Baltimore’s Budget

OCTOBER 2, 2019
Agenda

Budget Overview
Baltimore’s Budget Processes
Fiscal 2020 Budget
Questions
Balancing Act
Equity in Budgeting Discussion
Budget Overview

Baltimore has two budgets: Operating and Capital

- Operating funds the daily business of the City, specifically covering programs, services, staff, and supplies.

- Capital funds physical infrastructure projects for the City, specifically major renovations and replacements that are long-term investments

Total 2020 budget is $3.5 billion
Capital v. Operating Budget

CAPITAL

OPERATING
Capital v. Operating Budget

CAPITAL

OPERATING
## Types of Capital Projects

- Roads
- Bridges
- Bike Lanes
- Sidewalks
- Major Software Systems
- Cultural Attractions
- Schools
- Libraries
- Municipal Buildings
- Police & Fire Stations

- Senior Centers
- Health Clinics
- Convention Center
- Parks
- Recreation Centers
- Water/Sewer Pipes
- Sewage Treatment Plants
- Water Treatment Plants
- Pumping Stations
- Stormwater Infrastructure

- Demolition of Vacant/Abandoned Buildings
- Housing Redevelopment Projects
- Public Markets
- Economic Development Projects
Budget Preparation

Department of Finance
- Tax Rates, Debt Levels, Big-Picture Financial Planning

Dept. of Finance/Bureau of Budget & Management Research
- Operating Budget Preparation

Dept. of Planning
- Capital Budget Preparation
Where the Money Comes From - Operating

General Fund: is the City's largest fund. It includes all local taxes paid by residents, businesses and visitors. Policy-makers have the most management flexibility over how dollars are spent.

Grant Funds: are legally required to support specific programs and initiatives. The City receives funding from Federal, State and other special or private grantors.

Enterprise Funds: are used for operations in which the cost of services is covered primarily through user charges, which are determined based on consumption.
General Fund by Revenue Source
2020 Total = $1.97 billion
Property Tax Growth

Real and Personal Property Tax Revenues*
(Dollars in Millions)

*Real and personal property tax revenues are net of the Homestead Tax Credit
Effective Property Tax Rate History
(Per $100 of Assessed Value)

- 2011: $2.268
- 2012: $2.268
- 2013: $2.249
- 2014: $2.155
- 2015: $2.130
- 2016: $2.124
- 2017: $2.107
- 2018: $2.100
- 2019: $2.074
- 2020: $2.048

$0.20 Property Tax Reduction

- Graph shows a downward trend in tax rates from 2011 to 2020.
- Effective rate is consistently lower than the property tax rate.
Stronger Income Tax Base
Where the Money Comes From - Capital

Revenue vs. Debt Sources

- Revenue Loans: 37%
- General Obligation Bonds: 13%
- County Transportation Revenue Bonds: 2%
- County Grants: 9%
- Other: 9%
- General Funds (PAYGO): 6%
- General Funds (HUR): 2%
- Utility Funds: 6%
- Federal: 12%
- State: 4%
Where the Money Comes From - Capital

Local, non-utility / general fund backed sources = $145,000,000
Where the Money Comes From - Capital

General obligation bonds = $80,000,000
2018 Loan Authorization

Question A: Affordable Housing  
$10,000,000 over 2 years  
Eligible uses of this new loan include acquisition, preservation, production of new housing, demolition, rental assistance, housing counseling and project finance comprised of loans or grants as well as other related activities.

Question B: Schools  
$38,000,000 over 2 years  
Provides funding for dozens of systemic improvements to City school buildings (roofs, HVAC, windows, etc.) along with a few major renovations, replacements and additions.

Question C: Community and Economic Development  
$47,000,000 over 2 years  
Provides funding for a range of community and economic development uses from renovation of cultural institutions and other community assets to acquisition and demolition of vacant homes.

Question D: Parks and Public Facilities  
$65,000,000 over 2 years  
Provides funding to improve public buildings and land, including libraries, parks, recreation centers, court buildings, fire stations, municipal buildings, information technology infrastructure, and other city-owned properties

Total: $160,000,000 over 2 years
Where the Money Goes - Operating

Allocation by Function

2020 Operating Budget = $2.93 billion

- Public Safety: 44.3%
- Education & Youth Engagement: 19.0%
- Quality of Life: 14.7%
- Other: 11.7%
- Accountability & Transparency: 6.5%
- Economic Development & Jobs: 3.8%
2020 Capital Budget = $627,464,000
Where the Money Goes - Capital

FY20 Local, Non-Utility Fund Sources
($145 million total)
Baltimore’s Budget Processes
<table>
<thead>
<tr>
<th>November</th>
<th>December</th>
<th>January-March</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
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<tbody>
<tr>
<td>Department of Finance determines CLS funding levels</td>
<td>City agencies submit budget request proposals for next Fiscal Year</td>
<td>Department of Finance evaluates proposals and recommends actions to the Mayor</td>
<td>Department of Finance sends recommended budget to the Board of Estimates</td>
<td>Board of Estimates holds hearings with agency heads</td>
<td>Board of Estimates approves total budget and sends to City Council</td>
<td>City Council votes on budget and sends to Mayor</td>
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<td>Mayor’s Office identifies City objectives and key strategies</td>
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<td>Mayor may approve the total budget or disapprove some items and approve the rest</td>
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Currently, residents are able to engage in the budget process at these two events.
Our Financial Principles

- Charter-mandate to have a balanced budget
- Establish a budget that gets the best value for the investment (Priority Outcomes)
- Ensure that the City is fiscally responsible and healthy
  - Bond rating
  - Rainy day fund
  - Debt ratio
- Keep the City on a sustainable fiscal path
Baltimore's Priority Outcomes & Indicators

EDUCATION & YOUTH ENGAGEMENT
- Academic Achievement
- College & Career Readiness
- Infant Mortality

ACCOUNTABILITY & TRANSPARENCY
- Prompt Vendor Payment
- 311 Responsiveness

QUALITY OF LIFE
- Recycling Rate
- Citywide Energy Use
- Water Cleanliness
- Recreational Opportunities
- Blight Elimination
- Childhood Asthma

PUBLIC SAFETY
- Shootings
- Property Crime
- Heroin-related Deaths

ECONOMIC DEVELOPMENT & JOBS
- Number of Jobs
- Employment Rate
- Visitors to Baltimore
Capital Improvement Program Process

• By City Charter, the Planning Commission must submit a recommendation for the six-year Capital Improvement Program (CIP) to the Board of Estimates.

• The first year of the CIP becomes the basis for the capital component of the Ordinance of Estimates (budget), adopted by City Council.

• The six-year CIP begins again each year.
Planning Provides Agencies with Fund Targets

Agencies Submit Projects for Consideration

Planning Staff Conducts Detailed Review of Projects

Planning Commission Vote

Planning Commission Formulates Recommendations

Agencies Present Priorities to Planning Commission

Board of Finance Votes

Board of Estimates Votes

City Council Votes (First Year Only)
Planning Provides Agencies with Fund Targets

Agencies Submit Projects for Consideration

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Planning Commission

Agencies Present Priorities to Planning Commission

Planning Commission Vote

Condition and needs assessments

Agency plans and stakeholder engagement

Board of Finance Votes

Neighborhood and citywide plans

City Council Votes (First Year Only)
Planning Provides Agencies with Fund Targets

Agencies Submit Projects for Consideration

Planning Staff Conducts Detailed Review of Projects

Planning Commission Formulates Recommendations

Agencies Present Priorities to Planning Commission

Planning Commission Vote

Attend hearings and provide feedback/comment

Board of Finance Votes

Board of Estimates Votes

City Council Votes (First Year Only)
Planning Commission Evaluation Criteria

- Necessary to protect public health and safety
- City funding will leverage other fund sources
- Capital investment will result in operating savings
- Fulfills a state or federal mandate
- Necessary to implement a priority housing or economic development project
- Promotes private-public partnerships
- Implements the City’s Comprehensive Master Plan, area master plans and/or agency/institution’s master plan
- Implements the City’s Sustainability Plan
- Agency has prioritized the project
- Promotes equity
Planning Provides Agencies with Fund Targets → Agencies Submit Projects for Consideration → Planning Staff Conducts Detailed Review of Projects

Planning Commission Vote → Planning Commission Formulates Recommendations → Agencies Present Priorities to Planning Commission

Board of Finance Votes → Board of Estimates Votes → City Council Votes (First Year Only)
Equity in the Budget
Measuring Equity – Capital Budget

Per Capita CIP Allocations, FY 2018-2020

<table>
<thead>
<tr>
<th>Type of Equity</th>
<th>Community Based Indicators</th>
<th>Data Definition</th>
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<tbody>
<tr>
<td>Distributional Equity</td>
<td>Race</td>
<td>Percent of residents who are non-Hispanic Black/African American or White/Caucasian</td>
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<td>Diversity</td>
<td>The percent chance that two people picked at random within an area will be of a different race/ethnicity</td>
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<td>Income</td>
<td>Median household income</td>
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<td></td>
<td>(Source: American Community Survey)</td>
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<td>Transgenerational Equity</td>
<td>Age</td>
<td>Percent of residents who are under 5 years old, between 5 and 17 years old and over 65 years old.</td>
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<td>(Source: American Community Survey)</td>
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<tr>
<td>Procedural Equity</td>
<td>Plan Year</td>
<td>The most recent year an area master plan or study was adopted by the Baltimore City Planning Commission</td>
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<td>Structural Equity</td>
<td>Vacancy</td>
<td>The percentage of residential properties that have been classified as being vacant and abandoned by the Baltimore City Department of Housing</td>
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<td>Crime</td>
<td>The violent crime rate captures incidents of homicide, rape, aggravated assault, robbery, burglary, larceny, and auto theft that are reported to the Police Department</td>
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<td>Life Expectancy</td>
<td>The average number of years a newborn can expect to live through their lifespan calculated by the Health Department</td>
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<td>Property Type</td>
<td>Ratio of commercial vs. residential properties from MD Property View</td>
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Measuring Equity – Capital Budget

Ratio of Per Capita CIP Allocations by Percent of Residents - Black/African-American, FY14-FY20

Percent of Residents - Black/African-American
- <22%
- 70% to 91%
- 53% to 69%
- <32%

Ratio of Per Capita CIP Allocations FY14-20 by Median Household Income

Median Household Income
- >$54,000
- $40,000 to $53,999
- $34,000 to $39,999
- <$33,999
Percent of Annual CIP Allocations with Specific Locations (Mapped)
Operating Budget

Working to finalize processes and procedures that budget through an equity lens.

- Looking at ways to infuse equity in the budget proposal process
  - Requiring agencies to answer certain questions related to equity
  - Including equity in our evaluation criteria for certain parts of the budget
  - Identifying services within agencies to conduct deeper analyses

- Engaging with residents across the city throughout the budget process
  - New pop-ups at libraries across the City, as well as farmers markets
  - Presenting in coordination with City Council offices and Community Association meetings

- Talking with other jurisdictions about their processes and procedures to inform our work
How to Engage with BBMR and Planning

**BBMR**
- Our Website: budget.baltimorecity.gov
  - Review annual budget publications, management research reports, and 10 Year Plan
- Attend Events and Hearings
- Host a Budget 101 Presentation
- Social Media: Facebook, Twitter (@BaltimoreBudget)

**Planning**
- Our Website: planning.baltimorecity.gov
  - Review CIP reports, maps, presentations
  - Find public hearing/event schedule for FY21-26
- Attend Planning Commission presentations
- Request CIP Overview Presentation for community/neighborhood group
- Social Media: Facebook, Instagram
Questions?