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FROM	NAME & TITLE	Robert Cename, Budget Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 20-0598—Supplementary General Fund Operating Appropriation-Fire Department-\$11,000,000		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

September 24, 2020

Position: Support

The Department of Finance is herein reporting on City Council Bill City Council Bill City Council Bill 20-0597, Supplementary General Fund Operating Appropriation-Fire Department-\$11,000,000, the purpose of which is to increase the appropriation of General Funds by \$11 million to the Baltimore City Fire Department.

Background

The Baltimore City Charter requires that each agency ends the fiscal year in balance. Due to the revenue and expenditure impacts of the COVID-19 pandemic, the Board of Estimates approved the use of up to \$25 million from the Budget Stabilization Reserve, or Rainy Day Fund, on September 16, 2020. As of June 30, 2020, the Fund balance was \$145 million. As a matter of historical significance, this is only the third time that this fund has been used since its inception in Fiscal 1993. The prior instances were in Fiscal 2010, to cover a shortfall caused by two historic snowstorm events and declining local revenues; and in Fiscal 2015, to cover unanticipated costs in response to civil unrest.

Fiscal 2020 was the “perfect storm” of budget problems in that we simultaneously experienced both lower revenues and higher costs. In March 2020, as the COVID-19 pandemic spread throughout the United States, states and local jurisdictions put in place strict social distancing guidelines and stay-at-home orders to prevent the further spread of the virus. The result was that many parts of the economy slowed to a standstill, and in turn the City wrote down its revenue projections for key General Fund sources including income tax, transfer and recordation tax, investment earnings, hotel tax, convention center income, and admissions and amusement tax, among others.

Additionally, the City incurred new expenses in an attempt to both control the spread of the virus and to minimize the economic hardships to its residents. These expenses included costs to maintain core City services, health response expenses, isolation and quarantine for vulnerable populations, resident assistance programs for food and rental assistance, and small business support.

The Department of Finance recommends appropriation transfers and supplementary appropriations when an agency is projected to close the fiscal year in deficit. This supplemental appropriation is required to meet the Charter mandate.

Fiscal Impact

The Baltimore City Fire Department has a deficit for Fiscal 2020 due to unexpected expenditures resulting from the COVID-19 pandemic, including additional ambulance service, and overtime costs. This \$11 million supplemental appropriation is necessary to accommodate these unbudgeted costs. The Rainy Day Fund will be used to cover supplemental expenses.

Conclusion

This supplemental appropriation is required to meet the Charter mandate that annual agency expenditures do not exceed appropriations, and is necessary due to unexpected COVID-related costs and additional overtime expenditures.

For the reasons stated above, the Department of Finance supports City Council Bill 20-0597.

cc: Henry Raymond
Matthew Stegman
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