

Fiscal 2025 Preliminary Budget

Board of Estimates- Overview Hearing

April 17th, 2024

City of Baltimore

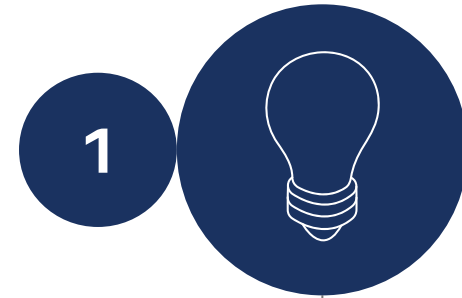
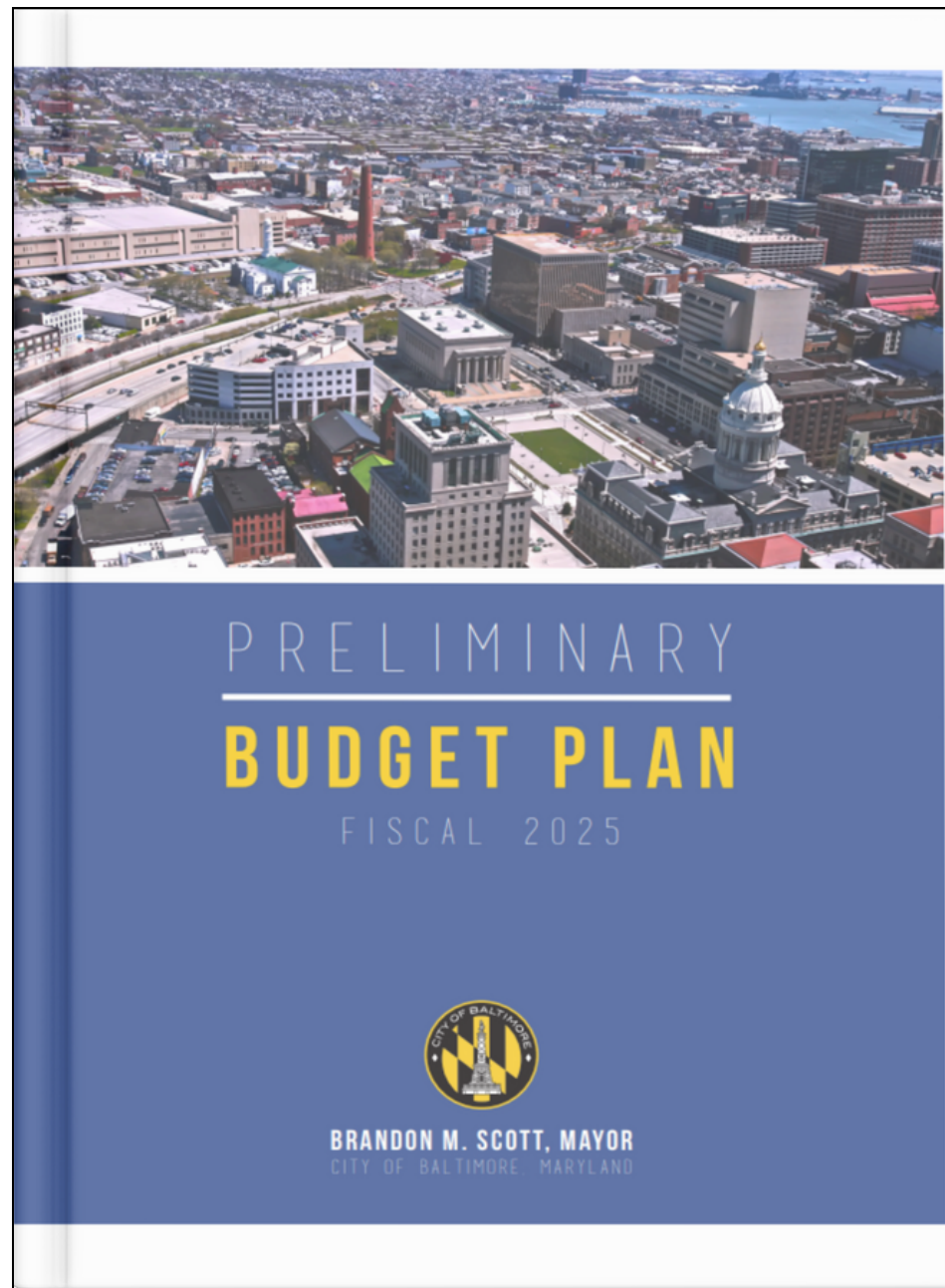


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Mayor



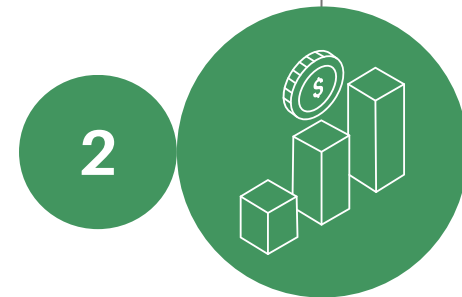
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Agenda



Highlights

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



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 2025 Highlights



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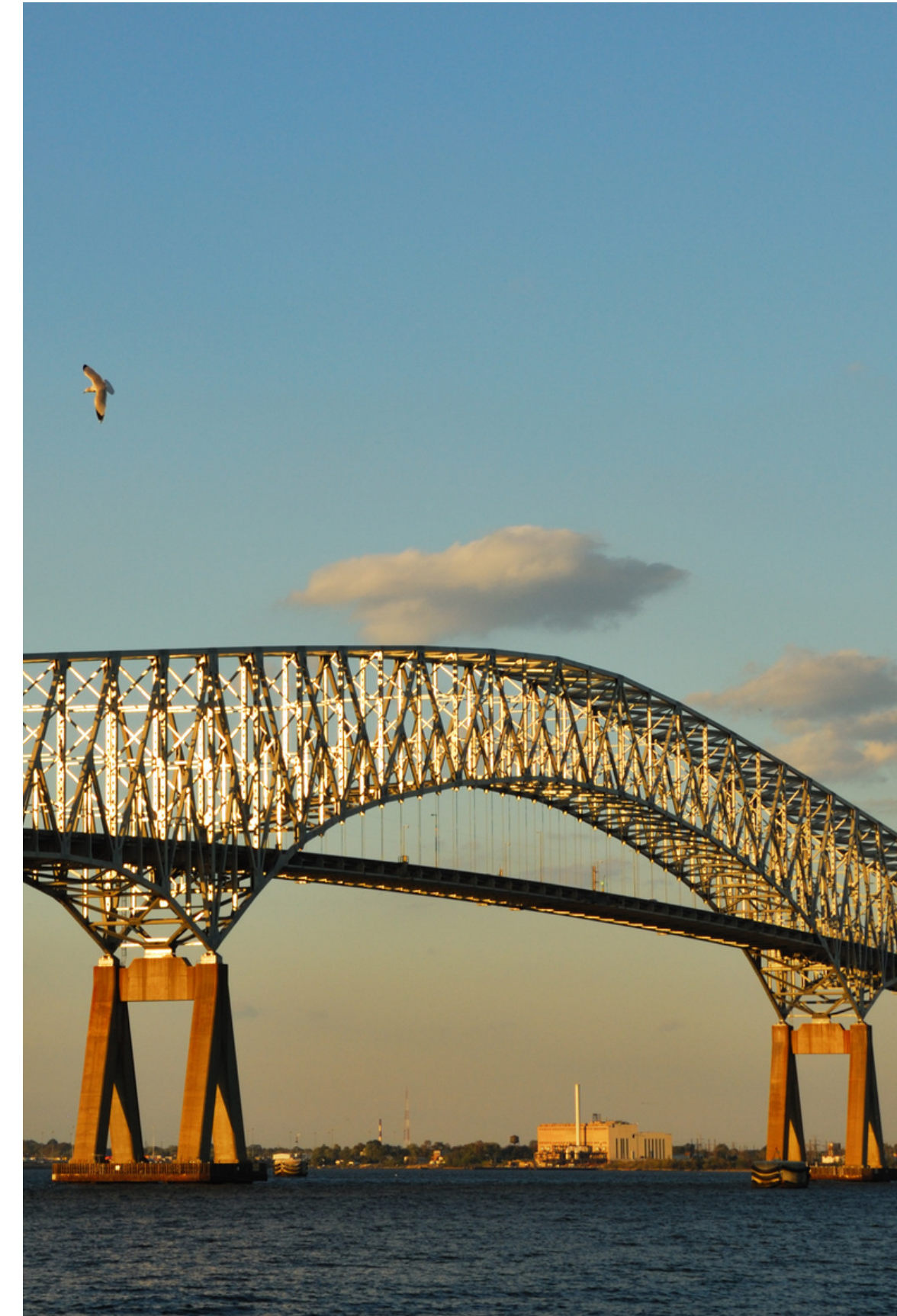
Key Bridge Collapse & Fiscal 2025

Collapse Costs & Fiscal 2025

- The Preliminary Budget does not include any recommendations from the Key Bridge collapse.
- The City continues to track costs associated with the response & recovery.

Long-Term Impacts

- The economic impacts of the Port closure and bridge collapse have the potential to be long-term.
- BBMR is developing economic factors that will be monitored regularly to understand how these impacts are flowing through to the City budget.
- Any major items impacting the City's budget will either be incorporated into the BOE Recommended budget or through amendments after budget adoption.



Fiscal 2025 Budget Highlights

BALANCED GENERAL FUND BUDGET

\$107 million shortfall closed with targeted agency trims, new efficiencies, and reduced long-term liabilities. No use of Fund Balance.

TARGETED INVESTMENTS

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

ARPA TRANSITION

Begins process of transitioning high-priority ARPA investments to other sources of funding.

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-Blueprint levels.



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Fiscal 2025 by the Numbers

FISCAL 2025	Recommended Amount	Change from Fiscal 2024, \$	Change from Fiscal 2024, %
Operating Plan	\$3.41 Billion	-\$119.2 Million	-3.4%
Capital Plan	\$654.1 Million	-\$177.6 Million	-21.4%
Total	\$4.06 Billion	-\$296.8 Million	-6.8%

FISCAL 2025 General Fund	Recommended Amount	Change from Fiscal 2024, \$	Change from Fiscal 2024, %
Budget	\$2.327 Billion	\$111.0 million	+5.0%
Positions	9,746	-172	-1.7%



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 balances 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 \$9.6M of one-time resources to balance, with no use of Fund Balance.
- Fiscal 2024: Utilized \$39.6M of one-time resources to balance:
 - \$29.6M 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



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.

- **Fines and Fees (\$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 8% since the start of Fiscal 2024
- Civilian vacancies have declined while sworn vacancies have increased.

Civilian

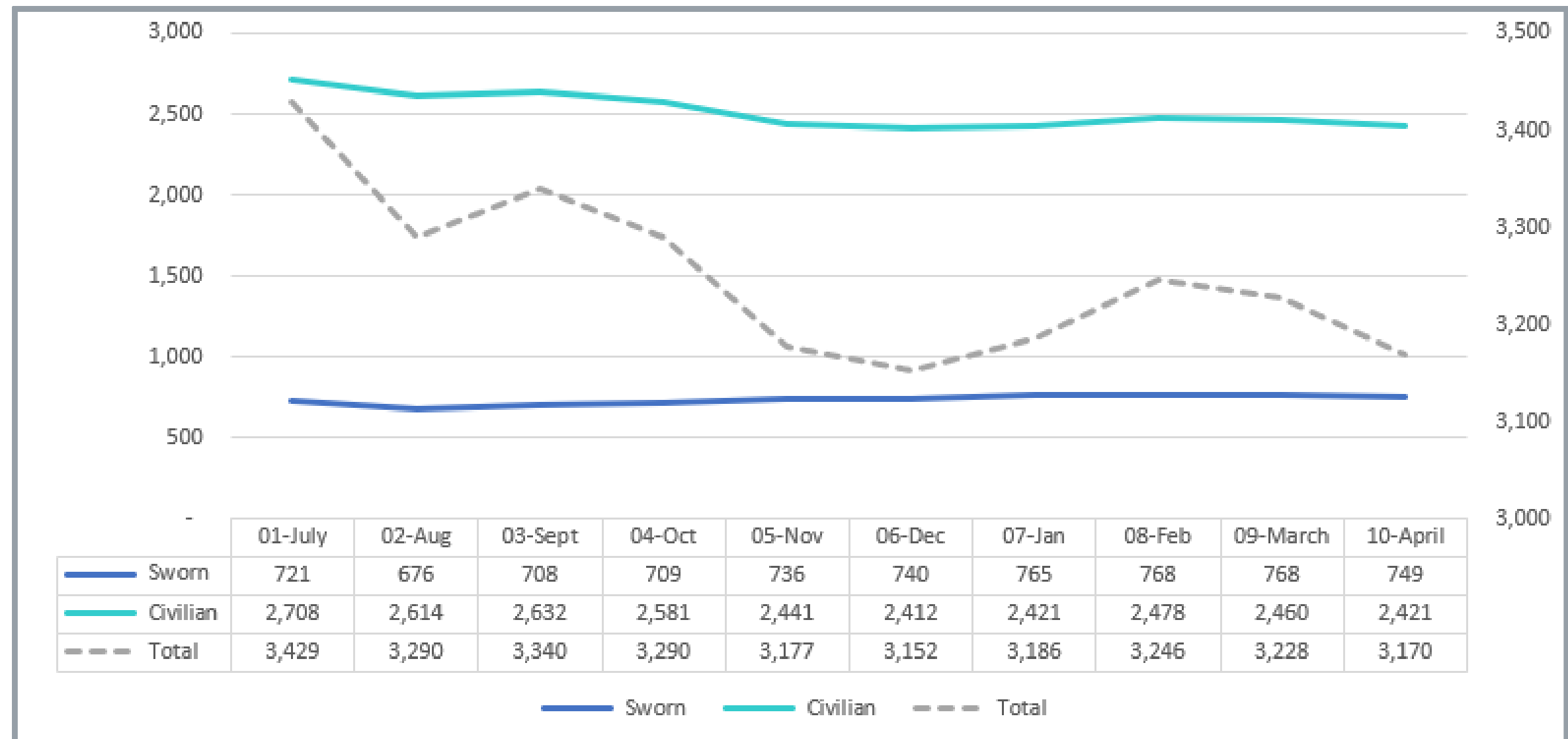
Sworn

-11%

+4%

Citywide Vacancies: FY 24 (July-April)

Sworn vs. Civilian Positions



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



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Community Engagement for Fiscal 2025

Budget Engagement Forums

- BBMR and the Mayor’s Office hosted four budget engagement events in January and February of 2024.
- Over 100 participants from across Baltimore City submitted 158 feedback notes and 323 votes on key pillars of prioritization for the upcoming budget.

Newsletter: Bmore Budget Brief

- To increase communication and transparency with the community, BBMR has released a regularly scheduled newsletter to provide updates on budget process, legislative & policy notes, social media content, and community engagement opportunities throughout the year.

Continued Engagement Opportunities

- BBMR continues to provide community presentations to residents on the budget process upon request.
- Fiscal 2025 Taxpayers’ Night at the Board of Estimates is on April 17, 2024. Residents may provide testimony in person, virtually via WebEx, voicemail, or online form.



FY 2025 General Fund Revenue Overview



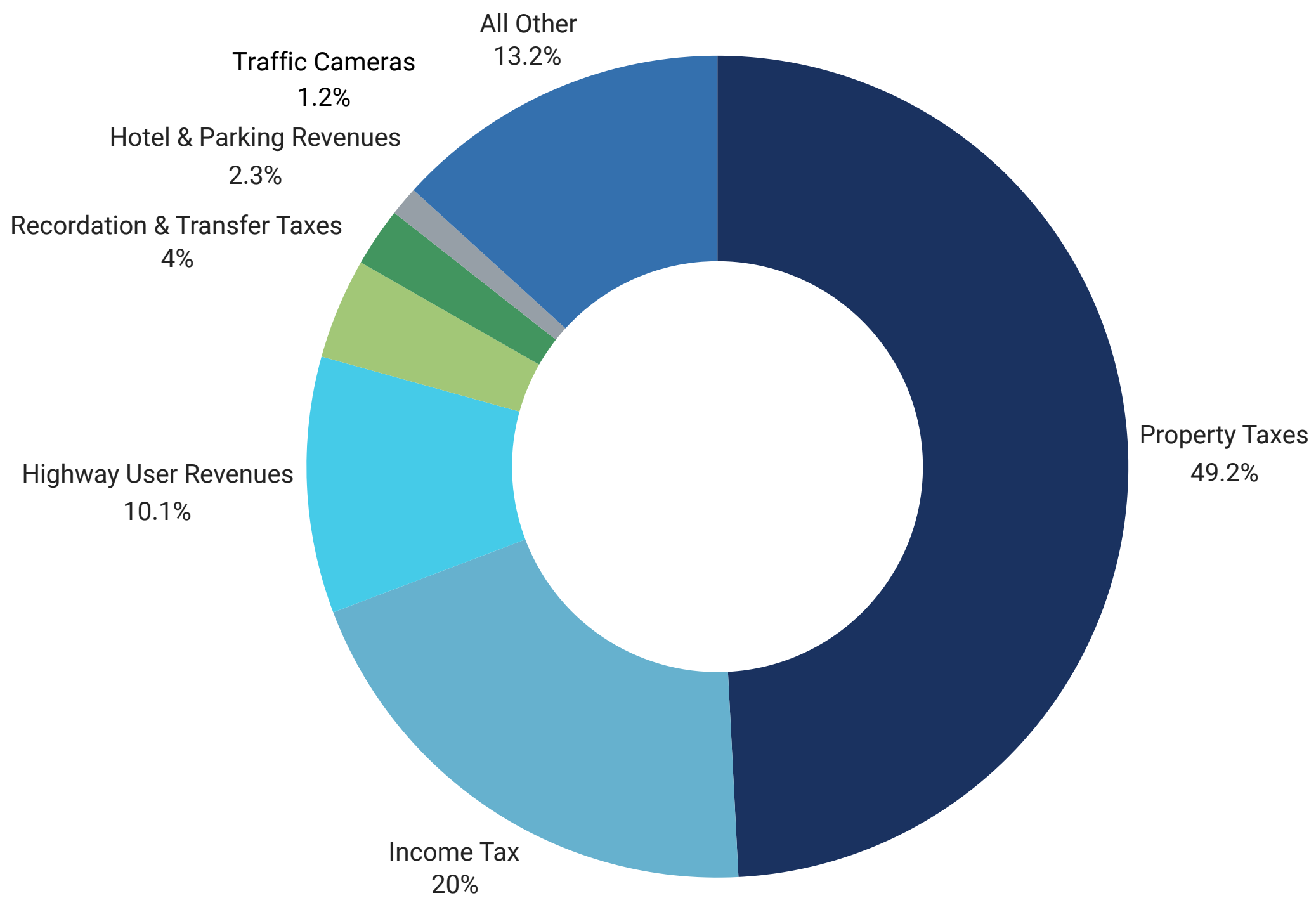
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Where the Money Comes From



Fiscal 2025 General Fund Revenues \$2.3 Billion

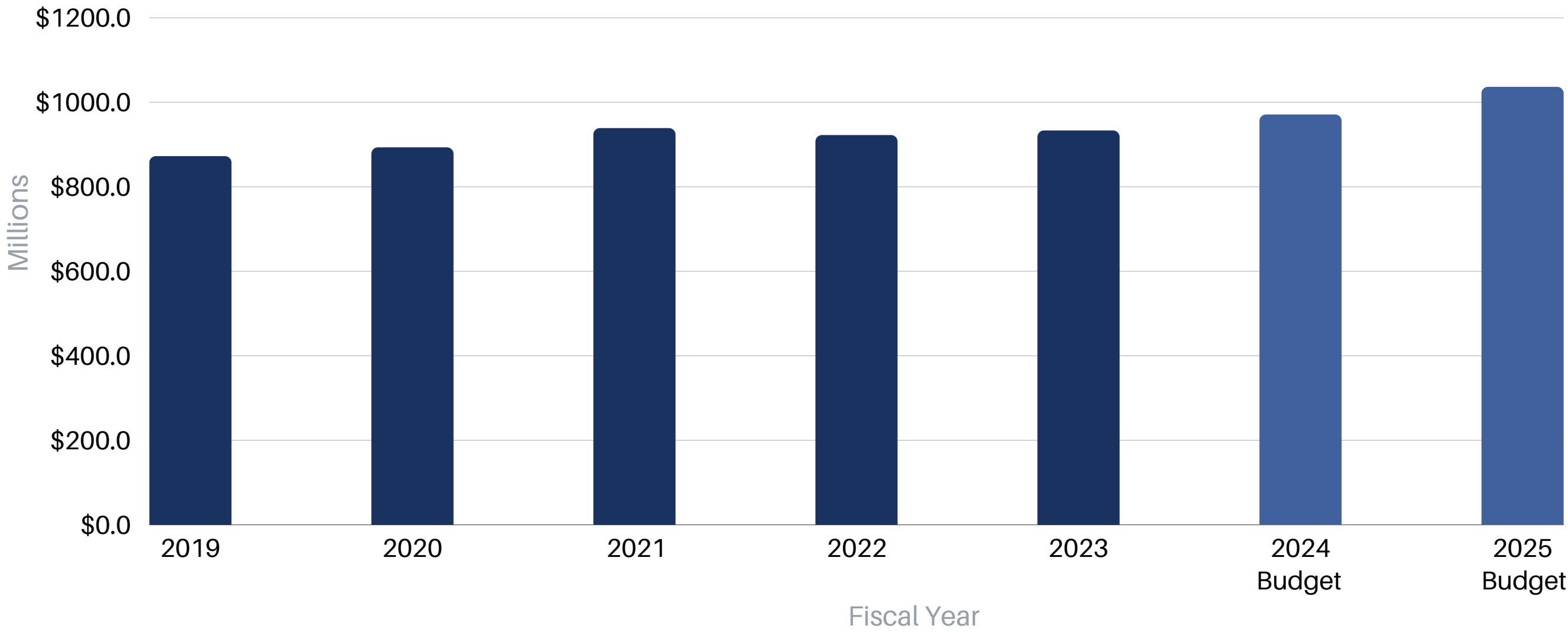


Property Tax

+\$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%

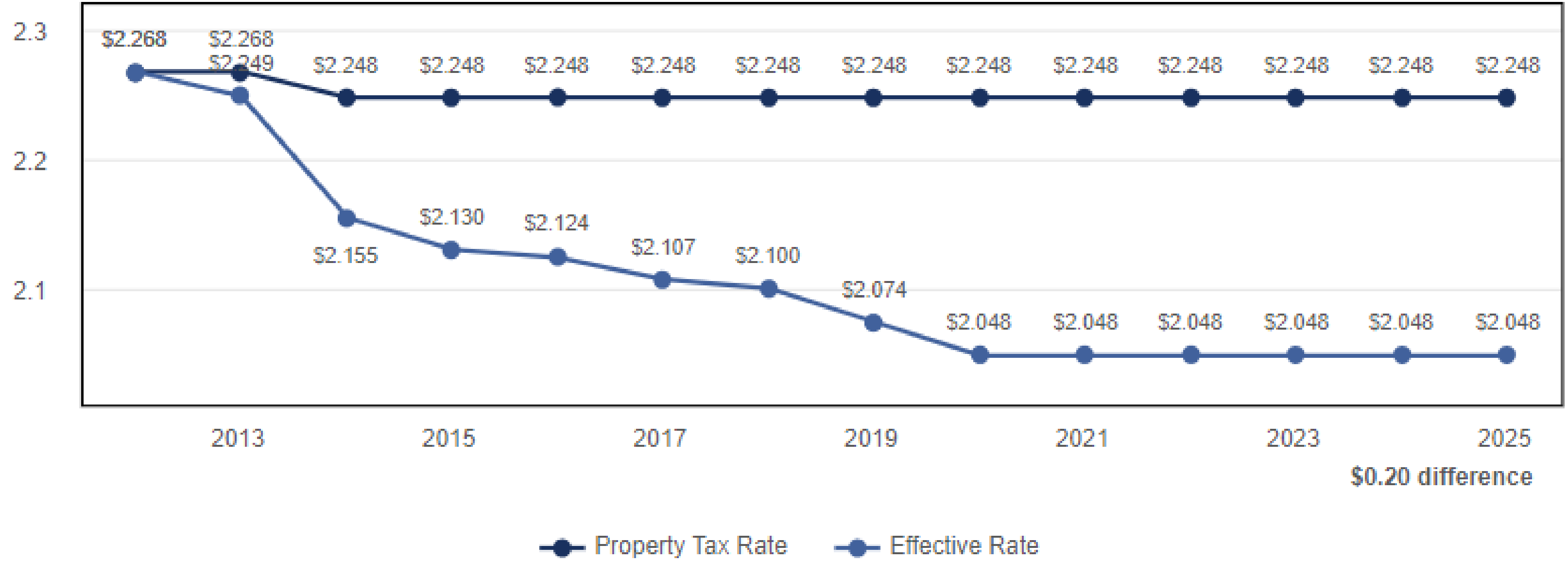


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Property Tax

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



Tax Credits

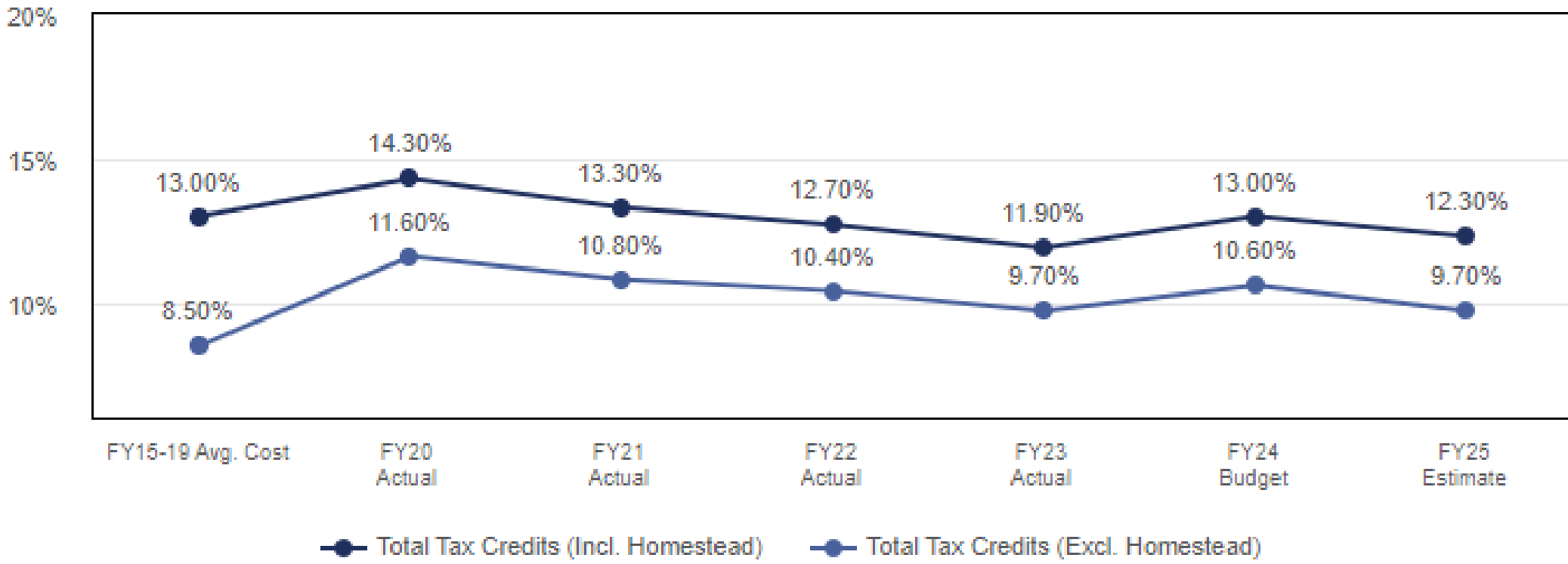
-\$2.5 MILLION

-2.4%

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.

Tax Credits as a Percent of Real Property



Transfer & Recordation Taxes

-\$4.8 MILLION

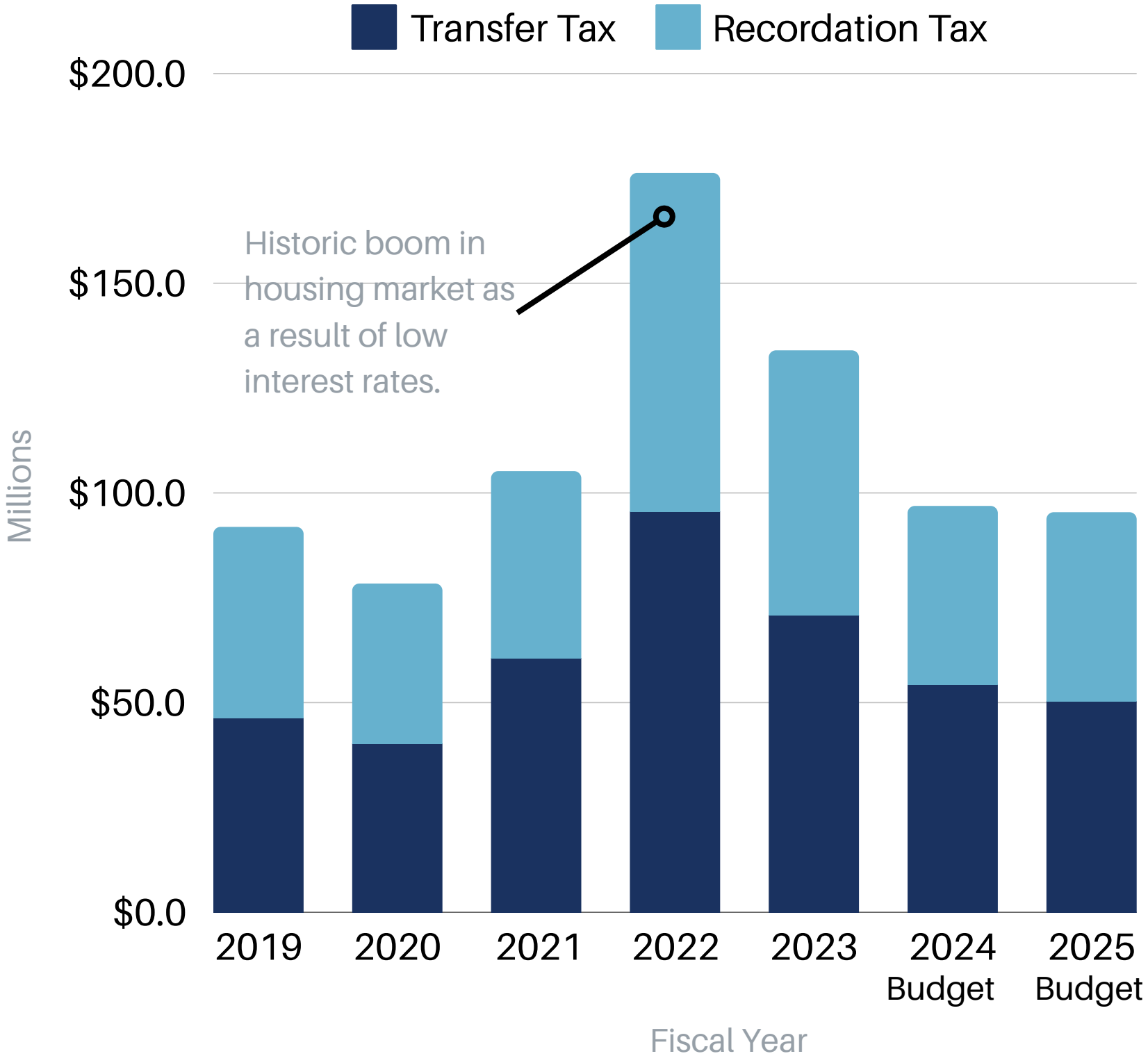
-4.9%

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.



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Highway User Revenues

+\$41.3 MILLION

+21.3%

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.
- The State’s final FY25 budget keeps the City’s increased HUR allocations in place.

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.

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%



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Investment Earnings

+\$15.6 MILLION

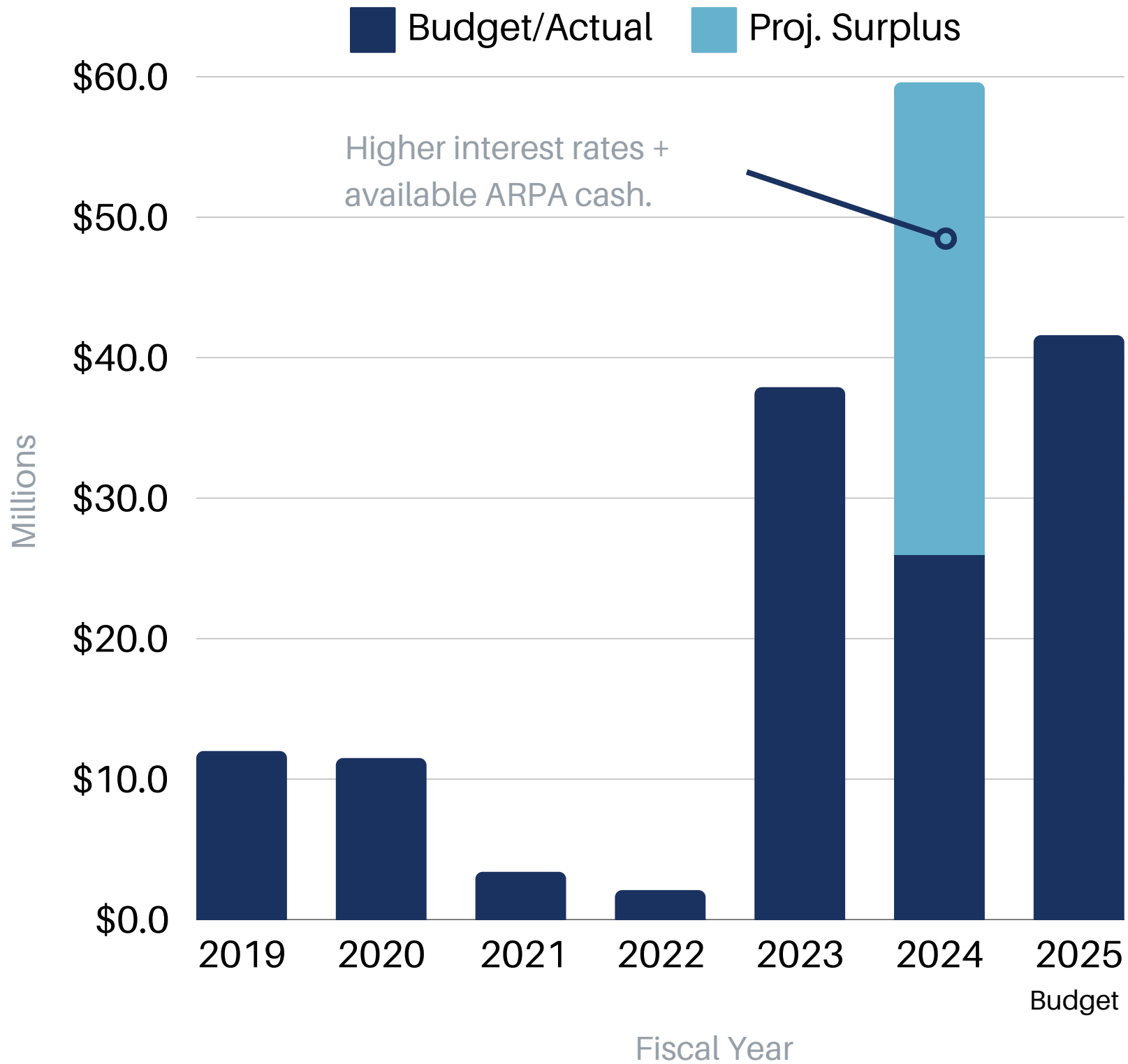
+59.8%

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 likely this calendar year.



Tourism & Visitor Revenues

+\$5.1 MILLION

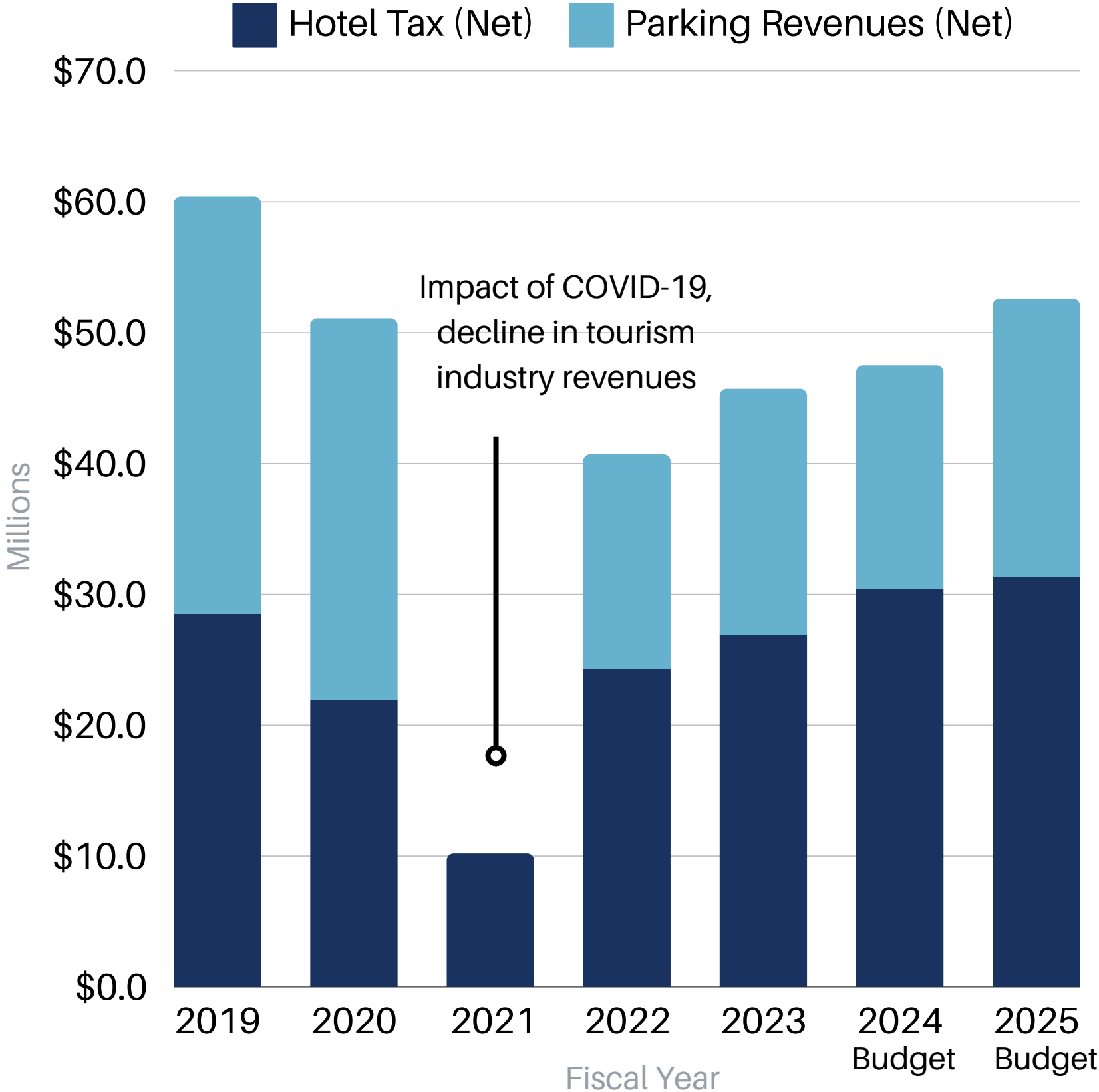
+10.6%

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.

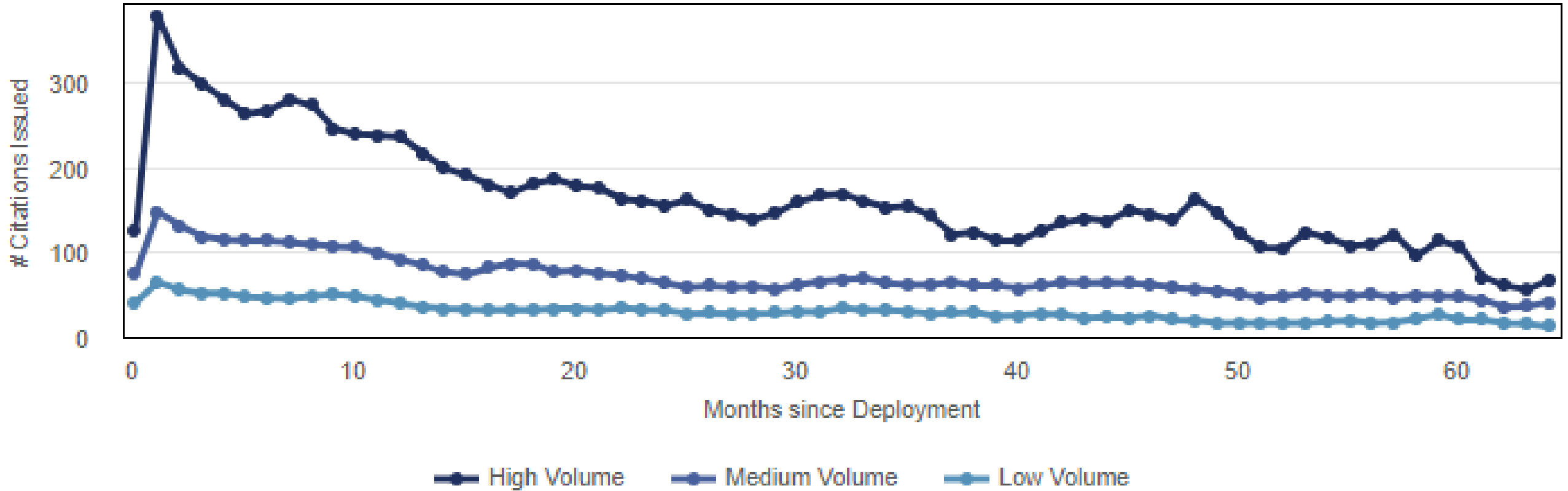


Traffic Cameras

+\$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 spring of 2024, which would bring the totals to 153 (speed) and 183 (red light).



FY 2025 Expenditure Overview

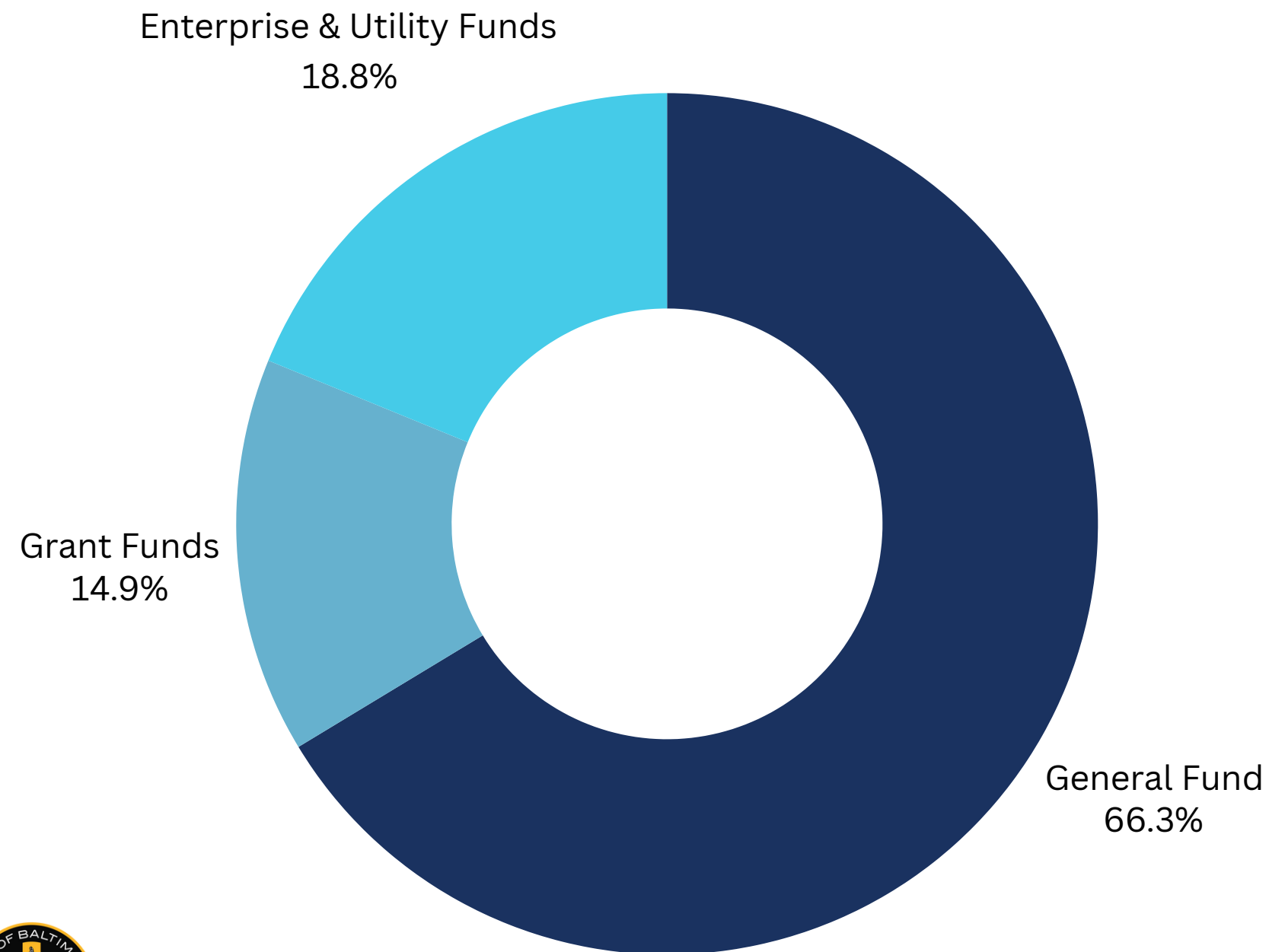


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Where the Money Goes

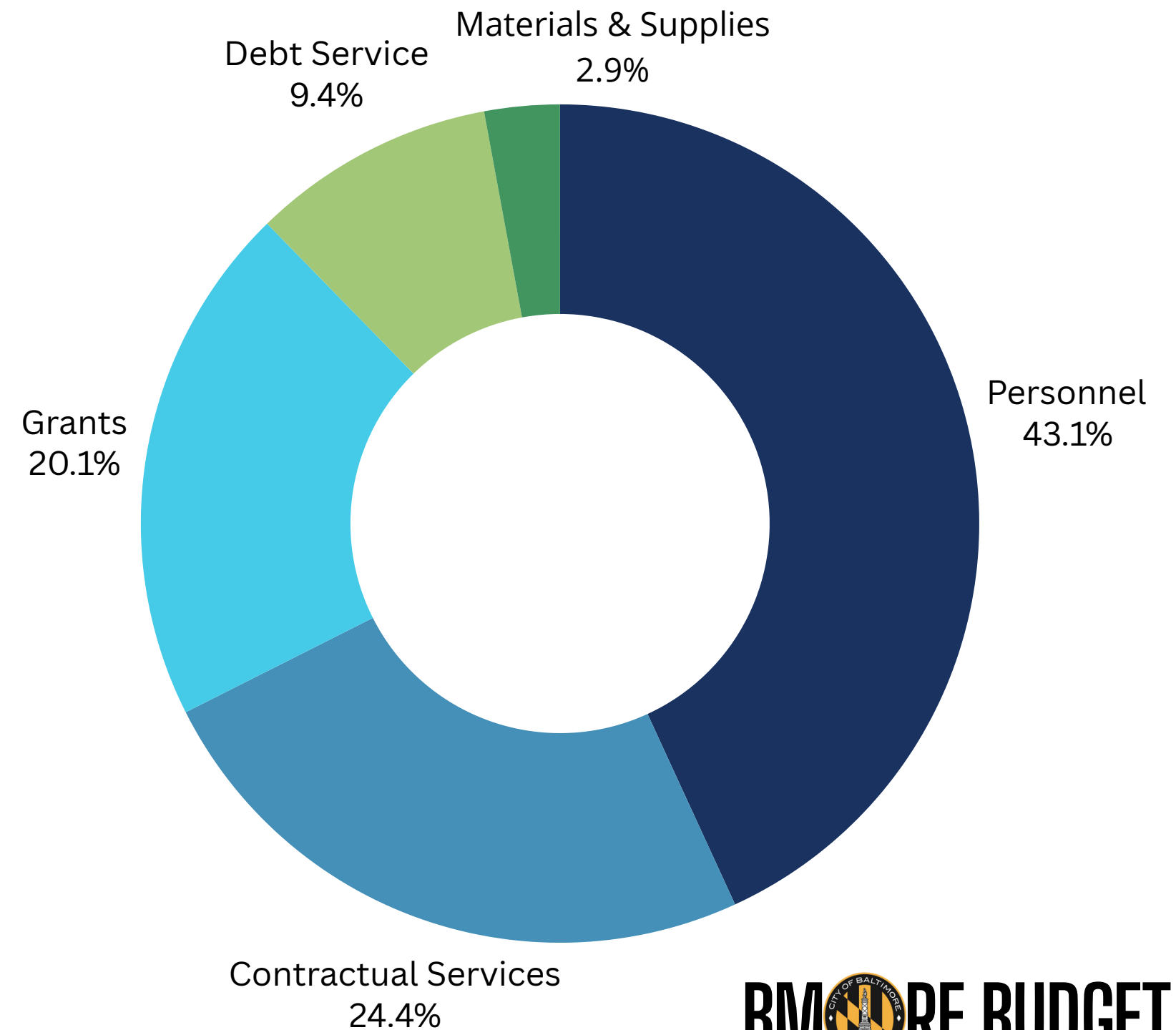
Where the Money Comes From

\$3.5 billion



How the Money is Used

\$3.5 billion

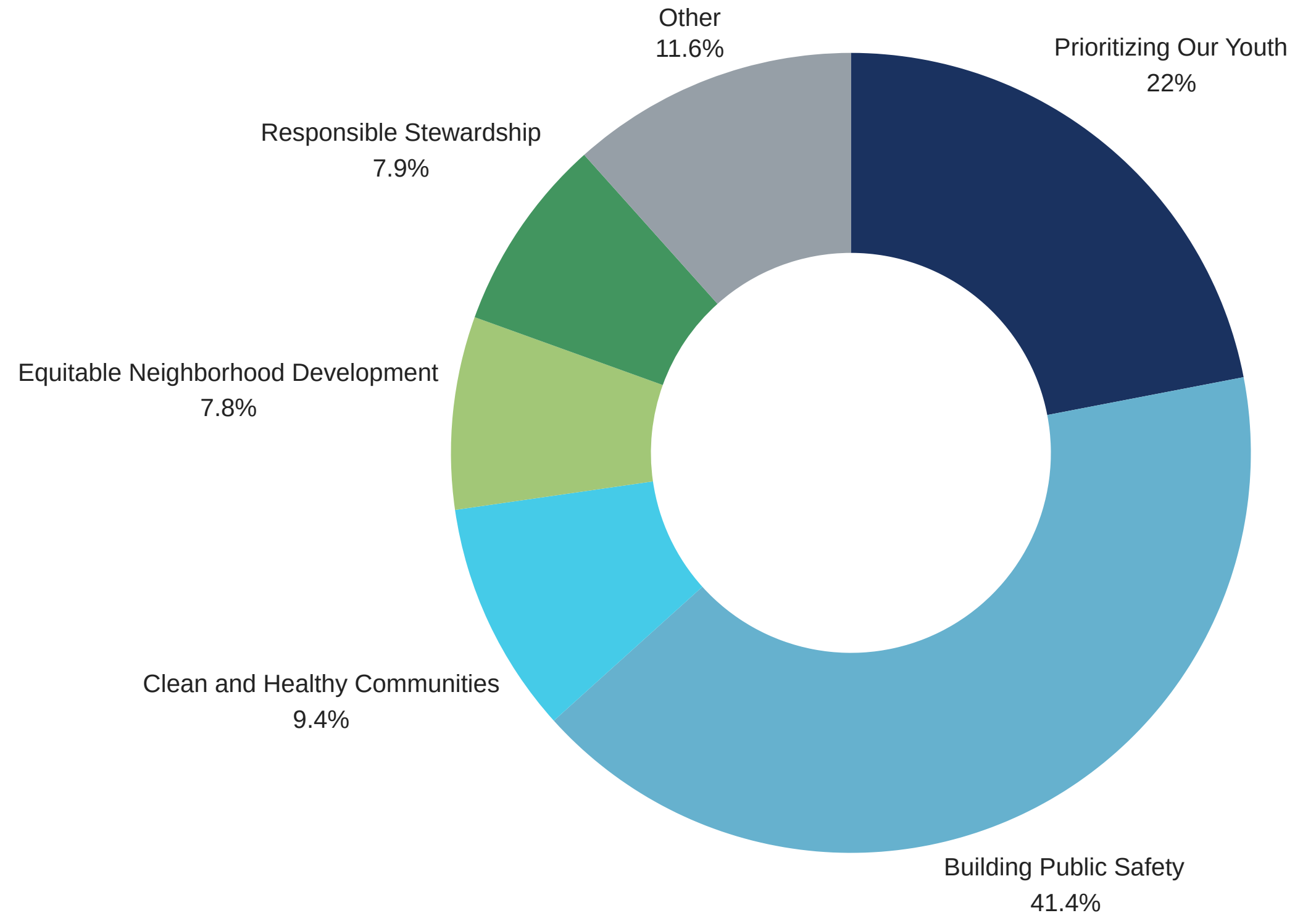


Where the Money Goes



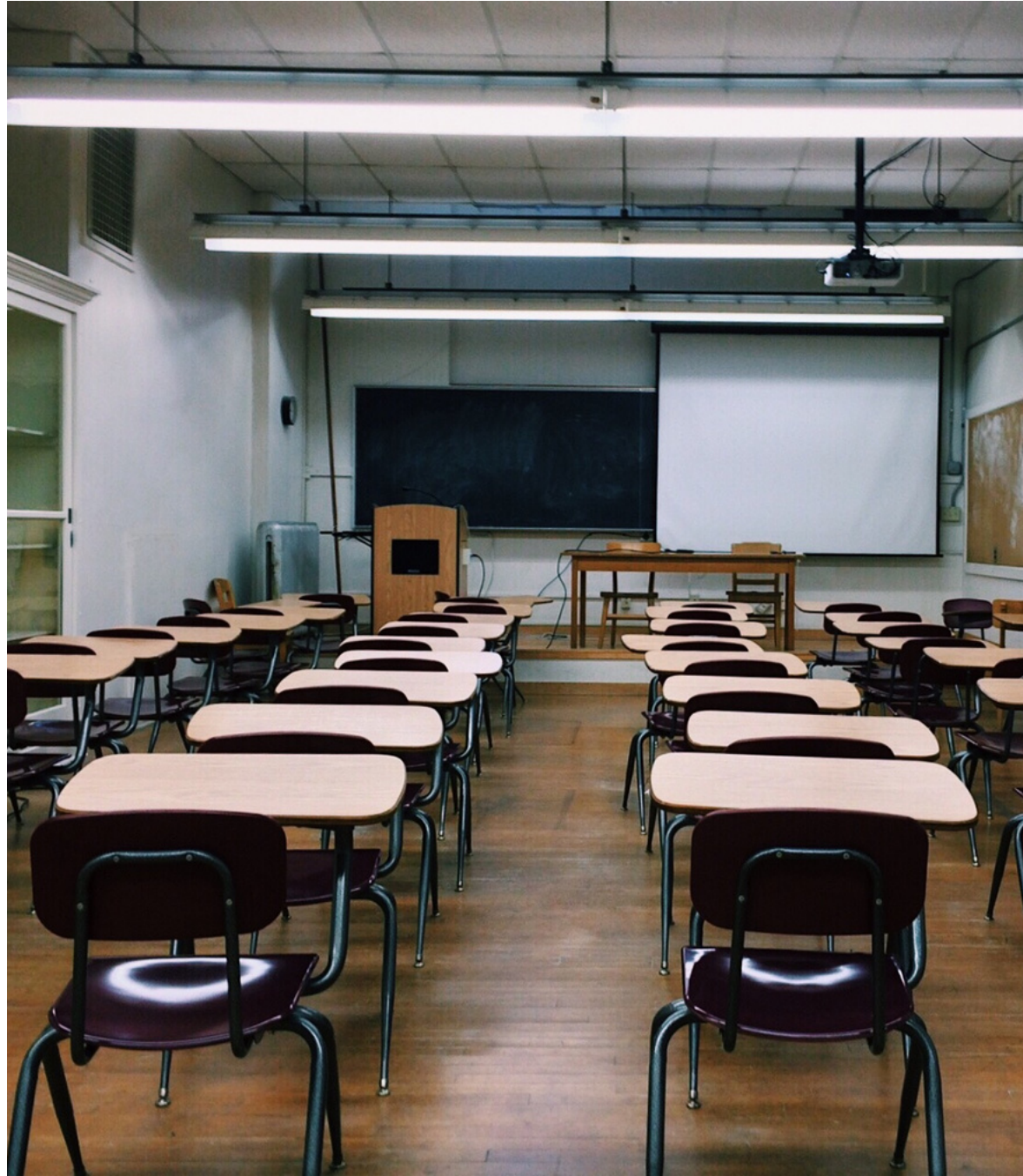
General Fund Expenditures by Pillar

\$2.3 Billion



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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, \$3.2m less than Fiscal 2024.

Mayor's Office of Employment Development

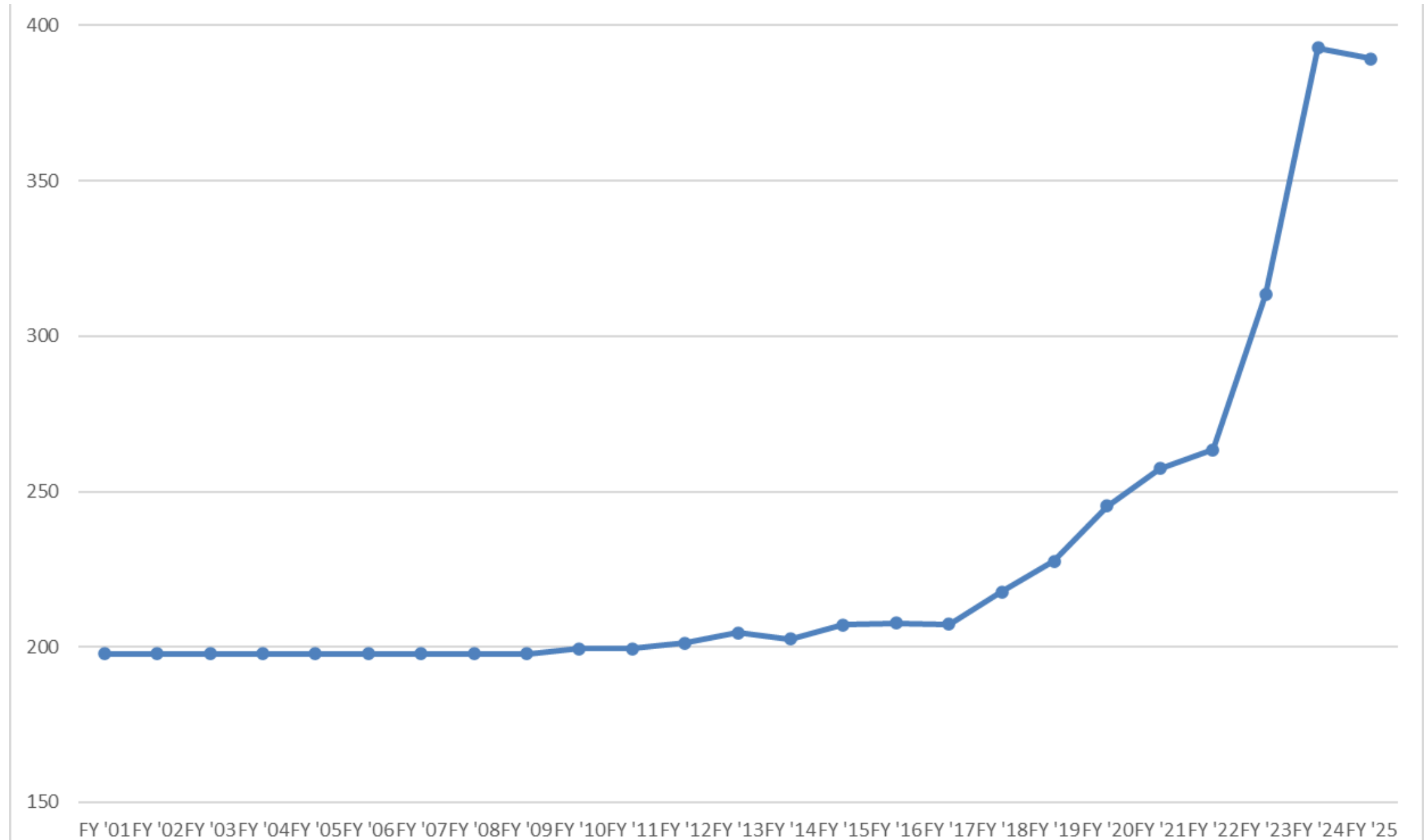
- City Schools will provided \$4.2 million in funding to MOED to provide Career Coaching for all middle & high school student. This funding will support 56 positions.
- Funding to support 240 spots for year-round YouthWorks jobs. All YouthWorks participants will receive the \$15 minimum wage.



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 and begins transitioning ten high-priority ARPA MONSE positions to the General Fund. 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 to upgrade the Building Automation System that tracks energy usage 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, Grant Funds, & the Capital Budget



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Utility Budgets Overview

Anticipated Rates

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

+12.4%

+\$69.6M

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	218,285,454	251,312,119	33,026,665
Wastewater	314,803,781	345,966,816	31,163,035
Stormwater	29,514,915	34,956,854	5,441,939
Total	\$562,604,150	632,235,789	69,631,639

Grant Funds Overview

Budgeting Grants

- Approach for budgeting grants in Fiscal 2025 changed to provide a more accurate reflection of anticipated grant awards.
- 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 appropriations (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.

-34.5%

-\$255.3M

	FY 2024	FY 2025	Change
Federal	296.3	153.6	(142.7)
State	11.3	25.2	13.9
Special Rev	199.4	152.7	(46.6)
Special Grant	232.2	152.3	(79.9)
TOTAL	\$739.2	\$483.8	-\$255.3M



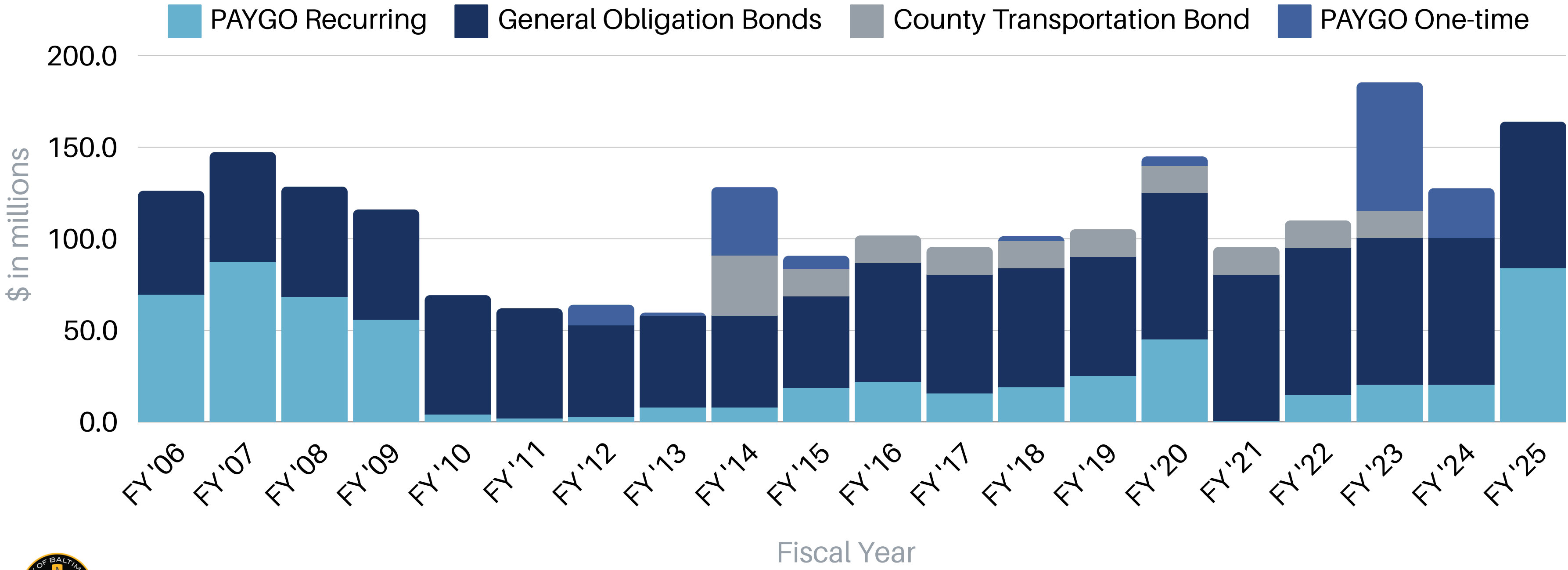
Capital Budget Fund Sources

	FY 2024	FY 2025	\$ Change	% Change
PAY-AS-YOU-GO				
• General Fund	47,650,000	84,300,000	38,125,000	83%
• Conduit Enterprise	3,000,000	0	(3,000,000)	-100%
• Wasterwater Utility	11,079,000	9,508,000	(1,571,000)	-14%
• Water Utility	34,868,000	35,000,000	132,000	0.4%
• Stormwater Utility	3,010,000	10,000,000	6,900,000	232%
GRANT AND SPECIAL FUNDS				
• Federal	55,035,000	81,369,453	28,319,453	53%
• State	52,978,000	27,074,400	(25,903,600)	-49%
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)	-38%
• County Trans. Bonds	0	0	0	0.0%
OTHER				
• Other	212,772,000	118,379,352	(94,392,648)	-44%
GRAND TOTAL	831,747,000	654,081,907	(177,665,093)	-21.4%

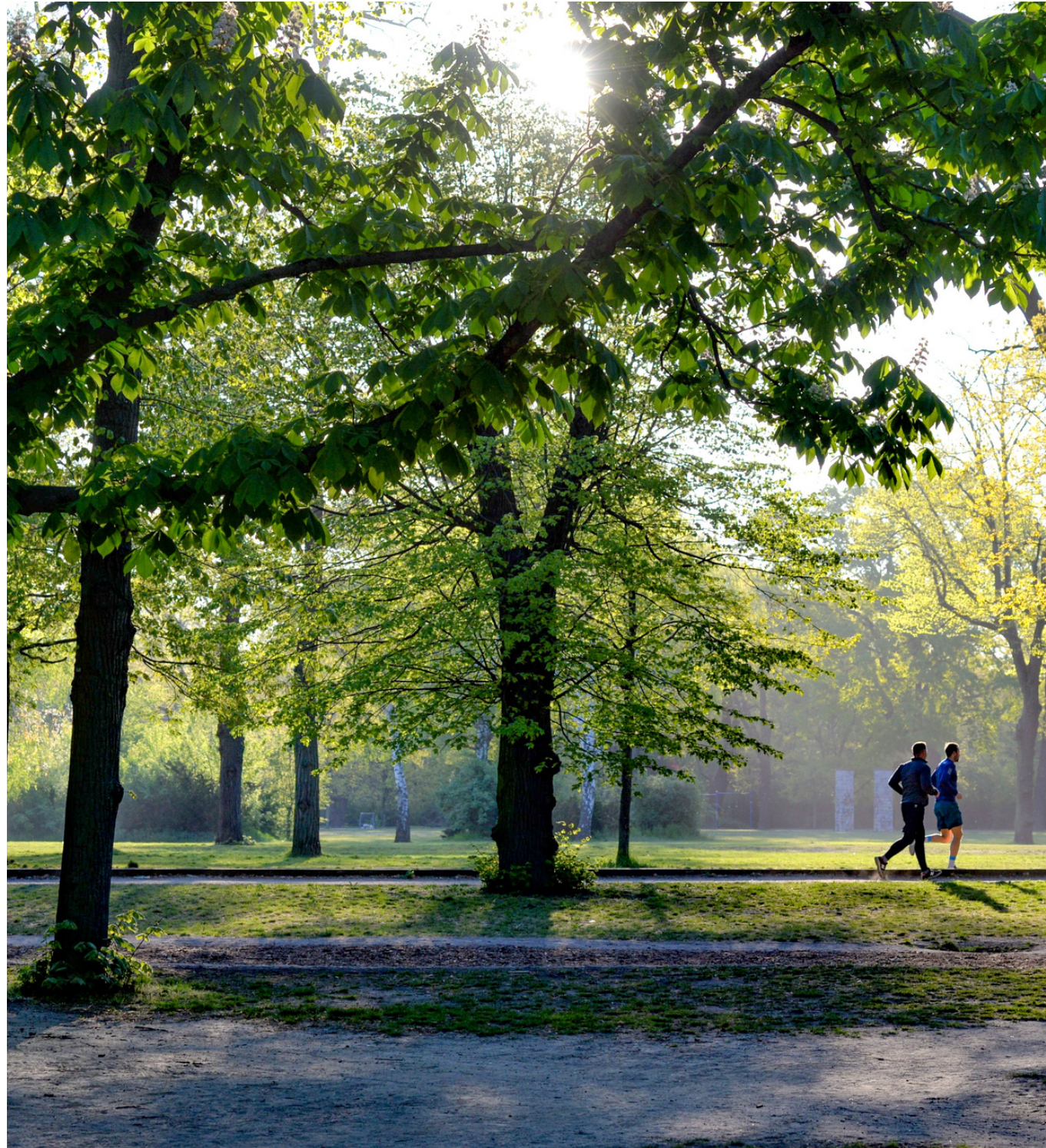


Capital Budget, Historical Outlook

All General Fund Backed Sources



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



FY 2025 Upcoming Major Dates

Major Dates for Fiscal 2025 Budget Adoption



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FY 25 Budget: Key Dates

Key Dates

- April 1st: Preliminary Budget Released
- April 3rd: Preliminary Budget Introduced at BOE
- April 17th: BOE Taxpayer Night
- May 1st: BOE Votes on Fiscal 2025 Budget
- May 6th: Fiscal 2025 Ordinance of Estimates introduced at City Council
- May 16th: City Council Taxpayers Night
- May 23rd - June 6th: City Council Budget Hearings

Budget Adoption

- Per Charter, the Ordinance of Estimates must be adopted no later than June 26th.



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