

City of Baltimore

Fiscal 2017 Preliminary Budget Plan

Department of Finance | April 6, 2016



Fiscal 2017 Overview

EXPLAINING THE GAP

General Fund spending is outpacing the growth in revenue. In Fiscal 2017, the City is projecting revenue of \$1.75B coupled with spending of \$1.88 to maintain current service levels. The projected budget gap is \$60M. The City must adopt a balanced budget.



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OutcomeStat.baltimorecity.gov

This document provides a sample of the City's Fiscal 2017 Key Cost Drivers

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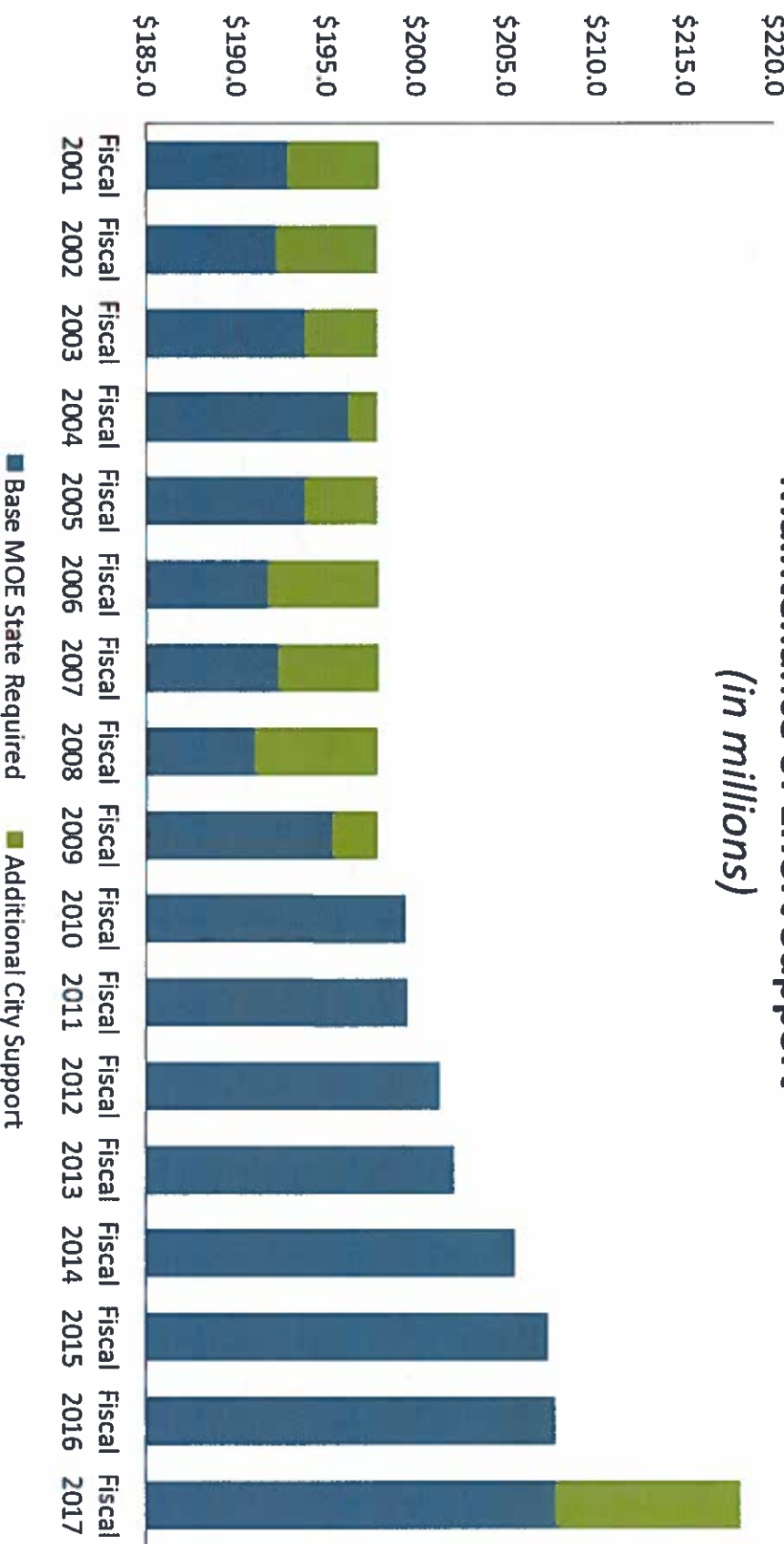
FY17 by the Numbers

FISCAL 2017	Recommended Amount	Change from Fiscal 2016	Percent Change from Fiscal 2016
OPERATING PLAN	\$2.644 billion	+\$90.8 million	+4%
CAPITAL PLAN	\$524.5 million	-\$148.4 million	-22%
TOTAL PLAN	\$3.2 billion	-\$57.6 million	-2%

FISCAL 2017 General Fund	Recommended Amount	Change from Fiscal 2016	Percent Change from Fiscal 2016
BUDGET	\$1.762 billion	+\$41.9 million	+2.4%
POSITIONS	9,387	-186	-2%

Maintenance of Effort

Maintenance of Effort Support
(in millions)



Position Reductions

12,000

Number of General Fund and MVR Positions

11,500

11,000

10,500

10,000

9,500

9,000

8,500

FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17

Since the implementation of the Ten-Year Plan, the City has **reduced** GF positions by **7.5%**. The workforce is now the *smallest in modern history*.

Local Impact Aid

- The Fiscal 2017 budget includes \$11.35 million to support projects in the Horseshoe Casino Area.
 - \$8.025 million in the operating budget and \$3.325 million in capital projects.
- Spending plan was developed with community through Local Development Council.
- Projects Include:
 - Workforce Training & Employment Connection Center: *\$1.05 million*
 - Educational partnerships & food access initiatives: *\$565k*
 - Increased public safety & sanitation services in casino area: *\$2.92 million*
 - Benefit District Support: *\$925k*

State & Federal Funding

- Federal Funding Recommended at \$165.1 Million:
 - The Fiscal 2017 budget is flat for formula grants awarded through Housing and Urban Development.
 - CDBG allocation is \$19.8 million, consistent with the Fiscal 2016 appropriation.
 - \$19.9 million for Homeless Services through HUD funding.
 - \$14.7 million will be devoted to permanent housing efforts.
 - \$6.8 million new funding for HIV Case Management through CDC.
- State Funding Recommended at \$105 Million:
 - Includes \$3.0 million to support Charm City Circulator operations.
 - Includes next installment of the 2-year, \$5 million Empower MD grant for weatherization assistance programs.

Utility Funds

➤ The Stormwater rates from property owners will remain consistent with Fiscal 2016 levels, DPW will announce Water/Wastewater rates for Fiscal 2017 at a later date.

➤ Major Highlights:

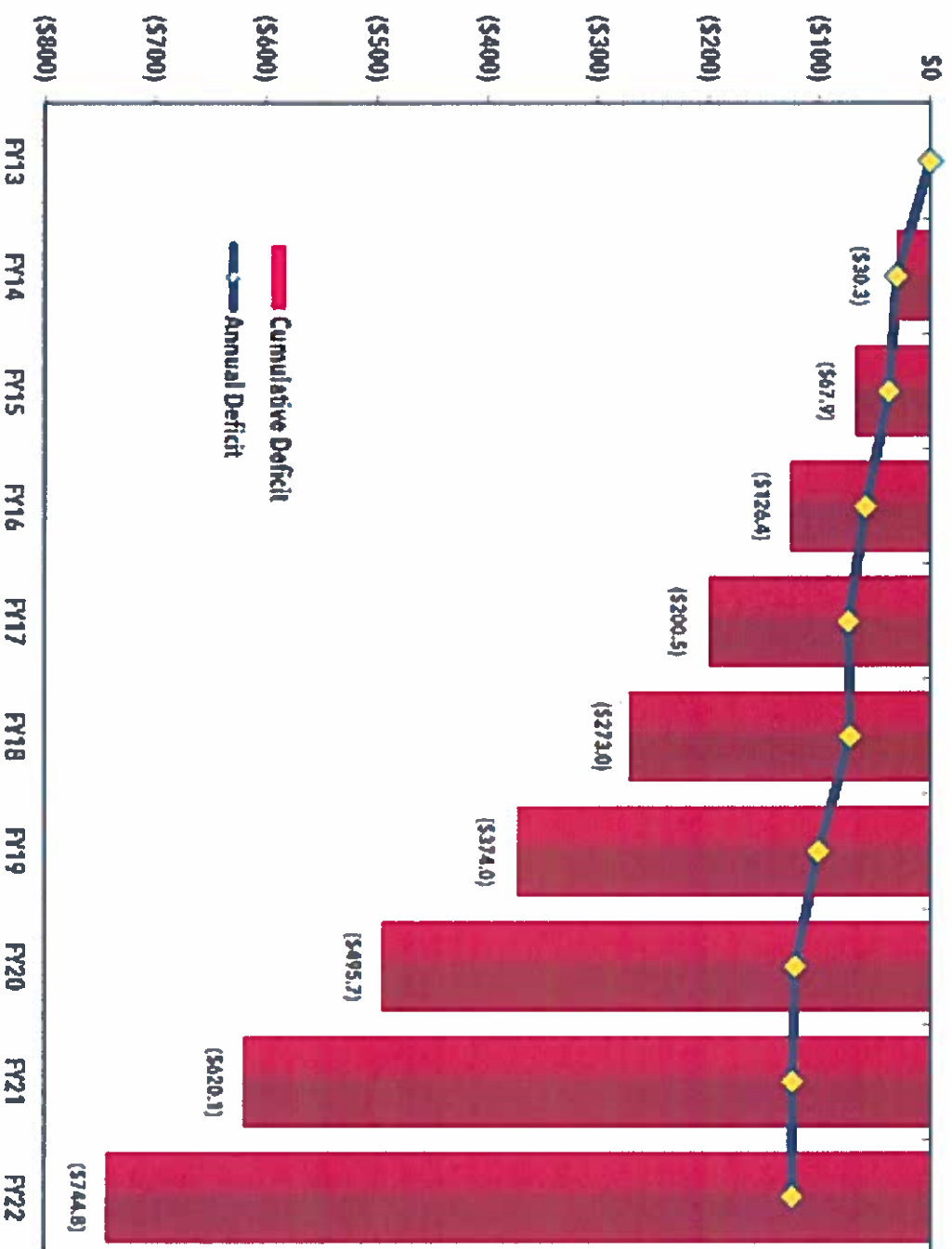
- Upgrades to the City's Water meter and billing systems are expected to be completed by October 2016 for Baltimore City consumers and July 2017 for Baltimore County consumers.
- Implementation of the Pre-Stressed Concrete Cylinder Pipe (PCCP) comprehensive inspection and monitoring program to proactively predict pipeline damage and failures and take appropriate actions to repair or renew.
- Continued implementation of the Sewer Lateral Inspection and Renewal Program which resulted in an over 250% increase in the number of repair locations scheduled in Q4 FY2015.

➤ Key Performance Targets:

- 232 million gallons of water will be treated daily.
- The Department of Public Works will rehab or replace 79,800 linear feet of the water distribution system.
- 1.0% of meters will be estimated annually, a decrease of 0.3% from 2015; billing accuracy should improve due to fewer estimates.

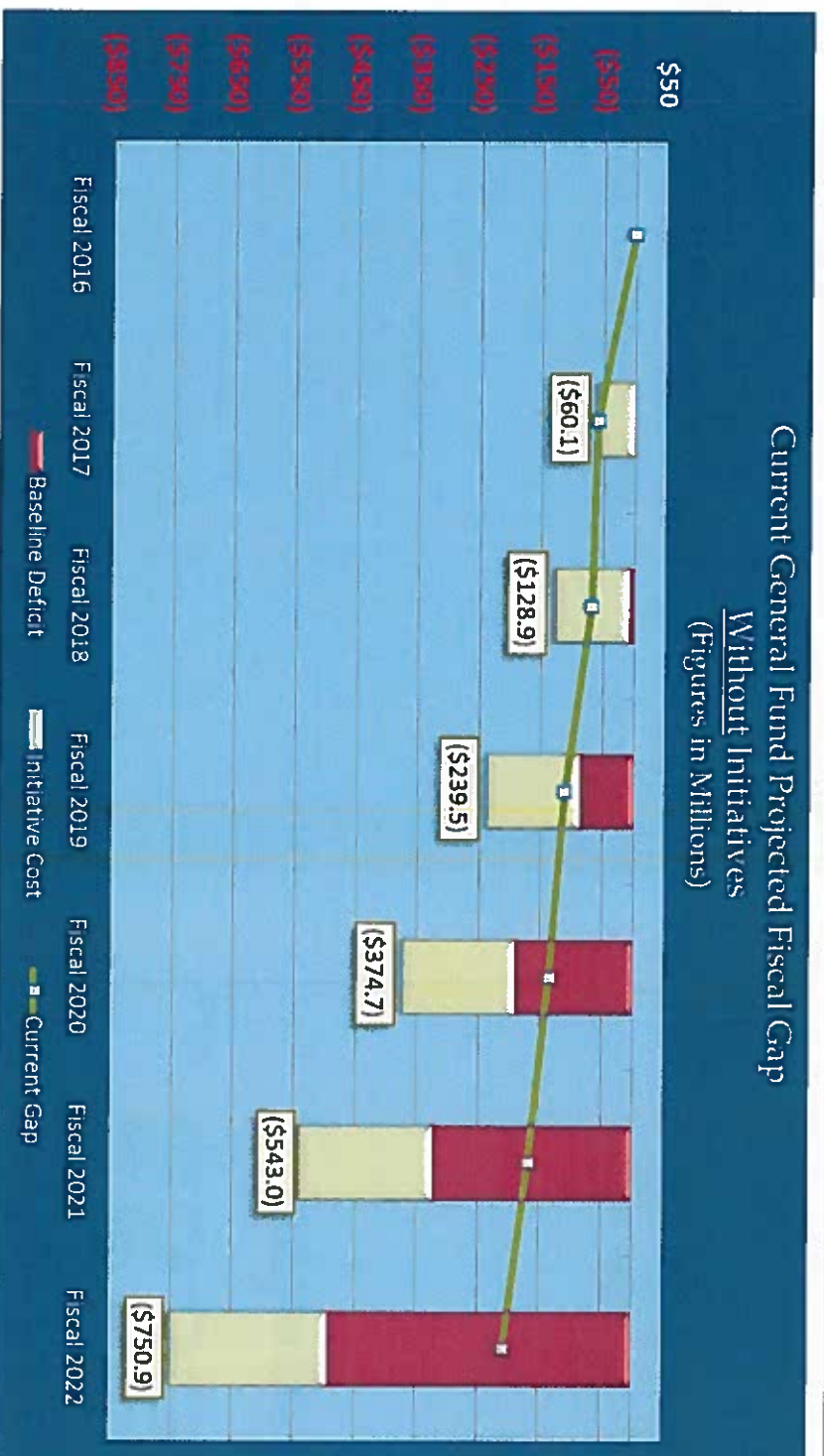
Ten Year Financial Plan Update

Original 10 Year Plan Projection



10 Year Plan:

34% Reduction in Cumulative Gap



The **baseline deficit of \$491M** represents a 34% reduction from the original cumulative gap of \$745M.

10 Year Plan:

Initiatives Completed

Ten-Year Plan Initiatives: Completed (\$-millions)	
Initiative	Savings/(Costs)
Sunset Retiree Pharmacy	\$117.9
Stormwater	\$104.5
ERS Reform	\$80.5
Fire Shift	\$72.3
Improved Revenue Collection	\$40.0
FY14 Revenue Package	\$39.5
Dependent Audit	\$29.0
Parking Management	\$11.0
EZ Credit	\$11.0
Fleet Rightsizing	\$9.0
Conduit Fund Payment	\$6.8
Leave Reforms	\$5.7
BIF/ERF	\$5.7
A-time Reform	\$2.2
Mainframe Transition	(\$5.0)
County Transportation Bonds	(\$20.2)
Restructure MAPS Pay	(\$23.1)
GO Debt Authority Increase	(\$27.8)
Budget Stabilization Reserve	(\$38.0)
Property Tax Reduction	(\$65.2)
PAYGO Capital Funding	(\$80.5)
Total	\$275.3

\$535M
(savings)

-\$260M
(costs)

Future Initiatives

- **Structural Budget Balance:** A hybrid pension system for new sworn fire and police employees, continued workforce streamlining, VOIP to reduce telephone costs, fleet rightsizing, further changes to health benefit plans.
- **Tax Competitiveness:** Establishment of a solid waste enterprise and property tax reduction beyond 2020.
- **Infrastructure Investment:** Continuation of PAYGO capital funding above baseline, increased GO Bond issues, extension of country transportation bond borrowing. Sale of parking garages proposed to fund recreation centers.
- **Addressing Long-Term Liabilities:** Meet budget stabilization reserve target, share retiree health benefit costs with BCPS, promote wellness, continue to rebalance employee compensation.



10 Year Plan:

Potential for Further Deficit Reductions



Implementing the remaining initiatives could reduce the **baseline deficit to \$227M**. This is a 70% reduction to the original \$745M gap.

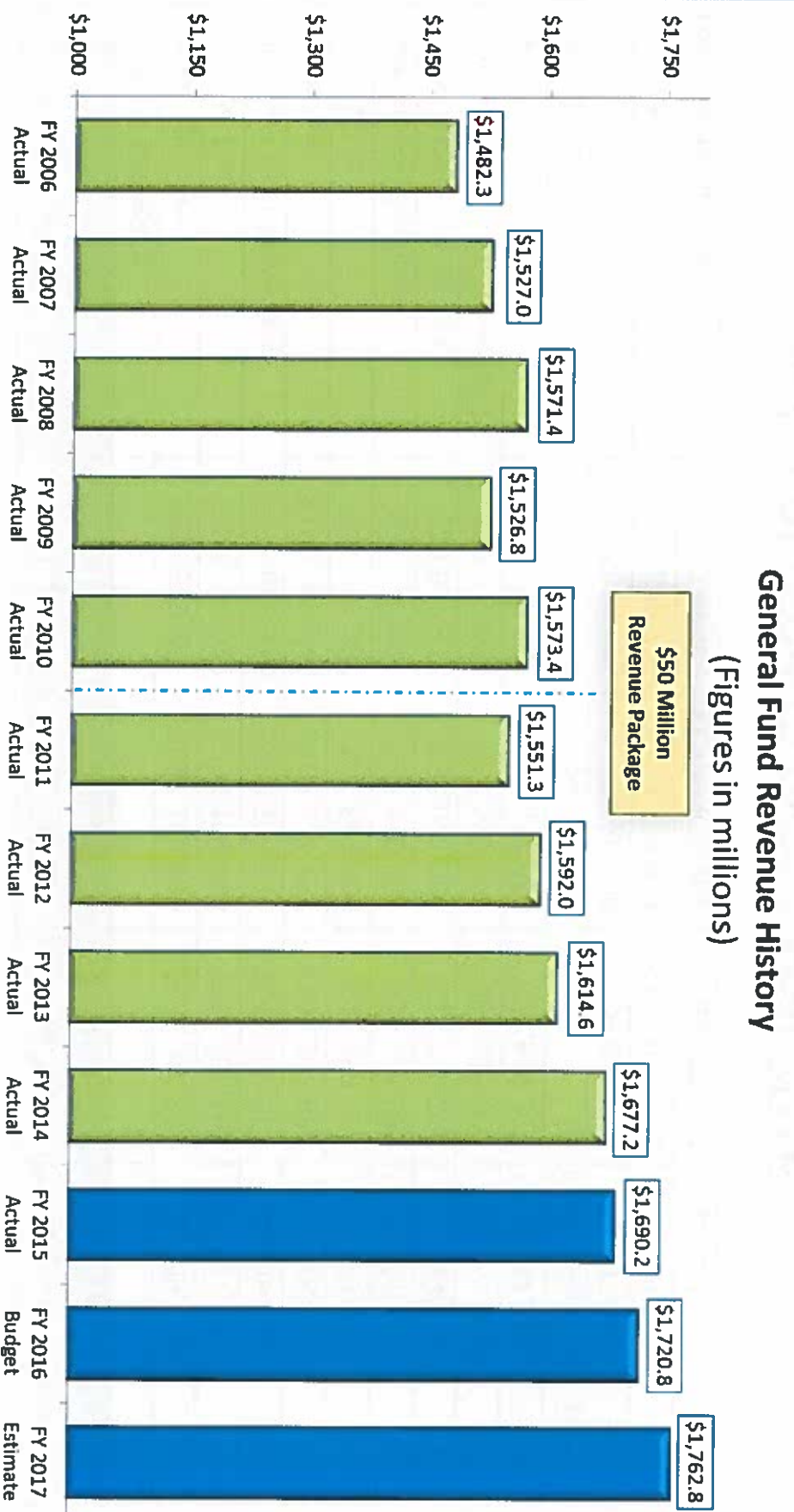
Capital Funding

Capital Spending (\$-Millions)			
	10-Year Plan (Projected)	Completed (Through FY17)	Forecast (Through FY22)
Additional PAYGO above \$8M baseline	\$80	\$35	\$80
Increase GO Bond authority from \$50M to \$65M	\$105	\$30	\$105
Extend \$15M County Transportation Bond beyond FY15	\$105	\$30	\$105
One-time release of Fleet Reserve	\$43	\$30	\$30
Subtotal	\$333	\$125	\$320
Parking Garage Sale	\$50	\$0	\$50
Total	\$383	\$125	\$370

Revenue Outlook

Revenue:

Shows Economic Recovery



Note: Fiscal 2010 Actual, Fiscal 2014 Actual, Fiscal 2015 Budget and Fiscal 2016 Estimate includes \$30.6 million, \$36.8 million, \$7.5 million and \$13.8 million respectively from fund balance.

Revenue:

General Fund Revenue Growth

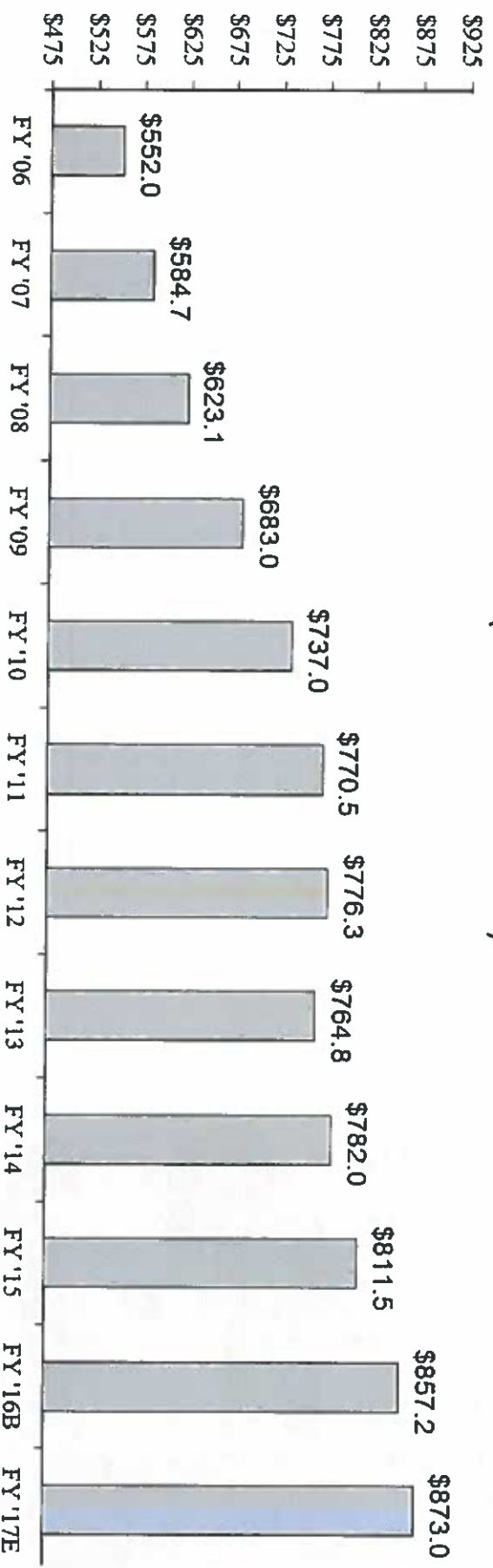
	Fiscal 2015 Actual	Fiscal 2016 Budget	Fiscal 2017 Estimated	Dollar Change	Percent Change
Revenue Category					
Property Taxes	\$811,589,266	\$857,184,430	\$873,090,348	\$15,905,918	1.9
Income Taxes	\$307,764,022	\$293,109,000	\$314,756,198	\$21,647,198	7.4
Highway User Revenues	\$133,685,316	\$137,796,122	\$142,300,081	\$4,503,959	3.3
State Aid	\$103,697,746	\$102,824,797	\$103,302,831	\$478,034	0.5
Energy Tax	\$41,711,107	\$41,689,000	\$42,259,000	\$570,000	1.4
Net Parking Revenue	\$37,740,911	\$37,590,861	\$39,525,585	\$1,934,724	5.1
Telecommunication Tax	\$33,637,912	\$34,021,000	\$34,070,000	\$49,000	0.1
Recordation Tax & Transfer Tax	\$70,912,654	\$57,553,000	\$64,818,000	\$7,265,000	12.6
Hotel Tax	\$26,698,367	\$27,451,063	\$27,998,375	\$547,312	2.0
Speed Cameras	\$325,458	\$2,500,000	\$0	(\$2,500,000)	(100.0)
Investment Earnings	\$810,886	\$1,426,000	\$6,633,000	\$5,207,000	365.1
All Other	\$121,670,796	\$127,707,974	\$114,028,034	(\$13,679,940)	(10.7)
Total General Fund Revenue	\$1,690,244,442	\$1,720,853,247	\$1,762,781,452	\$41,928,205	2.4

\$42M of growth over Fiscal 2016

Revenue:

Continued Property Tax Growth Expected

Real and Personal Property Tax Revenues
(Dollars in Millions)

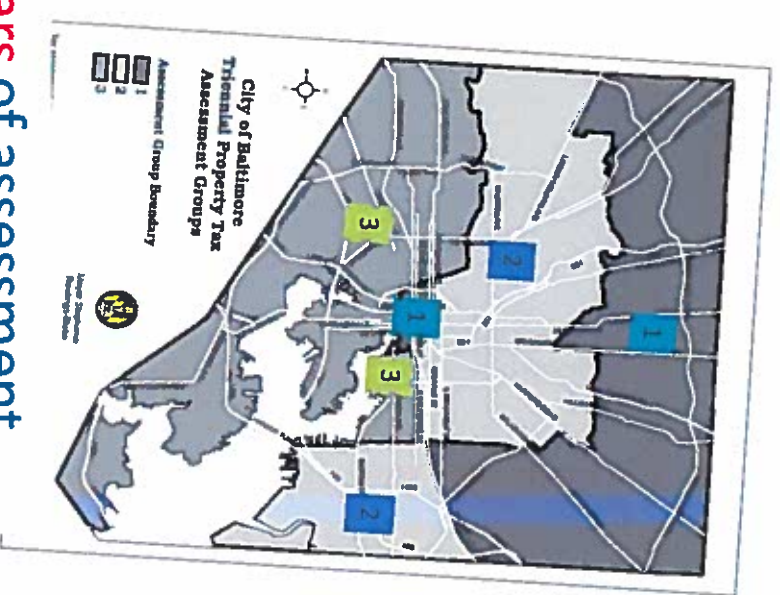


14% growth since Fiscal 2013.

Revenue:

Property Value Growth

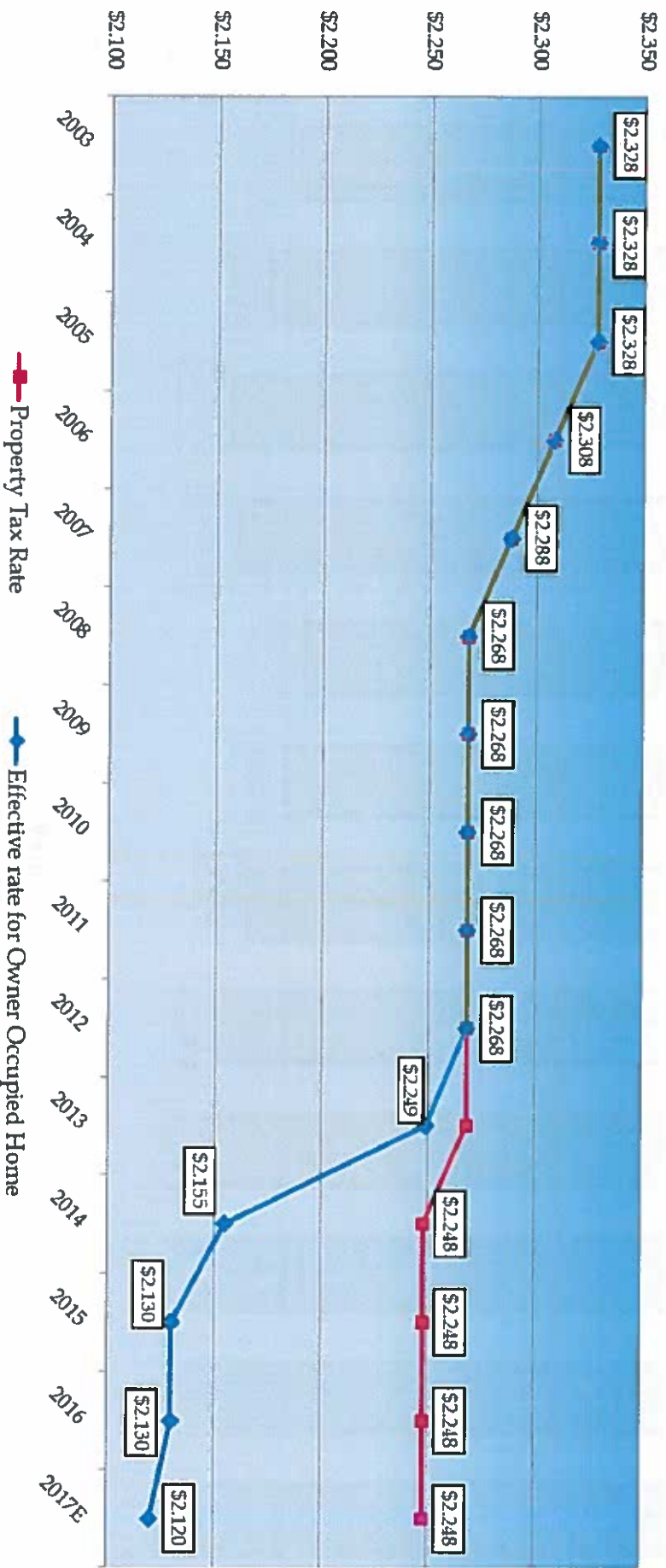
Fiscal Year Reassessment	Assessment Group	Full Cash Value	Phase-in
		Assessment Increase	Assessment Increase
2000	Group II	2.8%	0.9%
2001	Group III	7.3%	2.4%
2003	Group II	6.1%	2.0%
2004	Group III	23.0%	7.7%
2005	Group I	18.5%	6.2%
2006	Group II	21.6%	7.2%
2007	Group III	45.6%	15.2%
2008	Group I	58.5%	19.5%
2009	Group II	75.0%	25.0%
2010	Group III	20.9%	7.0%
2011*	Group I	(2.6%)	0.0%
2012*	Group II	(8.7%)	0.0%
2013*	Group III	(6.8%)	0.0%
2014*	Group I	(3.1%)	0.0%
2015	Group II	7.0%	2.3%
2016	Group III	9.6%	3.2%
2017	Group I	10.9%	2.2%



3 years of assessment
increases after four years of
decline.

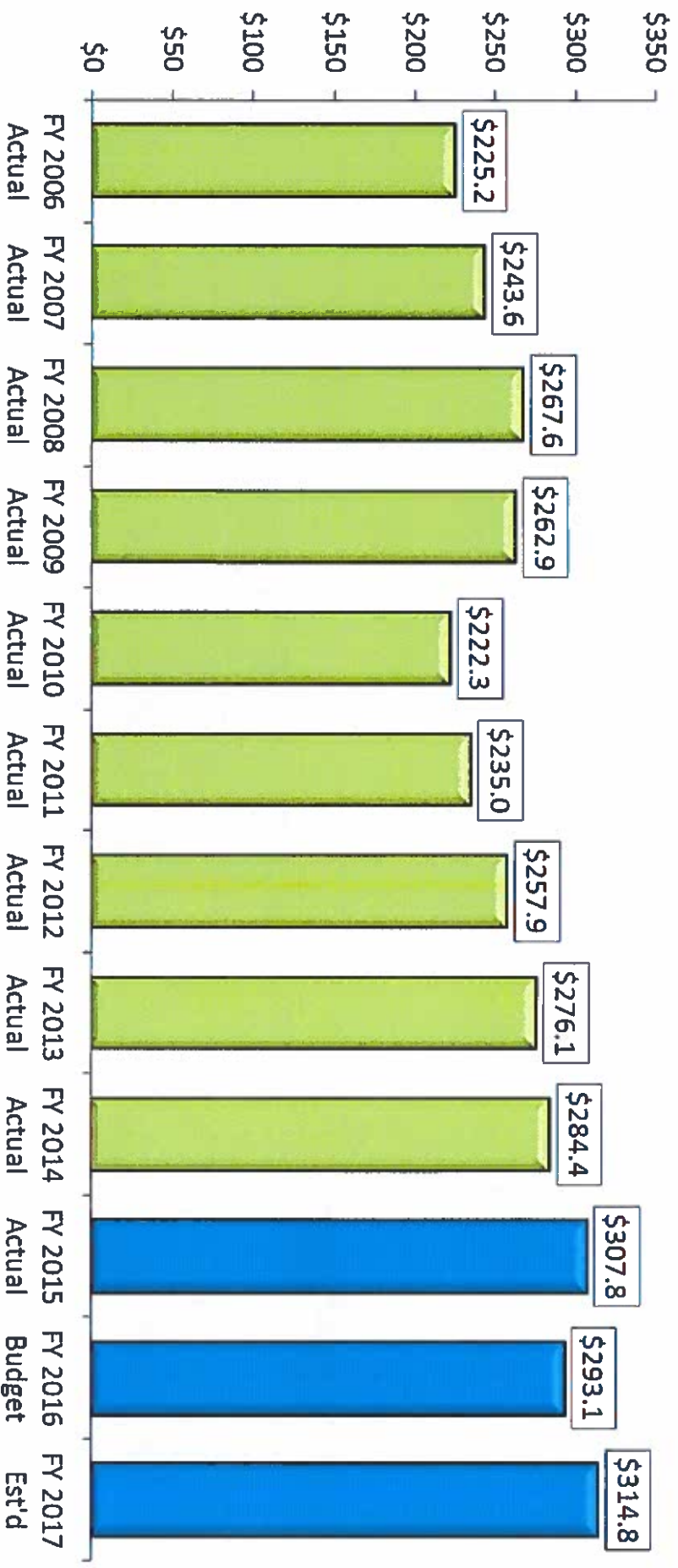
20 Cents by 2020 – On Track

Effective Property Tax Rate - Trend History
(Rate are per \$100 of Assessable Base)



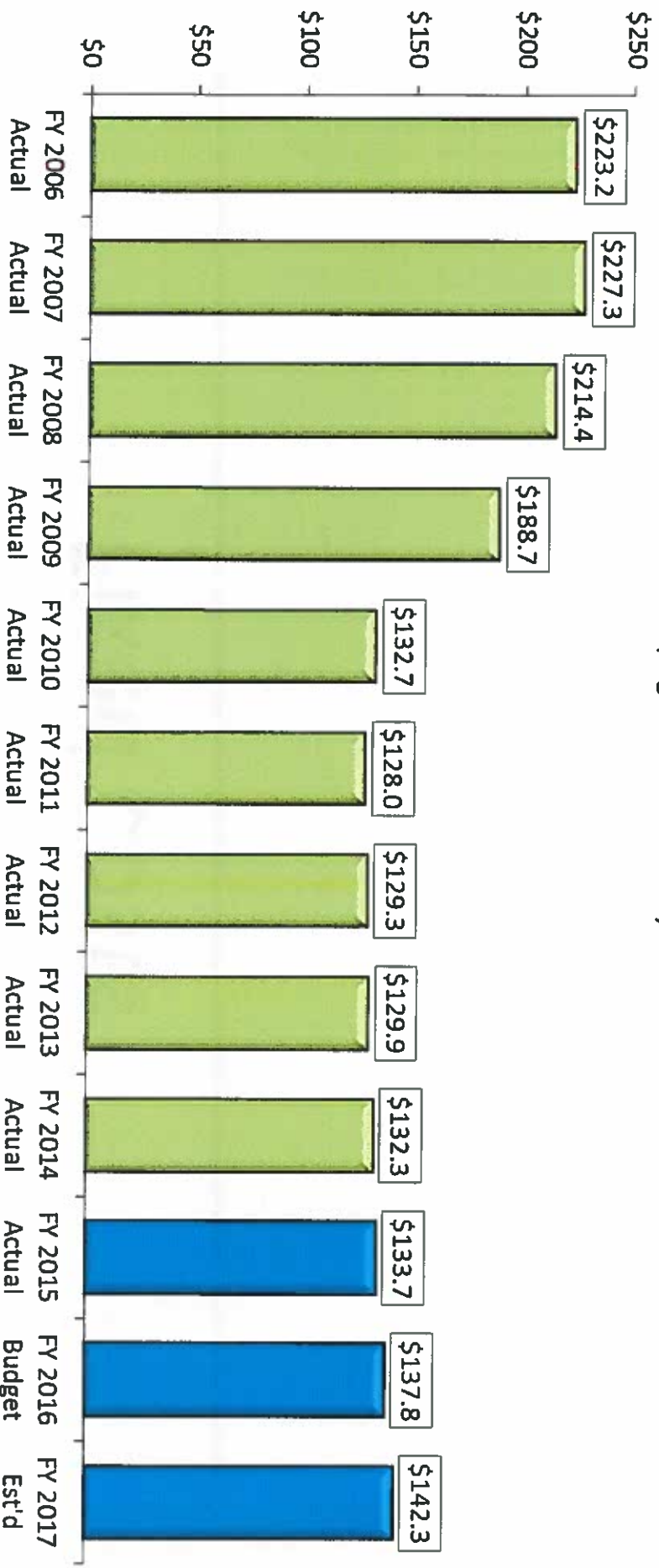
Income Tax Recovery

Income Tax
(Figures in Millions)



Highway User Revenues

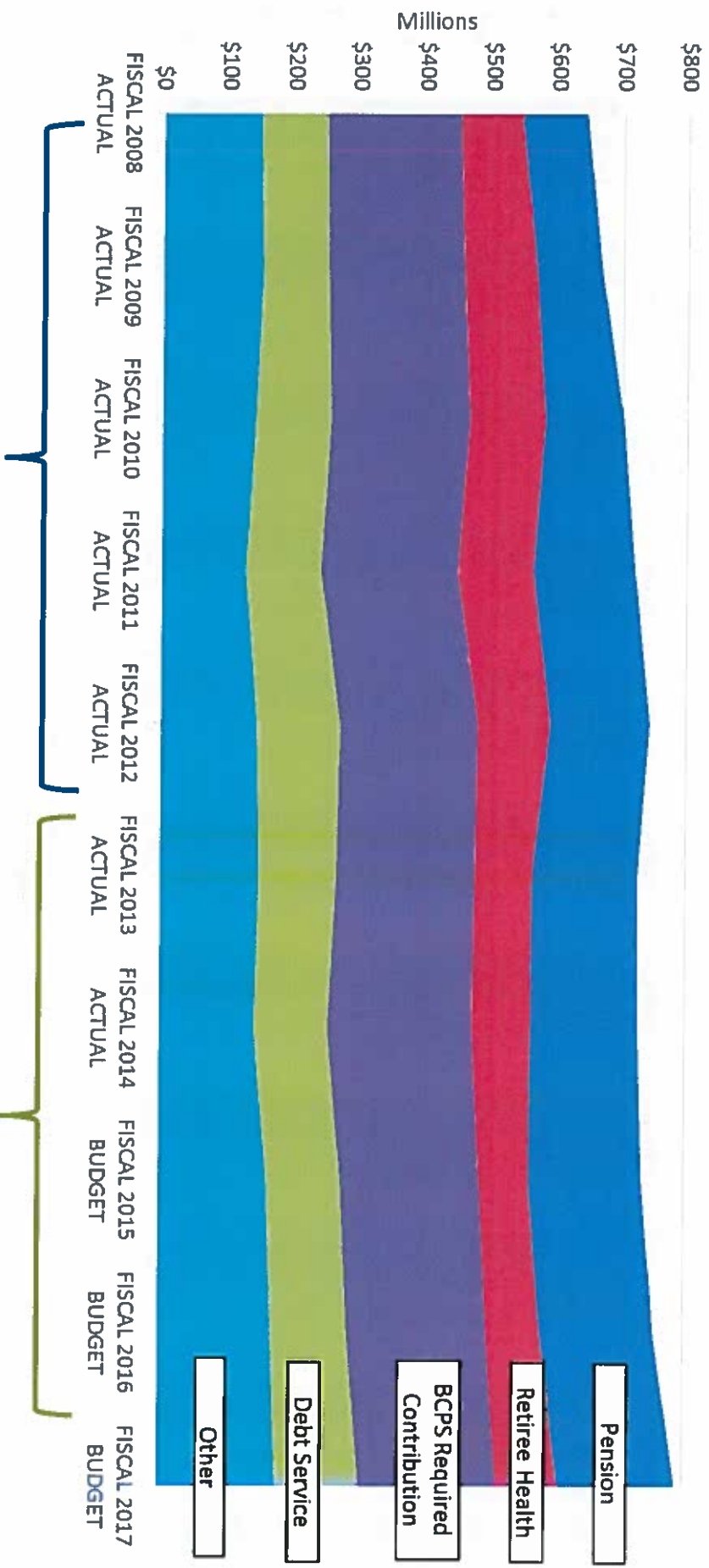
Highway User Revenues
(Figures in Millions)



Fixed Costs

Fixed Costs by Category

General Fund Fixed Costs Trend Fiscal 2008 - Fiscal 2017

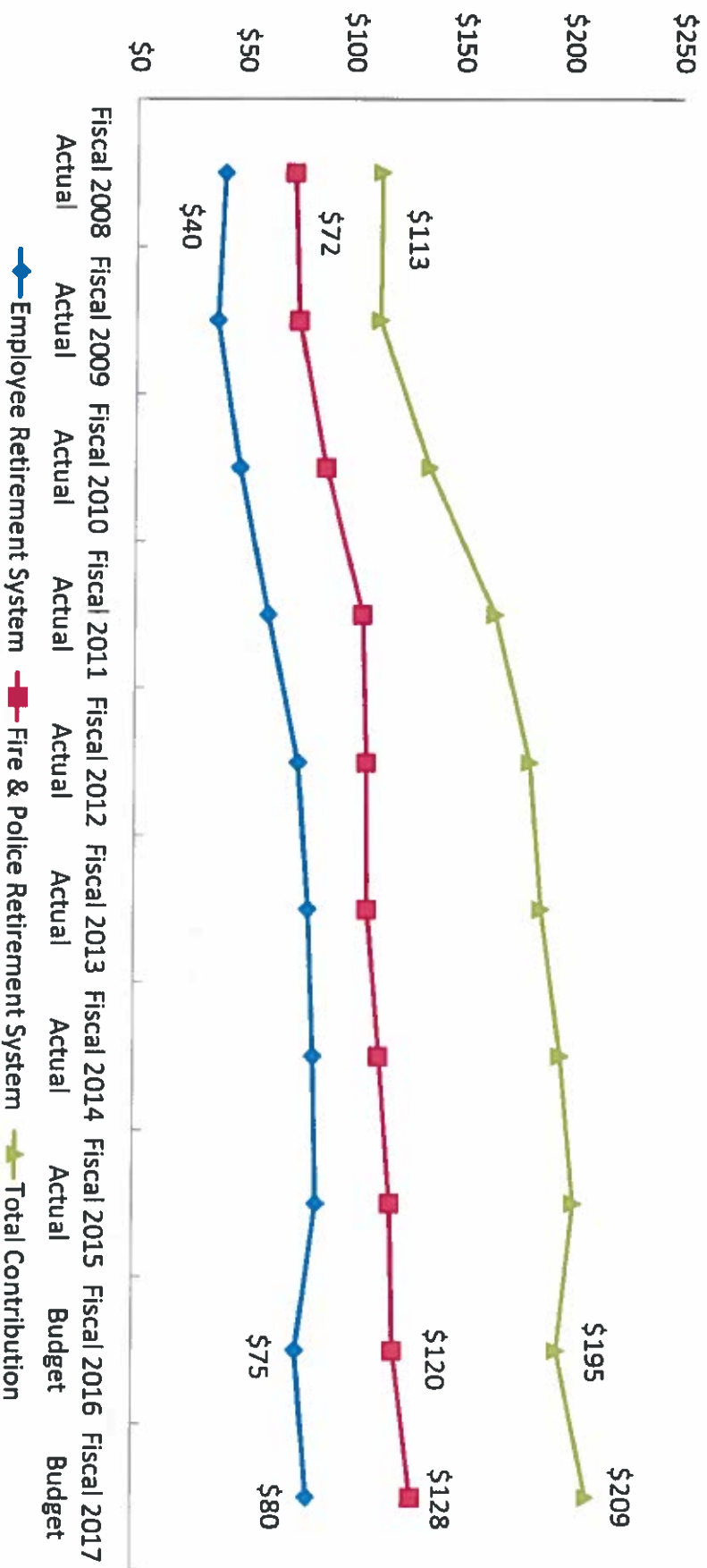


(Figures in millions)



ERS Contribution

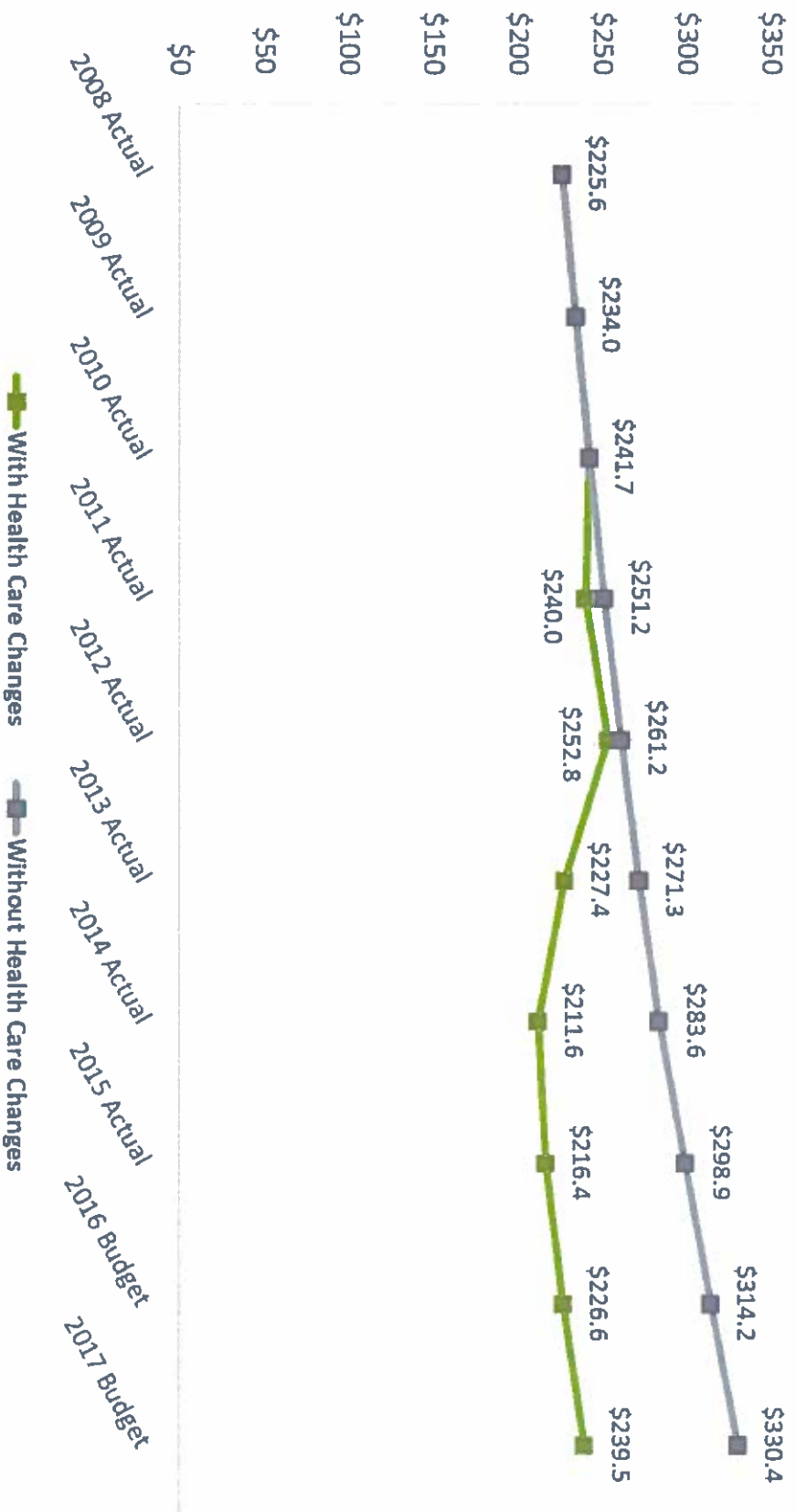
Contribution to the Employee's Retirement Systems (All Funds)
(Figures in Millions)



Note: ERS figures also include Library, Sheriff's Office and Elected Officials

Health Benefit Reform Savings

Baltimore City Health Care Costs
(in millions of dollars)



Unfunded Liabilities

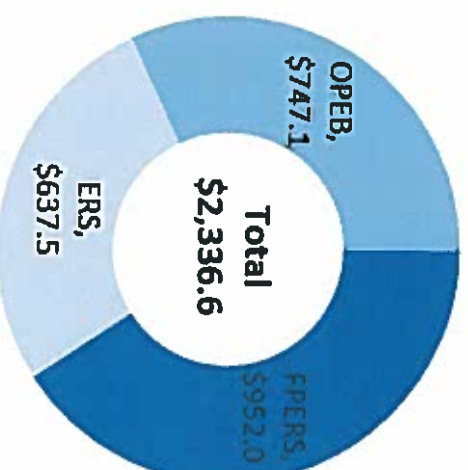
Unfunded Pension and OPEB Liabilities

(Figures in Millions)

Fiscal 2011 Valuations



Fiscal 2015 Valuations



OPEB: Other post-employment benefits, namely retiree health care coverage.

FPERS: Fire and Police Employees' Retirement System.

ERS: Employee Retirement System for civilian employees.

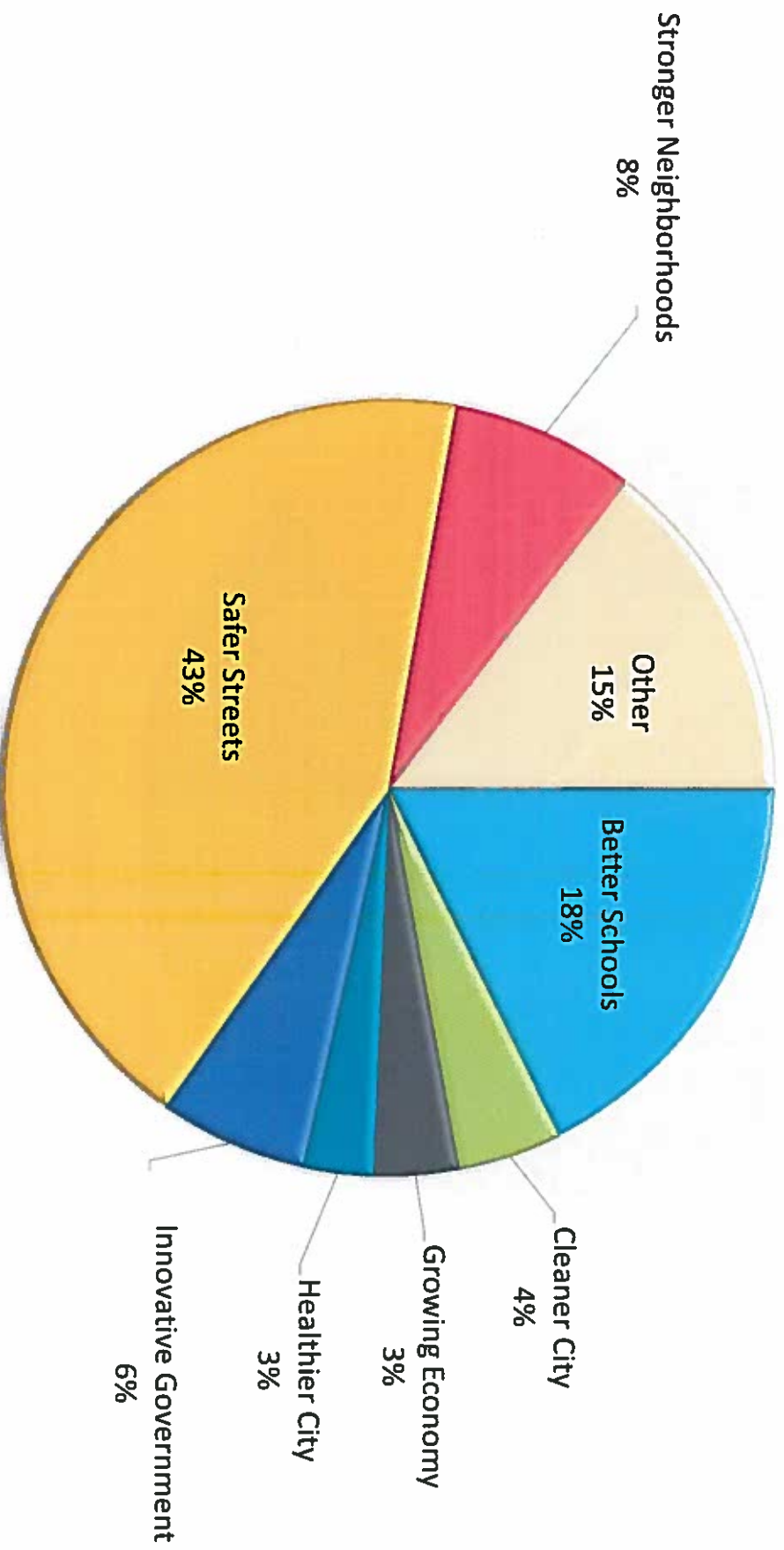
Note: The relatively small Elected Officials' Retirement System is not shown; this system was valued at \$23.4 million as of June 30, 2015, and was 171% funded.

Unfunded Pension and OPEB liabilities have
shrunk by \$840 million (26%).

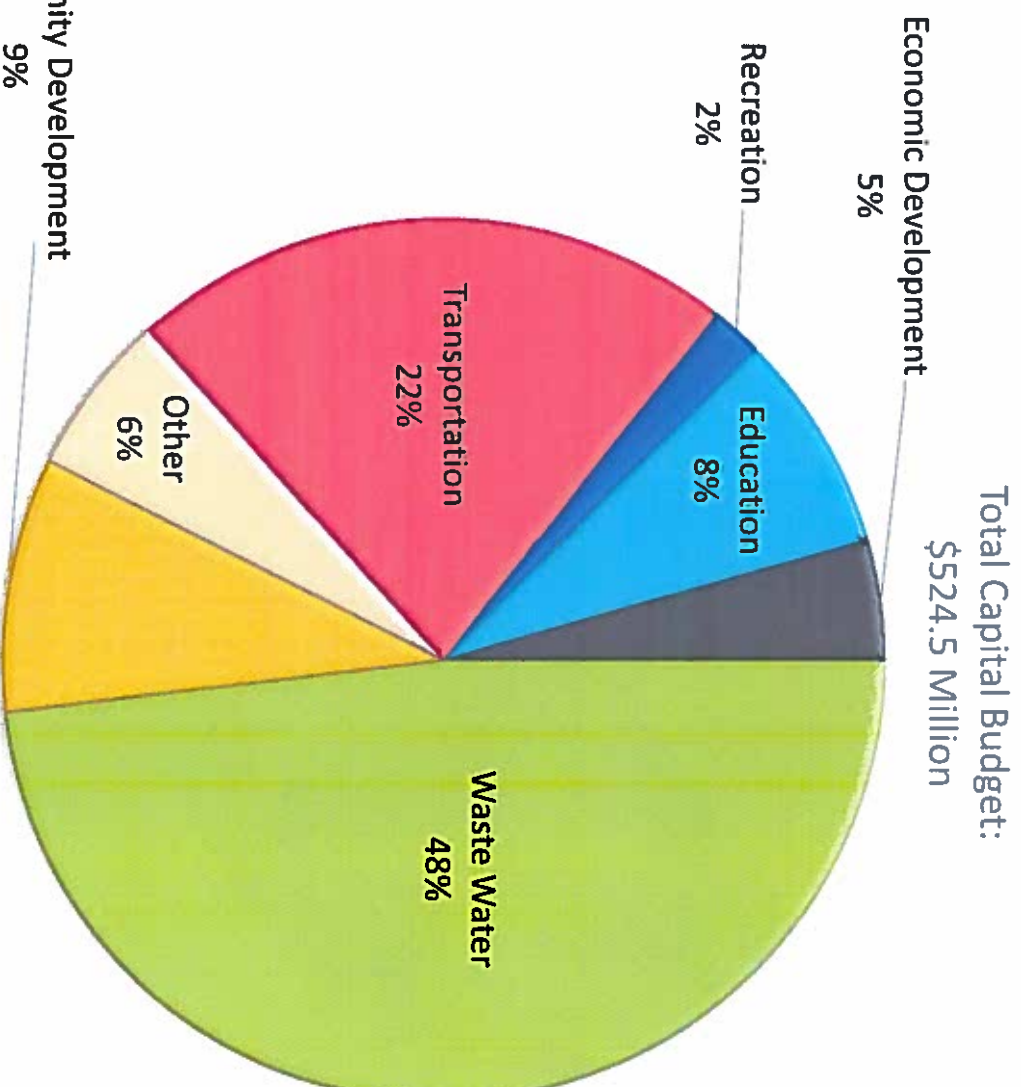
Recommended Budget Plan

Fiscal 2017 Operating Budget

Total General Fund Operating Budget:
\$1.747 Billion



Fiscal 2017 Capital Budget



FY17 Capital Budget Highlights

- ✓ \$15.5M General Fund PAYGO supports:
 - \$1.1 million for Department of Recreation & Parks projects
 - \$8.7 million for Transportation initiatives
 - \$1.2 million for BHIP home buying incentives
 - \$1.8 million to replace 311 system
- ✓ \$65M GO Bond Funding supports:
 - \$17 million for renovation of City schools
 - \$25 million for community & economic development
 - \$6.3 million for park and recreation facility improvements
- ✓ \$15M in County Transportation bonds for street and bridge repairs
- ✓ \$228M in Federal and State grants - \$150 million increase over FY16
- ✓ \$154M in utility and other funds supports:
 - \$27 million of water, waste water, stormwater projects
 - \$35 million for Conduit construction and maintenance

Priority Outcomes & Indicators

GROW BALTIMORE 10,000 Families by 2020



- A Safe & Healthy Start
- Kindergarten Readiness
- Academic Achievement
- College & Career Ready



- Shootings
- Property Crime
- Perception of Safety



- Blight Elimination
- Neighborhood Investment
- Sustainable Transportation
- Recreation Visits



- Employment Rate
- Number of Jobs
- Visitors



- Lean Government
- Innovation Fund



- Cleanliness of Waterways
- Energy Usage
- Recycling Rate
- Perception of Cleanliness



- Heroin-Related Deaths
- Mental Health
- Childhood Asthma



Better Schools

Number of deaths of children less than one year of age per 1,000 live births	
Percent of Children Ready to Enter Kindergarten (MMSR transitioning to R4K assessment)	
Percent of Third/Eighth graders scoring as "Advanced" and "Proficient" in Reading and Math (MSA transitioning to PARCC assessment)	
Baltimore City Public Schools 4-year Adjusted Cohort Graduation Rate	

- ✓ BCPS graduation rate has increased since 2010.
- ✓ New assessments used to measure academic achievement are establishing a new baseline.
- ✓ Infant mortality rate has grown since 2012.



Better Schools

- Increase funding for City Schools by \$10.4 million over the Maintenance of Effort (MOE) level, to help make up for lost State formula aid.
- Maintain base funding of \$6.2 million for Family League after-school programming.
- The one-time Fiscal 2016 supplement of \$4.2 million for Family and Associated Black Charities is not sustained.
- Funding for earmarked Family League grants to Teach for America, Cooperative Extension, and Experience Corps is discontinued.
- Fund 8 B'More for Healthy Babies/Health Care Access Maryland positions cut by the State (\$225K).
- New technology for mobile offsite registration of YouthWorks participants (\$13K).

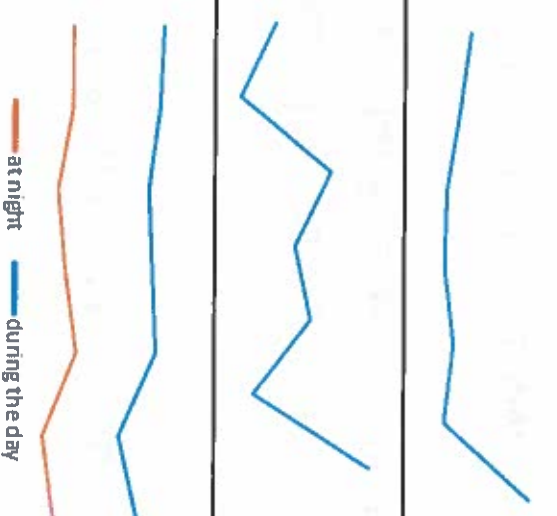


Safer Streets

Total Number of Shootings

Property Crime Rate per 100,000 People

Percent of Residents Who Fell Safe or Very Safe in Their Neighborhood



- ✓ Perception of safety is beginning to trend back in the right direction.
- ✓ Spikes in both shootings and property crime during 2015.



Safer Streets

- Salary Save 226 vacant Police Officer positions - \$20M in savings. BPD will implement operational efficiencies to move officers from behind desks to patrol, end manual timekeeping and improve technology.
- Maintain funding for proactive crime prevention programs such as Operation Ceasefire, the CitiWatch Crime Camera Program, and Metro Crime Stoppers.
- Maintain police special operations units.
- Increased staffing for the Civilian Review Board.
- Maintain funding for preventative street-light maintenance and the continuation of LED installation in high-crime neighborhoods.
- Maintain fire companies.
- Renegotiation of Crossing Guard pay policy to reflect actual hours worked.
- Purchase licenses to Online Learning Management System for Fire personnel to complete training at the fire house (\$100K).
- Sixteen Crime Lab positions to reduce backlog and improve quality (\$1.8M).
- New analytical/storage software for CitiWatch to improve data use (\$150K).

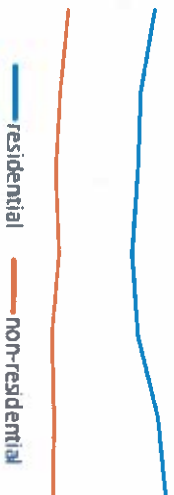


Stronger Neighborhoods

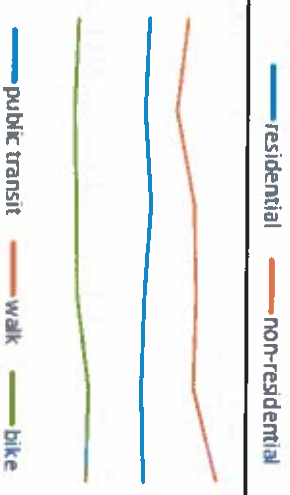
Number of Vacant Residential Properties



Number of Permits Issued for Construction or Rehabilitation Worth More Than \$5,000



Percent of Residents Using Sustainable Transportation to Get to Work, School, or Shopping



Total Number of Visits to City-Operated Recreation Facilities



- ✓ Number of permits, especially residential, has been increasing.
- ✓ Use of sustainable transportation, especially biking, and recreation facilities is increasing.



Stronger Neighborhoods

- Use table games aid to fund operations for new and expanded recreation centers.
- Continue free summer camps.
- Support current levels of vacant property cleaning and boarding, including support for Mayor's Crime and Grime initiative.
- Continue \$10 million in city funding for demolition and relocation.
- Fully fund Circulator service and bus replacement through increase in parking tax from 20% to 24%.
- Reduction in one-time funding provided to Community Action Centers in FY16 due to loss of approximately \$668K of State CSBG funding.
- Direct Mailing Dataset will allow quick identification of vacant buildings and improve billing and mailing efforts across agencies (\$21K).
- Upgrade Park Maintenance positions to higher skill levels (\$80K).



Growing Economy

City Resident Employment Rate



Total Number of Jobs in The City of Baltimore



Total Number of Visitors to Baltimore



- ✓ Employment rate measures percent of residents age 16-64 who are employed, and has been constant over the past couple years.
- ✓ Total number of jobs has been steadily increasing since 2011.



Growing Economy

- Support current levels of service for Employment Enhancement Services, such as career one-stop centers and community job hubs, and double Bridge 2 Career.
- Strengthen small business through the Emerging Technology Center, Small Business Resource Center, Main Streets, and MWBOO.
- Maintain funding for Special Event Support and Inner Harbor services in DOT.
- Maintain current levels of service for the Office of Civil Rights and Wage Enforcement.
- Charge appropriate BDC overhead costs to Capital projects.
- Adjusted benefit reimbursements for art museums in line with actual costs.



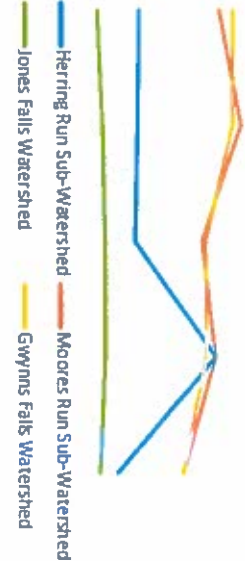



Innovative Government

- Maintain funding for current IG investigations and hire new investigator focusing on Fire and Police disability and worker's compensation fraud.
- Maintain funding for preventative maintenance of fleet and facilities.
- Maintain funding for a data warehouse and the City's Open Data website.
- Establish a capital reserve for public buildings in the Internal Service Fund.
- Create six Human Resources positions to support the civil service hiring process.
- General Fund support for CharmTV limited to government transparency.
- Reduction in funding for the annual Citizen Survey, requiring external revenue sources for support and moving to a biennial survey.
- Create claims review process and investigate tort claims against Police, generating savings and more quickly identifying problem Officers (\$100K).
- Upgrade Law Department technology enabling City-wide data collection (\$570K).
- New accountants to support quadrennial audits and grant compliance (\$500K).



A Cleaner City

City of Baltimore Recycling Rate	
Percent of Citizens Rating the Cleanliness of their Neighborhood as 'Good' or 'Excellent'	
Average Geometric Mean for E.coli in Baltimore City Watersheds	
Citywide Gas/Electric Energy Usage	

- ✓ Decrease in Recycling Rate is related to change in eligible materials under Maryland Recycling Act.
- ✓ Increase in Citizen Perception of Cleanliness in 2015.



A Cleaner City

- Municipal Can Program will distribute a standard 65-gallon trash can to each City residence. Includes budget for debt service and can replacement.
- Increase funding for the Environmental Control Board to support contractual hearing officers based on an increase in number of environmental citations.
- Maintain current services for trash and recycling collection, street and alley cleaning, graffiti removal and other sanitation services.
- A one-time \$1.0 million transfer from the Stormwater Fund will support Mechanical Street Sweeping during Fiscal 2017.
- Fund an Emerald Ash Borer Response Plan and increase Proactive Pruning cycle from nine neighborhoods per year to 15 (\$575K).
- Upgrade HCD surveillance cameras for enforcement of illegal dumping (\$80K).

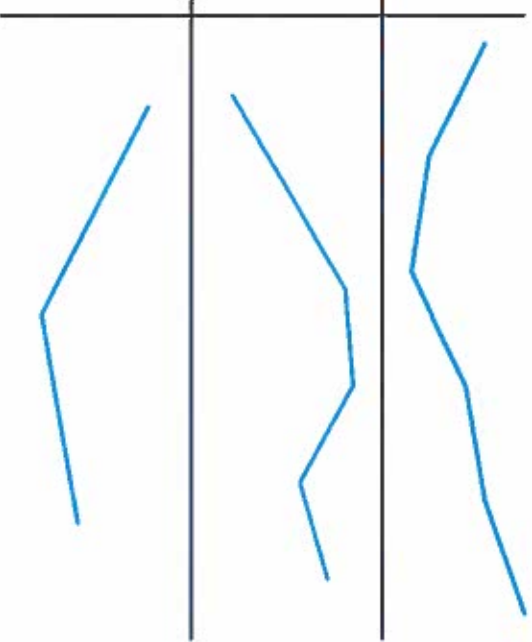


A Healthier City

Total Heroin-Related Deaths

Number of Childhood Asthma ER Visits per 100,000 People

Percent of Citizens who Reported More than 8 Days in the Past Month in Which Mental Health was Not Good



- ✓ Heroin-related deaths have continued to increase since 2011.
- ✓ Asthma ER visits have come down since 2012, but increased in the past year.



A Healthier City

- Increase funding for Temporary Housing for the Homeless to support the current demand for sheltering services.
- Reduce unused Summer Food Program meals, cutting the City's costs.
- Increase the EMS fees for basic and advanced life support transport, mileage, and EKGs to bring them in line with other large municipalities.
- Support for move toward Community Paramedicine in EMS, diverting non-emergency clients to the most appropriate health facilities (\$398K).
- Establish a 24/7 stabilization center providing sobering services and linkage to care, addressing over-utilization of ER (\$205K).
- Upgrade Health clinical infrastructure, including new electronic health record and lab management system enabling clinics to bill insurers for services (\$200K).

Fiscal Risks

- Department of Justice Review
- Labor Negotiations
- Teacher Pension
- Pension Litigation
- Economy