

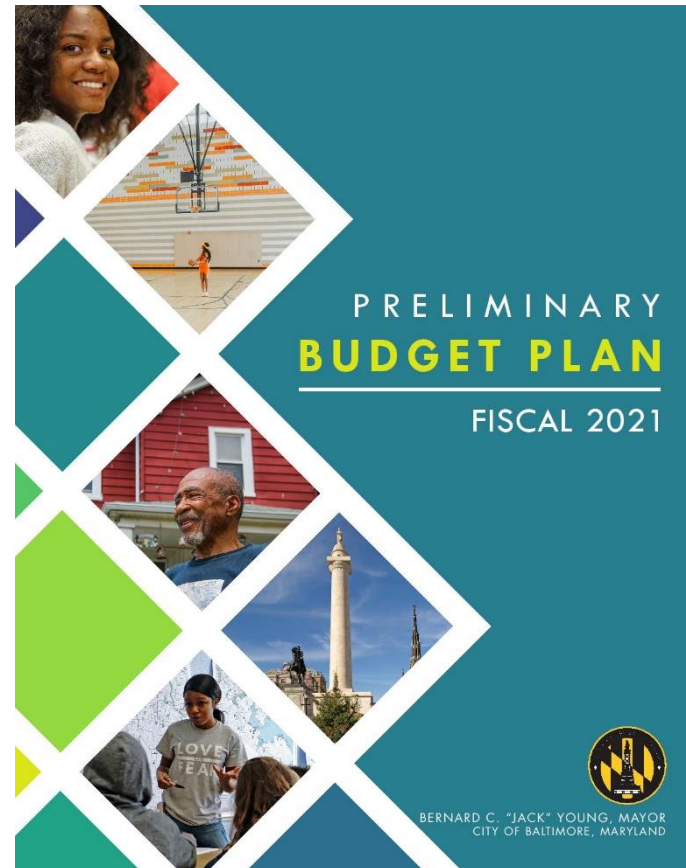
Fiscal 2021 Preliminary Budget Plan Presentation

Department of Finance | April 7, 2020



Agenda

- COVID-19 Pandemic
- Fiscal 2020
 - Fiscal Impacts of COVID-19
 - Revenue
 - Expenditure
- Fiscal 2021
 - Budget Process
 - Preliminary Budget Plan
 - Fiscal Impacts of COVID-19
 - Next Steps



COVID-19 Pandemic

- BBMR was monitoring the global COVID-19 pandemic beginning in January with an eye towards the potential fiscal implications.
- There was growing concern beginning in February as COVID-19 spread through the United States and in Maryland.
- Over the course of March, the severe financial implications of the pandemic for the City became clearer.
- Currently we are in Fiscal 2020 while planning for Fiscal 2021. **This pandemic is requiring that we rework most of the assumptions underlying our projections for both fiscal years.**

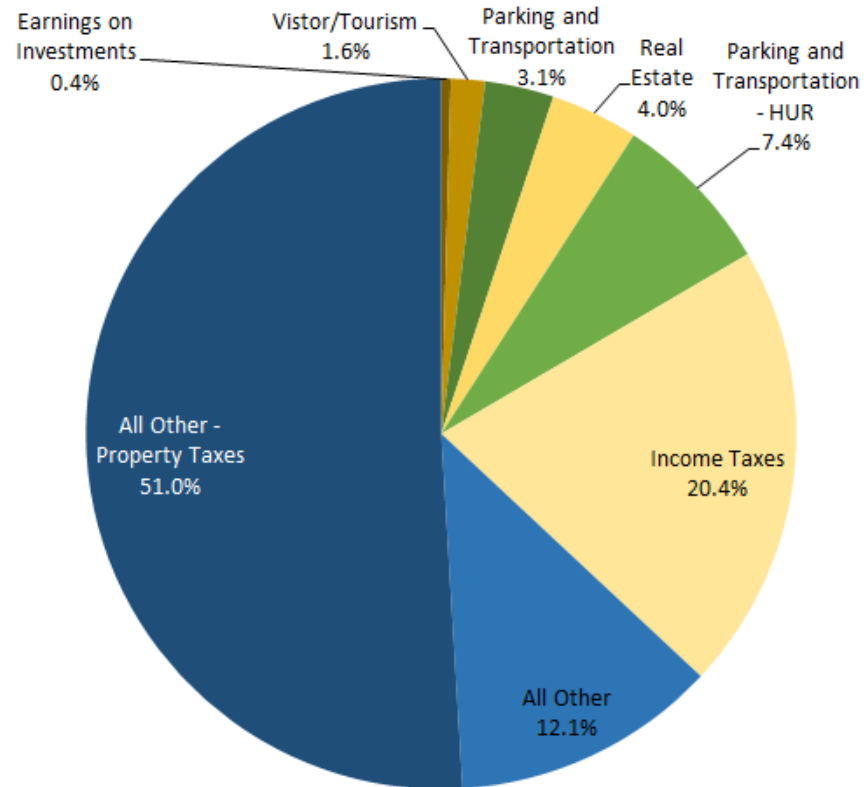
Fiscal 2020 Overview

July 1, 2019 to June 30, 2020

Revenue Impacts

- Many of the City's revenue streams are directly tied to daily economic activity.
- Due to the virus, businesses are closed, tourism and travel discouraged, and daily activities have slowed to a crawl.
- The four main revenue streams that are impacted are:
 - Transportation-related revenues
 - Visitor/tourism related revenues
 - Income tax
 - Investment earnings

Revenue Impacts



Overall, revenues are down \$68.7M.

Transportation-Related Revenues

Fewer people driving leads to:

- Fewer receipts in garage income, parking tax, parking meter revenue, parking fines, traffic cameras.
- Reduced Highway User Revenue (HUR), which is a State shared source of revenue, and is also dependent on transportation activity such as gas taxes, vehicle registration fees, titling fees, etc.



Visitor/Tourism-Related Revenues

Tourism and travel restricted and discouraged, seeing less revenue from:

- Hotel Tax – minimal occupancy at City hotels
- Convention Center – no events until emergency passes
- Admissions and Amusement Tax – very few ticketed events for the spring, such as concerts or sporting events



Market-Based Revenues

Income Tax

- Is dependent upon on people working and earning wages.
- We have seen record high numbers of applications for unemployment insurance.

Investment Earnings

- The City earns interest by investing cash balances in short-term instruments, such as money market funds and treasury bills.
- The Federal Reserve actions to lower interest rates have reduced the City's interest income.

Expenditure Impacts

The fiscal picture on the expenditure side is more mixed because while we have incurred emergency expenses, we have simultaneously limited non-essential expenses.

Emergency expenses

- Providing premium pay for critical staff: \$200 for public-facing personnel, \$100 for non-public facing
 - \$1 million per pay period, \$2 million per month.
- Purchasing personal protective equipment and cleaning supplies
- Implementing public health campaigns
- General emergency planning and preparations

Limiting non-essential expenses

- Instituting a non-essential hiring and spending freeze across all City agencies
- Several City services operating on a modified schedule or are suspended
 - Fewer costs for OT, materials, supplies, fuel and vehicle costs, etc.

Estimated Impact for Fiscal 2020

Projected year-end balance as of Quarter 2 (Pre-pandemic)	+\$26.4 million
Estimated fiscal impact of COVID-19 on FY20 budget	-\$68.7 million
Projected year-end balance as of March 2020 (Post-pandemic)	-\$42.3 million

Additional Funds

- Rainy Day Fund
 - Last resort to balance the budget, after all other reasonable actions have been taken
 - Withdrawals from the Fund must be replenished within five years
- Government Aid
 - Federal Emergency Relief Package
 - Paid sick leave and reimbursements for certain eligible groups
 - Federal Stimulus (CARES Act)
 - Relief to individuals, expansion of unemployment, and loans for small businesses and distressed companies
 - State Stabilization Fund to provide an estimated \$2.3 billion to Maryland, including **\$100 million** for Baltimore
 - State Package
 - \$175 million business relief program, including loans and grants to small businesses and non-profits

Fiscal 2021 Overview

July 1, 2020 to June 30, 2021

Baltimore's Budget Process

August to November

The City begins building a baseline budget, referred to as Current Level of Service (CLS).

This CLS budget includes projected revenues, adjustments for inflation and cost of living for employees, and all other anticipated costs for agencies.

November to January

Agencies submit budget proposals, which either include requests for additional funds or areas for spending reductions.

The Mayor, Senior Team, and Department of Finance review these proposals and finalize funding decisions.

January to April

Budget analysts work with agencies to implement funding decisions and finalize budget documents.

The Department of Finance writes the Preliminary Budget Plan, based on these documents and decisions.

April to June

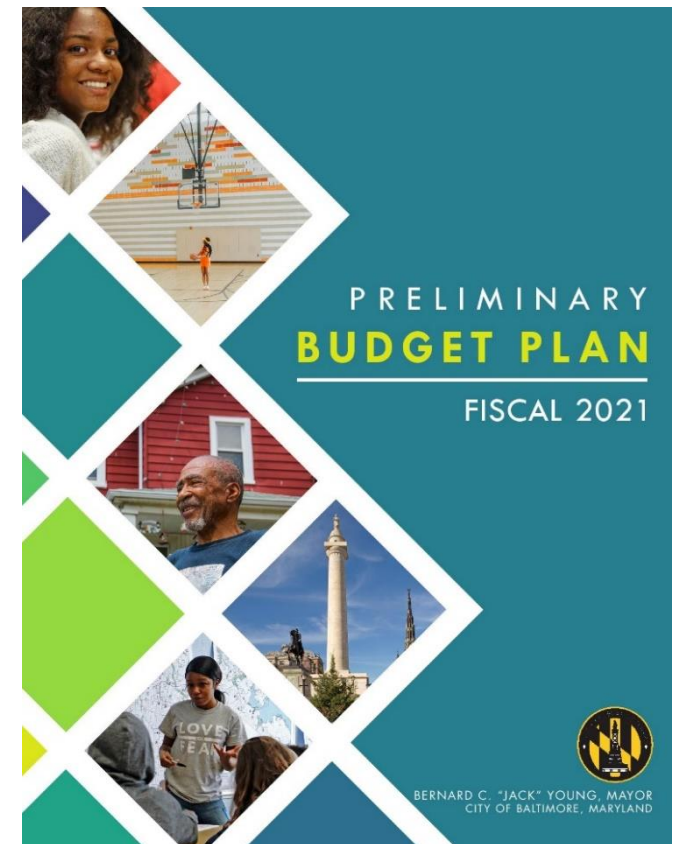
The Department of Finance submits the Preliminary Budget Plan to the Board of Estimates (BOE).

The BOE hosts public hearings and submits a final budget to City Council.

City Council holds a Taxpayers' Night and budget hearings. They must pass a budget by June 25.

Fiscal 2021 Preliminary Budget Plan

- As the pandemic was growing in severity in mid-March, we had already been putting the finishing touches on the Preliminary Budget Plan.
- Due to the speed at which this crisis escalated, we did not have time to make changes to the economic assumptions for the release of the Preliminary Budget Plan on April 1st.
- Unfortunately, the published budget is already outdated due to the circumstances, and will require significant revisions.



COVID-19 Pandemic and the Preliminary Budget Plan

We decided to release the Preliminary Budget Plan in full at this point for three reasons:

- By law, the City Charter requires the Department of Finance to release its plan in early April in order to stay on track for eventual budget passage by the end of the fiscal year.
- The Preliminary Budget Plan is the reference point for public comment and feedback at Taxpayers Night
- In order to ensure full transparency, our wish is for the Preliminary Budget Plan to serve as a marker of the City's fiscal plan before any pandemic-related revisions are made.

Scenario for Final Budget (Ordinance)

Key questions we are considering when modeling new projections:

- How long will stringent containment measures last?
- What will the economy look like once these measures are lifted?

We are modeling a scenario in which containment measures are lifted in Quarter 1 of Fiscal 2021, summer 2020, and the economy starts from a lower baseline and slowly recovers.

Even in this cautiously optimistic scenario, we would be down \$100+ million. That would put us back below Fiscal 2019 levels.

- It will require very difficult choices and everything will be on the table.
- We do have some pre-planning work already completed. We had asked agencies to plan around a potential 5% reduction scenario.

Next Steps

- Our team will work with the Mayor and City agencies to develop a new budget to address these revenue reductions.
- The final budget will be presented to the BOE on May 6, in order to meet the Charter-mandated budget timeline.
- BBMR will develop materials that clearly explain the details of the final proposed budget.

Questions?

Reach out to learn more and ask questions using the platforms below.

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