime when there are high vacancy levels to meet service provisions.



CONTRACTUAL STAFFING

- Agencies utilize contract staffing agreements to backfill vacant positions. Agencies typically keep these positions funded in the budget to offset contract spending.



BUDGETING TURNOVER

- The budget has historically assumed savings from services with high turnover.
- The Recommended Budget increased assumed savings by \$5.0m to help balance the budget.



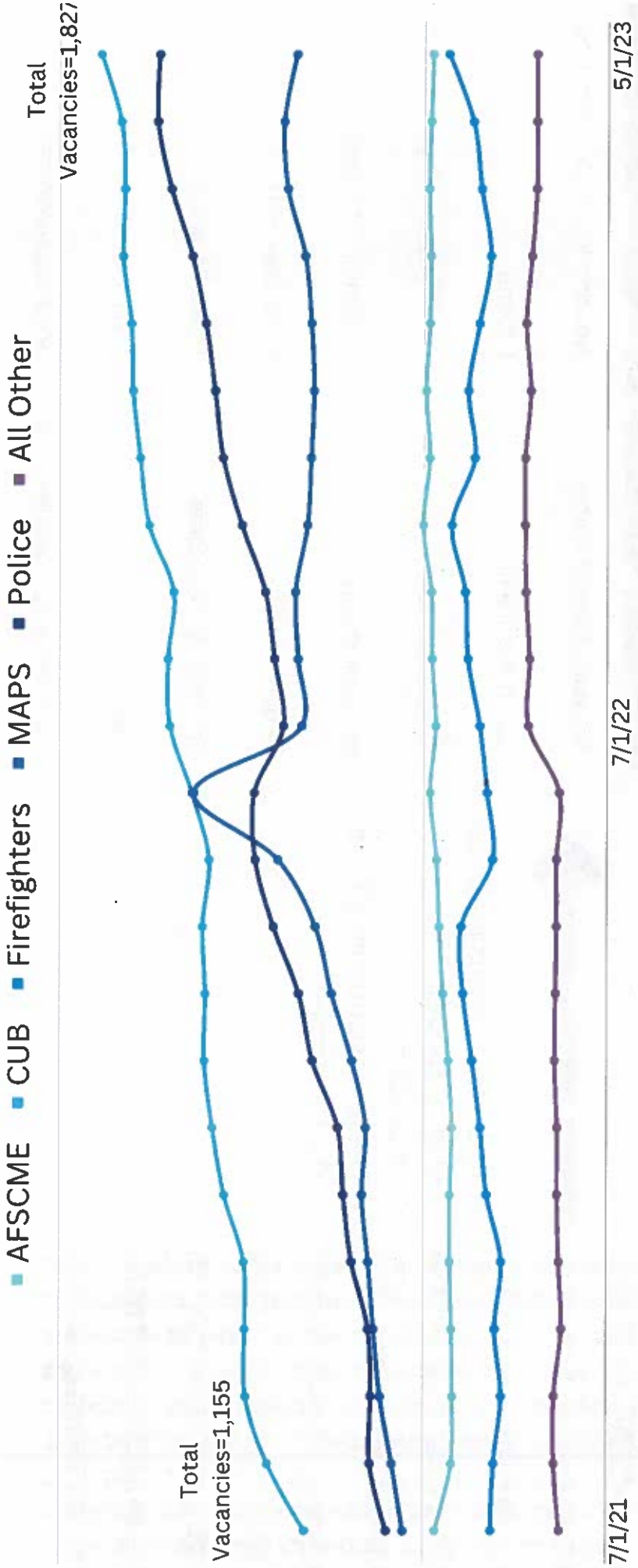
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- Savings from vacant positions often offset other spending to meet service delivery demands.

- Agencies typically keep positions funded to maintain flexibility to fill positions.

- Vacancy length is impacted by operational factors and overall agency demands.

Vacancies by Union



7/1/21

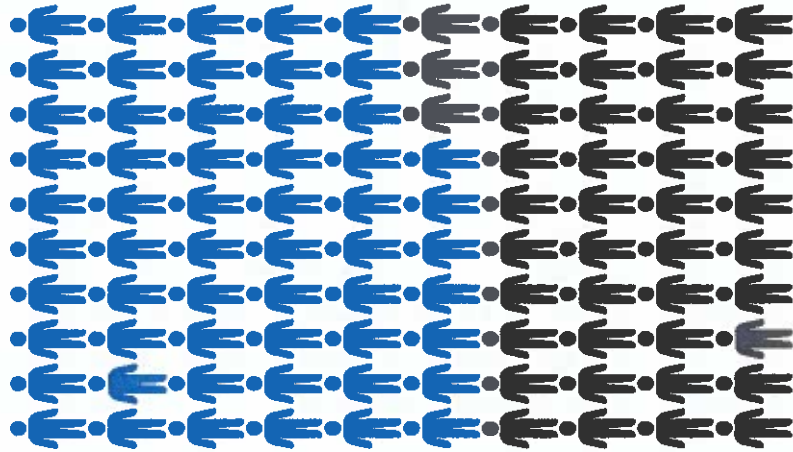
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Vacant Positions & the Budget

Vacancies by Classification



- 23 Classifications make up 60% of funded GF Vacancies
- These classifications have >10 Vacancies

Classifications w/ 10+ Vacancies

Assistant State's Attorney	Housing Inspector (Entry & Sr)
CDL Driver (I & II)	Laborer
Crime Lab Tech	Office Support Specialist (I & II)
Crossing Guard	Operations Officer (I & V)
Deputy Sheriff	Paramedic EMT
Emergency Dispatcher	Police Sergeant
EMT	Rec Leader
Fire Emergency Vehicle Driver	Solid Waste Worker
Firefighter	



FY 2024 General Fund Revenue Overview

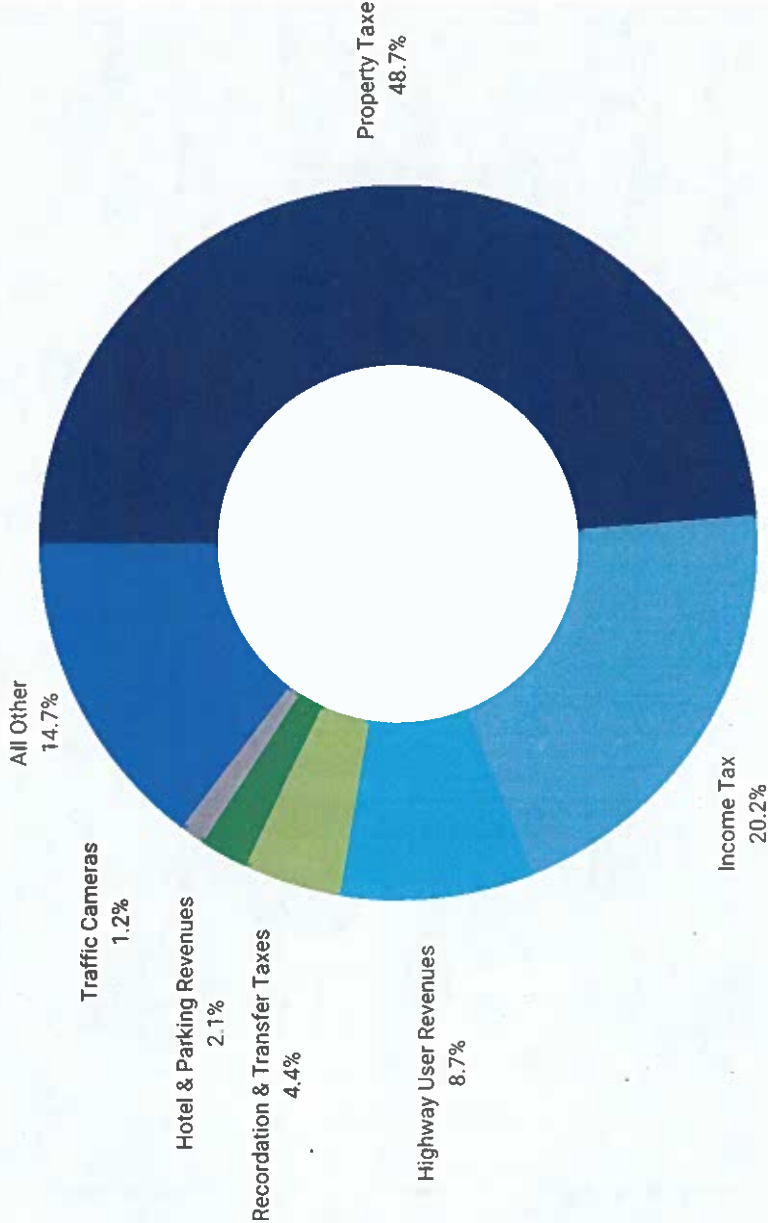


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Where the Money Comes From



Fiscal 2024 General Fund Revenues \$2.22 Billion



Property Tax

+\$29.0 MILLION

+2.8%

Real Property Tax Revenues



Real Property Assessment Growth

GROUP 2 REASSESSMENT

- Group 2 captures the properties in the middle portion of the City.
- Fiscal 2024 will capture reassessments from this group; overall these assessments are up 21.6%.

10TH CONSECUTIVE YEAR OF GROWTH

- Fiscal 2024 represents the 10th consecutive year of assessment increases; the largest increase for any group during the past ten years.
- This is the first reassessment since the real estate boom in 2021 and 2022.

Fiscal Year Reassessment	Assessment Group	Full Cash Value Assessment Increase
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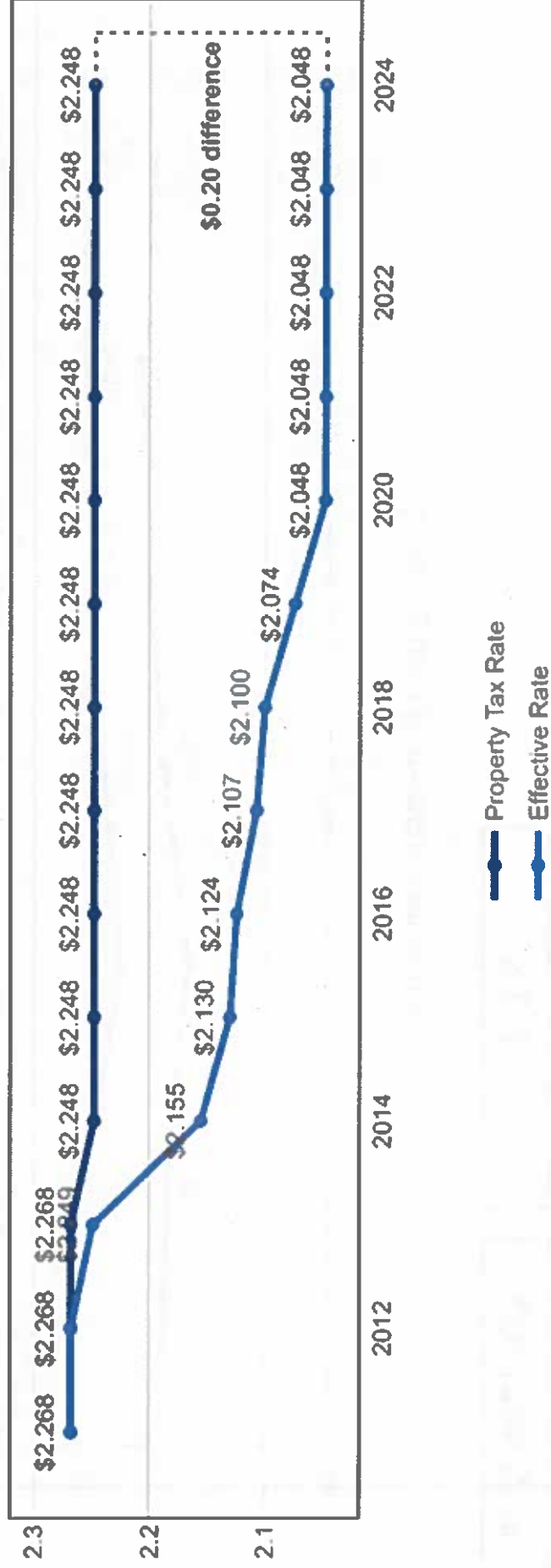
Fiscal 2014	Group 1	-3.1%
Fiscal 2015	Group 2	7.0%
Fiscal 2016	Group 3	9.6%
Fiscal 2017	Group 1	10.9%
Fiscal 2018	Group 2	6.2%
Fiscal 2019	Group 3	3.6%
Fiscal 2020	Group 1	8.4%
Fiscal 2021	Group 2	9.1%
Fiscal 2022	Group 3	4.1%
Fiscal 2023	Group 1	6.6%
Fiscal 2024	Group 2	21.6%



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Property Tax

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

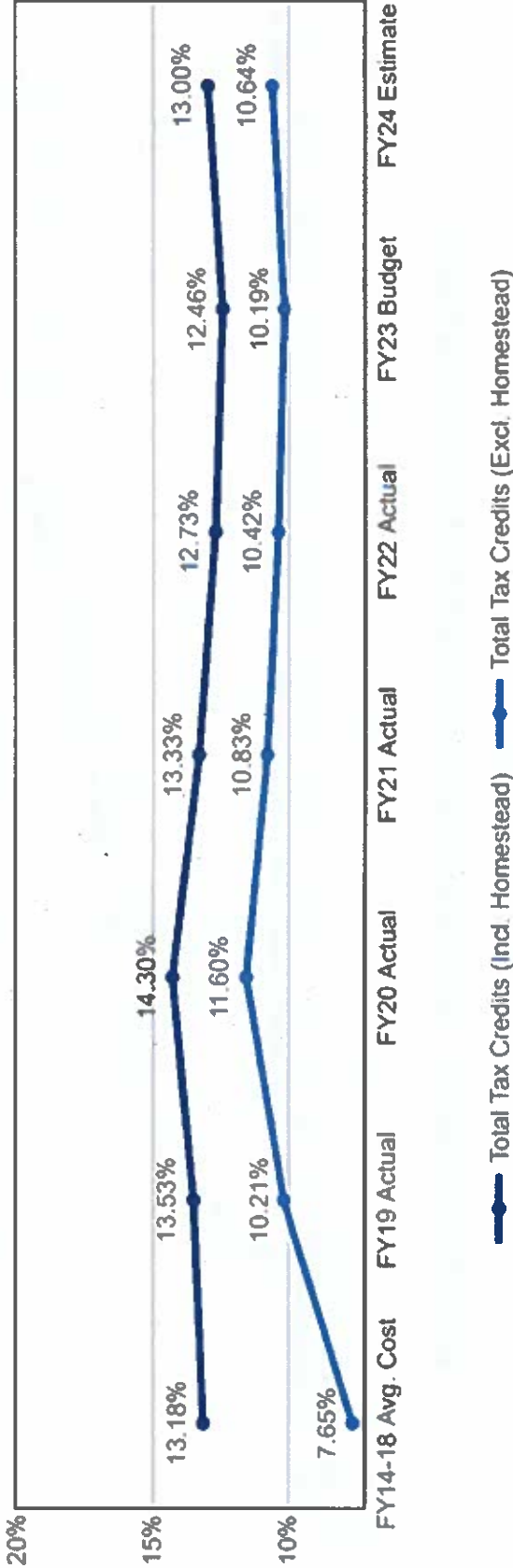


Tax Credits

-\$7.0 MILLION

-7.3%

Tax Credits as a Percent of Real Property



Income Tax

+ \$16.7 MILLION		+3.9%	
Change in # Tax Returns			
Income Tax Bracket		Change in # Tax Returns	
< \$30,000		7,817 decline	
\$30,000-\$59,999		4,114 decline	
\$60,000-\$149,999		2,028 increase	
\$150,000-\$499,000		1,841 increase	
> \$500,000		629 increase	
Net Change		7,433 decline	

DECLINING UNEMPLOYMENT RATE

- The City's income tax base continues to grow overall as wages increase and unemployment stays low.
- In December 2022, unemployment among City residents was at 4.4%, the lowest since January 2019.

DECLINING NUMBER OF TAX RETURNS FILED

- Tax return data by income bracket, shows the number of tax returns by individuals earning less than \$60k is declining, while the number of tax returns filed by individuals earning more than \$60k is increasing.



Highway User Revenues

+\$23.4 MILLION

+13.8%

ALLOCATION CHANGES

- Fiscal 2024 is the first of five years when the City will receive higher HUR allocations, based on changes to State law passed in 2022.

HUR COMPONENTS

- HUR is funded by statewide proceeds from fuel tax, titling tax, vehicle registration fees, corporate income tax, and a portion of sales tax.
- Actual revenues from 3 of the 5 revenue categories are trending down (Registration: -7.8%, Titling Tax: -5.1%, Fuel Tax -0.4%). These declines are offset by the share of corporate income taxes dedicated to HUR.

Fiscal Year	HUR Allocation, %
Fiscal 2023	8.3%
Fiscal 2024	9.5%
Fiscal 2025	11%
Fiscal 2026	12.2%
Fiscal 2027	12.2%
Fiscal 2028	9.5%



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Transfer & Recordation Taxes

+\$6.8 MILLION

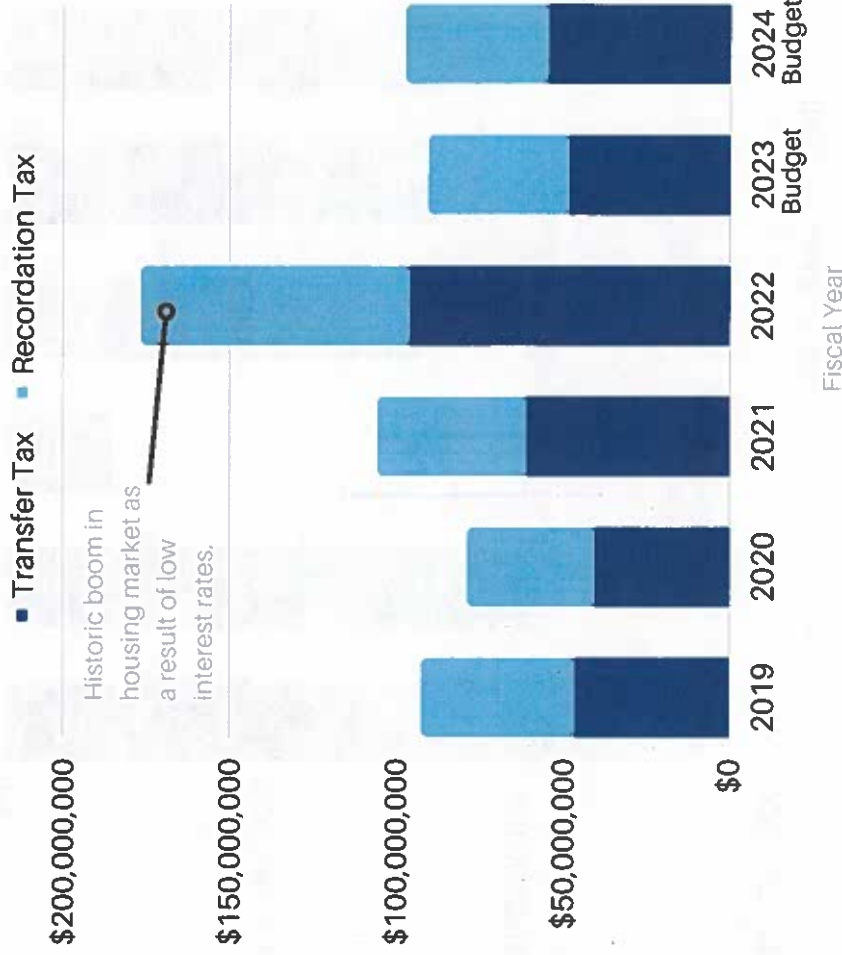
+7.6%

MARKET ACTIVITY RETURNS TO PRE-PANDEMIC LEVELS

- Transfer and Recordation revenue reached unprecedented levels in Fiscal 2022. The Fiscal 2024 budget assumes the real estate market returns to pre-pandemic levels.

RESIDENTIAL PROPERTY VALUES

- Although the housing market is projected to continue to slow, the increased revenue projection reflects the overall increase in real estate values. The average sold price increased by 15.2% from December 2021 to 2022.



Tourism & Visitor Revenues

+\$5.6 MILLION

+13.4%

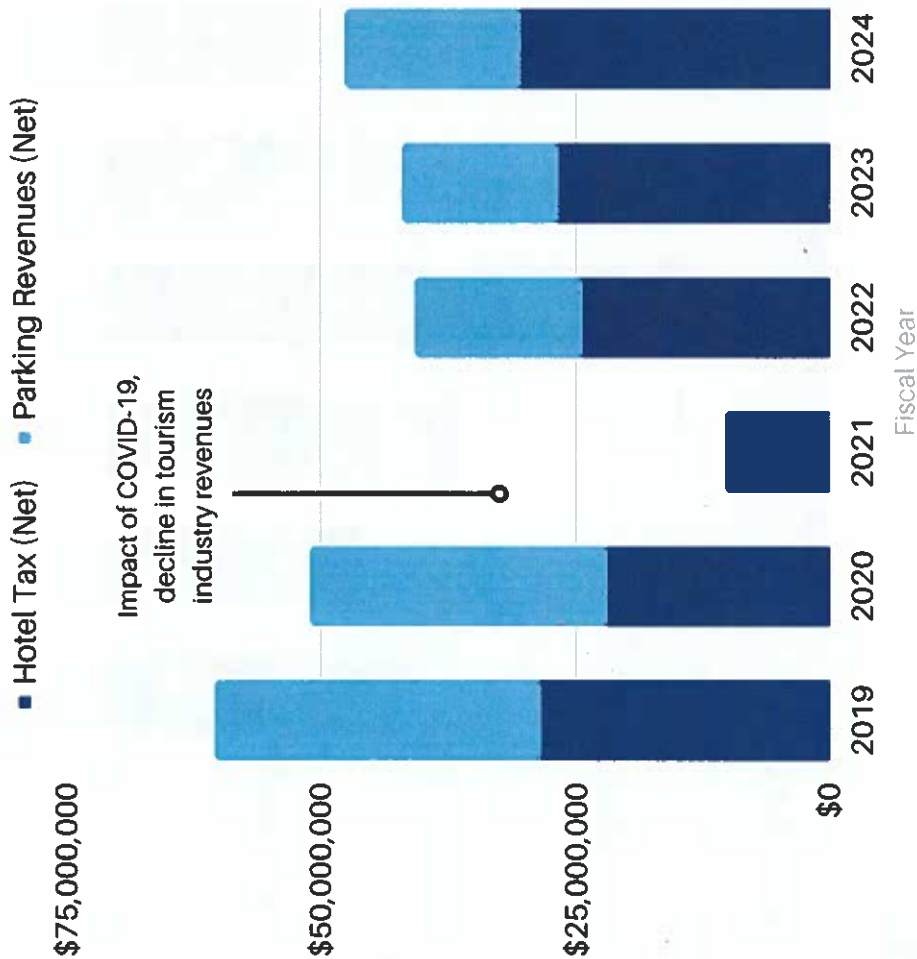
89.5%

DEMAND LEVELS

The demand for hotel rooms is expected to reach 89.5% of pre-pandemic levels by the end of Fiscal 2024.

GROWTH IN PRICES

The average nightly rate for hotel rooms within the City increased by 10.5% from December 2021 to 2022.

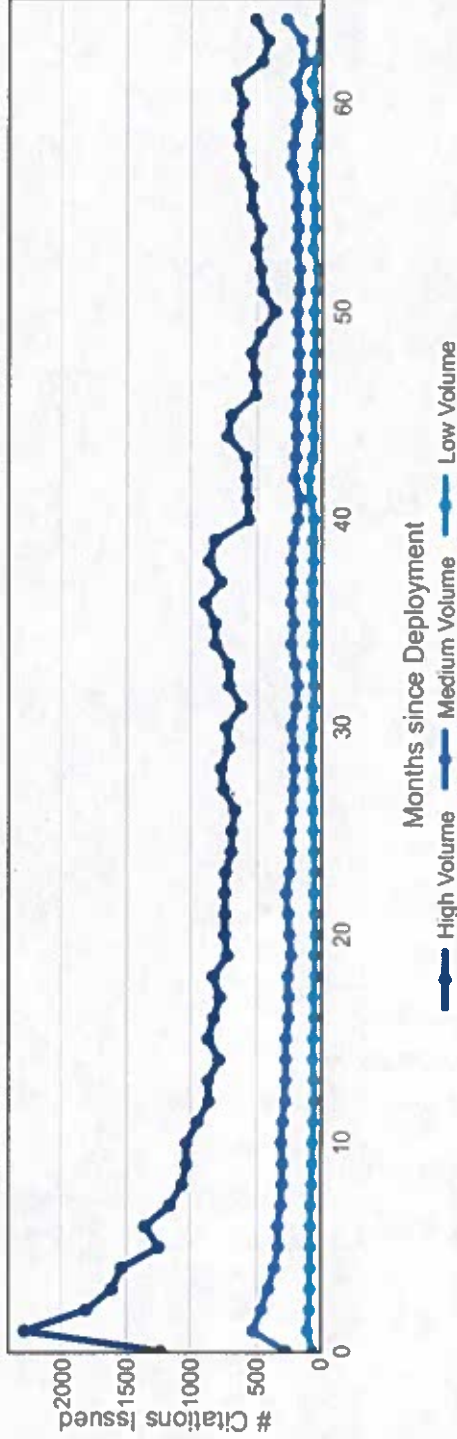


Traffic Cameras

-\$4.4 MILLION

-14.5%

Average Speed Camera Violations Issued over Time per Camera



DECLINE IN VOLUME

Declining revenue is driven by the ongoing drop in the number of citations issued and the continued assumption of a 50% collection rate for citations.

REDEPLOYMENT STRATEGY

The City identified 69 speed cameras that fell below the average volume of violations issued.



FY 2024 Expenditure Overview

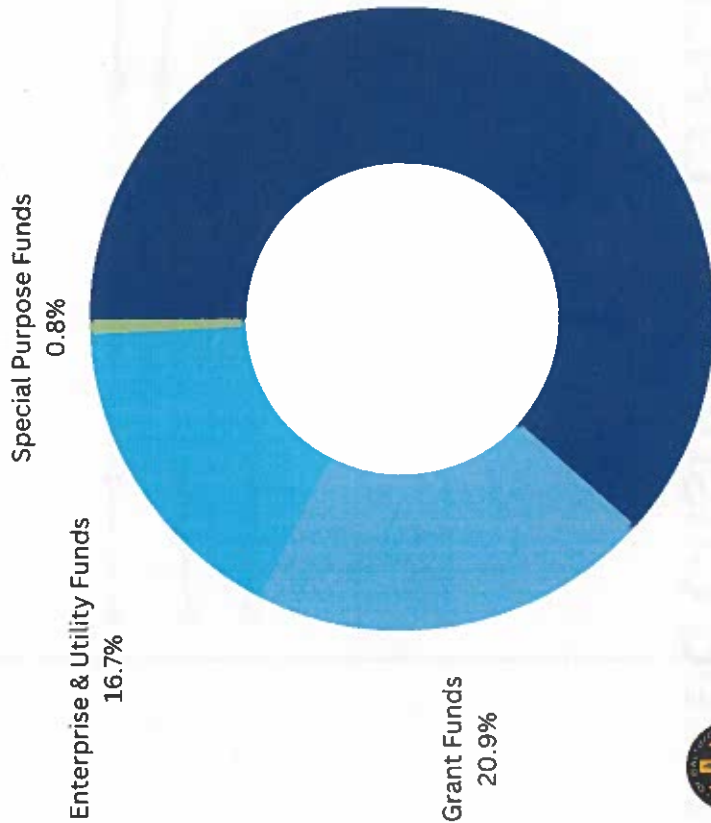


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Where the Money Goes

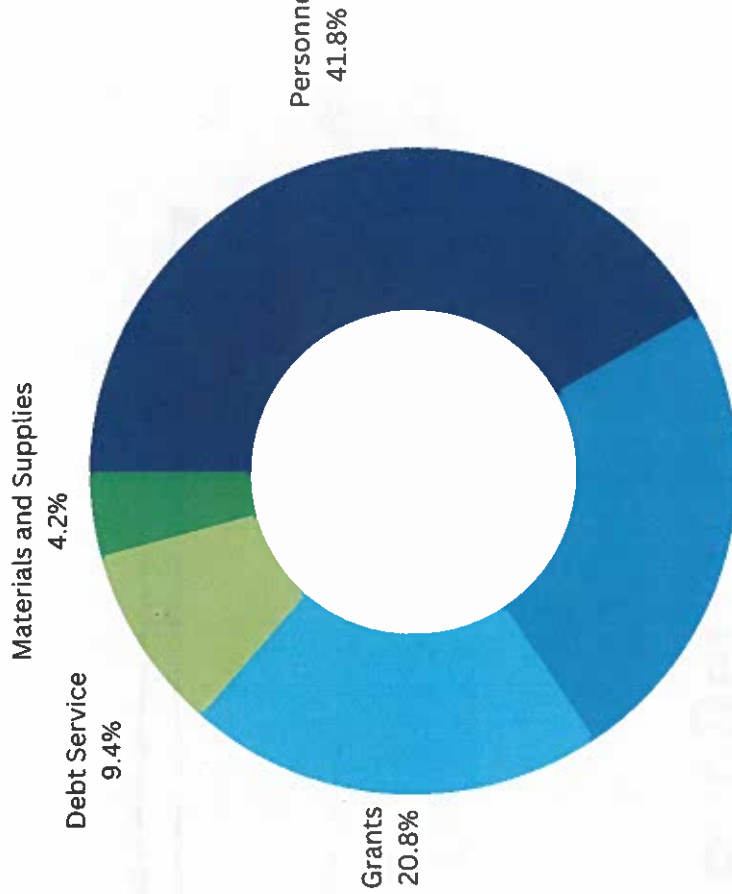
Where the Money Comes From

\$3.5 billion

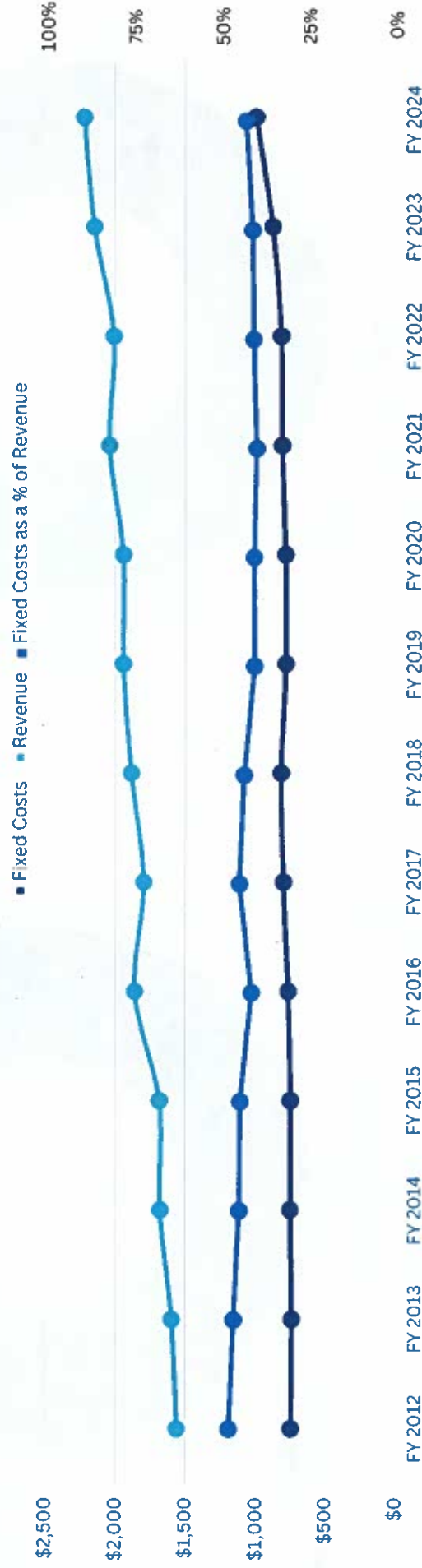


How the Money is Used

\$3.5 billion



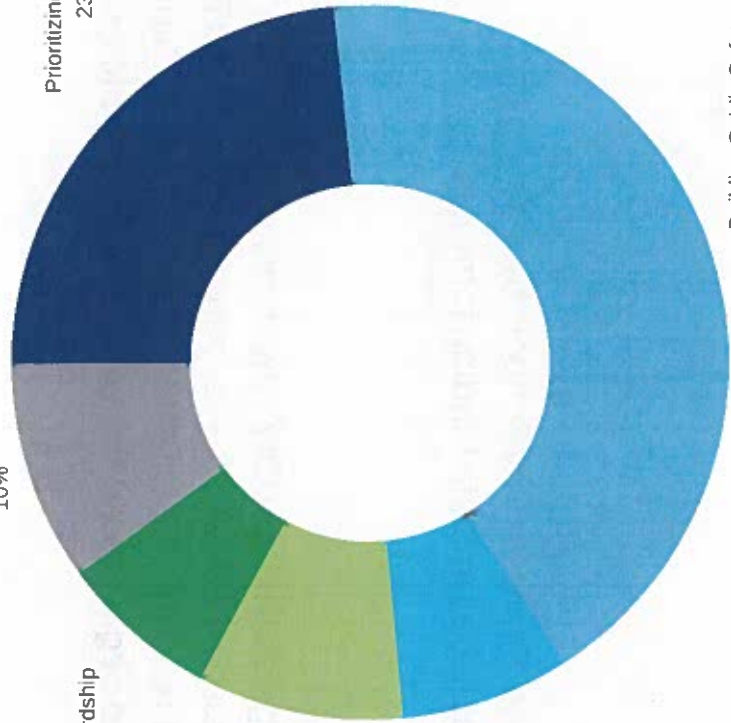
Fixed Costs and the Fiscal 2024 Budget



Where the Money Goes

General Fund Expenditures by Pillar

\$2.2 Billion



Building Public Safety
42.6%

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Prioritizing Our Youth



CITY SCHOOLS

Fully funding the City's Local Share for City Schools by meeting the \$79.3 million increase established in State funding formulas.

RECREATION CENTERS

Fully funding the operating costs for the City's inventory of Recreation Centers. Including costs associated with the reopening of the Carroll Park Recreation Center that will reopen in Fiscal 2024. The Fiscal 2024 Capital Budget includes funding to begin renovations at 3 additional facilities.

YOUTHWORKS PROGRAM

Increasing the hourly wage for young people participating in the summer YouthWorks program.



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Building Public Safety

VICTIMS SERVICES

Creating 5 additional civilian positions to be part of the Police Department's Victims Services team. Currently, these teams exist in the Western and Southern districts; additional positions are intended to help reach the goal of providing victims services for all homicide and non-fatal shooting incidents.

FIRE SAFETY OFFICERS

Creating 4 additional Safety Officer positions in the Fire Department as a result of recommendations from the Board of Inquiry examining the 2022 Stricker Street fire.

POLICE ACCOUNTABILITY BOARD

Fully funding the Police Accountability Board that was created in 2022. The budget supports 20 positions for this new office.



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Clean & Healthy Communities



SOLID WASTE

Creating up to 10 crews for Solid Waste services in DPW. These additional positions are intended to ensure the Department can meet daily minimum staffing for trash and recycling routes without pulling staff from other operations across the Department.

SERVICES FOR OLDER ADULTS

Funding to increase staffing levels at the City's Senior Centers. As well as planning funds to establish the independent Office of Aging .

RECREATION AND PARKS

Increased State funding from Project Open Space will be used to create 19 new positions for maintenance and operations throughout City parks and facilities.



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Equitable Neighborhood Development

EQUITY DIVISION

Creating three new positions in the Office of Equity and Civil Rights (OECR) and funding for an equity assessment. These resources will support OECR in developing a coordinated strategy for implementing this work.

MINORITY AND WOMEN-OWNED BUSINESSES

Funding to create the Mayor's Office of Minority and Women's Business Development. This Office will merge the Mayor's Office of Minority and Women's Business Development with the Minority and Women's Business Opportunity Office into a new Mayoralty Related agency.

RIGHT TO COUNSEL

Reaching a \$400,000 funding commitment for the City's Right to Counsel Program, including \$220,000 in recurring funding for two new outreach positions.



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Responsible Stewardship of City Resources



CDL INCENTIVES

Fully funding the \$10,000 CDL Incentive Program approved by the BOE in March 2023. The Recommended Budget includes funding for incentive payments that will be paid out in Fiscal 2024. The program is anticipated to continue into Fiscal 2025.

FLEET ASSETS

Increasing funding for replacing assets in the City's fleet from \$26 million to \$35 million annually. This will increase the number of assets purchased annually by 28.5%.

CAPITAL PROJECTS STAFF

Creating four positions in the Department of General Services to support planning and delivery of capital projects in City facilities. These positions will be jointly funded through the General Fund and capital projects supported by these positions.

FY 2024 Other Budgets Overview

Utility Funds, Grant Funds, & the Capital Budget



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Utility Budgets Overview

MAJOR CHANGES & HIGHLIGHTS

- Funding for the Water, Wastewater, & Stormwater Utilities are up 7.5%
- The proposed budgets are based on the approved rate increases for FY 2024
 - Water: 3%
 - Wastewater: 3.5%
 - Stormwater: 3%
- Additional funding in these funds will be used for higher staffing levels, meeting debt service commitments, and increasing costs of operating the utilities

DPW Enterprise Funds

	FY 2023	FY 2024	Change
Water	204,820,026	218,285,454	13,465,428
Wastewater	289,882,727	314,803,781	24,921,054
Stormwater	28,236,593	29,514,915	1,278,322
Total	\$522,939,346	\$562,604,150	\$39,664,804



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Grant Funds

Federal Funds

- \$31.3m-HIV Treatment for the Uninsured
- \$22.3m-Maternal and Child Health
- \$22.1m-CDBG
- \$22.2m-Community Action Partnership
- \$22.9m-MOED Jobs Programming
- \$35.5m-Permanent Housing for the Homeless
- \$5.4m-MONSE Programming

State Funds

- \$12.1m-Library Services
- \$12.1m-Emergency Services (Health)
- \$24.7m-HIV Treatment for the Uninsured
- \$18.9m-Community Action Partnership
- \$6.2m-MONSE Programming
- \$42.9m-Police Services
- \$7.0m-Program Open Space

- Federal and State Grant funding is up \$57.8m between FY 2023 and FY 2024.
- Agency grant budgets were updated between the Preliminary & BOE Recommended Budget, grant appropriations increased by \$56.9 million.
- These increases were primarily in the Health Department, BCIT, Mayor's Office of Employment Development, Planning, and Police Department.



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FEMA Funding for COVID-19 Costs

WHAT WAS ELIGIBLE

- Since the start of the pandemic, the City has been tracking and submitting reimbursement requests for direct costs associated with the COVID-19 response.
- Programs Receiving Reimbursement:
 - Meal & Feeding Programs
 - Response Supplies & Equipment
 - Homeless Sheltering
 - Vaccination Rollout
 - General Administration

CLOSEOUT PROCESS

- The emergency declaration period ended on May 11th, 2023.
- All costs previously part of the reimbursement have been transferred to ongoing funding sources.
- City will receive 90% reimbursement for costs incurred in Fiscal 2023.



Capital Budget Fund Sources

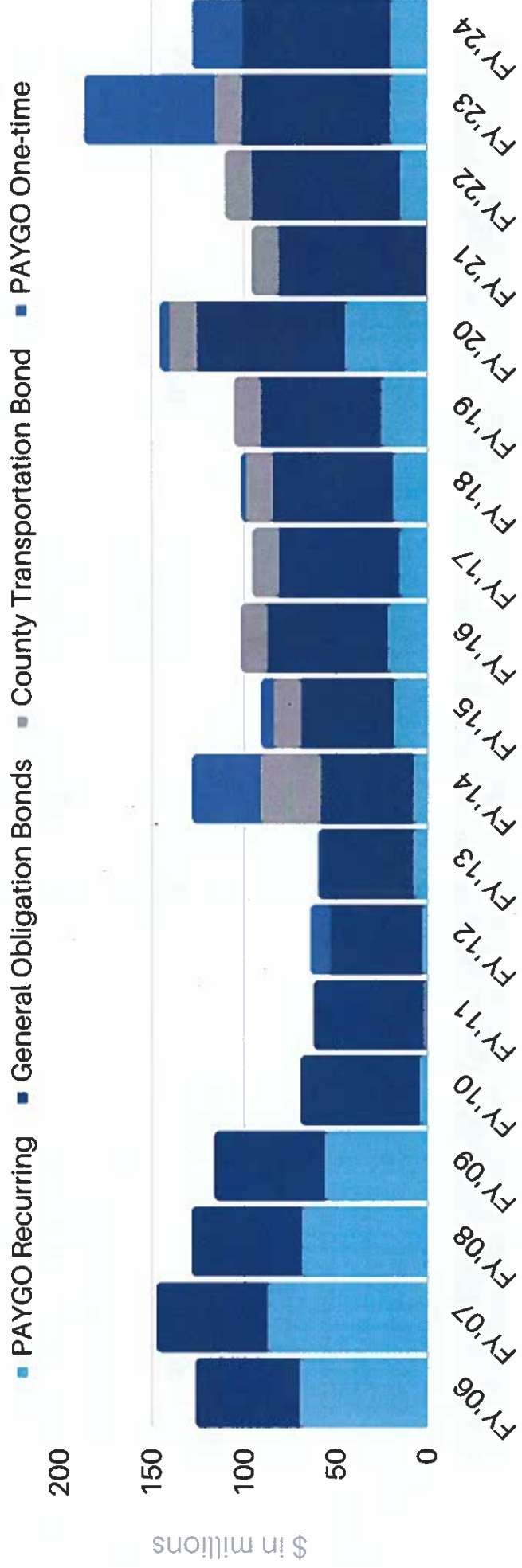
	FY 2023	FY 2024	\$ Change	% Change
PAY-AS-YOU-GO				
• General Fund	70,500,000	47,650,000	(22,850,000)	-32.4%
• Conduit Enterprise	23,370,000	3,000,000	(20,370,000)	-87.2%
• Wasterwater Utility	0	11,079,000	11,079,000	
• Water Utility	0	34,868,000	34,868,000	
• Stormwater Utility	0	3,010,000	3,010,000	
GRANT AND SPECIAL FUNDS				
• Federal	94,029,000	53,050,000	(40,979,000)	-43.6%
• State	102,126,000	52,978,000	(49,148,000)	-48.1%
LOANS AND BONDS				
• General Oblig. Bonds	80,000,000	80,000,000	0	0.0%
• Revenue Bonds	314,059,000	334,815,000	20,756,000	6.6%
• County Trans. Bonds	15,000,000	0	(15,000,000)	-100.0%
OTHER				
• Other	93,477,000	212,772,000	119,295,000	127.6%
GRAND TOTAL	792,561,000	833,222,000	40,661,000	5.1%



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Capital Budget, Historical Outlook

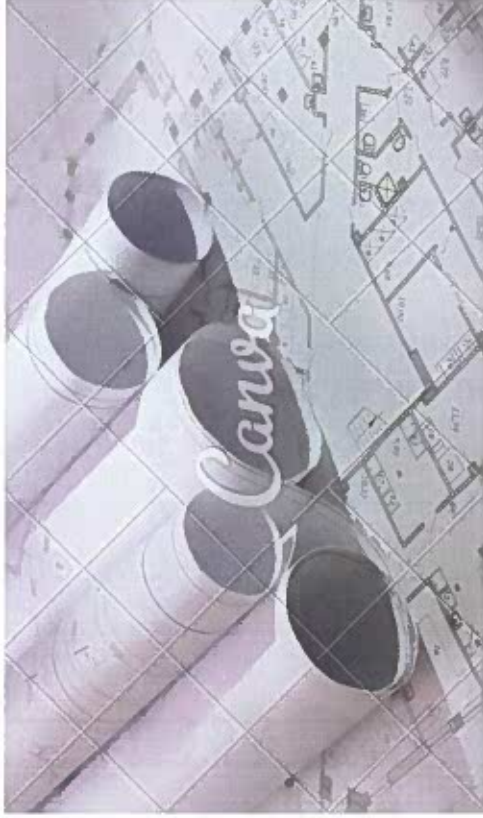
All General Fund Backed Sources



Fiscal Year



Key Projects



CITY SCHOOLS FACILITIES

\$19 million for City Schools facilities, including \$2.5 million towards the construction of the new Furley Elementary School and \$9.8 million for systems replacements, renovations, and repairs across various buildings.

ARPA FUNDED PROJECTS

As part of the City's ARPA allocation, \$80.0 million for budget stabilization funds intended to preserve delivery of City services. The Budget anticipates releasing \$40.0 million of these funds for capital projects.

- \$15.9 million for ADA projects
- \$7.4 million for Northwest CAP Improvements
- \$10 million for Street Resurfacing

INCREASED HUR FUNDING

Driven by the increased funding from Highway User Revenue (HUR), the Recommended Budget includes \$34.1 million for transportation-related projects.



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