Baltimore’s Operating Budget

OCTOBER 3, 2018
Overview

- Budget 101
- FY19 Budget Predictions
- Our Priorities
- Ten-Year Plan
- Balancing Act Activity
The City of Baltimore’s Budget Process

**Operating Budget**

- Mayor’s Office issues Guidance Documents identifying City Objectives and key strategies.
- City agencies submit budget proposals responsive to the City Objectives and key strategies.
- The Department of Finance evaluates and ranks agency proposals, and makes funding recommendations to the Mayor.
- The Department of Finance sends its recommended operating budget to the Board of Estimates.

**Capital Budget**

- November: City agencies receive guidance documents from the Department of Planning.
- December: Agencies submit requests to the Planning Department. Planning performs detailed review of agency requests.
- January-March: Planning Commission evaluates agency requests. Agencies give presentations to the Commission on their capital priorities.
- March: Planning Commission and the Board of Finance approve the 2-year Capital Improvement program.

**Process Details**

- **April**: The Board of Estimates holds hearings on the budget. Agency heads participate. The recommended budget is amended as necessary.
- **April**: The Board of Estimates holds a “Taxpayers’ Night” to get citizen input before it votes on the budget.
- **May**: A majority vote of the Board of Estimates approves the total budget and sends it to the City Council.
- **May**: The City Council holds hearings on the total budget. Citizens and agency heads attend.
- **May**: The City Council holds a “Taxpayers’ Night” for final citizen input before it votes on the budget.
- **June**: The City Council votes on the budget and sends it to the Mayor.

- **June**: May approve total budget. Mayor
- **July**: The adopted budget is monitored through the City’s system of expenditure controls.
- **July**: May disapprove some items and ask the Council to reconsider.
Where the Money Comes From

Operating Budget by Revenue Source

- 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

2019 Total = $1,882.8 million
Where the Money is Spent

2019 Operating Budget = $2.82 billion

Allocation by Function

- Public Safety 28%
- Sanitation 19%
- Education 13%
- General Government 10%
- Transportation 5%
- Debt Service 5%
- Economic Development & Culture 5%
- Health 4%
- Retiree Health & Benefits 3%
- Housing & Community Development 2%
- Social Services 2%
- Adjudication 2%
- Recreation 2%
- Other 1%

2019 Operating Budget = $2.82 billion
Fiscal 2019 (July 1, 2018–June 30, 2019)

- **$45M** 2.4% increase in revenue
- **$35M** 1.9% increase in expenditures

**GENERAL FUND BUDGET**
- **$1.88B**

- **$10M** surplus

- **New Initiatives**
- **Offset New Costs**
- **One-Time Investments**

Fixed costs (e.g., retiree benefits, debt service, school funding) limit the city’s options for reducing the budget.
Continued Property Tax Growth
A Stronger Income Tax Base
Increase in One-Time Multimillion Dollar Transactions
Increase from Speed Cameras and Red-Light Violations

Speed and Red Light Camera Violation Revenues
(Dollars in Millions)
Fixed Costs
Reducing Fixed Costs Expands Budget Options

Note: Current revenues exclude fund balance and prior year reserve
Our Priorities

- Charter-mandate to have a balanced budget
- Establish budget through Outcome Budgeting
  - A process that aligns resources with results
  - Start with what results matter most to citizens and fund initiatives that will impact those areas
  - Organized at the service level around the City’s Five Pillars, NOT around Agencies

<table>
<thead>
<tr>
<th>OLD WAY</th>
<th>NEW WAY</th>
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</thead>
<tbody>
<tr>
<td><strong>Starting Point:</strong></td>
<td><strong>Starting Point:</strong></td>
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<tr>
<td>Last year’s spending</td>
<td>Next year’s goals</td>
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<tr>
<td><strong>Funding Targets:</strong></td>
<td><strong>Funding Targets:</strong></td>
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<tr>
<td>By agency</td>
<td>By Priority Outcome</td>
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<tr>
<td><strong>Agency Submission:</strong></td>
<td><strong>Agency Submission:</strong></td>
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<tr>
<td>How allocation will be spent</td>
<td>Proposal to achieve Results</td>
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<tr>
<td><strong>Debate:</strong></td>
<td><strong>Debate:</strong></td>
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<tr>
<td>What to cut</td>
<td>What to keep</td>
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</tbody>
</table>
Mayor’s Five Pillars

Outcomes & Indicators

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

**ACCOUNTABILITY & TRANSPARENCY**
- Prompt vendor payment
- 311 Responsiveness
- Open Baltimore Datasets

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

**ECONOMIC DEVELOPMENT & JOBS**
- Number of Jobs
- Employment Rate
- Visitors to Baltimore

**QUALITY OF LIFE**
- Recycling Rate
- Citywide Energy Use
- Waterways
- Recreational Opportunities
- Blight Elimination
- Childhood Asthma
# Ten Year Forecast

## BASELINE ESTIMATE

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>1,834.9</td>
<td>1,880.5</td>
<td>1,924.8</td>
<td>1,949.7</td>
<td>1,993.6</td>
<td>2,039.0</td>
<td>2,078.4</td>
<td>2,116.9</td>
<td>2,158.4</td>
<td>2,193.8</td>
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<tr>
<td>Expenditures</td>
<td>1,813.5</td>
<td>1,853.0</td>
<td>1,910.7</td>
<td>1,962.9</td>
<td>2,023.5</td>
<td>2,090.3</td>
<td>2,127.4</td>
<td>2,187.0</td>
<td>2,244.0</td>
<td>2,305.5</td>
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<tr>
<td>PAYGO Capital</td>
<td>21.4</td>
<td>17.0</td>
<td>17.0</td>
<td>17.0</td>
<td>17.0</td>
<td>17.0</td>
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Forecast **Without** Initiatives:

- **Surplus / Deficit**
  - 0.0
  - 10.6
  - (2.9)
  - (30.2)
  - (47.0)
  - (68.3)
  - (66.0)
  - (87.0)
  - (102.7)
  - (128.7)

- **Cumulative Surplus / Deficit**
  - 0.0
  - 10.6
  - 7.6
  - (22.5)
  - (69.5)
  - (137.8)
  - (203.8)
  - (290.8)
  - (393.5)
  - (522.2)

**Note:**

- **Base Revenue Growth**
  - 2.49%
  - 2.35%
  - 1.29%
  - 2.25%
  - 2.28%
  - 1.93%
  - 1.86%
  - 1.96%
  - 1.64%

- **Base Expenditure Growth**
  - 2.18%
  - 3.11%
  - 2.73%
  - 3.09%
  - 3.30%
  - 1.77%
  - 2.80%
  - 2.61%
  - 2.74%
How to Engage in the Budget

- Our Website: budget.baltimorecity.gov
- Publications each Fiscal Year
  - Budget Books
  - Summary of the Adopted Budget
  - Community Guide to the Budget
- Attend Events and Hearings (April and May)
  - Tax Payer Nights
  - Board of Estimates and City Council Hearings
- Open Budget: openbudget.baltimorecity.gov
- Social Media: Twitter (@BaltimoreBudget), Facebook, developing more
Balancing Act Activity

- Simulation of budget process for Fiscal 2019
- Includes proposed initiatives to funds and cuts to be made to agencies
- Note: This is a pilot of the website. We hope to include more recent and timely budget data in the future to gather public input.

http://baltimore.abalancingact.com/meetings/132

- Don’t forget to click submit when you’re finished!
What actually happened in FY19?

New Initiatives: Emphasizing Violence Reduction

- Police positions ($9M)
- Police budget adjustments ($5.5M)
- Roca ($1M)
- Safe Streets Expansion ($3.6M)
- Bloomberg grant operating support ($1M)
- Crime Lab Gun Intelligence ($1.3M)
- VRI rapid response ($1.6M)
- Homeless Services ($2M)
- New positions ($2M)
- CAD support ($0.9M)
- Mayor’s Scholars program ($0.5M)
- Total: $28.4M

Offset New Costs

One-Time Investments
What actually happened in FY19?

New Initiatives: Emphasizing Violence Reduction

Offset New Costs

- Health care contract rebid ($20M)
- Agency reductions ($1.7M)
- EMS fee increase ($1M)
- SDAT cost-share ($2.1M)
- Total: $24.8 million

One-Time Investments
What actually happened in FY19?

New Initiatives: Emphasizing Violence Reduction

Offset New Costs

One-Time Investments

- Additional PAYGO Capital ($6.2M)
- BCPS Capital ($2M)
- MOED grant funding gap ($1M)
- Police Strategic Command Centers ($0.8M)
- LEAD program bridge funding ($0.4M)
- Total: $10.4 million