



City of Baltimore

Fiscal 2014 Board of Estimates

Budget Recommendations

Presentation to City Council

May 10, 2013

Department of Finance



Headline

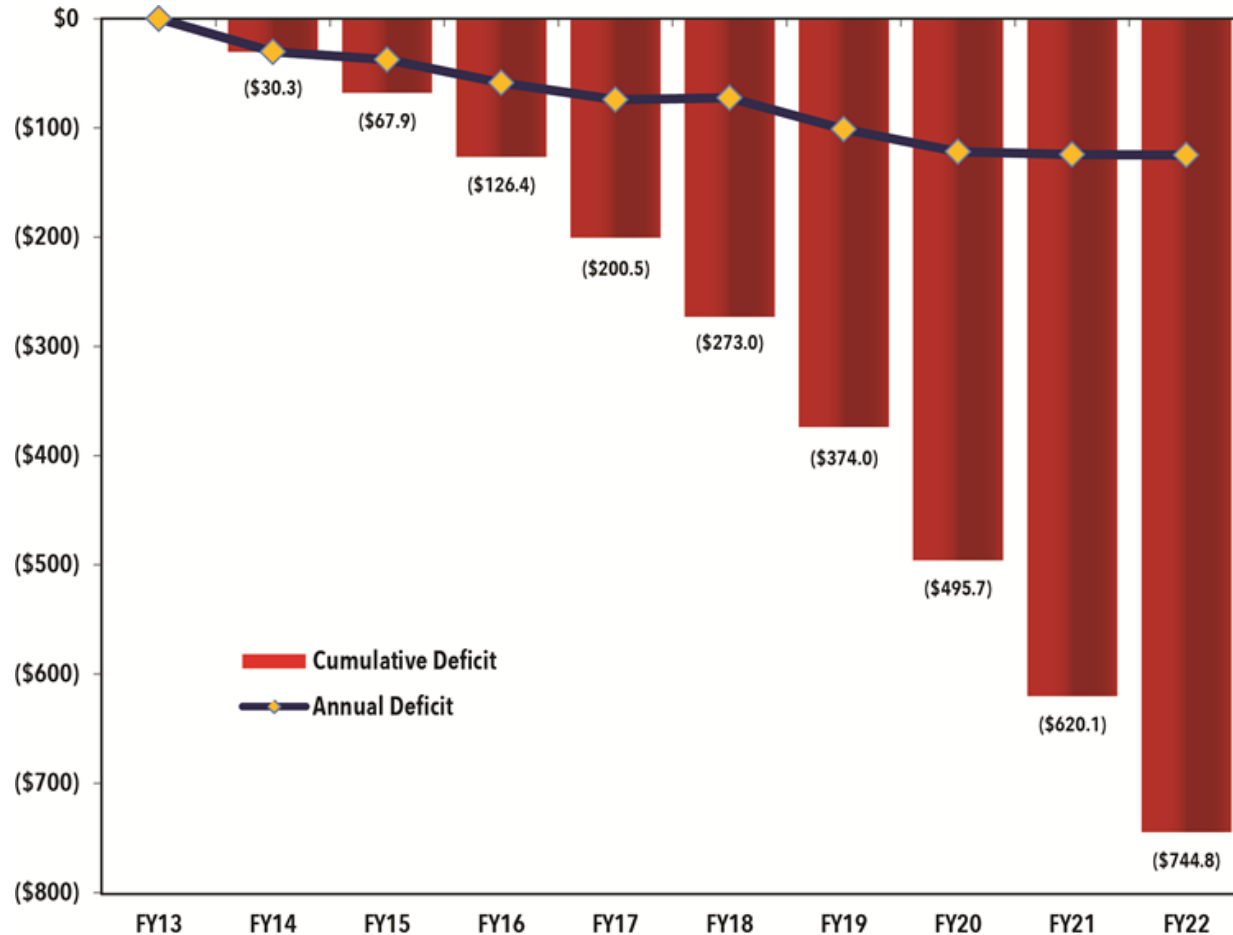
- Ten-Year Financial Plan initiatives enable the City to balance its budget while:
 - Cutting the property tax rate for homeowners by eight cents
 - Adding \$35M for capital investment in roads, rec centers, blight elimination, and IT
 - Contributing \$38M to school modernization
 - Increasing funding for children’s programs
 - Increasing employee pay
 - Protecting services from further reductions



CONTEXT FOR THE FISCAL 2014 BUDGET



Baltimore faces a long-term structural budget deficit





Capital funding falls short of needs

Planned General Fund capital spending falls \$1.1B short of reasonable needs over the next 9 years.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Baseline Capital Funding										
General Obligation Bonds	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0
County Transportation Bonds	\$0.0	\$15.0	\$15.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PAYGO	\$9.7	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0
Total	\$59.7	\$73.0	\$73.0	\$58.0	\$58.0	\$58.0	\$58.0	\$58.0	\$58.0	\$58.0
Total: General-Fund Supported "Reasonable"	\$59.7	\$189.9	\$190.3	\$191.2	\$189.9	\$190.1	\$190.1	\$186.7	\$186.5	\$186.5
Difference	\$0.0	-\$116.9	-\$117.3	-\$133.2	-\$131.9	-\$132.1	-\$132.1	-\$128.7	-\$128.5	-\$128.5

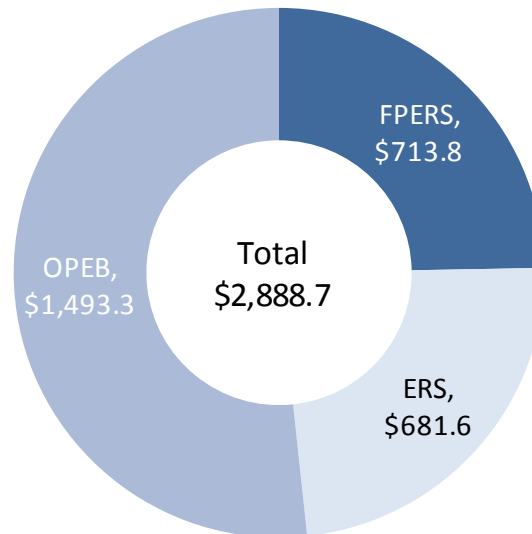


Unfunded liabilities total \$2.9 billion

Unfunded Pension and OPEB Liabilities

(Figures in Millions)

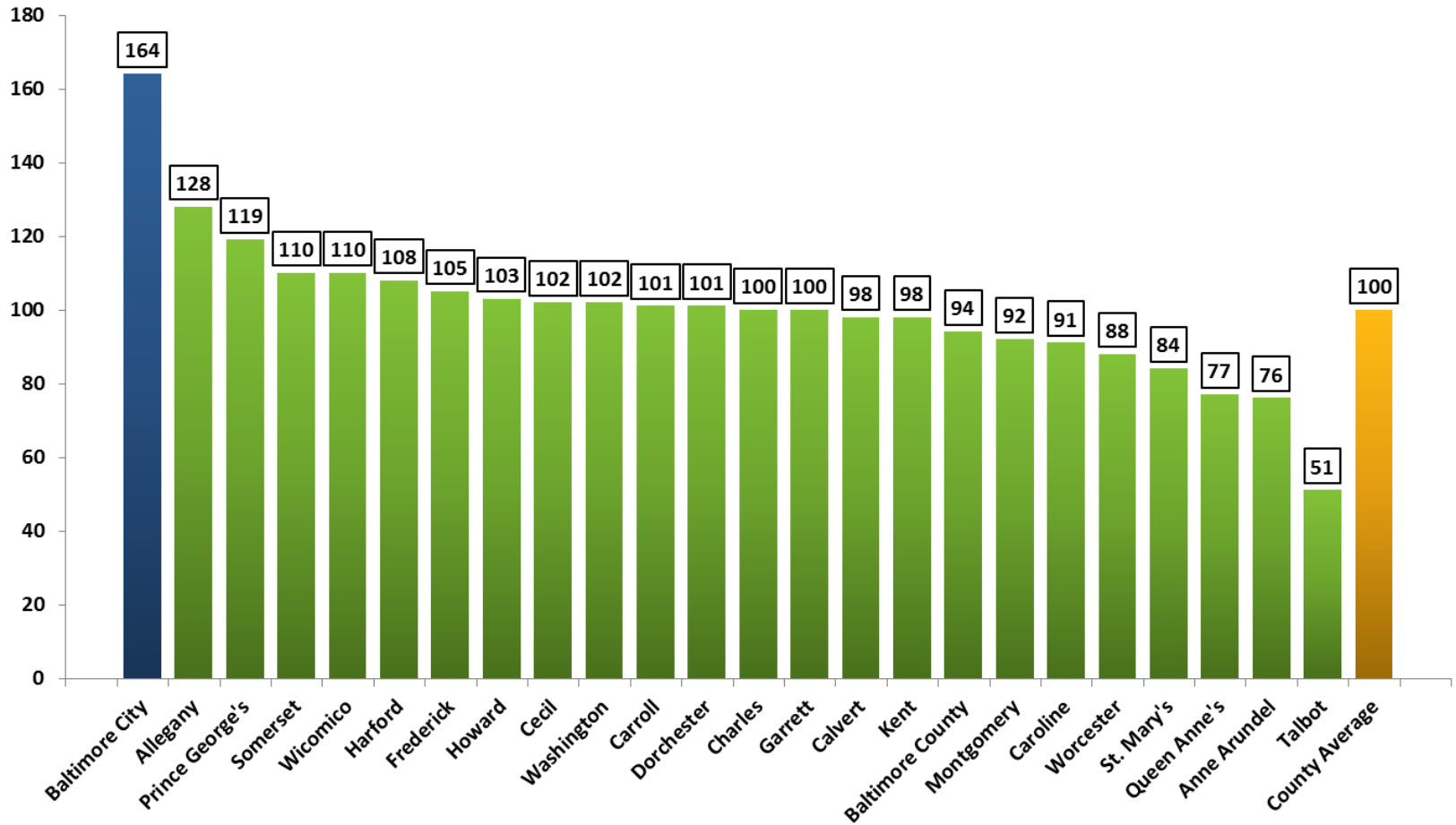
Fiscal 2012 Valuations



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 \$1.6 million as of June 30, 2012, and was 109% funded.



Baltimore's tax burden is 64% above the state average

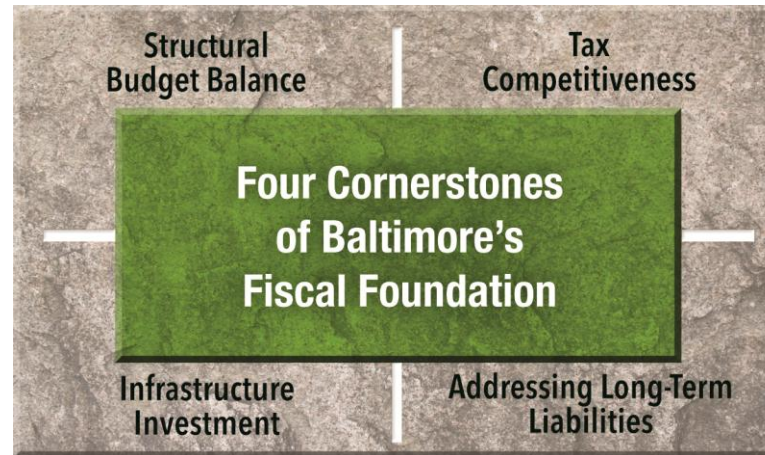




CHANGE TO GROW: TEN-YEAR FINANCIAL PLAN



Ten-Year Financial Plan – Fiscal 2014



- **Structural Budget Balance:** Closes a \$30 million budget shortfall with minimal service impact and 2% pay increases for all employees. Cost-saving initiatives include new firefighter schedule and fleet streamlining.
- **Tax Competitiveness:** Two-cent general property tax rate reduction to offset State-mandated stormwater fee. Six-cent targeted homeowners reduction to continue *20 Cents By 2020* program. Further revenue diversification with parking, billboard and taxicab taxes.
- **Infrastructure Investment:** Increase to base PAYGO capital and one-time, \$30 million investment for street resurfacing, blight elimination, recreation centers, and IT modernization.
- **Addressing Long-Term Liabilities:** ERS pension changes, including phased-in employee contribution and new hires plan. Hold harmless leave reform to reduce extraordinary payouts over time.



Ten-Year Plan Initiatives

(\$ millions)

Initiative	FY 2014 Cost/(Savings)	FY 14-22 Cost/(Savings)
ERS Pension Reform	(6.5)	(153.5)
Employee Pay Increases	16.3	151.5
New Firefighter Schedule	0.4	(60.2)
Leave Reform	(0.2)	(9.0)
Fleet Streamlining	0.0	(38.0)
Stormwater Fee	(11.9)	(118.5)
Two-cent Property Tax Cut	6.7	66.8
20 Cents by 2020	16.0	187.3
Increased PAYGO Capital	4.7	78.8
One-time Capital Surge	30.0	30.0
Revenue Measures:		
Parking Tax	(1.3)	(12.9)
Taxi Tax	(1.3)	(11.3)
Billboard Tax	(1.0)	(10.0)



Closing the Budget Gap

CLS Projection

Revenue: +\$15M

- Property Tax + Credits (-\$12.7M)
- Nonprofit Contribution (-\$1M)
- Income Tax (+\$11.4M)
- Transfer and Recordation (+\$3M)
- HUR (+\$2.4M)
- Other (+\$11.9M)

Costs: +\$45M

- Salary increases (+\$16.3M)
- Employee Pension (+\$13M)
- Teacher Pension (+\$3.5M)
- COPS Grant positions (+\$3.4M)
- Health benefits (-\$7.1M)
- Inflation/Other (+\$15.9M)

Bottom Line: \$30.3M shortfall

Budget Actions

- Stormwater utility (-\$11.9M)
- ERS reform (-\$6.4M)
- End BIF/ERF payments (-\$5.7M)
- OPEB contribution (-\$5M)
- New revenues (-\$3.6M)
- Accident time payouts (-\$1.2M)
- Dependent audit (-\$1M)
- Other budget actions (-\$6.9M)

- Property Tax relief (+\$6.7M)
- Paygo Capital (+4.7M)



FISCAL 2014 BUDGET BY THE NUMBERS

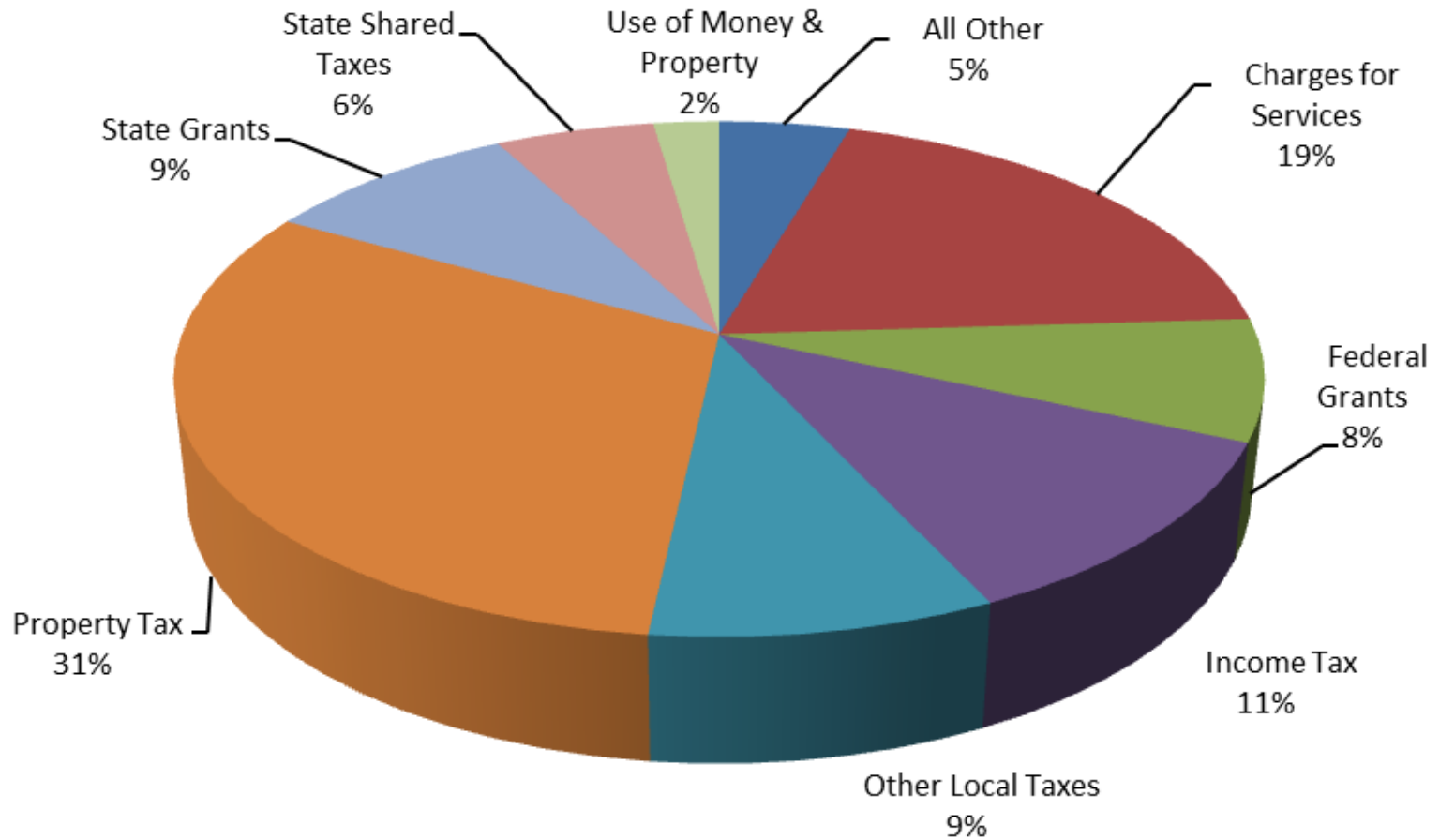


Fiscal 2014 by the numbers

- Total, all-funds budget of \$3.58B
- Operating budget of \$2.41B, +3.8% from FY 2013
 - General Fund Operating of \$1.57B, \$9M (0.6%) above Fiscal 2013 and \$24.3M (1.5%) below CLS
- Capital budget of \$1.17B
 - 80% for water and wastewater infrastructure
- General Fund positions total 10,137 vs. 10,146 in Fiscal 2013 (does not reflect full reduction from three-shift fire suppression schedule)

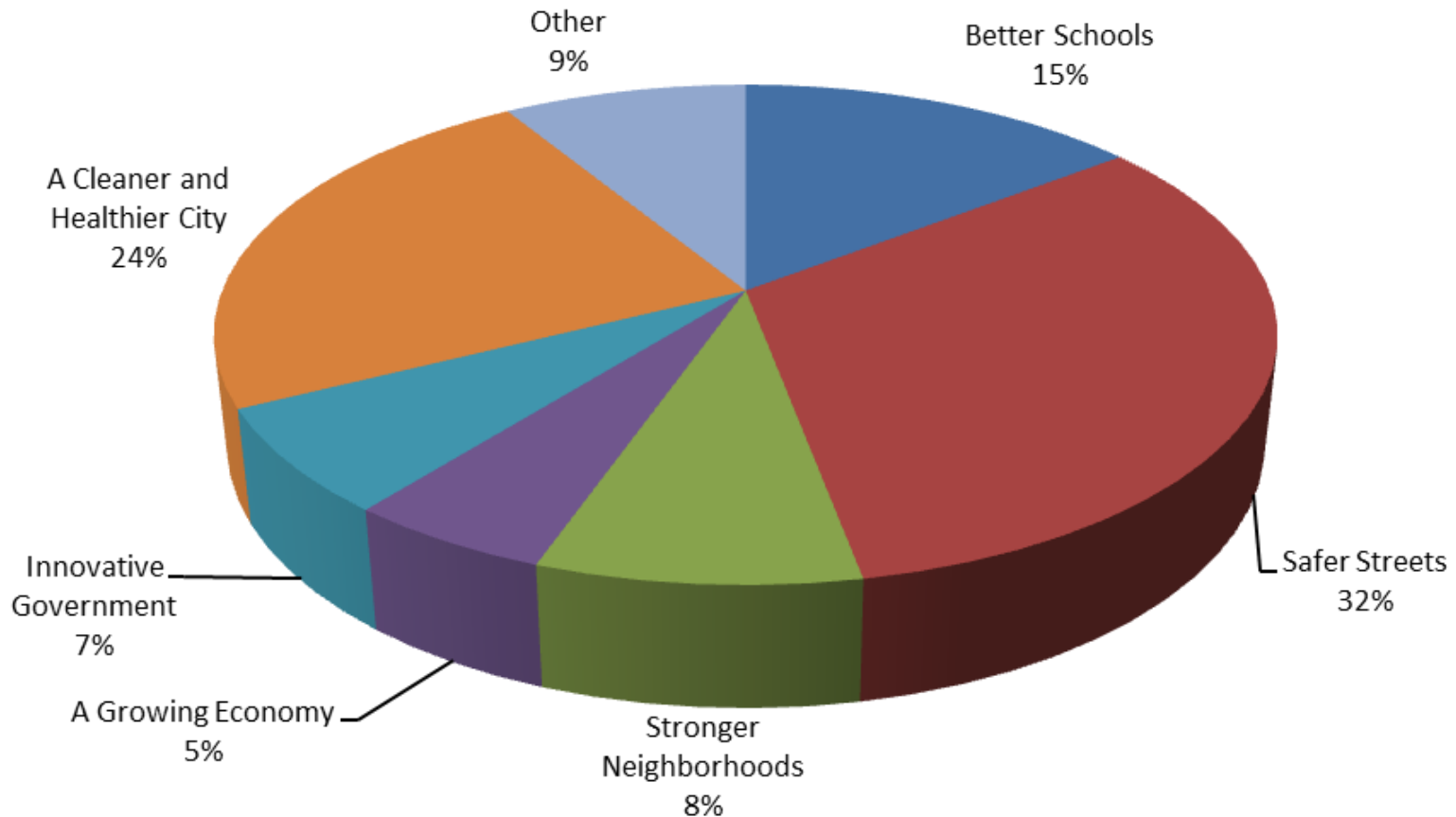


Where the Money Comes From



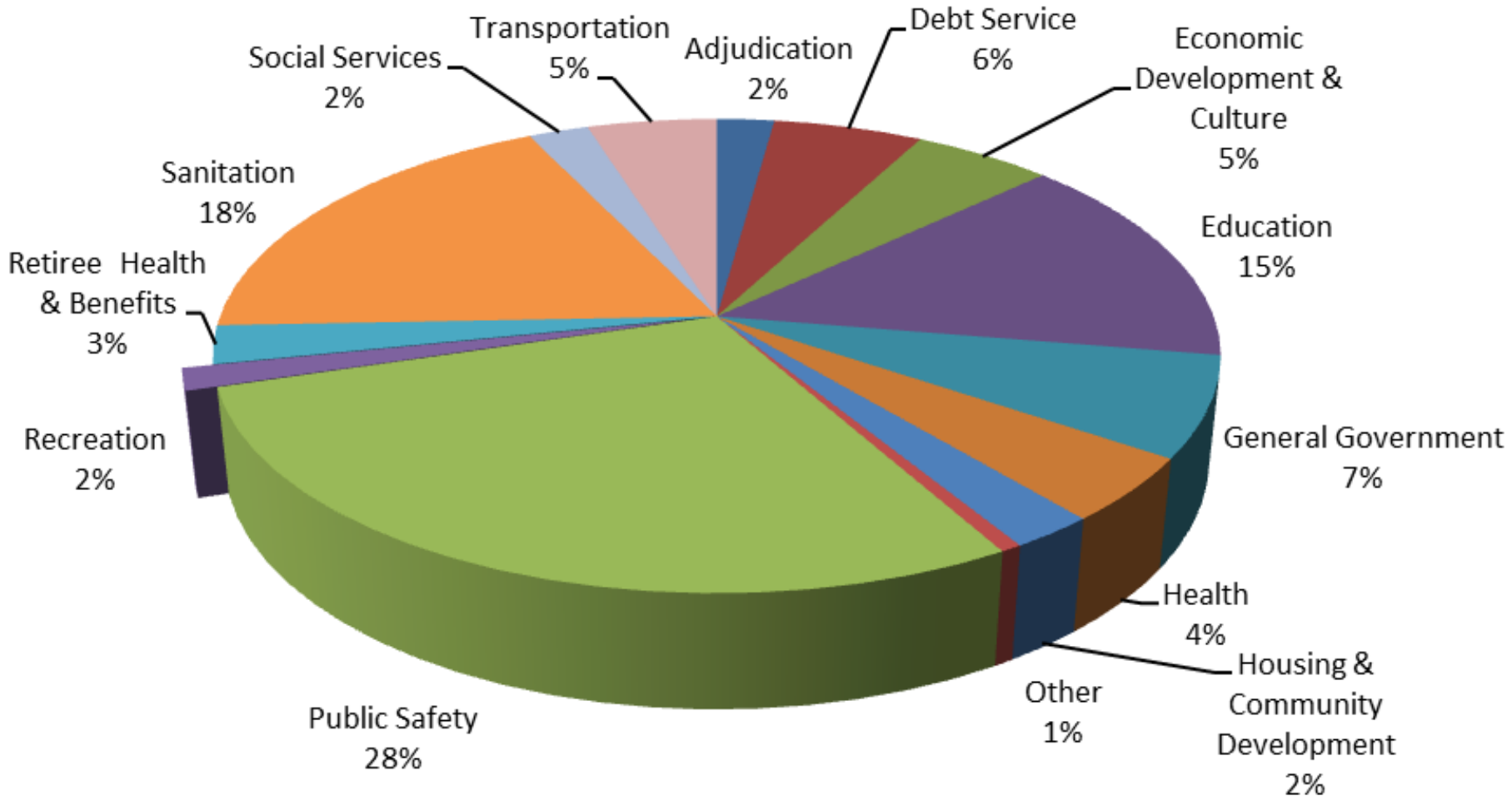


How the Money is Used: Allocation by Priority Outcome



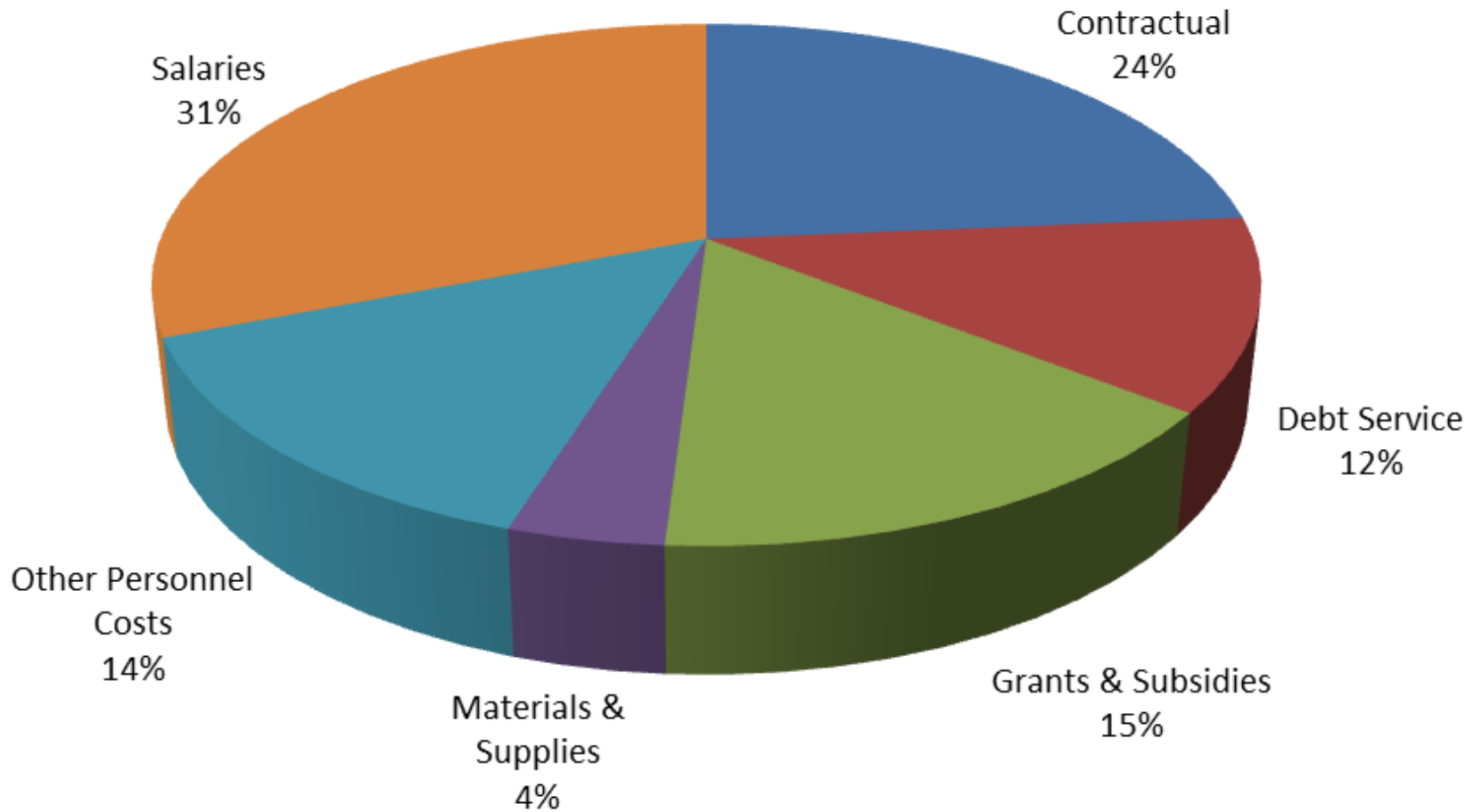


How the Money is Used: Allocation by Function





How the Money is Used: Allocation by Expenditure Type





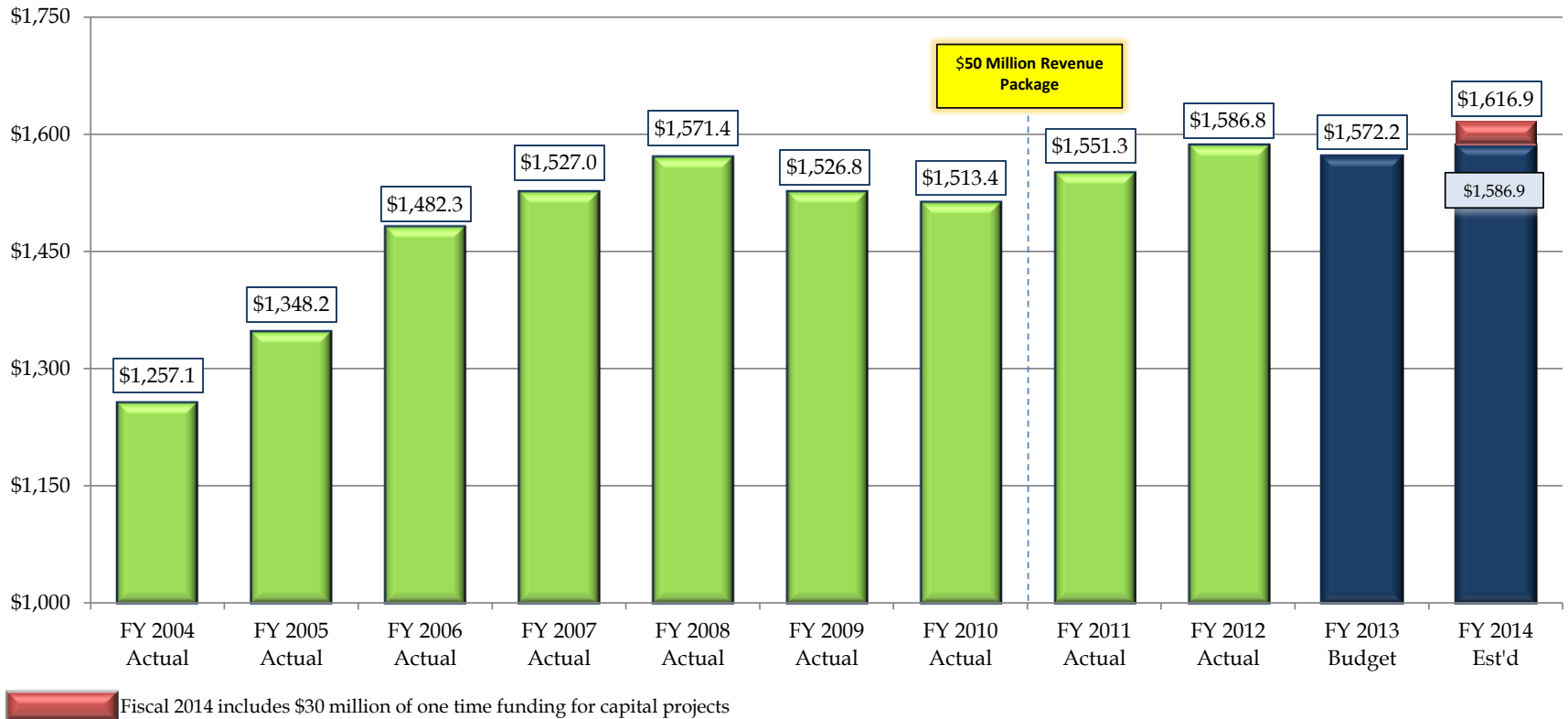
FISCAL 2014 REVENUE OUTLOOK



Current revenue is up less than 1%

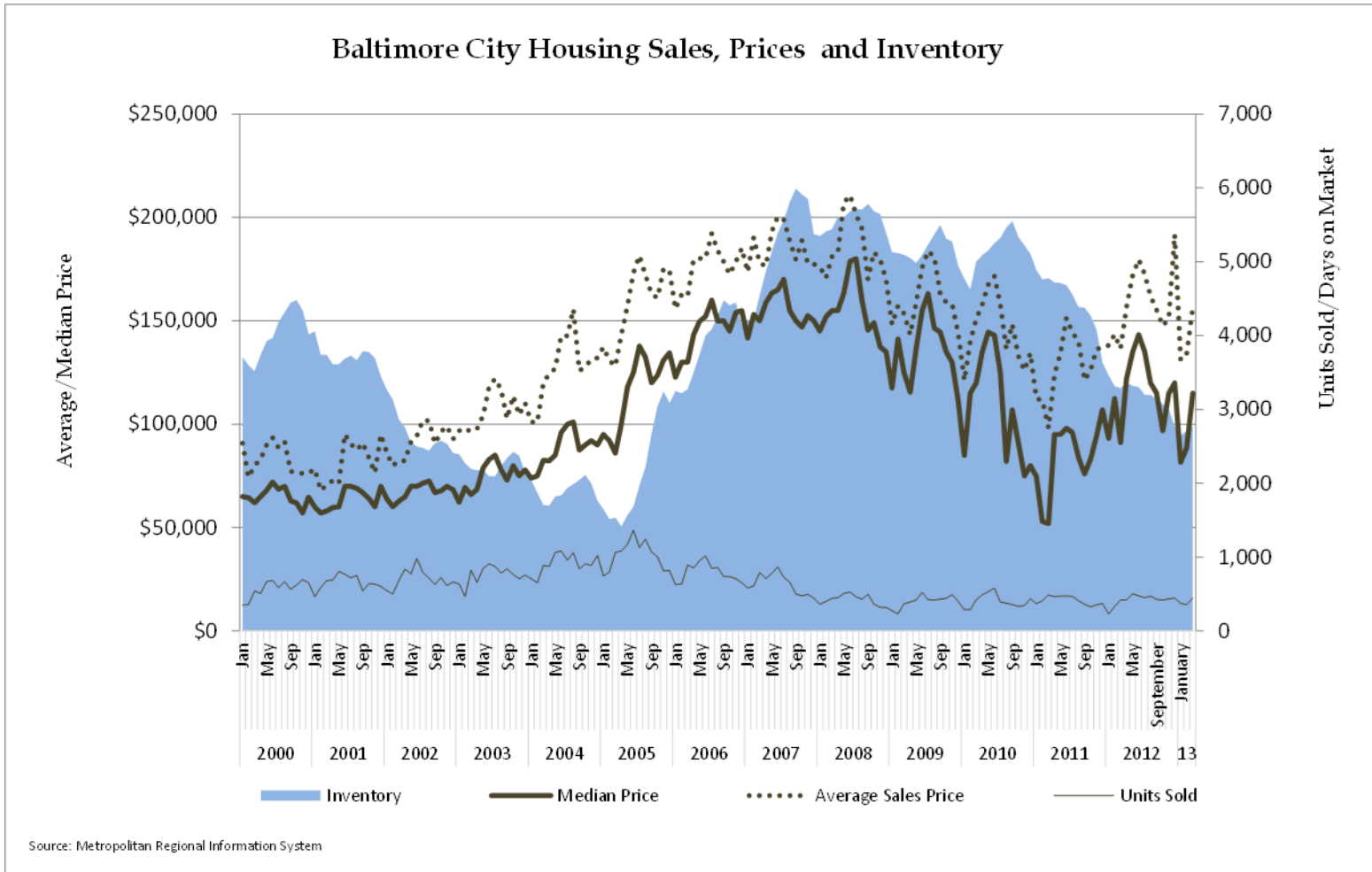
General and Motor Vehicle Funds Revenue History

(Figures in millions)



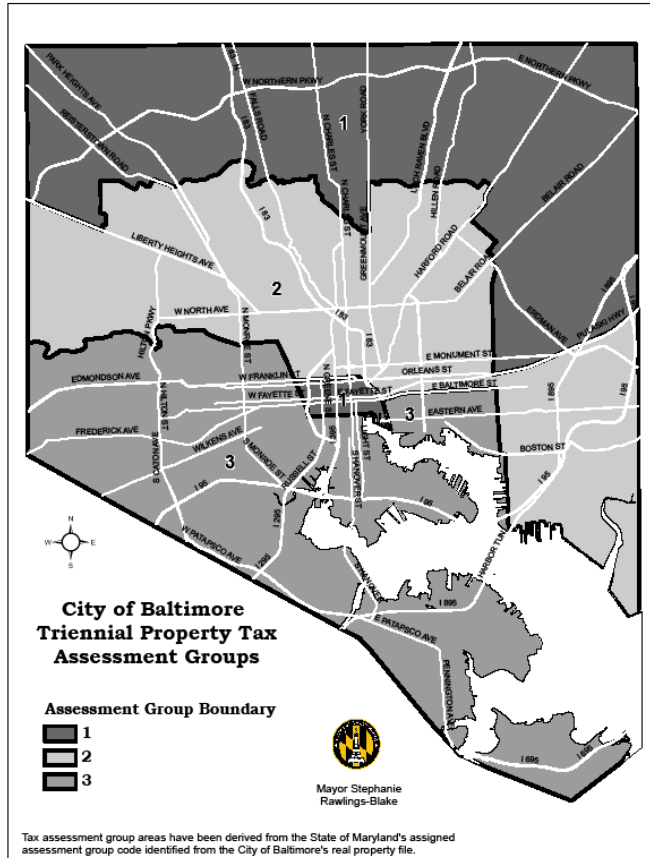


Constrained housing inventory drives prices higher





Property values continue adjusting down after the “bubble”



Fiscal Year	Assessment Group	Full Cash Value Assessment Increase	Phase-in Assessment Increase
2000	Group II	2.8%	0.9%
2001	Group III	7.3%	2.4%
2002	Group I	10.3%	3.4%
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%

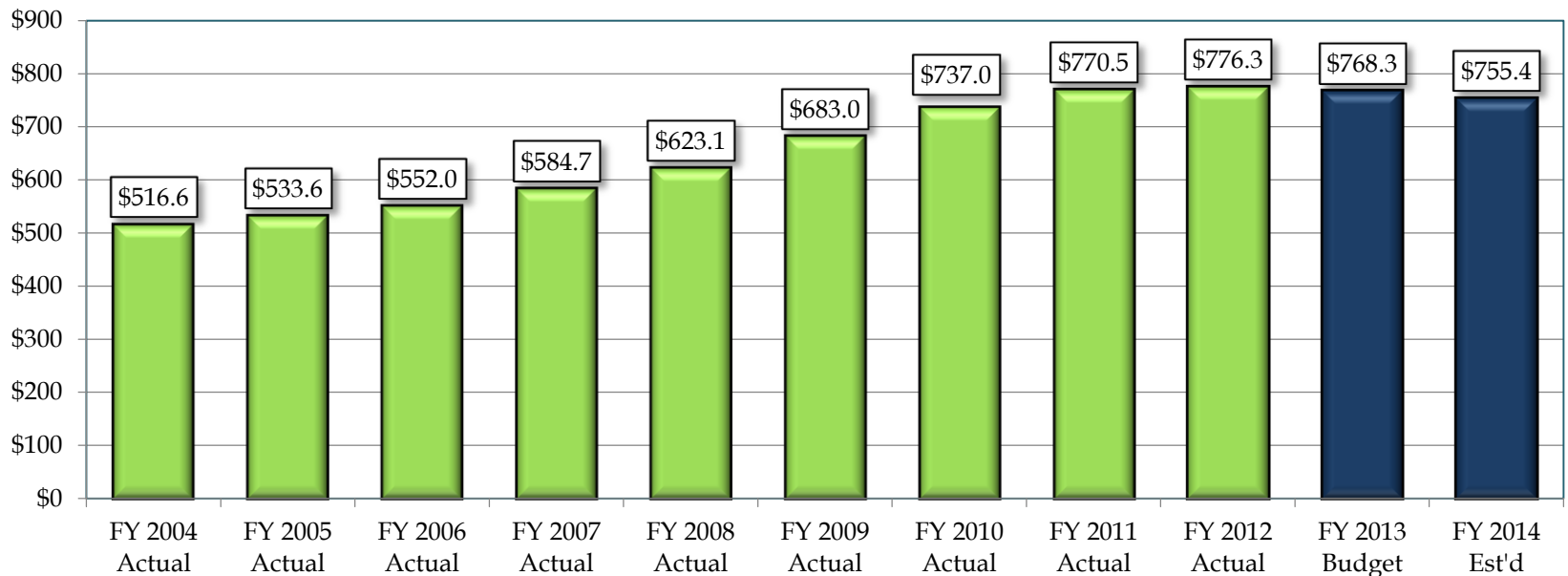


Property tax down due to declining assessments and tax relief

Estimate includes \$4M from billing integrity work

Property Taxes

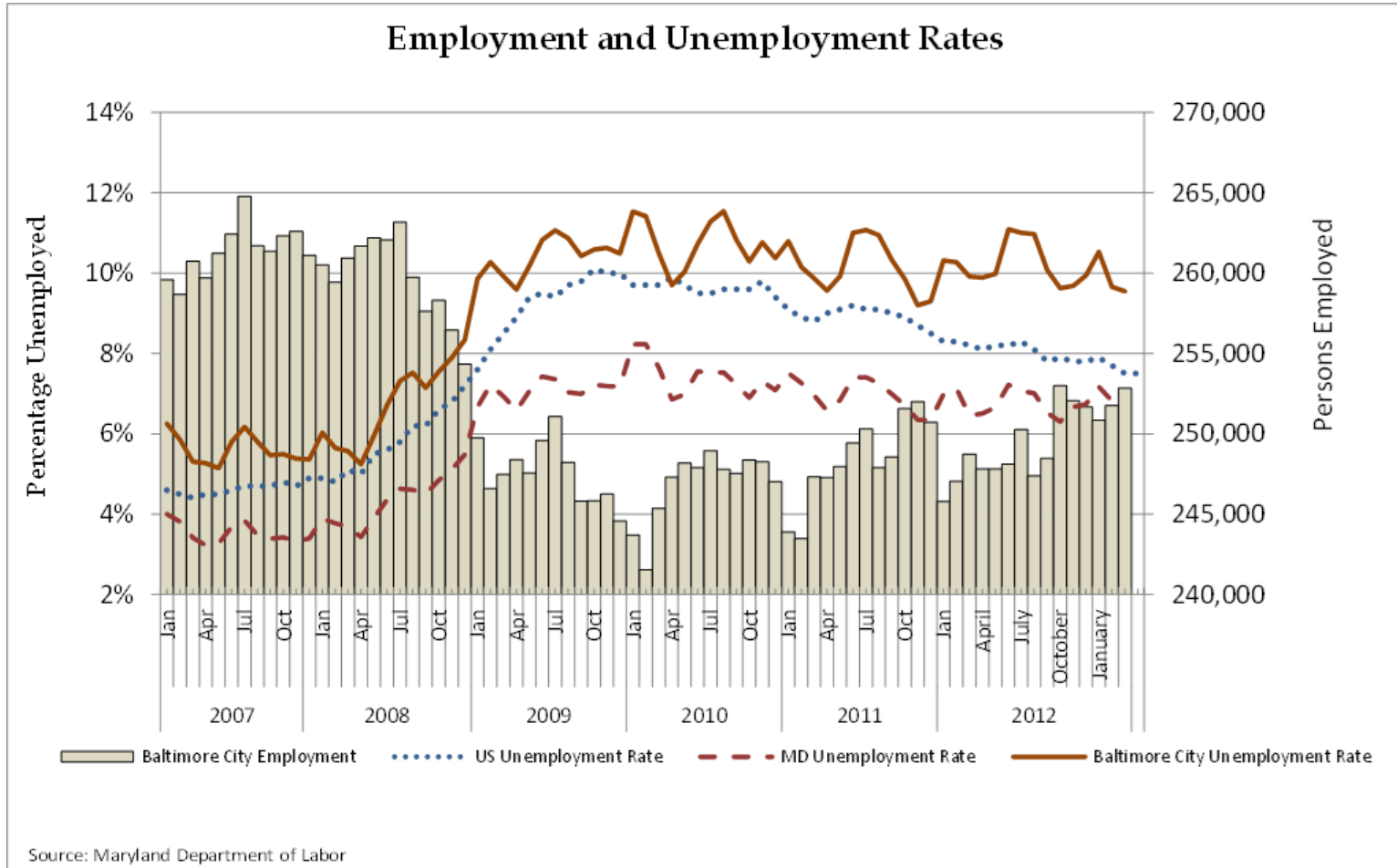
(Figures in millions)



Includes real, personal and public utilities. Values are net of Homestead tax credit

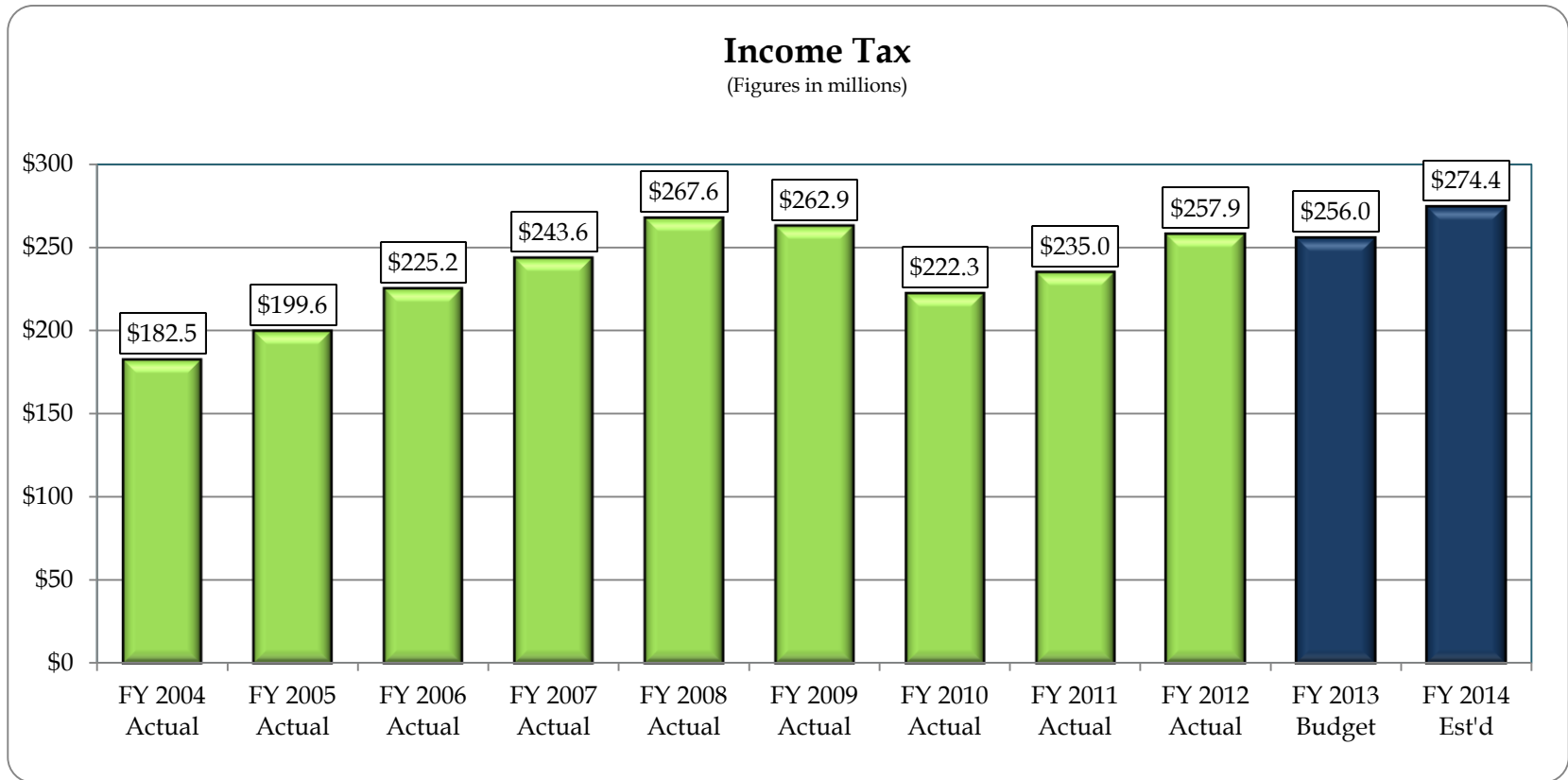


Employment Recovering Slowly



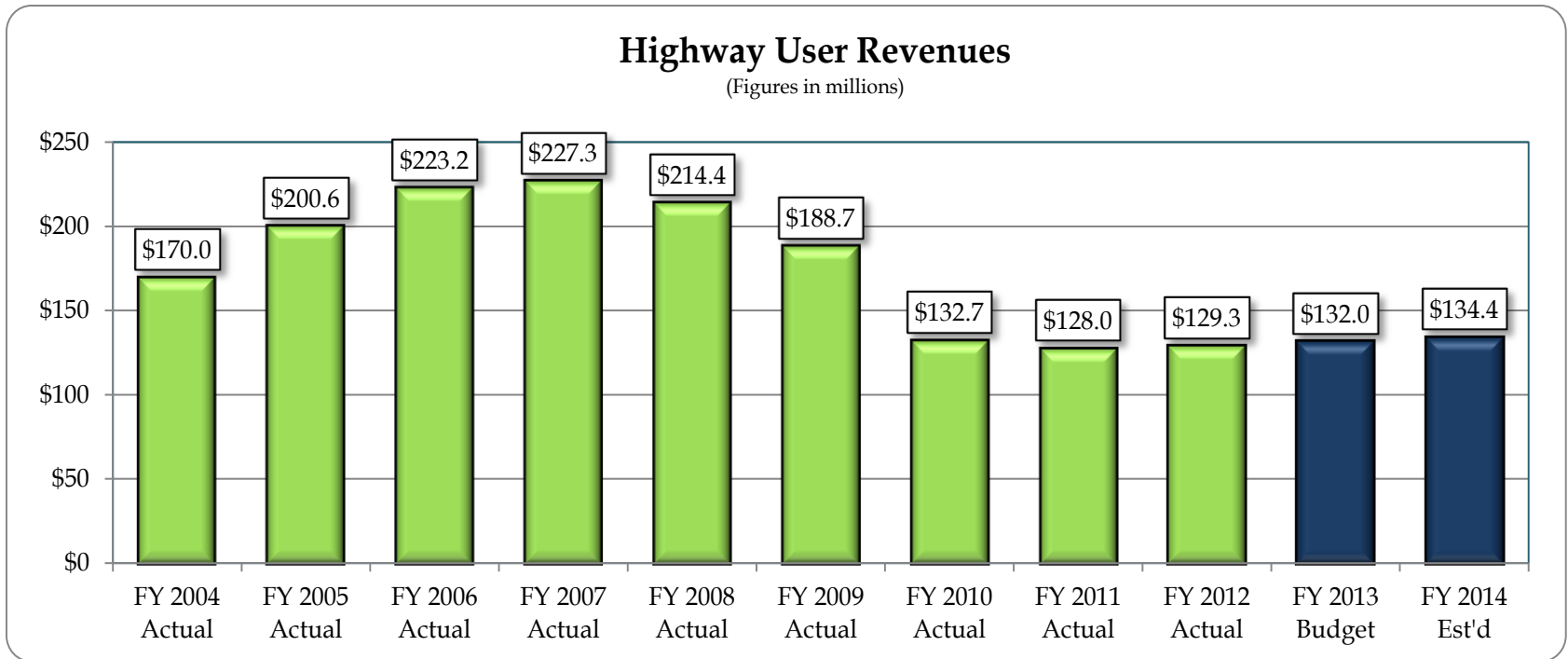


Income taxes are following employment





Highway User Revenues are still down nearly \$100M since Fiscal 2007

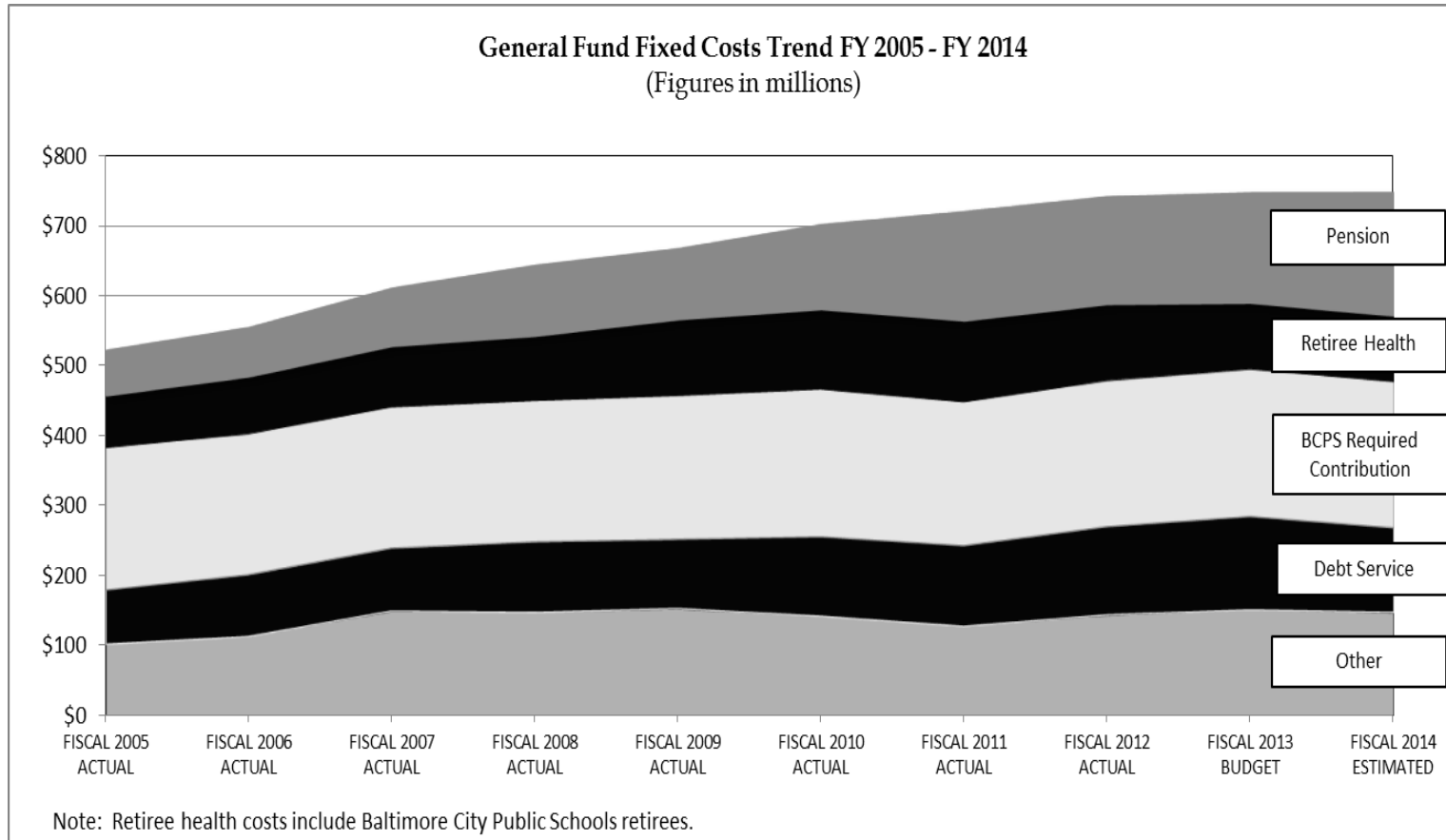




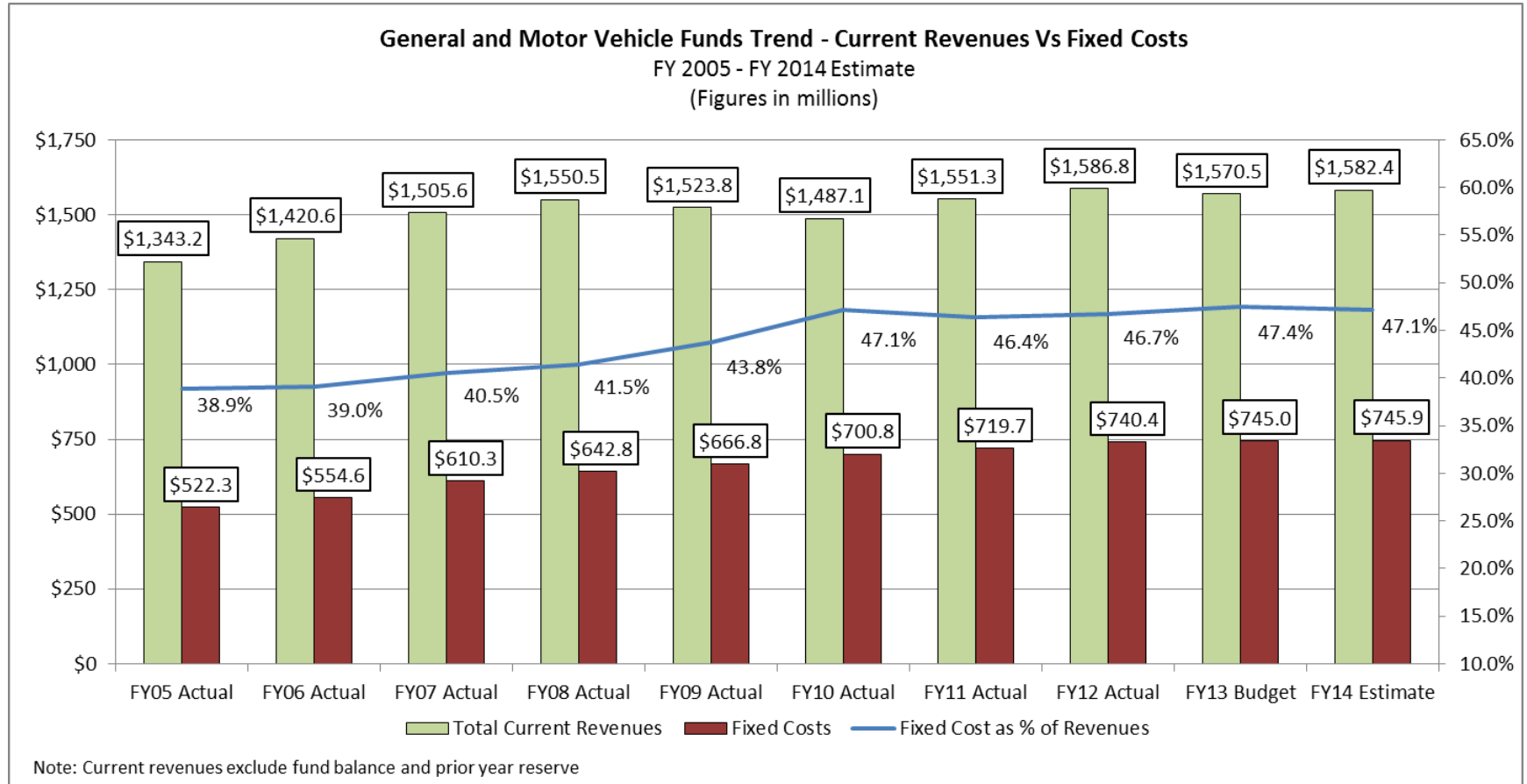
FIXED COST TRENDS



Fixed costs 43% above FY 2005



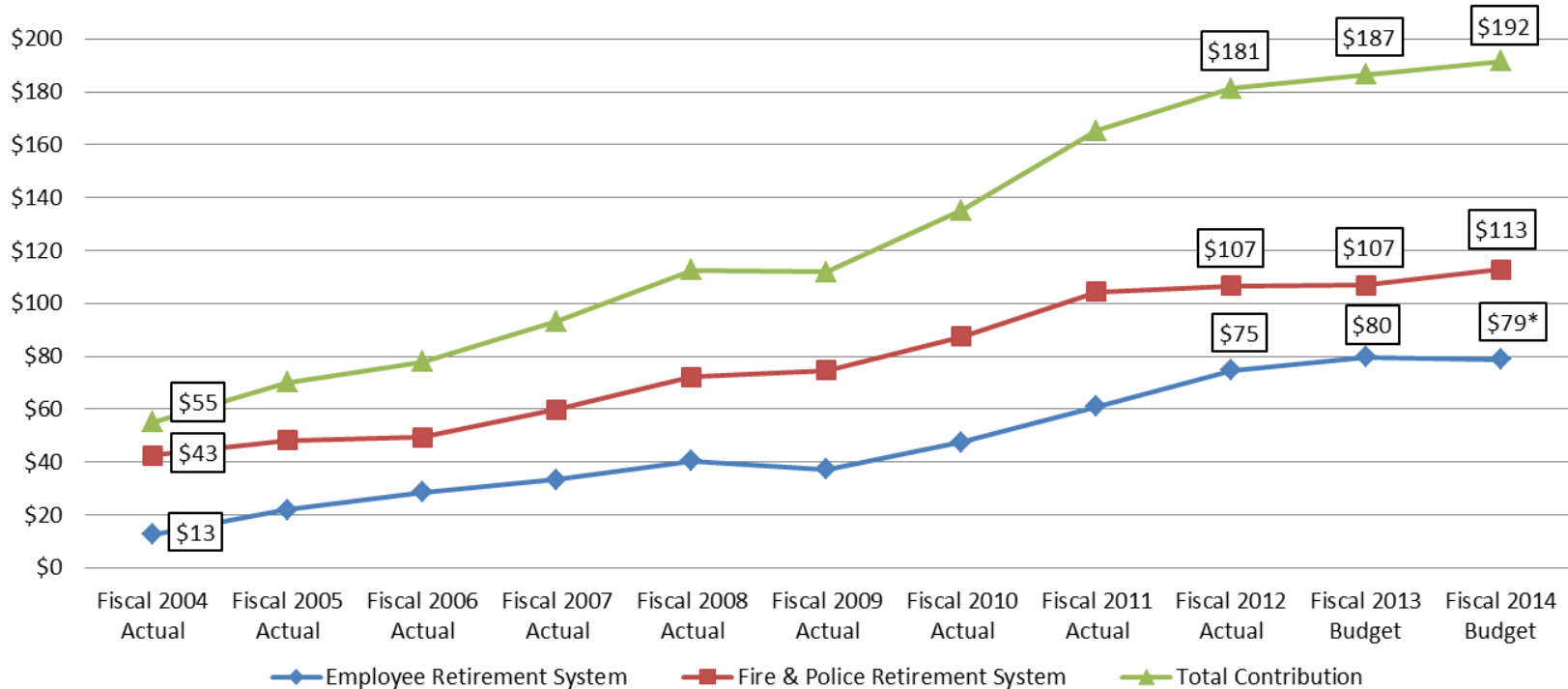
Fixed costs consume nearly half of GF revenues, but reforms have held costs in check





Pension cost growth has slowed due to reforms, but challenges remain

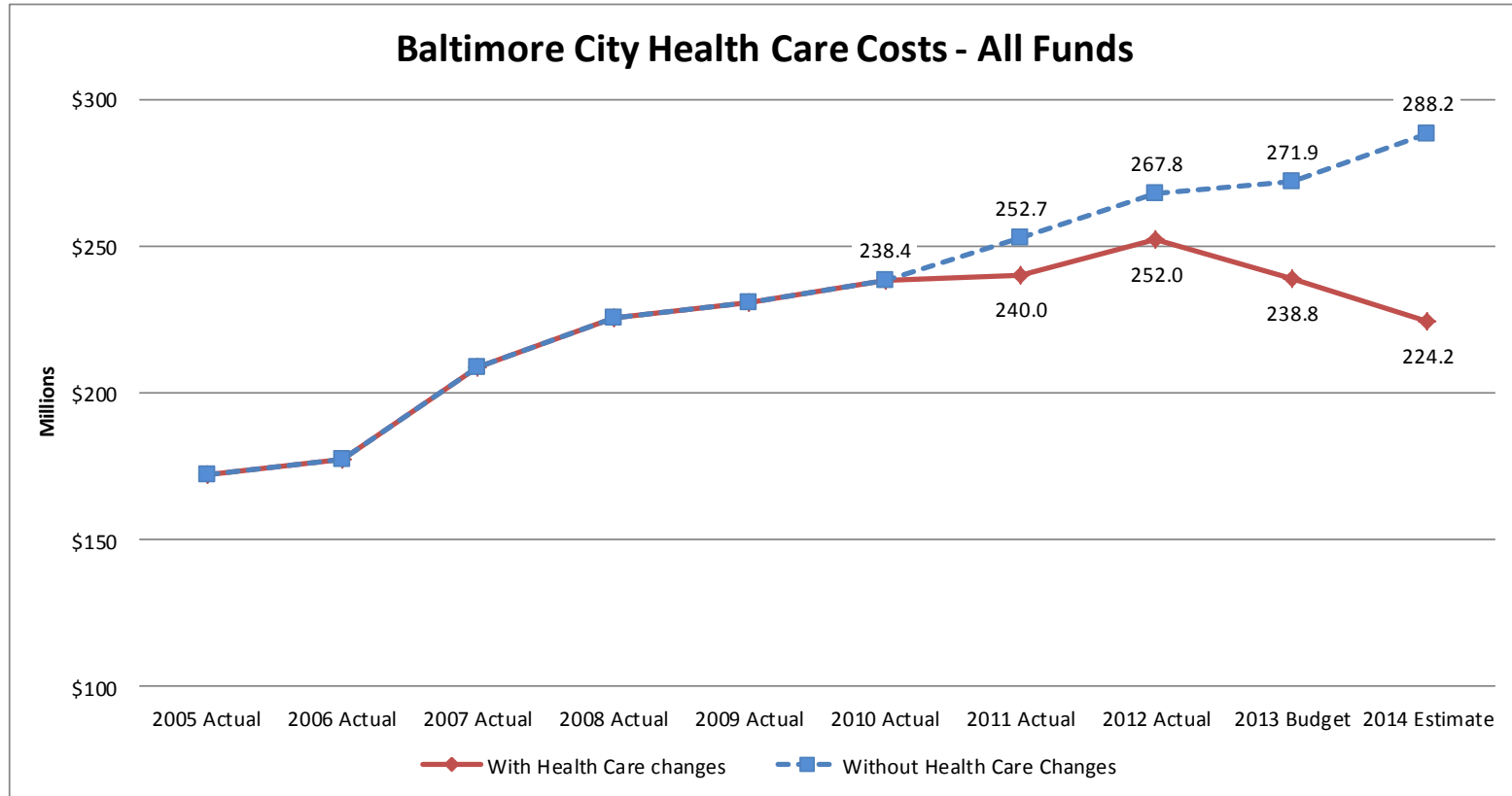
Contribution to the Employee's Retirement Systems (All Funds)
(Figure in Millions)



* Reflects \$6.4 million in savings from 10-Year Plan proposed pension reforms
 Note: ERS figures also include Library, Sheriff's Office and Elected Officials



Health benefit plan reforms are saving the City \$60M annually



Notes: Figures include active employee and retiree costs. Survivor benefits are not included. Figures showing costs without health care changes are based on Hay Group's actuarial estimates.



City has implemented several health benefit reforms over past three years

- Employee and retiree cost-sharing for prescription drug benefit
- New standard medical insurance plan
- Prescription drug co-pays that promote use of generics
- Stronger prescription drug management
 - Prior authorization
 - Quantity limits
 - Step Therapy



RECOMMENDED BUDGET PLAN FOR FISCAL 2014



PRIORITY-DRIVEN

MAYOR RAWLINGS-BLAKE'S PRIORITY OUTCOMES FOR GROWING BALTIMORE

Better Schools

Safer Streets

Stronger Neighborhoods

A Growing Economy

Innovative Government

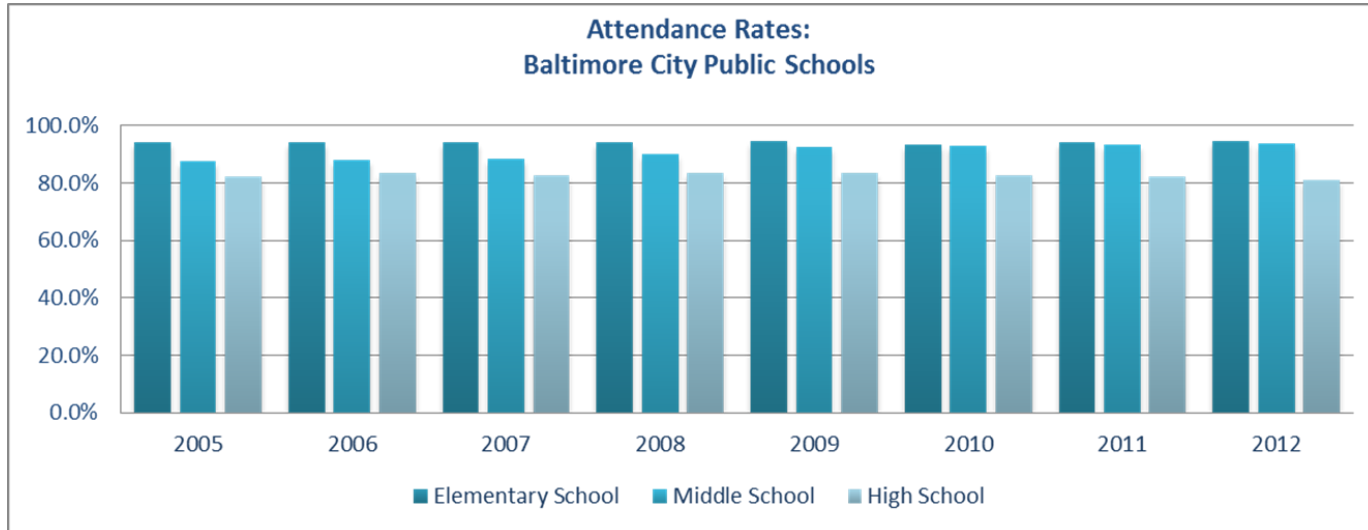
A Cleaner and Healthier City



BETTER SCHOOLS



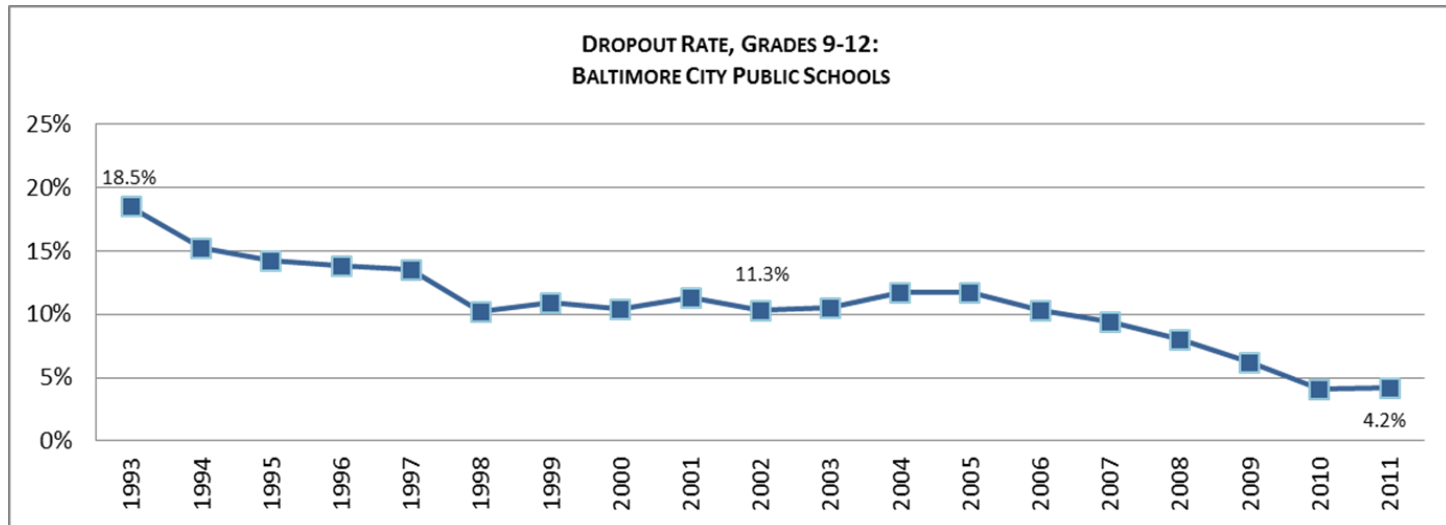
Increase Student Attendance



- The recommended budget includes:
 - Full funding of the City’s Maintenance of Effort for Baltimore City Public Schools
 - Continued support for school-based health centers and suites



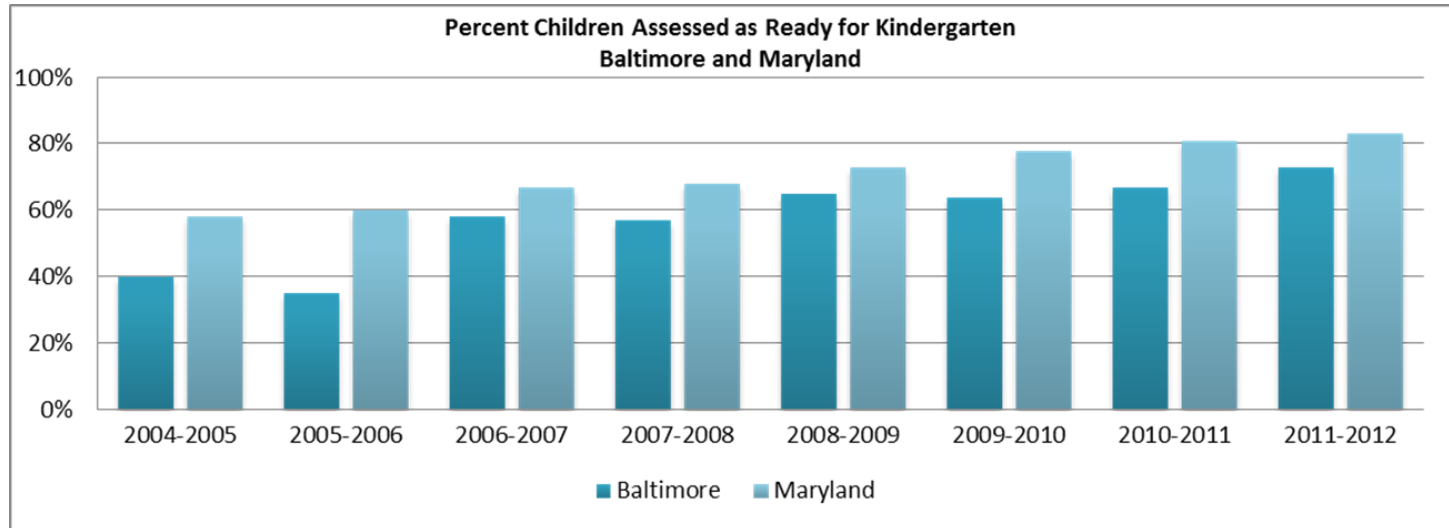
Decrease the Dropout Rate



- The recommended budget includes:
 - Funding to support Community Resource Schools to focus on smooth student transition from the 8th to 9th grade
 - The replacement of earmarks with a competitive grant process to fund after-school programs that are proven effective



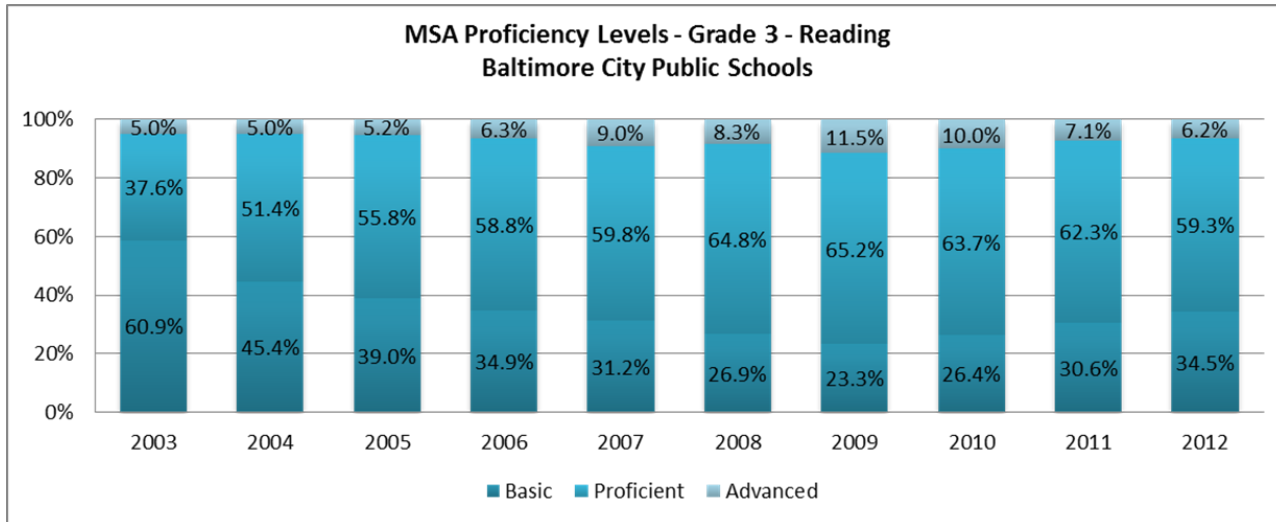
Increase Percentage of Children Assessed Ready for Kindergarten



- The recommended budget:
 - Begins transitioning City operated childcare facilities to Head Start to allow for year-round programming
 - Provides funding to the Enoch Pratt Free Library to offer early literacy programs at library branches throughout the City



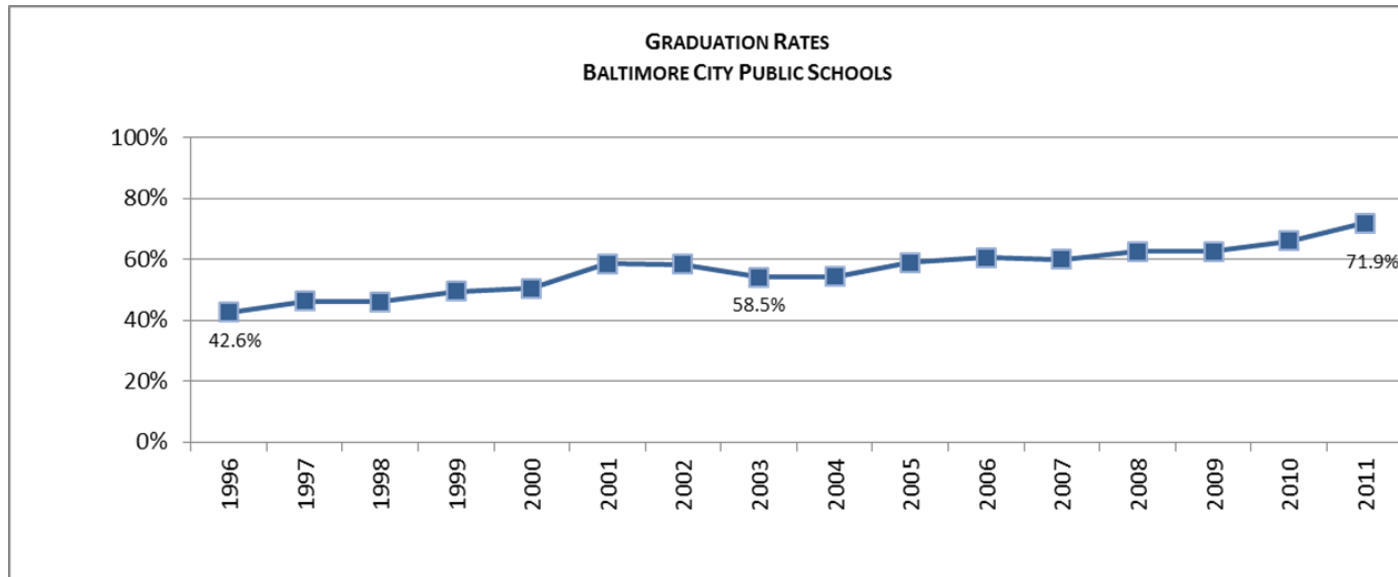
Increase the Percentage of 3rd Graders Reading at Proficient



- The recommended budget includes:
 - Funding for the Enoch Pratt Free Library to offer summer reading programs at branch locations throughout the City
 - Enhancement funding for the Family League’s summer reading program



Increase the Percent of Graduating Students that are College and Career Ready



- The recommended budget:
 - Continues funding to support job training and college preparatory programs for out of school youth



SAFER STREETS



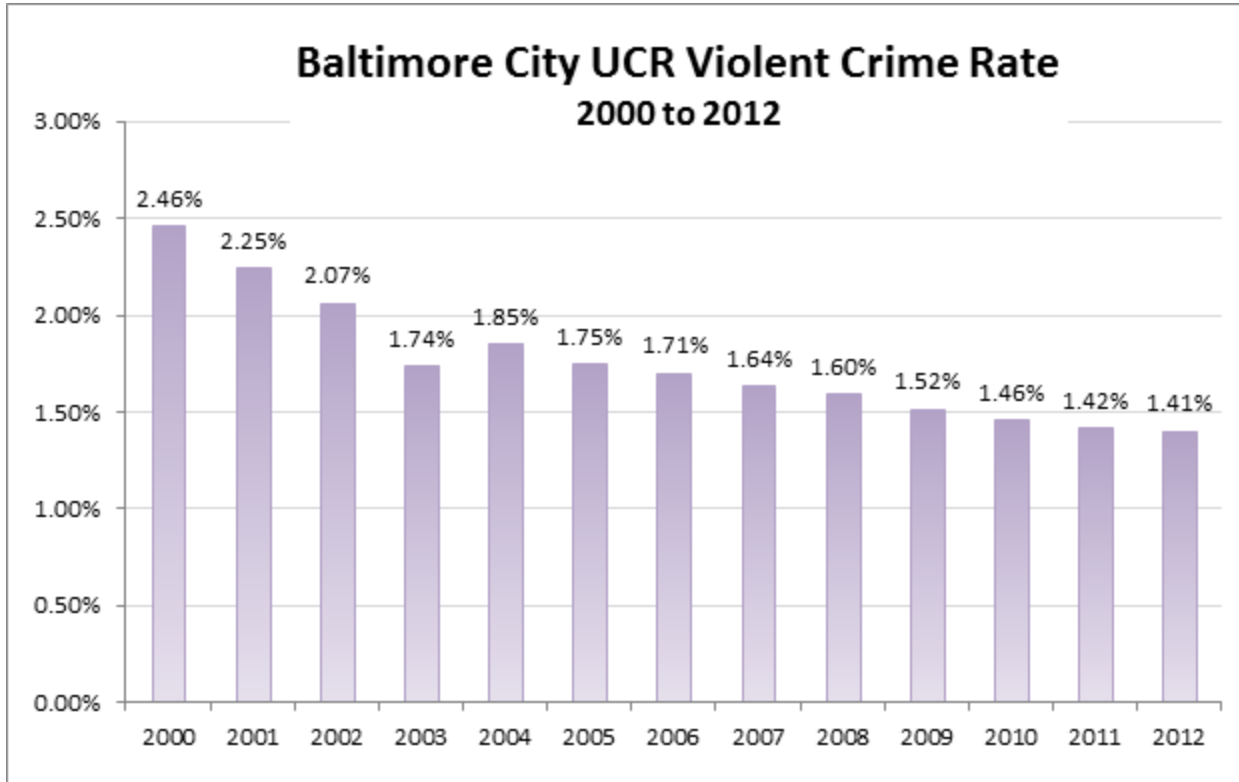
Increase Citizen Perception of Safety



- The recommended budget includes:
 - Continues to fund an aggressive plan for police hiring
 - Maintains funding to support the City's network of crime cameras
 - Equips police officers with tasers to reduce the use of deadly force



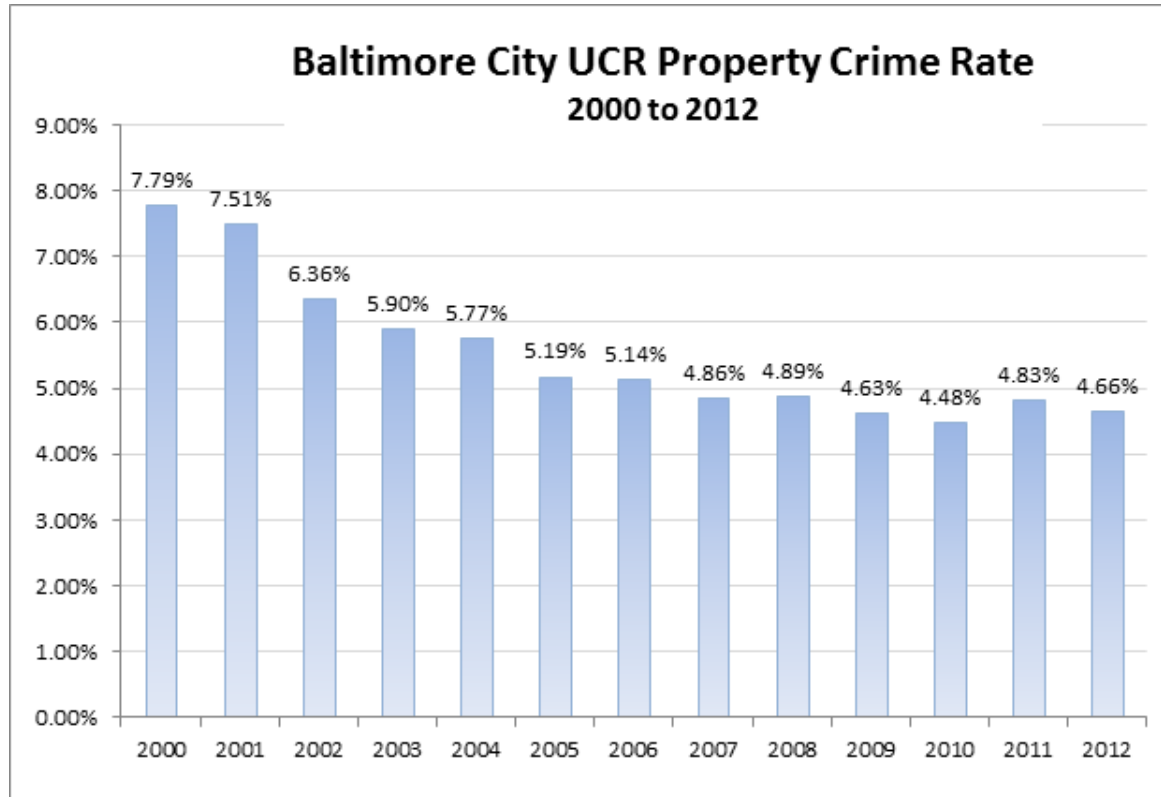
Decrease Violent Crime



- The recommended budget includes:
 - Maintains funding for Youth Violence prevention programming geared toward reducing the number of non-fatal shootings and homicides
 - Fully funds the Violent Crime Impact Division and Crime Investigation



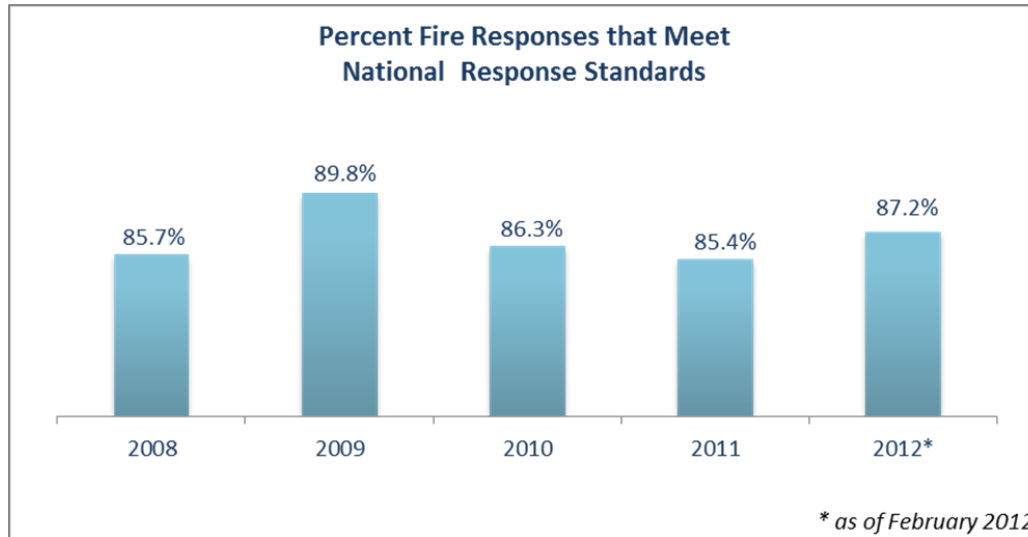
Decrease Property Crime



- The recommended budget includes:
 - Funding for field-based reporting technology to reduce time spent on paperwork and maximize patrol hours
 - Current services funding for Police Special Operations including the SWAT, K9, aviation, mounted, and marine units. These units will respond to suspicious activity while deterring potential crime.



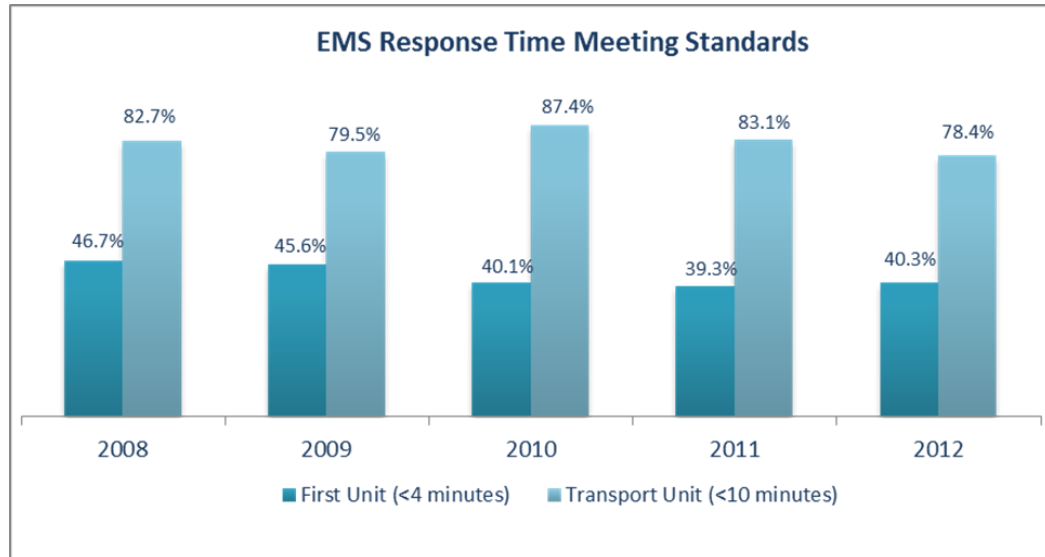
Improve Fire Response Times



- The recommended budget includes:
 - Transitions firefighters to a three-shift schedule, making staffing more reliable. This change is being negotiated with the fire unions
 - Purchase of 4 trucks and 4 engines as part of the fleet modernization plan
 - Funds expansion of specially-trained fire rescue teams



Improve EMS Response Times



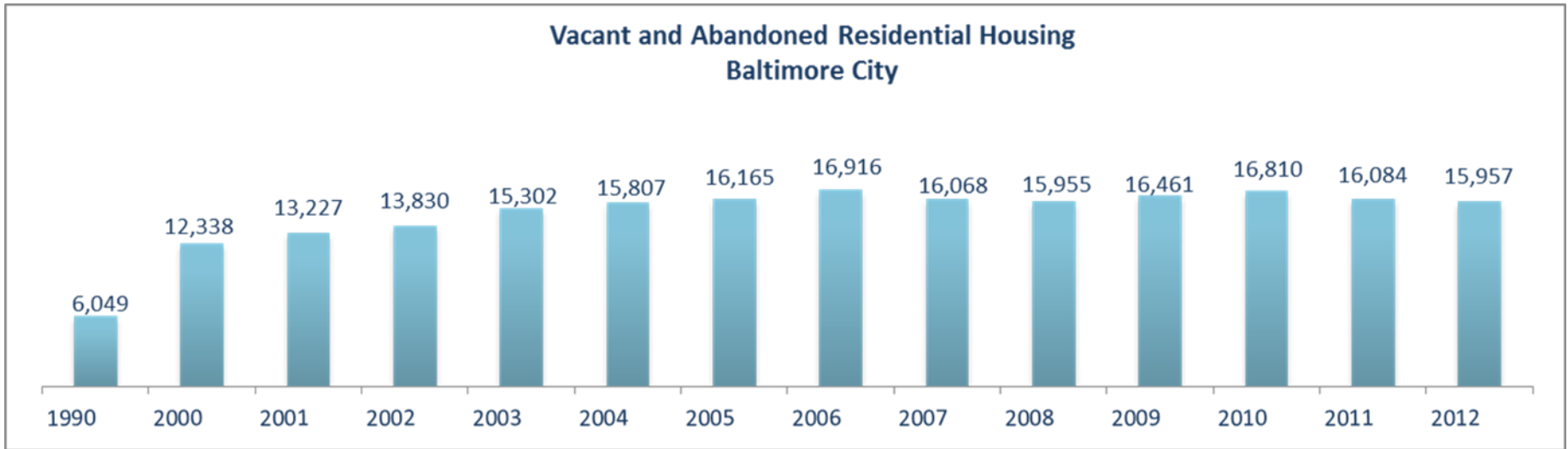
- The recommended budget includes:
 - Fully funds EMS services
 - Continues to fund Operation CARE to provide case management services for frequent 911 callers to reduce the number of calls for service
 - Implements AVL technology to help the department respond more efficiently to calls for service
 - Purchase of 12 medic units as part of fleet modernization plan



STRONGER NEIGHBORHOODS



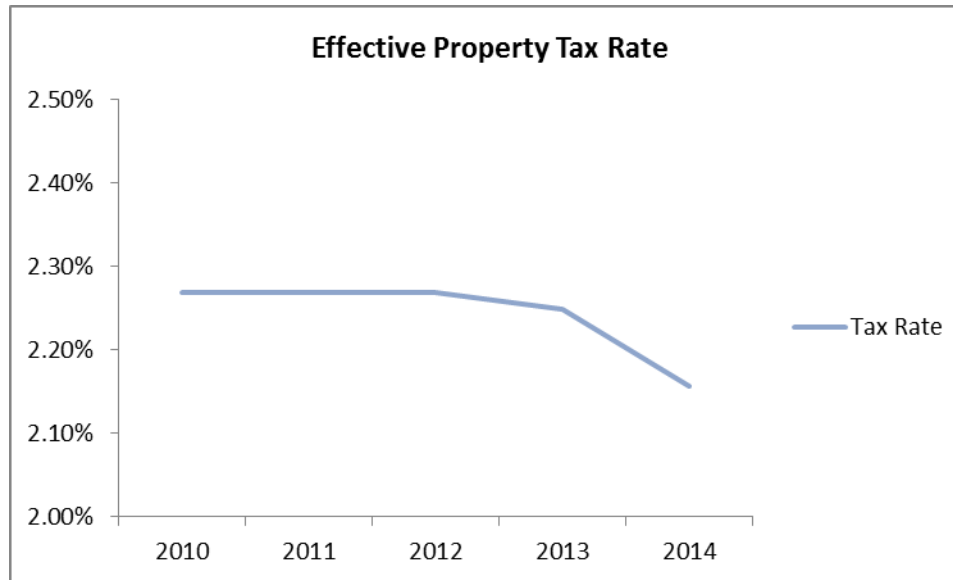
Reduce Blight Throughout Baltimore



- The recommended budget includes:
 - \$10 Million to support enhanced demolition efforts to reduce blight in neighborhoods across the City returning these properties to productive use
 - Enhancement funding to Housing Code Enforcement to support the creation of 2 Investigator positions tasked with enforcing multi-family dwelling permits



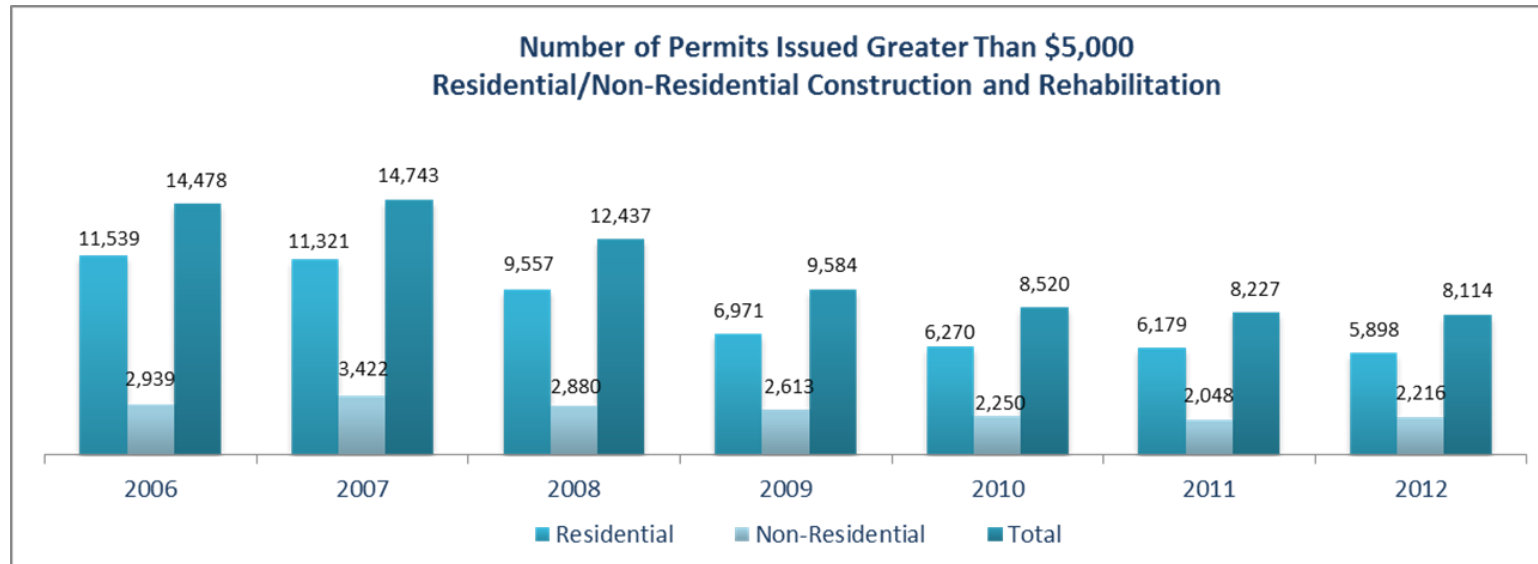
Reduce the Effective Tax Rate for Homeowners



- The recommended budget includes:
 - A reduction to the effective property tax rate for City homeowners to \$2.168 per \$100 of assessed value, representing a ten cent (4.5%) cut over two years under the *20 Cents by 2020* initiative



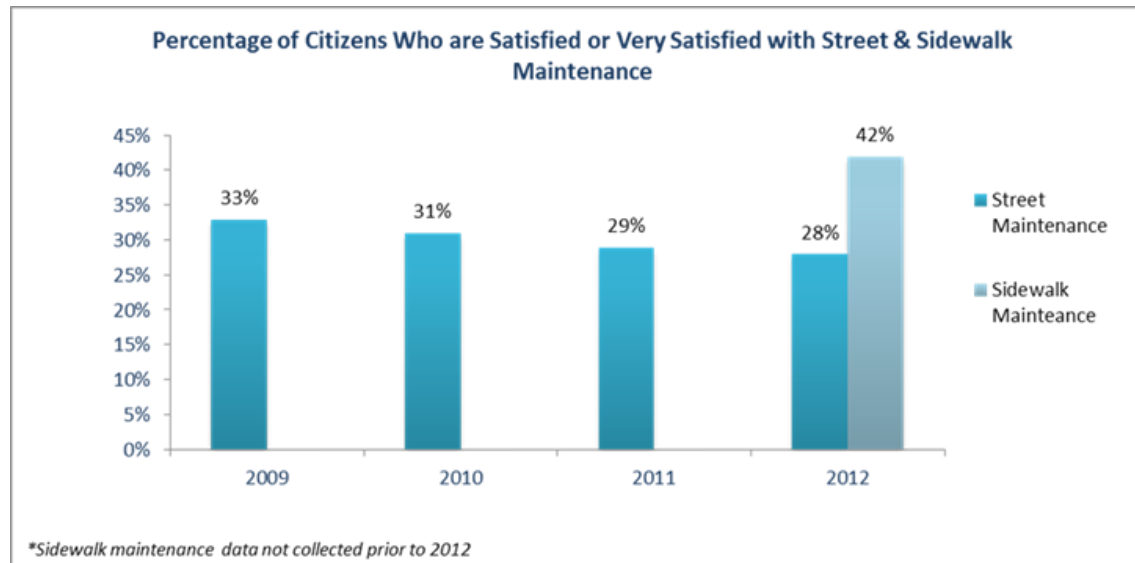
Improve Condition of Private Neighborhood Properties



- The recommended budget includes:
 - Maintained funding for vacant and abandoned property cleaning, graffiti removal and rat abatement efforts
 - Continued efforts to increase the number of permits residents are able to apply for and renew online
 - Code enforcement strategy that promotes new investment
 - Proactive mowing to increase the frequency of mowing abandoned lots



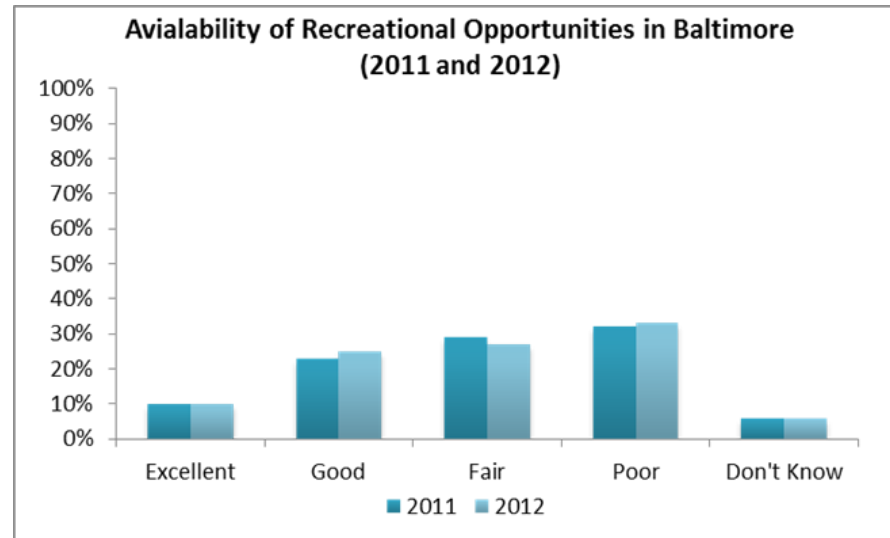
Improve Quality of Right-of-Ways in Neighborhoods



- The recommended budget includes:
 - A \$10M capital investment to ensure that at least 200 lane miles of City streets are repaved in Fiscal 2014
 - Transferring full funding for the Traffic Management Center from expiring federal grant funds to the General Fund



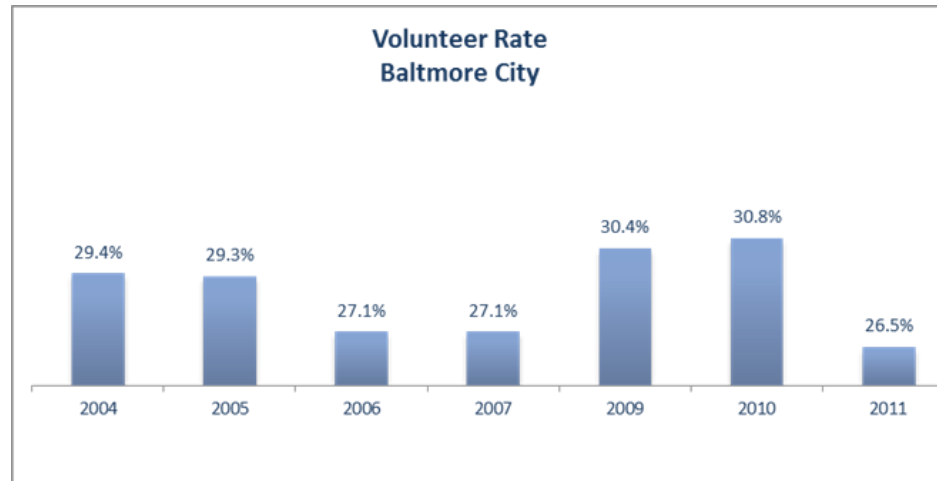
Improve Citizen Satisfaction with Neighborhood Services



- The recommended budget includes:
 - Funding to support a Memorial Day to Labor Day pool schedule as well as operating 3 splash pads
 - Enhancement funding for Recreation Centers to prevent the closure of 8 after-school centers, purchase equipment for newly opened facilities, and with an investment of \$5 million for Recreation Center upgrades



Increase Citizen Engagement



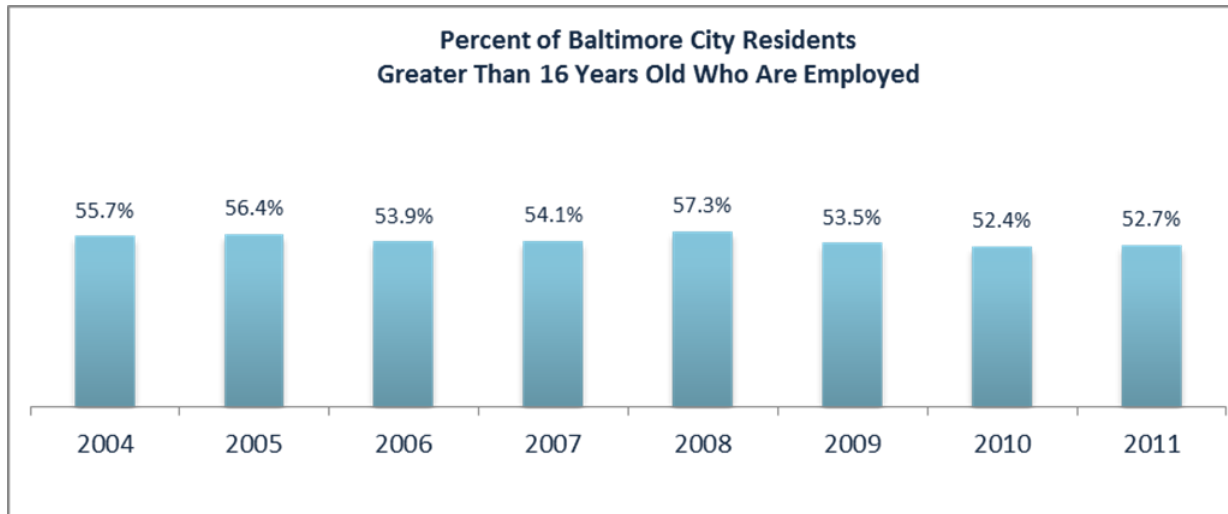
- The recommended budget includes:
 - Continued coordination of the Urban Farm Initiative through Recreation & Parks and the Mayor’s “Power in Dirt” program.



A GROWING ECONOMY



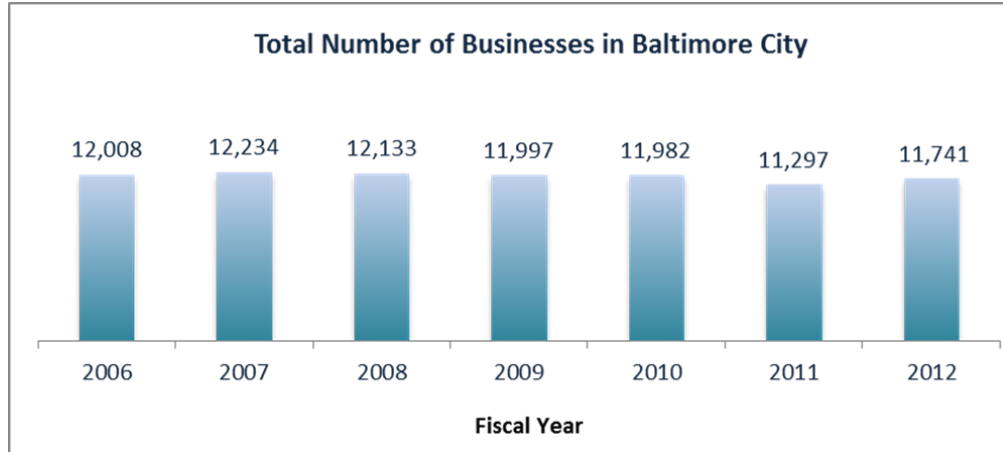
Increase the Number of Residents with a Job



- The recommended budget:
 - Maintains funding for the YouthWorks program to provide public and private sector work opportunities for 5,300 of Baltimore’s youth
 - Enhances funding from Community Job Hubs to provide employment services and technical training to Baltimore residents
 - Continues increased General Fund support for the Baltimore Development Corporation



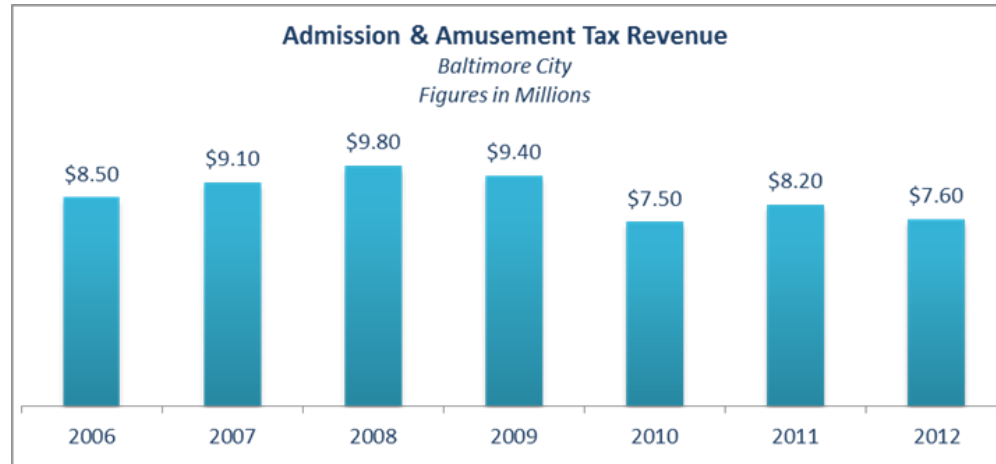
Increase the Total Number of Businesses in Baltimore



- The recommended budget:
 - Fully funds the Small Business Resource Center to provide support to newly created small businesses
 - Provides enhancement funding to the Emerging Technology Center to support the newly developed Co-working Initiative
 - Continues funding for the Baltimore Development Corporation's efforts to attract and retain businesses



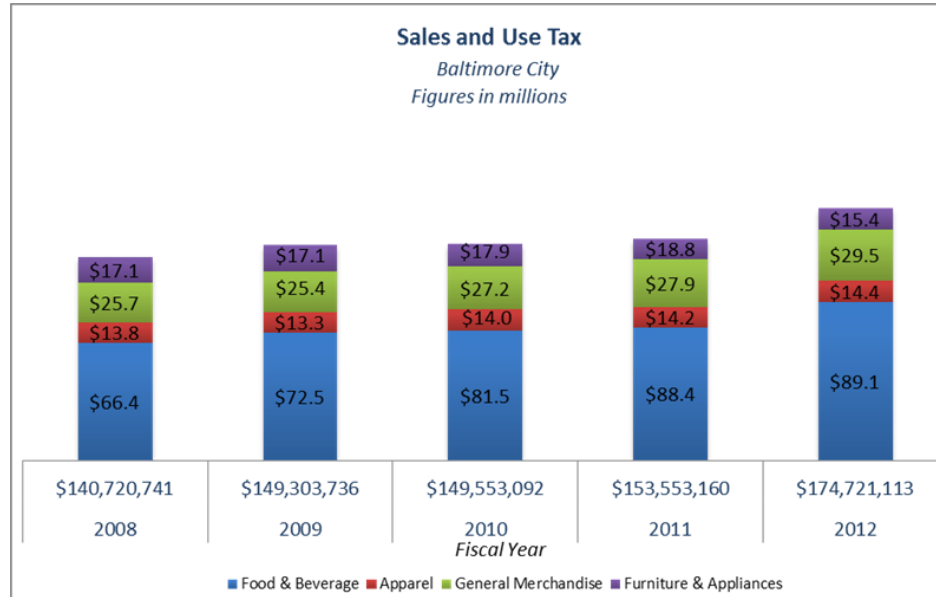
Increase Economic Activity From Tourism & Entertainment



- The recommended budget:
 - Increases funding for Visit Baltimore
 - Provides enhanced funding to improve BOPA's Free Fall website



Increase the Total Amount of Retail Activity



- The recommended budget includes:
 - Funding for a new Food Desert strategy to expand access to healthy food and connect urban farms to convenience stores
 - Continued support for the Main Streets Program



Increase Citizen Perception of Cultural Activities



- The recommended budget:
 - Maintains funding for key cultural institutions in Baltimore
 - Provides enhancement funding for Live Baltimore to promote the 'Live Near Your Work' homeownership incentive program



INNOVATIVE GOVERNMENT

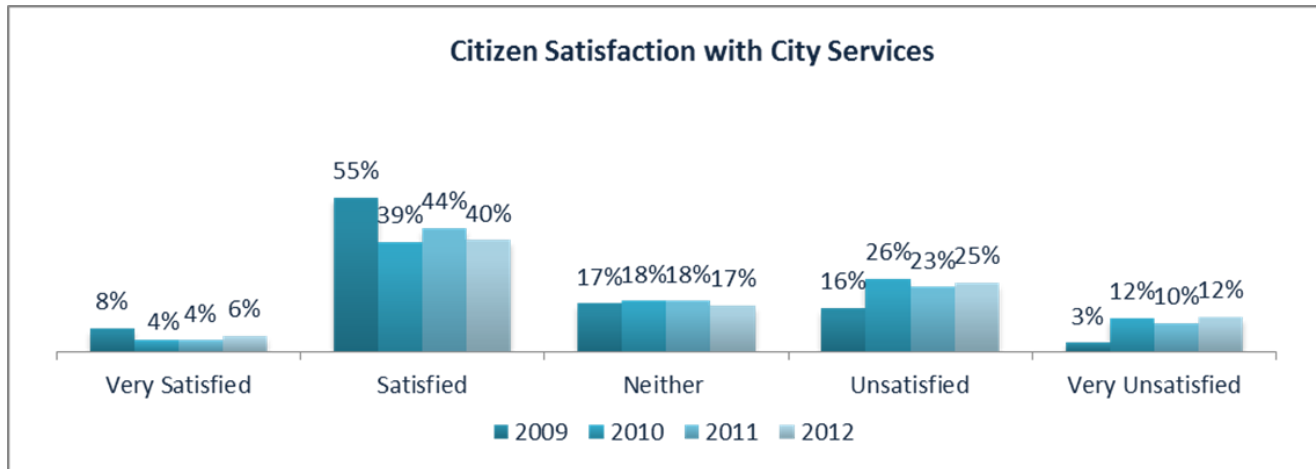


Maintain a Well-Trained Workforce

- Citywide indicators for this goal are currently under development
- The recommended budget includes:
 - A strategy for COB University to be self-supporting by expanding online learning, consolidating class offerings, and charging appropriately for its services
 - Enhancement funding for project management training in DGS and diversity training in the Fire Department



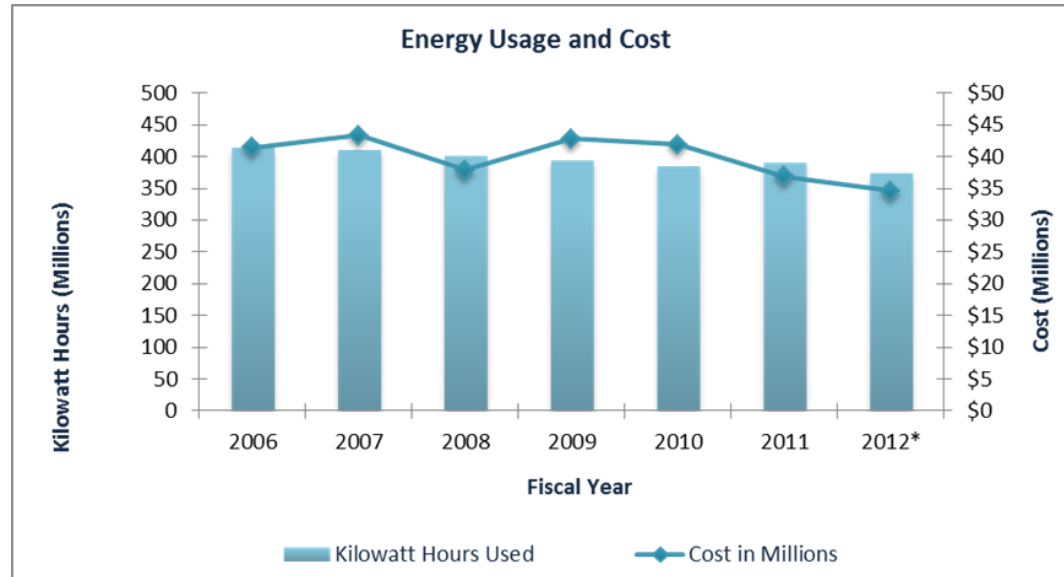
Increase Customer Satisfaction



- The recommended budget:
 - Provides \$1 million for audits under new charter provision
 - Extended 311 Call Center hours
 - A \$1.8 million investment in four new Innovation Fund projects



Reduce the City's Energy Costs



- The recommended budget includes:
 - Implementation of the Fleet Modernization Plan to reduce fuel usage
 - Funding through the Customer Investment Fund for energy efficiency upgrades
 - Continued conversion of street lights to LED

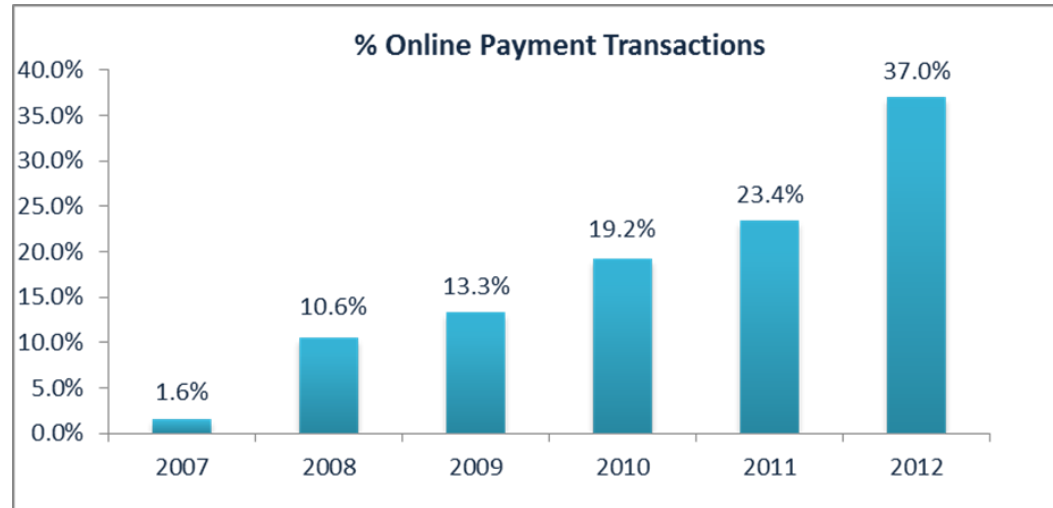


Reduce Space Utilization Costs

- Citywide indicators for this goal are under development
- The recommended budget includes:
 - The continued transition of City offices currently located in private buildings to City owned buildings, where cost effective
 - The city has reduced its rental payments to private building owners by \$1 million over the past two fiscal years



Increase Citizen Access to City Services



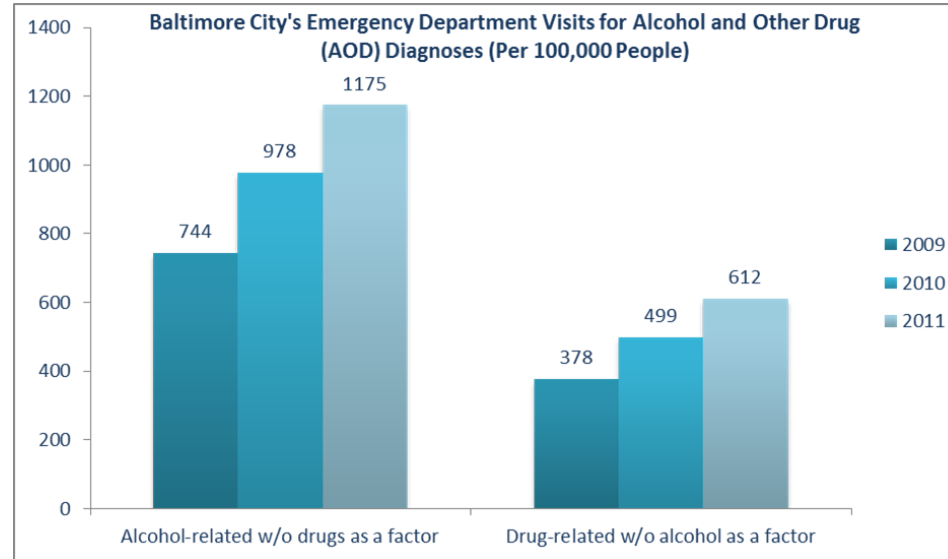
- The recommended budget includes:
 - \$5 million in capital funding to modernize outdated business applications
 - Enhancement funding to develop a central database of City addresses



A CLEANER AND HEALTHIER CITY



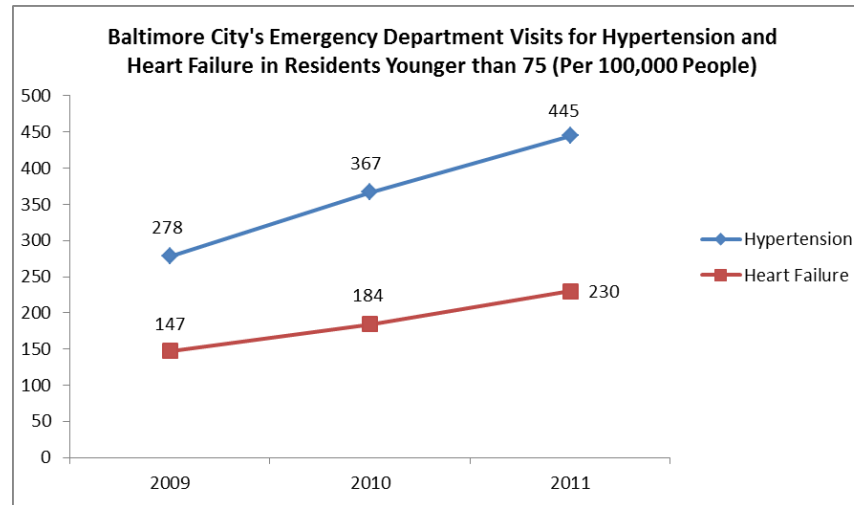
Decrease the Number of Alcohol and Drug-Related ER Visits



- The recommended budget includes:
 - Maintained funding for core health services
 - A new family homeless shelter to replace the Guilford Street shelter



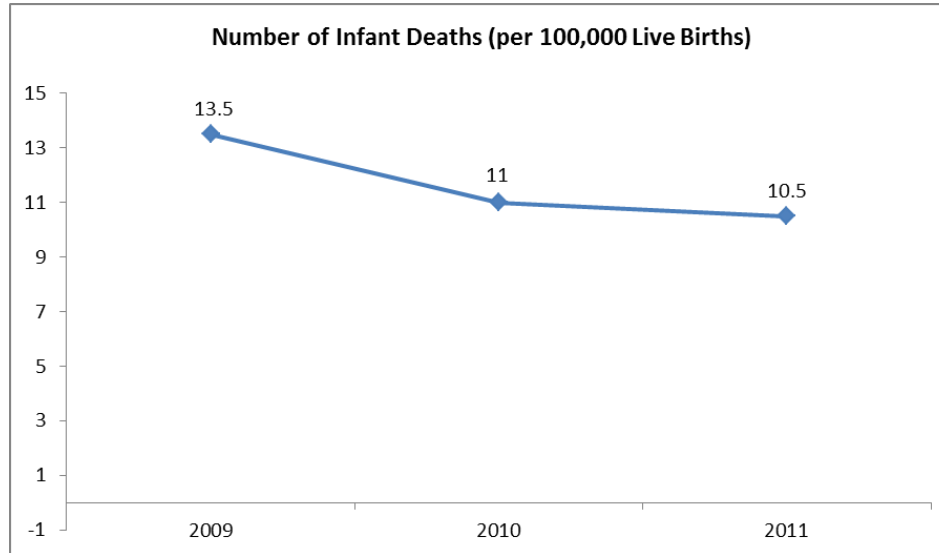
Decrease Health Inequalities



- The recommended budget includes:
 - Funding for chronic disease prevention focused on cancer screening and smoking cessation education in community-based settings
 - Maintained funding for the Healthy Homes program that will continue to engage community groups to provide education on lead safety, asthma management, and other health issues



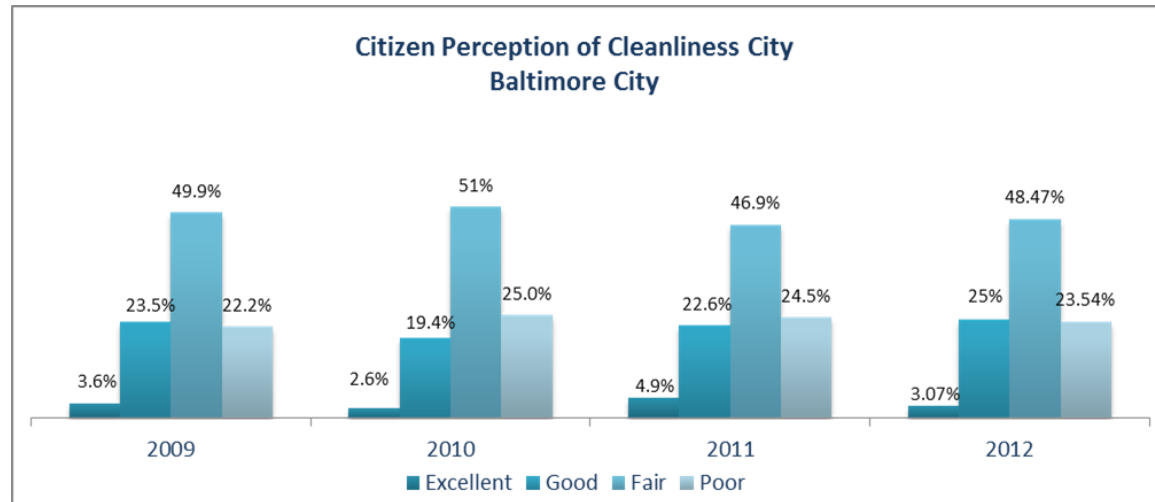
Decrease Infant Mortality



- The recommended budget includes:
 - Enhanced funding for the evidence-based Baby Basics program to promote positive birth outcomes and maternal literacy
 - Maintained funding for Maternal and Child health services utilizing case management to support at-risk mothers



Increase Citizen Satisfaction with City's Cleanliness



- The recommended budget includes:
 - Full funding for core sanitation services
 - Funding to begin a proactive mechanical street sweeping cleaning effort that will allow every City street to be cleaned at least once monthly



Increase Impervious Surfaces Treated for Water Pollutants

- Citywide indicators for this goal are currently under development
- The recommended budget includes:
 - The operation of a new fee-supported stormwater utility to meet State and federal water quality mandates and properly maintain the city's neglected stormwater infrastructure



Increase Recycling Rates



- The recommended budget includes:
 - Enhancement funding to carry out the Waste to Wealth Initiative, aimed at diverting recyclable materials away from landfills



Customer Investment Fund Grant

Agency	Service	Project Name	3 Year Funding	FY14 Budget
Planning	765	Baltimore Energy Challenge	\$3,119,782	\$1,039,927
Human Services	741	Case Management	3,312,118	1,104,039
DGS	730	Cogeneration	5,196,555	4,000,000
Human Services	741	Energy Assistance	1,885,105	628,368
Planning	765	Energy Efficiency (Public Awareness)	7,415,556	2,471,852
Housing	738	Energy Efficiency Plus	19,839,215	6,021,473
DGS	730	Retrofits & Upgrades	10,393,110	5,000,000
Planning	765	Urban Heat Island Mitigation	1,714,863	571,621
		TOTAL	\$52,876,304	\$20,837,281



State and Federal Funding

- City operating budget relies on more than \$500M from State and federal sources.
- Teacher pension shift and new MOE law put added pressure on the General Fund budget.
- Gas tax increase will provide millions for key transportation projects, but not HUR.
- Federal sequestration will have real impacts on health, housing, job training, public safety, education and other services.