

City Financial Update

for the Planning Commission

Baltimore Bureau of the Budget & Management Research



Agenda

- **Fiscal 2020 Closeout**
- **Fiscal 2021 Update & Federal Aid**
- **Fiscal 2022 Outlook**
- **Fiscal Risks**

Fiscal 2020 Closeout

Fiscal 2020	Adopted Budget	Closeout (unaudited)	Surplus / (Deficit) vs. Adopted
Revenue	\$1,967.2M	\$1,945.6M	(\$21.6M)
PAYGO Capital	50.0M	50.0M	0.0M
Baseline Expenditures	1,917.2M	1,877.3	39.9M
COVID Expenditures	0.0M	32.6M	(32.6M)
Surplus / (Deficit)	\$0.0M	(\$14.3M)	(\$14.3M)

Key Trends

- In the 4th Quarter of Fiscal 2020, the City saw sharp declines in a variety of revenue sources due to COVID-19, including hotel tax, convention center income, admissions tax, and parking-related revenues.
- The City also incurred direct expenses for the response to COVID-19.
- The Board of Estimates authorized the use of up to \$25M from the City's Rainy Day Fund to close the General Fund in balance, which is required by the City Charter.

Federal Aid: Eligibility Rules

FEMA

- City must apply for funding; no cap
- City estimates **\$60 million** of costs to be reimbursed.
- 25% match required
- No end date set for pandemic emergency; FEMA may announce at any time
- Eligible activities:
 - Food purchase/distribution
 - Quarantine sheltering
 - Public health messaging
 - PPE for COVID responders
- Contact tracing not eligible
- Covers OT, temp/contract workers

CARES

- Funds provided directly to jurisdiction
- City has received **\$103 million**.
- Three eligibility tests for costs:
 - Must be incurred by 12/30/2021
 - Necessary due to pandemic emergency
 - Not included in City budget
- Eligible activities include:
 - contact tracing and testing
 - hazard pay, telework for City staff
 - economic support for businesses/families/individuals
- Covers salaries for FTE public employees responding to COVID

Federal Aid: CARES Allocation

Expected CARES Allocation	\$ in millions
Eviction Prevention	20.0
Hazard Pay	20.0
FEMA match	19.6
Small Business / Restaurant support	7.5
Building Retrofits	6.3
Non-Profit support	5.0
Tourism Reboot	5.0
Contact Tracing	4.0
Childcare Support	4.0
Convention Center Hotel	3.5
PPE Stockpile	3.0
Other	5.1
TOTAL	103.0

Fiscal 2021 1st Quarter Update

Fiscal 2021 1 st Quarter	Adopted Budget	1 st Quarter Projection
Revenue	\$1,932.8M	\$1,932.4M
PAYGO Capital	0.5M	0.5M
Expenditures	1,923.0M	\$1,979.4
Surplus / (Deficit)	\$9.3M	(\$47.5M)

Key Trends

- Fiscal 2021 revenues were written down by \$103 million in April to reflect the expectation that COVID-related impacts would continue at least through the 1st Quarter of Fiscal 2021.
- Through the 1st Quarter of Fiscal 2021, revenues are projected \$0.4 million below that budget estimate.
- The main driver is sharply reduced parking revenues, due to fewer drivers and parkers, and the waiver of enforcement actions in the early stages of the pandemic.
- The Expenditure projection includes a variety of unbudgeted programs that the City is providing during COVID-19, such as food distribution, sheltering, and PPE purchases.
- The City expects to be reimbursed by FEMA for many of these costs, but there is generally a long lag between submissions and reimbursement.

Fiscal 2022 CLS

Fiscal 2022	Fiscal 2021 Adopted	Fiscal 2022 CLS
Revenue	\$1,932.8	\$1,967.4
Expenditures	1,923.0	1,970.0
PAYGO Capital	0.5	15.0
Surplus / Deficit	\$9.3	(\$17.6)

Key Assumptions

- Assumes continued modest and slow recovery from the COVID-19 disruption in spring of 2020, with no further disruptions in Fiscal 2022.
- Assumes no further aid from Federal sources (FEMA, CARES, etc..)
- Does not include additional mandated costs from Kirwan, which was vetoed by the Governor but could still be overridden by the General Assembly in 2021.

Fiscal Risks

Kirwan Education Costs

- The Kirwan legislation was passed by the General Assembly in 2020, but was vetoed by the Governor.
- A veto override is possible in the 2021 General Assembly session.
- The proposed State-Local cost share is inequitable.
 - Baltimore City would require a 55% increase in local funding vs. current law.
 - Other large jurisdictions would require only a 11-20% increase.

Estimated Increase in Baltimore City Contribution to Schools under Kirwan vs. Current Law (in millions)

FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
46.4	53.5	76.6	87.6	100.3	114.4	131.2	150.1	170.6

Police Legal Liability

Risk	Type	Liability Estimate
High	One-Time	\$50M+

Background

- The City is beginning to settle claims from the GTTF scandal, and is also facing historical claims for wrongful imprisonment.
- If claims are heard in Federal court, damages are uncapped.
- The “market” rate is considered to be \$1 million for every 1 year of wrongful imprisonment.
- The City argued that GTTF officers weren’t acting with the “scope of their employment,” but the State Court of Appeals rejected this argument, which opens up the City to further claims.

Latest Developments

- Of the total 32 cases pending, 27 have been settled and have gone to BOE for approval for a total of \$13.4 million.
- There are still additional historical cases outstanding that include long conviction prison terms (over 30 years each) which could lead to large settlements or jury awards.

Questions?

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