

City of Baltimore

Maryland



Comprehensive Annual Financial Report
Year Ended June 30, 2019

City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2019

Prepared by the Department of Finance

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Chief Financial Officer

Bureau of Accounting and Payroll Services

Sandra C. Stecker

Bureau Chief





ELECTED OFFICIALS

MAYOR
Bernard C. Young

PRESIDENT OF THE CITY COUNCIL
Brandon M. Scott

COMPTROLLER
Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT
Brandon M. Scott

MAYOR
Bernard C. Young

COMPTROLLER
Joan M. Pratt

DIRECTOR OF PUBLIC WORKS
Rudolph S. Chow

CITY SOLICITOR
Andre M. Davis

CITY COUNCIL

Brandon M. Scott, *President*
Sharon Green Middleton, *Vice-President*

FIRST DISTRICT

Zeke Cohen

SECOND DISTRICT

Danielle McCray

THIRD DISTRICT

Ryan Dorsey

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Isaac "Yitzy" Schleifer

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Leon F. Pinkett, III

EIGHTH DISTRICT

Kristerfer Burnett

NINTH DISTRICT

John. T Bullock

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

Eric T. Costello

TWELFTH DISTRICT

Robert Stokes, Sr.

THIRTEENTH DISTRICT

Shannon Sneed

FOURTEENTH DISTRICT

Mary Pat Clarke

City of Baltimore
Comprehensive Annual Financial Report
Year Ended June 30, 2019

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INTRODUCTORY SECTION



- Letter of Transmittal
- Municipal Organization Chart
- Certificate of Achievement – Government Finance Officers Association

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HENRY J. RAYMOND,
Chief Financial Officer
454 City Hall
Baltimore, Maryland 21202

Bernard C. Young, Mayor

Honorable President and Members of
The Board of Estimates
City of Baltimore, Maryland

December 27, 2019

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 2019. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's basic financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, SB & Company, LLC, to perform a joint audit with the City Auditor of the basic financial statements of the City as of and for the year ended June 30, 2019. Their joint audit report is contained herein. Their audit was conducted in accordance with auditing standards generally accepted in the United States and, for the basic financial statements of the City, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. On the basis of this examination, the independent public accountants have issued an unmodified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

The independent audit of the City's financial statements is part of a broader, federally mandated Uniform Grant Guidance "Single Audit" designed to meet the special needs of Federal grantor agencies. The Single Audit Report will be available as a separate document as of a later date.

This report includes all of the funds that we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Three component units, the Baltimore Industrial Development Authority (blended component unit), the Baltimore City Public School System and the Baltimore Hotel Corporation (discretely presented component units), were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's basic financial statements.

PROFILE OF THE GOVERNMENT

The Mayor and City Council of Baltimore (the City) is a body corporate and politic of the State of Maryland (the State) in which all local governmental functions are performed by the City. The City has had a charter form of government since 1797, home rule powers since 1918, and is governed by an elected Mayor, Comptroller and a City Council. The City has a total area of approximately 92 square miles and an estimated 2018 population of 602,495. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Baltimore/Washington International Thurgood Marshall Airport in adjacent Anne Arundel County. The City is almost completely surrounded by Baltimore County, a separate entity, which borders the City on the east, north, west and part of the south. Anne Arundel County adjoins the City on its southern border.

The City provides the full range of municipal services contemplated by statute or charter, which are provided or paid for by the City from Local, State or Federal sources. These services include public safety (police and fire protection), water, wastewater and stormwater utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school, provided by a component unit, the Baltimore City Public School System), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development, and general and administrative services. The City is also responsible for the adoption and maintenance of building codes, and regulation of licenses and permits, collection of certain taxes and revenues, maintenance of public records and the conduct of elections. These activities are included in the reporting entity. There are no overlapping local governmental entities or taxing jurisdictions. Accordingly, there is no overlapping debt of the City.

Under the Charter, the City's executive functions are vested in the Mayor, the Board of Estimates and an independent Comptroller. The City's legislative functions are vested in the City Council. The Mayor is the chief executive officer of the City. The Mayor is elected for a term of four years and is eligible to succeed herself without limitation as to the number of terms. If the Mayor is disabled or absent from the City, the President of the City Council acts as ex-officio Mayor. If the Mayor resigns, is permanently disqualified, or dies in office, the President of the City Council becomes Mayor for the remainder of the term. The Mayor has authority to veto ordinances, has power of appointment of most department heads and municipal officers, serves on the Board of Estimates and appoints two of the other four members of the Board of Estimates.

The Board of Estimates is the highest administrative body of the City. It is composed of the President of the City Council, who serves as President of the Board, the Mayor, the Comptroller, the City Solicitor and the Director of Public Works. The Board of Estimates formulates and determines City fiscal policy with its primary policy tool being the recommended annual Ordinance of Estimates, the City's budget.

Key Budgetary Policies

Balanced Budget: The City Charter requires the operating budget to be balanced. Any difference between non-property tax revenues and total expenditures are to be made up by adjusting the property tax rate or enactment of new revenue measures.

Public Hearings: The Charter mandates that both the Board of Estimates and the City Council conduct public hearings on the proposed budget.

Timely Adoption: The Charter sets forth a schedule requiring the budget to be adopted before the beginning of the fiscal year, July 1.

Budget Amendment: The Charter provides means for adopting supplemental appropriations funded from unanticipated revenues and/or new grants and sources that materialize during the year. The City's policy is to minimize the use of supplemental appropriations. In addition, the Charter allows for and spells out the procedures for amending the budget to transfer appropriations between programs within an agency and between agencies.

Six-Year Capital Plan: Guiding the physical development budget plan of the City is the Charter requirement for a six-year capital improvement plan, the first year comprising the capital budget year. The plan is prepared in conformance with basic capital budgeting policies, which include appropriating funds in the year in which projects are likely to begin, financing a portion of capital improvements from current revenues, and estimating the impact of capital projects on the operating budget.

Budget Monitoring and Execution: Budget analysts maintain ongoing contact with agency fiscal officers in the process of implementation and execution of the budget. Expenditure and revenue projections are developed and reviewed on a

monthly basis. The Mayor, through the Department of Finance, exercises appropriate fiscal management to adjust budget policy, as necessary, to be within the limits of the current adopted plan. The City Council has the practice of reviewing budget performance at mid-year and during the fourth quarter.

Debt Policy: In 1990, the City adopted a formal debt policy which set annual borrowing limits, consolidated all financing arrangements within the Department of Finance, established refunding and refinancing policies, and set limits on key debt management ratios. The objective is to maintain the City's reputation as a locality having a conservative approach to all aspects of debt management, including debt service expenses, debt retirement schedules, and debt capacity ratios. The Debt Policy was last reviewed in July 2017 by an independent financial consultant contracted by the City. After considering the consultant's recommendations, the City plans not to exceed \$80 million in budgeted annual general obligation debt. The Debt Policy will be reviewed again in two years by the City and an independent consultant.

Budget Stabilization Reserve Policy: In November 2008, the City's Board of Estimates approved a budget stabilization reserve policy that established the basis for having a budget stabilization reserve as well as identifying its maintenance level, scope of coverage, circumstances under which funds shall be drawn down from the reserve, and the requirements to replenish the reserve when utilized. The policy stipulates that the reserve serves to provide a budget defense to stabilize a post-adopted budget that has been impacted by an uncorrectable shortfall in revenues and/or an unanticipated and uncorrectable emergency expense. The reserve is the revenue source of last resort to avoid a budget deficit. Under no circumstances is the reserve to be used as a revenue source to balance a planning year budget. The policy further recommends that the reserve shall be maintained on any June 30 at a minimum level of 8% of the value of the general fund operating budget of the subsequent fiscal year.

OTHER FINANCIAL INFORMATION

Retirement Plans

Professional employees of the Baltimore City Public School System, and the Enoch Pratt Free Library, an agency of the City, are members of the State of Maryland Retirement System to which the City is not required to contribute. The City contributes to four retirement plans established for all other City employees and elected officials. The City also contributes to the State of Maryland Retirement System for Sheriff Office employees.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the Unfunded Police Department Retirement Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) are not actuarially determined, and these benefits are paid from annual appropriations.

Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements. The City utilizes the practice of recording investment income in the period in which it is earned.

Risk Management

The City is self-insured in the area of casualty and property losses, including the uninsured portion of losses to City buildings and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The Office of Risk Management, within the Department of Finance, administers the fund.

Internal Control

City management is responsible for establishing and maintaining effective internal control over financial reporting. The City has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of a control should not exceed the benefits to be derived, the City's objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area. This CSA is one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location and proximity to a large and diversified workforce. With an excellent highway and rail transportation system, the City is able to access both mid-western and north-eastern markets in support of its international port activity. As of June 2019, about 383,600 or 26.8% of the 1.43 million employed individuals in the Baltimore-Columbia-Towson Metropolitan Statistical Area are working in the City.

Health care and education related services located in the City have become primary drivers of steady job absorption for workers from throughout the greater Baltimore area, and increasingly for City residents. Job absorption is the capacity of the City's job market to generate stable employment and retain the City's growing labor force. As of July 2019, jobs in the health and education sectors represent 32.3% of all jobs located in the City, a proportion that is considerably higher than the regional and national totals of 20.0% and 15.8% respectively. While the City's labor force has remained stable since 2010, at an annual average of between 293,300 and 295,500, employment of City residents has grown 5.22% from 262,300 in 2010 to 276,000 through the first half of 2019.

The prominence of health care and knowledge-related industries is reflected in the composition of the City's major employers. Among the ten largest non-governmental employers, six are health care providers and researchers, two are institutions of higher education, one is Prometric – a test development and delivery solutions company – and the other is Under Armour Incorporated. The City derives economic strength from the number of jobs in the growing health care sector, and in the knowledge-information-based education and information services sectors

The population trend is often considered the single most important economic factor in the City due to the fact that Baltimore's population peaked at 949,708 in 1950 and has declined to 602,495 as of July 2018. Since 1970, all but five years have featured population decline, with an average annual drop of 6,300 persons. However, not all decades experienced the same rate of decline. The 1970s featured the greatest declines, approaching 12,000 residents annually, while the decade from 2005 to 2015 recorded three years of population increases. Since 2000, the average annual loss rate has slowed substantially to 2,570 persons, although declines have increased since the civil unrest, averaging 5,400 annually since 2015.

Economic Outlook

The economic outlook for the City remains positive with most economic indicators showing strong performance during Calendar 2018 and the beginning of 2019. The US is currently enjoying the second longest period of economic recovery since World War II, which as of June 2019 included 120 consecutive months of economic growth, the longest period of economic expansion in US history.

The following key indicators suggest that the City remains in a healthy economic environment:

- The City's average wages grew 1.8% year over year during the first three quarters of 2018. This increase outpaced 2018 inflation of 1.3%, representing an annual increase in average wages of 0.5% in real terms.
- During the fourth quarter of 2018, the City reached an unemployment rate of 5.1%, the lowest since the fourth quarter of 2007.
- The City's labor force has increased by 9,377 or 3.3% since the end of the recession, incorporating approximately 960 City residents to the job market per year. Employed City residents have grown 9.7% over the same period, with an absorption of approximately 2,571 individuals per year.
- The City's economic activity as measured by the value and amount of sales generated in the City remains strong. The City places as the fifth largest county in Maryland for the State Sale and Use tax, increasing 0.3% or \$16.8 million in taxable sales between 2017 and 2018.
- Even though the City's household size has declined from 2.53 individuals in 2010 to 2.44 in 2017, the average household income has grown 28.6% from \$54,165 in 2010 to \$69,676 in 2017, 15.9% above inflation.

Despite the positive signs, there are still risks at the local and national levels requiring attention for policy-making decisions:

- The Census Bureau released its 2018 City population estimate of 602,495 residents, a decline of 7,346 residents from the 2017 estimate and the largest single year decline since 2001. This is in addition to the more than 3,000 reduction between 2016 and 2017. The City's population has declined more than 18,400 from the 2010 Census.
- Real estate data suggest that the City's housing market may have peaked in 2017 and slowed down during 2018. The average sale price of residential property in 2018 was \$173,413, 0.3% lower than 2017, while the total number of residential sales decreased by more than 600 transactions, equivalent to a 6.7% reduction from 2017. Despite these declines, the 2018 number of residential sales transactions was the second highest since 2007, and the average sale value was the second highest since 2009.
- Although State and local income tax receipts could grow due to the new Federal tax reform, the uncertainty of the impact on individual filers could lead to more cautious spending decisions. Due to the uncertainty, the Maryland's Bureau of Revenue Estimates recently downgraded its estimate for the State's Fiscal 2019 projection and Fiscal 2020 Budget.
- The increase in transportation alternatives in the City has begun to lower parking-related revenues. The growing usage of rideshare alternatives such as transportation network company, include Uber and Lyft, and dockless vehicles, has reduced the use of parking facilities and metered parking, which in turn reduced revenues from these sources.
- The Maryland Stadium Authority is currently studying the expansion of the outdated Baltimore Convention Center. During the construction phase, the City could see reduced revenues from Convention Center events and hotel taxes.

The overall economic outlook for the City is positive, but analysts anticipate that the economy will grow at a slower pace than in recent years. However, the continued population decline, the potential deceleration of real estate activity, the future impact of Federal laws, and the increasing probability of a recession in the near future are still risks at the local and national levels requiring attention for short- and mid-term policy-making decisions.

Jobs and Employment

Employment continues its growth pattern. The national unemployment rate peaked at 10.0% in October 2009 but has since fallen to 3.7% as of July 2019. The City's unemployment rate peaked in August 2010 at 12.5% and reached a post-Great Recession low of 4.8% in November 2018. Most recently available figures put the City's unemployment rate at 5.6% as of June 2019.

The most recent data from the Bureau of Labor Statistics (BLS) indicates that the number of jobs and total employment in the City continues to increase. The BLS reported an average 377,400 jobs located in the City during calendar year 2018, representing an increase of 1.4% compared to the average of 372,100 in calendar year 2017. This represents the eighth consecutive year since 2010 that the City has experienced employment growth, an indicator of continued improvement in the job market since the Great Recession. In calendar year 2018 an estimated annual average of 273,304 City residents were employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 104,096 jobs to surrounding communities.

Retail Sales

Fiscal year 2019 sales tax receipts reported by the State of Maryland for Baltimore City show an increase of 3.36% compared to the prior year. Sales generated in the City represent 7.34% of the State's total retail sales during fiscal year 2019. Although 0.04 percentage points lower than fiscal year 2018, this proportion remains relatively unchanged. Retail sales activity continues to be a leading indicator of the City's, as well as the region's, economic health.

Through the first six months of calendar year 2019, the retail vacancy rate in the Downtown area is 5.0%. This maintains a continued upward trend since the same period two years prior, when the vacancy rate averaged 3.9%. For the same period during calendar year 2018, the vacancy rate rose to 4.3%. During the second quarter of calendar year 2019, 53,138 square feet of Downtown retail space became available. During this same period, for the prior year, 83,397 square feet became available. Market trends for retail space continue to be a barometer of the City's retail sales activity.

Housing

In Fiscal 2019, the real estate market continued to show mostly healthy market trends, with the total number of transactions decreasing, but prices increasing. The total residential units sold in the City as reported by the Metropolitan Regional Information System (MRIS) decreased in Fiscal 2019 for the first time in seven years. However, some of this decrease was probably due at least in part to the ransomware attack on the City network sustained on May 7, 2019. Despite the decrease to the number of residential units sold, the average sales price increased in Fiscal 2019; homes sold for an average of \$179,046, a \$6,103 or 3.5% increase to Fiscal 2017. The total number of commercial and residential real estate transactions totaled 15,650, representing a 7.7% decrease from the 16,951 in Fiscal 2018. However, in Fiscal 2019, the average price per transaction for all transactions (residential and commercial) increased from Fiscal 2018 – up from \$184,190 in Fiscal 2018 to \$192,227 in Fiscal 2019. Again, the City ransomware attack probably contributed to at least some of the noted decrease.

As expected at the end of Fiscal 2018, the demand for refinancing activities has declined as interest rates have increased. In Fiscal 2019, the City processed 19,650 transactions subject to the Recordation Tax, a 9.0% decrease from Fiscal 2018. Of these transactions, 4,000 are estimated to correspond to refinancing transactions (down from 4,637 in Fiscal 2018). Although refinancing activities are decreasing, the average value of transactions subject to the Recordation Tax increased to \$220,865 in Fiscal 2019, up 13.6% from Fiscal 2018.

Port of Baltimore

With the expansion of the Panama Canal in 2016 allowing deeper and wider lanes for larger ships to pass through, Baltimore and other Atlantic coastal ports now can receive the larger cargo-carriers, often from the Far East, that previously were limited to the Pacific Coast. Indeed, Baltimore is one of only four Eastern U.S. ports with a 50-foot (15.2 meters) shipping channel and a 50-foot container berth, allowing it to accommodate some of the largest container ships in the world. The Port's total general cargo tonnage increased 0.3% to 11.0 million tons in Fiscal 2018, up from 10.3 million tons in Fiscal 2019.

In the first quarter of 2018, the Port handled the most general cargo and containers in its 313 year history for a single quarter. The Port of Baltimore ranks first for autos and light trucks, roll on/roll off heavy farm and construction machinery, and imported sugar. The Port is responsible for nearly \$3.3 billion in personal wages and salary and more than \$395 million in state and local tax revenues.

Tourism and Travel Industries

In Fiscal 2019, the City's tourism and travel industries continued to grow modestly from the prior year. The Baltimore Washington International Thurgood Marshall Airport (BWI) remains one of the busiest in the country, and in Fiscal 2019 the total number of passengers continue to grow. City hotel growth was stagnant over the past year, but the port continued to boast strong figures. Further growth in these industries is essential to improving the City's overall economic outlook.

Baltimore Convention Center. In Fiscal 2019, the Baltimore Convention Center (BCC) held 119 events, 27 fewer than Fiscal 2018. The revenue generated by BCC increased in Fiscal 2019, up from \$9.4 million in Fiscal 2018 to \$10.7 million in Fiscal 2019. While higher revenue helps directly support the City's General Fund, growth in the number of events would further boost the surrounding economy. In Fiscal 2019, the BCC had 478,116 total event attendees, about 5,000 more than Fiscal 2018.

Hospitality. Hotel activity remained about the same in Fiscal 2019, with a 63.7% occupancy rate compared to 63.6% in Fiscal 2018. The room supply remained almost identical, dropping by only 0.3% to 11,010 rooms as of June 2019. In Fiscal 2019, the number of City-wide conventions decreased significantly from Fiscal 2018. Ultimately, growth in the hospitality industry and hotel activity is dependent on the industry's ability to continue to attract visitors for tourism and convention events.

BWI Thurgood Marshall Airport. During calendar year 2018, nearly 27.2 million passengers flew out of BWI airport, which ranks as the 22nd busiest airport in the United States. This was both an annual record number of travelers and an overall positive indicator for the Greater Baltimore area's tourism industry. Last year also was the fourth consecutive year that more than one million international passengers flew through BWI. Airlines continue to add more international and domestic flights out of BWI, which is yet another positive sign for the region's travel industry.

Port of Baltimore. In 2018, the Port of Baltimore had nearly 220,000 passengers use the cruise terminals, ranking sixth in

East Coast ports, eleventh in US port, and twentieth in world ports. It is estimated that cruise-related Port activity generates about \$90 million in business revenue and more than 500 jobs. Furthermore, Carnival Cruise Line celebrated a 10-year anniversary of year-round cruising from the Port of Baltimore at the end of Fiscal 2019.

Commercial Real Estate Development

Baltimore City commercial real estate continues to display healthy demand, despite interspersed signs of a cooling market. Multiple projects are underway across the City, featuring preleased buildings, newly signed leases, and continued building sales. However, through the second quarter of calendar year 2019 Downtown vacancy rates have trended upward, potentially indicated that demand is not keeping up with current supply. Even though there continues to be strong interest from developers who wish to locate in Baltimore City, particular segments are faring better than others.

While the office market experienced negative overall net absorption of space, WeWork – a shared workspace provider – signed a new lease for Wills Wharf in Harbor Point. Additionally, newly constructed One Light, a mixed-use building located Downtown, opened with 66% of its 241,000 square feet being preleased. Despite office market volatility, there has been considerable investment in these types of properties either for conversion to multifamily properties or for acquisition. As of the second quarter for calendar year 2019 the Downtown office vacancy rate was 8.1% – an improvement of 3.2 percentage points over the same period last year.

Similar to the office market, the retail market has experienced negative overall net absorption, but there are multiple new retail properties being developed. These include Yard 56 (106,000 sq. ft.) in Greektown and Canton Crossing II (90,000 sq. ft) in Canton. One factor potentially affecting vacancy rates within the retail market may be increased supply, with the development of new retail centers in East Baltimore, specifically the aforementioned projects. As of the second quarter for calendar year 2019 the Downtown retail vacancy rate was 5.0%. This represents an occupancy decline of 1.3 percentage points compared to the same period last year.

The City's industrial market continues to have positive net absorption, and within the last year, several properties have been delivered. These include 5350 Holabird Avenue in the Canton Industrial Area and 1821 Oliver Street in the Broadway East neighborhood. With another at 1801 62nd Street in the Pulaski Industrial Area currently under construction. The low vacancy rate for industrial space continues to indicate strong demand within the City. As of the second quarter for calendar year 2019 the citywide industrial vacancy rate was 5.8%, which is an improvement of 2.5 percentage points over the prior year.

FINANCIAL ACCOMPLISHMENTS

Six years into the current Ten-Year Financial Plan, the City has reduced the baseline deficit through Fiscal 2022 from \$745 million to \$434 million – by 41.7% or \$311 million. Since Fiscal 2013 Baltimore has implemented numerous reforms aimed at achieving long-term fiscal sustainability. Some of these include lowering the effective property tax rate by 8.8%, increasing current revenue (PAYGO) capital spending to \$50 million, and streamlining the workforce by reducing the number of General Fund positions by 2.6%. As a result of strategic reforms, combined pension and OPEB unfunded liabilities shrank from \$3.2 billion in Fiscal 2011 to \$2.7 billion in Fiscal 2018, a reduction of 18.2% or \$600 million. Note that in 2019 a benefit change in OPEB caused an increase to the OPEB liability of \$563.7 million.

TEN-YEAR FINANCIAL PLAN

On February 20, 2013, the City released Change to Grow: A Ten-Year Financial Plan for Baltimore. This was the original iteration of the City's Ten-Year Plan, and the first of its kind. The Plan calls for comprehensive reforms to close what was then a projected \$745 million structural budget deficit, increase the City's tax competitiveness, accelerate infrastructure investment, and reduce the City's long-term pension and health care liabilities.

Implementation of the Ten-Year Plan began in Fiscal 2013 with two key initiatives: 20 Cents by 2020 – a program to reduce the effective property tax rate for owner-occupied properties – and health benefit changes for employees that were projected to save the City \$20 million annually.

In Fiscal 2014, the City implemented Ten-Year Plan initiatives to further reduce the fiscal gap, including pension changes for current and future employees, a new schedule for firefighters, a revenue package, a State-mandated stormwater fee, a reduction to the real property tax rate and the discontinuation of retiree pharmacy benefits.

The Fiscal 2015 budget reflected the implementation of more Ten-Year Plan initiatives, including reducing workers' compensation payments, increasing parking revenues, reducing the size of the City's workforce and the City's fleet. In

addition to targeted savings initiatives, the City made several investments; these include increasing the contribution to the budget stabilization reserve, increasing PAYGO capital funding, increasing general obligation debt authority, and implementing a new pay schedule for professional employees to help with recruitment and retention.

In the Fiscal 2016 budget, key initiatives included an additional \$9 million PAYGO capital contribution, beyond the \$8 million baseline, and the elimination of 280 General Fund positions. In Fiscal 2016, the City also negotiated a new Memorandum of Understanding with 14 non-profit institutions who will contribute a collective \$6 million annually for ten years beginning in Fiscal 2017.

In Fiscal 2017, the City continued to work towards implementing cost-savings initiatives identified under the Ten-Year Plan. While the initiatives implemented through Fiscal 2016 had a meaningful impact on the original projected shortfall, a significant structural budget gap remained. To continue addressing this long-term challenge, the Fiscal 2017 adopted budget contains further cost-saving investments emphasizing blight elimination, street repaving, recreation center expansion, and information technology upgrades.

In Fiscal 2018 the budget contained additional initiatives to improve the efficiency of government, further reduce the property tax rate for homeowners, make much-needed infrastructure investments, and reduce the City's long-term liabilities. In Fiscal 2018, the City contributed \$9 million beyond the \$8 million baseline in PAYGO capital funding, plus \$12 million of additional funding for operating and capital projects to comply with the Department of Justice consent decree for Police Department reforms. The Fiscal 2018 budget also transferred 54 positions out of the General Fund.

The Fiscal 2019 budget reflects baseline costs and unforeseen challenges that have grown at a faster pace than projected revenue. The adopted budget adds 162 General Fund positions including 100 sworn Police Department positions. However, cost-savings relating to personnel was also achieved, as total unfunded liabilities continued to decline. The City also remained committed to the 20 Cents by 2020 program, further reducing the effective property tax rate by 2.6 cents. This budget also dedicates \$8.3 million above baseline for a total of \$25.3 million in PAYGO capital funding. In December 2018, the City insured its strong fiscal footing by competitively awarding a contract to Ernst and Young for the Ten-Year Plan refresh.

Despite already implementing \$311 million of net cost savings initiatives, the City must continue to address the remaining operating and capital shortfalls. The Ten-Year Plan calls for further changes to health care benefits, reforms for the Fire and Police pension plans for new hires, launching an employee wellness program, and building reserves to prepare for the next recession. Ernst and Young, recently awarded the contract for the Ten-Year Plan refresh, will extend the Plan through a new ten-year period and identify new savings initiatives. The contract includes an assessment of infrastructure requirements, new savings and revenue options, and a comprehensive look at the City's overall tax policy and incentive strategies. We expect this Ten-Year Financial Plan to continue to serve as a guide for policymakers on how to best keep Baltimore on sustainable financial footing.

HIGHLIGHTS OF THE FISCAL YEAR 2018 ADOPTED BUDGET

The Fiscal 2019 budget represents a key step forward in the Violence Reduction Plan. Making Baltimore safe is a holistic effort among City agencies and partners to strengthen core public safety agencies, provide funding for new evidence-based programs and technological improvements, and ensure paths to opportunity and achievement for our youth.

Even with the attention to violence reduction, Baltimore remains focused on other key priorities. This budget plan maintains core City services, expands upon a major commitment to City Schools, and continues property tax reduction for homeowners.

The Fiscal 2019 recommended budget was built around Five Pillars: Education and Youth Engagement, Public Safety, Economic Development and Jobs, Quality of Life, and Accountability and Transparency as summarized below:

Education and Youth Engagement

The recommended budget includes \$438.3 million across all funding sources, which includes additional support for City Schools' budget, estimated at \$1.3 billion in Fiscal 2019. Key highlights:

- Fiscal 2019 marks the second installment of my three-year City commitment to help stabilize City Schools' finances, while the State considers changes to the school funding formulas. The City has pledged \$99.2 million above the Fiscal 2017 baseline over the three-year period (Fiscal 2018 to Fiscal 2020).

- Total City support to City Schools exceeds \$370 million. City funding supports Maintenance of Effort payments, the 21st Century School Modernization fund, teacher pension costs, retiree health benefits, and school health and crossing guard services. Capital funding will increase by \$2 million, from \$17 million to \$19 million.
- Fiscal 2019 will mark the second year of Charter-required contributions into the Children and Youth Fund. The Fiscal 2019 contribution is \$12.4 million.
- The recommended budget includes \$500,000 to support the Mayor's Scholars Program, providing last-dollar scholarships to Baltimore City Community College for graduates of Baltimore City Public Schools with a goal of enrolling 500 new students by the second year of the program.

Public Safety

The recommended budget plan includes \$911.1 million across all funding sources, which will strengthen services in Police, State's Attorney, Sheriff, courts, and traffic safety. Fire will adjust ambulance fees to reflect market rates. Most notably, the plan includes the following new investments as part of the Violence Reduction Plan:

- \$1 million of General Funds will supplement private fundraising to bring the ROCA anti-violence program to Baltimore. ROCA focuses on at-risk young men and the program showed strong results in Massachusetts. 75 participants will be served in the first class.
- Safe Streets, an evidence-based violence prevention and interruption program, will expand from four sites to ten sites.
- A \$5 million Bloomberg grant will enable the City to expand crime-fighting technology, including 60 new CitiWatch cameras, 25 license-plate readers, and gunshot detection units.
- 100 additional Police officer positions will be funded, to match improved recruitment efforts. This action will also more closely align Police's budget with recent spending levels.

Quality of Life

The recommended budget plan includes \$1.05 billion across a variety of services that improve citizens' overall quality of life, including street and alley cleaning, waste disposal and recycling, business district cleaning, health and housing services, recreational opportunities, transportation, and infrastructure investment, among others. Key highlights:

- As part of my Violence Reduction initiative, the City will continue to deploy rapid-response services to seven designated areas, with \$1.6 million of additional funding for Public Works crews, Housing inspectors, and expanded hours at select recreation centers.
- The Department of Transportation will continue its rollout of speed, red-light, and truck-height monitoring cameras, which is expected to limit accidents and improve both driver and pedestrian safety.
- \$3 million of funding to stand up the Department of Housing and Community Development after its separation from the Housing Authority, and to begin work on a comprehensive community development strategy.

Economic Development and Jobs

The recommended budget plan totals \$146.1 million in funding support for strategies to increase jobs, employment, and visitors to Baltimore in Fiscal 2019. The plan also continues the 20 Cents by 2020 Property Tax reduction plan for homeowners. The Targeted Homeowners Tax Credit will reduce the average effective rate to \$2.074 per \$100, \$0.174 (7.7%) reduction since Fiscal 2012, saving the average homeowner \$270 a year. The plan also includes:

- \$33.1 million for Visit Baltimore and the Convention Center to enhance Baltimore's reputation as a travel destination. The Citywide target for annual visitors under this plan is 26.7 million, an increase of 1.2 million over Fiscal 2017. The Convention Center will host 115 conventions, trade shows, and other public events, which will generate more than \$10 million of revenue.
- \$12.5 million for workforce development initiatives targeted at Baltimore City residents. The plan includes \$1 million of General Fund support to bridge the City through a loss of Federal funding to enable continued operation of the Career Center Network. A mobile job center will expand its reach to 2,400 City residents with assistance in job searching, career counseling, and skills training.
- \$4.4 million to support small businesses, with a particular focus on minority and female entrepreneurs and technology start-ups. The Emerging Technology Centers (ETCs), Small Business Resource Center, Minority and Women's Business Opportunity Office, and Baltimore Development Corporation (BDC) will work together to incubate hundreds of new businesses and attract and retain thousands of jobs in the City.

- \$8.4 million for Arts and Culture institutions, including the Maryland Zoo, Baltimore Museum of Art, Walters Art Gallery, and Baltimore Symphony Orchestra. These institutions collectively forecast attendance of more than 1.1 million visitors in Fiscal 2019.

Accountability and Transparency

The recommended budget includes \$176.6 million for financial, legal, information technology, human resources, and other functions that support the delivery of public services to residents. Highly effective support services lead to cost savings and better performance. Some examples:

- \$4 million of Capital funding will support information technology (IT) infrastructure upgrades. This is the first phase of the City's Digital Transformation Plan, which aims to establish a technical framework for reducing redundant costs and improving the public's experience with City government.
- The Finance Department will dedicate two positions to generate more revenue by analyzing the City's fee structure and evaluating tax credits and property assessments.
- The Law Department will begin implementation of an e-discovery system, which will reduce costs and better prepare the City in litigation cases.
- The Innovation Team is supporting the Police Department to improve the recruitment and hiring process for police officers and in developing a cadet program.

ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellent in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements.

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation. We are also grateful to the City's independent public accountants, SB & Company, LLC, and the City Auditor for the professional assistance and advice they provided during the course of their audit. Finally, we would like to thank the members of the Board of Estimates and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and professional manner.

Respectfully submitted,

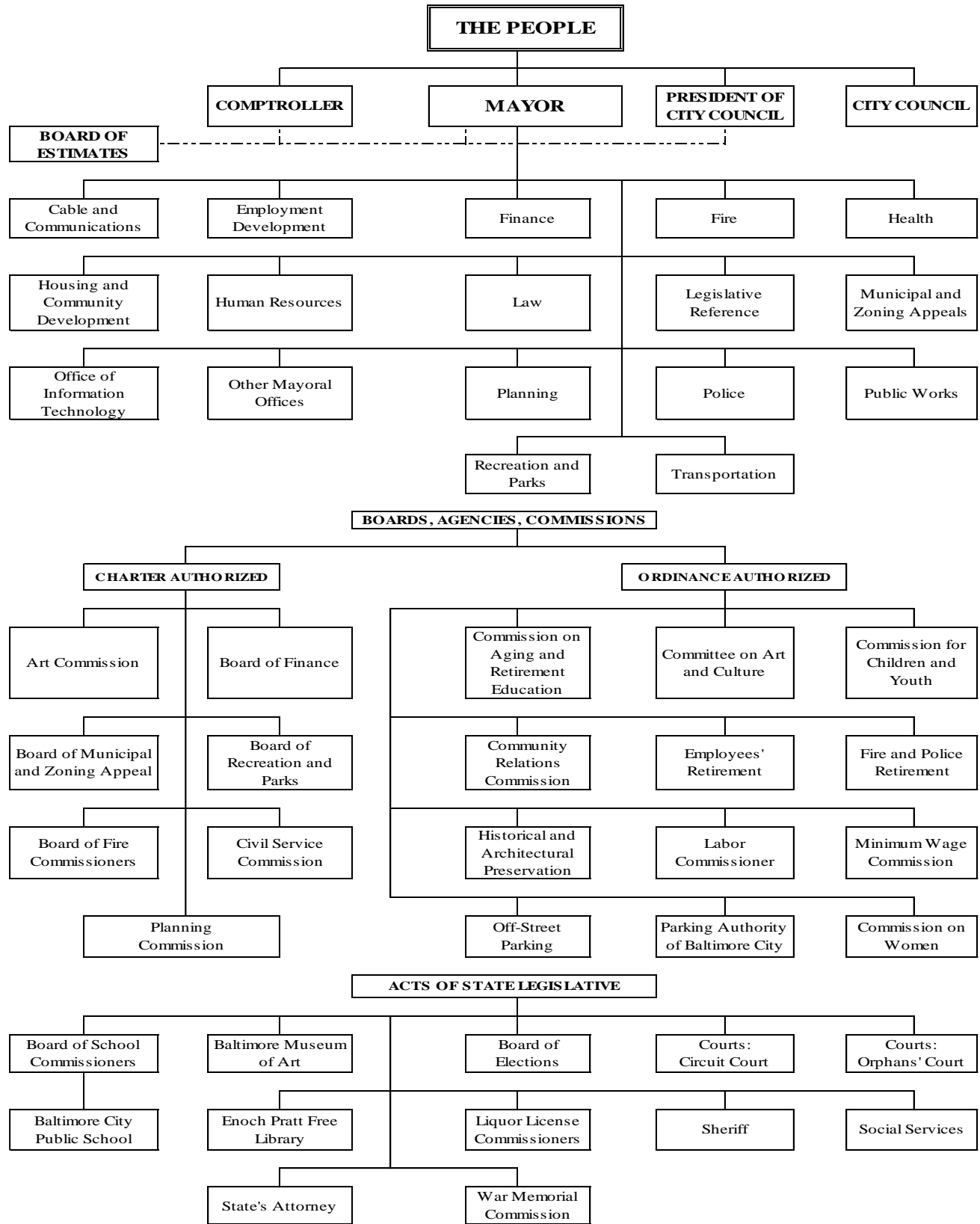


Bernard C. Young
Mayor



Henry J. Raymond
Chief Financial Officer

MUNICIPAL ORGANIZATION CHART





Government Finance Officers Association

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Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



- **Report of Independent Public Accountants**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Notes to the Basic Financial Statements**
- **Required Supplementary Information**
- **Combining and Individual Fund Statements and Schedules**

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Mayor, City Council, and Board of Estimates
City of Baltimore, Maryland

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, the combining statement of fiduciary net position- Pension and OPEB Trust Funds, and the combining statement of changes in fiduciary net position- Pension and OPEB Trust Funds of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Employees' Retirement System, the Elected Officials Retirement System, and the Fire and Police Retirement System. These funds represent 88% of the total assets, 88% of the net position, and 72% of the revenues of the Pension and OPEB Trust Funds. We also did not audit the Baltimore City Public School System (School System) and Baltimore Hotel Corporation, which are both discretely presented component units. The financial statements of Baltimore City Public School System, Baltimore Hotel Corporation and certain of the Pension and OPEB Trust Funds were audited by other auditors whose reports have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Baltimore City Public School System, Baltimore Hotel Corporation and certain Pension and OPEB Trust Funds are based on the reports of the other auditors except for the matter discussed in "Other Matters" below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The City Auditor did not have an external peer review by an unaffiliated audit organization as required by Chapter 3 of *Government Auditing Standards* at least once every three years. The last external peer review was for the period ended December 31, 2011. The City Auditor is in the process of engaging an unaffiliated audit organization to conduct an external peer review for the three-year period ending June 30, 2019.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, the combining statement of fiduciary net position- Pension and OPEB Trust Funds, and the combining statement of changes in fiduciary net position- Pension and OPEB Trust Funds of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual- Budgetary Basis – General Fund, Schedule of the City's Proportionate Share of Net Pension Liability: Employees' Retirement System Plan, Schedule of Employer Contributions: Employees Retirement System Plan, Schedule of the City's Proportionate Share of Net Pension Liability: Maryland State Retirement and Pension System – ERPS, Schedule of Employer Contributions: Maryland State Retirement and Pension System-ERPS, Schedule of the City's Proportionate Share of Net Pension Liability: Maryland State Retirement and Pension System – LEOPS, Schedule of Employer Contributions: Maryland State Retirement and Pension System – LEOPS, Schedule of Changes in Net Pension Liability (Assets) and Related Ratios: Fire and Police Employees' Retirement System - Single Employer Plan, Schedule of Changes in Net Pension Liability (Assets) and Related Ratios: Elected Officials' Retirement System - Single Employer Plan; Schedule of Employer Contributions – Single Employer Plans, Schedule of Changes in the Net OPEB Liabilities and Related Ratios – OPEB Plan; Schedule of the City's Proportionate Share of Net OPEB Liability, Schedule of Employer Contributions and Investment Returns – Total OPEB Plan; the Schedule of the City's Proportionate Share of the Net OPEB Liability; Schedule of Employer Contributions – OPEB Plan; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Adjustments to Discretely Presented Component Unit Financial Statements Audited by Other Auditors.

As part of our audit of the City's 2019 financial statements, we also audited the adjustments described in Note 20 that were applied to adjust the financial statements of the Baltimore City Public School System, a discretely presented component unit of the City, as of and for the year ended June 30, 2019, including the restatement of certain 2019 financial statements' beginning balances in the accompanying financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the School System other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements of the School System as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the City's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal controls over financial reporting and compliance.

December 27, 2019



SB & Company, LLC
Independent Public Accountants
Owings Mills, Maryland



Josh Pasch, CPA
City Auditor
Department of Audits

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Baltimore's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$3.3 billion (net position). This amount includes \$708.4 million (restricted net position) and is net of an unrestricted deficit of \$3.2 billion. During the fiscal year, the City's total net position decreased by \$404.0 million.

As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$981.9 million. At the close of the fiscal year, the unassigned fund balance for the general fund was \$145.9 million.

The City's governmental total long term general obligation debt increased by \$40.7 million, during fiscal year 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Accounting Standards Board Statement No. 34 requires the utilization of dual focus financial reporting. The purpose of this overview is to provide the reader with an introduction to the City's basic financial statements prepared under these reporting requirements.

The City's basic financial statements comprise three components:

- (1) Government-wide financial statements,
- (2) Fund financial statements, and
- (3) Notes to the basic financial statements.

The report also contains required and other supplementary information including notes to the Required Supplementary Information in addition to the basic financial statements themselves.

Measurement focus refers to what is measured and reported in a fund's operating statement while basis of accounting determines when a transaction or event is recognized in these funds. Under the accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred with certain exceptions.

Financial Report Layout and Structure

The total economic resources focus is intended to determine if a fund is better or worse off economically as a result of events and transactions of the period. This focus utilizes the accrual basis of accounting to record events and transactions that improve (revenues or gains) or diminish (expenses or losses) a fund's economic position. It is the focus used by businesses. Until the advent of GASB 34, this focus was utilized by the public sector only to report on its business (self-supporting) activities.

The current financial resources focus is intended to determine if there are more or less resources that can be spent in the near future as a result of events and transactions of the period. This focus utilizes the modified accrual basis of accounting to record increases (revenues or other financing sources) or decreases (expenditures and other financing uses) in a fund's spendable resources. For most state and local governments, this focus is their legally mandated accounting method and with the incorporation of encumbrances (spending commitments), the one utilized to determine adherence to budgetary requirements.

Layout and Structure of the City of Baltimore Comprehensive Annual Financial Report

C A F R	Introductory Section				
	Financial Section				
		Management's Discussion and Analysis			
		Fund Statements			
		Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
	View	Broad overview similar to a private sector business	Grouping of related activities used by state and local governments to ensure and demonstrate compliance with finance-related legal requirements		
	TYPES OF FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Statements of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Net Position	Statement of Changes in Fiduciary Net Position
		Statement of Activities		Statement of Cash Flows	
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities, using an Economic resource focus	Accrual basis-agency funds do not have measurement focus
	Notes to the Basic Financial Statements				
	Required Supplementary Information				
	Combining and Individual Fund Statements and Schedules				
	Statistical Section				

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. This section contains the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned, but unused, vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and regulation, conservation of health, social services, education, public library, recreation and culture, highway and streets, sanitation and waste removal, public service, economic development, and interest expenses. The business-type activities of the City include water, sewer and stormwater utilities, parking facilities and several other fee supported activities.

The government-wide financial statements include, not only the City itself (known as the primary government), but also the legally separate activities of the Baltimore City Public School System and the Baltimore Hotel Corporation. Summary financial information for these component units are reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System prepared its own financial statements, which are also prepared in conformity with GASB 34 and audited. The Baltimore Hotel Corporation prepared its own financial statements in conformity to FASB and audited.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, i.e., most of the City's basic services are reported in governmental funds. These statements, however, focus on: (1) how cash and other financial assets can readily be converted to available resources and (2) the balance left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several major governmental funds (general, grants revenue, and capital projects). Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for these major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements as presented in supplementary information herein.

Proprietary funds

Proprietary funds are generally used to account for services for which the City charges customers -- either outside customers, or internal units or departments of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service fund are charges for customer services including: water, sewer, stormwater, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, central post office fees, energy conservation and building maintenance. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds provide the same type of information as shown in the government-wide financial statements.

The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the operation of the City's business-type activities and include water, sewer and stormwater, utilities, and parking facilities, all of which are considered to be major funds of the City, and several other non-major fee supported activities.
- *Internal Service funds* are used to report activities that provide supplies and service for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, printing and mail services, telecommunications services, energy conservation and building maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to report net position held in a trust or agency capacity for others. These resources cannot be used to support the City's own programs and are not reflected in the government-wide financial statements. The City's fiduciary funds are comprised of pension trust, OPEB trust and agency funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information such as the general fund budgetary basis financial statement, the Retirement System's changes in net pension liability and investment return ratios, and the City's progress in funding its other postemployment benefits obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)

The City's financial statements were prepared in conformity with the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. The report includes prior fiscal year results for the purpose of providing comparative information for the MD&A.

CITY OF BALTIMORE Net Position For fiscal year 2019 and 2018

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,672,689	\$ 1,383,219	\$ 1,392,036	\$ 1,085,223	\$ 3,064,725	\$ 2,468,442
Capital assets, net.....	3,130,924	3,111,845	5,495,854	5,151,609	8,626,778	8,263,454
Total assets	4,803,613	4,495,064	6,887,890	6,236,832	11,691,503	10,731,896
Deferred outflows of resources.....	534,183	344,216	129,564	116,833	663,747	461,049
Total assets and deferred outflows of resources.....	5,337,796	4,839,280	7,017,454	6,353,665	12,355,250	11,192,945
Long-term liabilities outstanding.....	1,703,949	3,327,745	2,786,905	2,458,871	4,490,854	5,786,616
Other liabilities.....	3,790,450	1,184,992	509,167	439,955	4,299,617	1,624,947
Total liabilities	5,494,399	4,512,737	3,296,072	2,898,826	8,790,471	7,411,563
Deferred inflows of resources.....	211,396	39,352	17,519	2,150	228,915	41,502
Total liabilities and deferred inflows of resources.....	5,705,795	4,552,089	3,313,591	2,900,976	9,019,386	7,453,065
Net position:						
Net investment in capital assets	2,520,881	2,574,640	3,345,821	3,383,394	5,866,702	5,958,034
Restricted.....	527,293	483,623	181,109	161,308	708,402	644,931
Unrestricted.....	(3,416,173)	(2,771,072)	176,933	(92,013)	(3,239,240)	(2,863,085)
Total net position	\$ (367,999)	\$ 287,191	\$ 3,703,863	\$ 3,452,689	\$ 3,335,864	\$ 3,739,880

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.3 billion at the close of fiscal year 2019. The City's net position includes its investment of \$5.9 billion in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities. An additional portion of the City's net position, \$708.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position of \$3.2 billion.

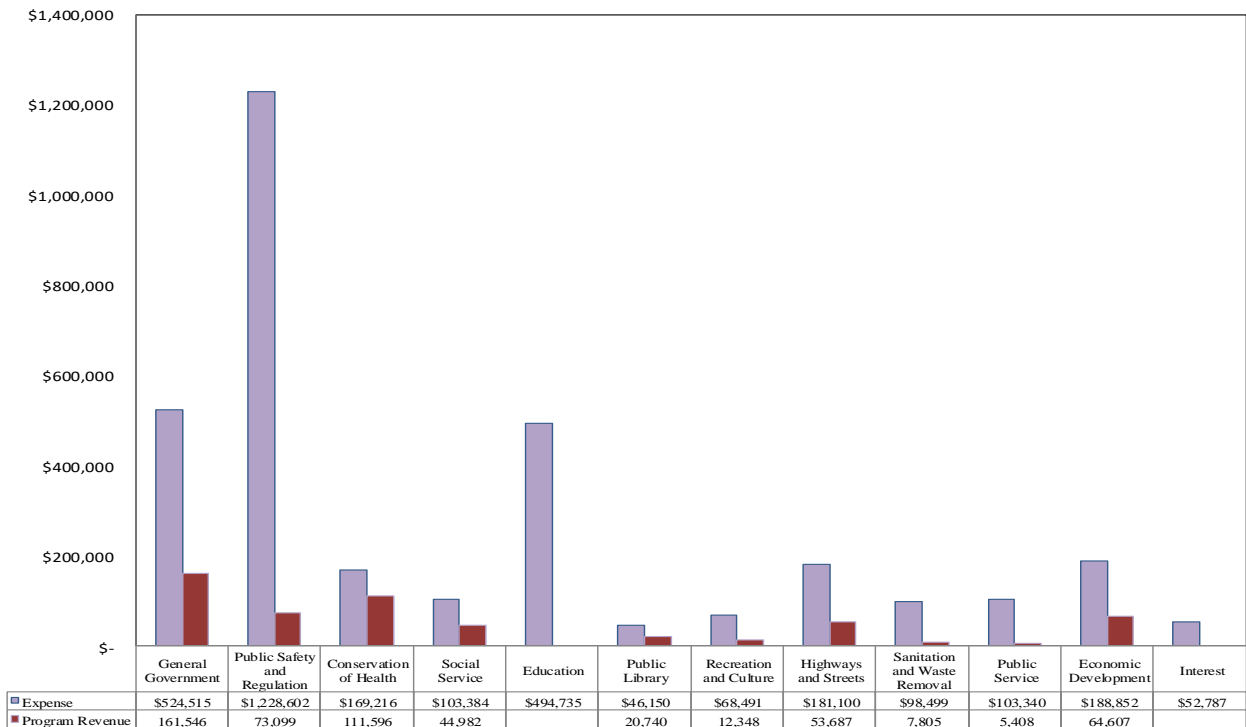
CITY OF BALTIMORE
Changes in Net Position
For the fiscal years 2019 and 2018
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 122,790	\$ 111,154	\$ 592,304	\$ 579,201	\$ 715,094	\$ 690,355
Operating grants and contributions	365,771	324,457			365,771	324,457
Capital grants and contributions	67,257	41,095	161,469	169,154	228,726	210,249
General revenues:						
Property taxes	909,254	886,417			909,254	886,417
Income taxes	440,144	346,797			440,144	346,797
State shared revenue	166,082	170,240			166,082	170,240
Transfer and recordation tax	98,405	89,298			98,405	89,298
Electric and gas tax	52,987	42,438			52,987	42,438
Telecommunications tax	35,877	32,799			35,877	32,799
Admission	8,234	8,924			8,234	8,924
Other	278,552	166,986	12,493	5,535	291,045	172,521
Total revenues	2,545,353	2,220,605	766,266	753,890	3,311,619	2,974,495
Expenses:						
General government	524,515	404,025			524,515	404,025
Public safety and regulation	1,228,602	781,830			1,228,602	781,830
Conservation of health	169,216	134,743			169,216	134,743
Social services	103,384	95,107			103,384	95,107
Education	494,735	383,934			494,735	383,934
Public library	46,150	35,189			46,150	35,189
Recreation and culture	68,491	59,049			68,491	59,049
Highways and streets	181,100	165,800			181,100	165,800
Sanitation and waste removal	98,499	81,877			98,499	81,877
Public service	103,340	50,052			103,340	50,052
Economic development	188,852	131,347			188,852	131,347
Interest	52,787	77,530			52,787	77,530
Water			158,089	147,289	158,089	147,289
Wastewater			237,396	207,730	237,396	207,730
Stormwater			25,299	26,175	25,299	26,175
Parking			24,038	17,797	24,038	17,797
Nonmajor proprietary			11,142	10,087	11,142	10,087
Total expenses	3,259,671	2,400,483	455,964	409,078	3,715,635	2,809,561
Decrease in net assets before transfer	(714,318)	(179,878)	310,302	344,812	(404,016)	164,934
Transfer:						
Transfer in (out)	59,128	59,295	(59,128)	(59,295)		
Change in net position	(655,190)	(120,583)	251,174	285,517	(404,016)	164,934
Net position - beginning	287,191	407,774	3,452,689	3,167,172	3,739,880	3,574,946
Net position - ending	\$ (367,999)	\$ 287,191	\$ 3,703,863	\$ 3,452,689	\$ 3,335,864	\$ 3,739,880

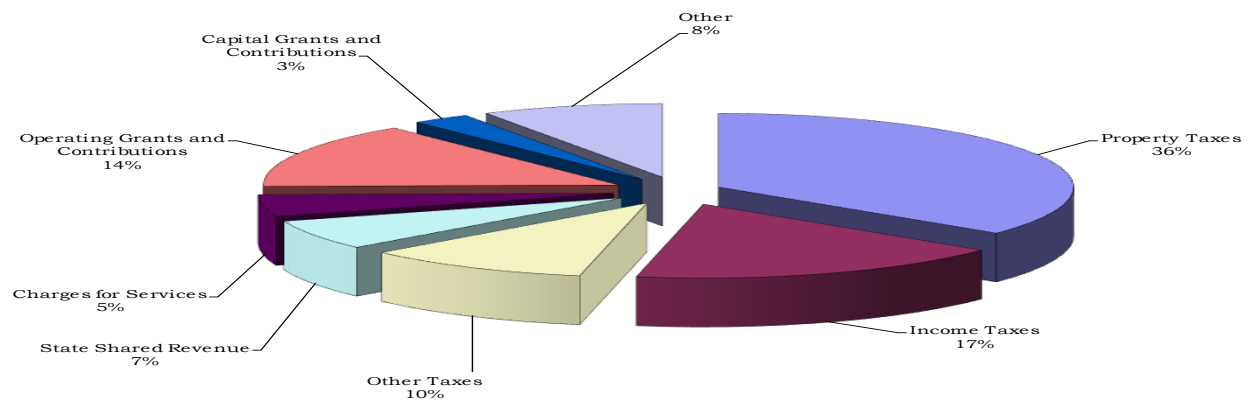
Analysis of Changes in Net Position

The overall decrease in the City's net position amounted to \$404.0 million during fiscal year 2019. This change is explained in the government and business-type activities discussion below.

Expenses and Program Revenues – Governmental Activities (expressed in thousands)



Revenues By Source – Governmental Activities



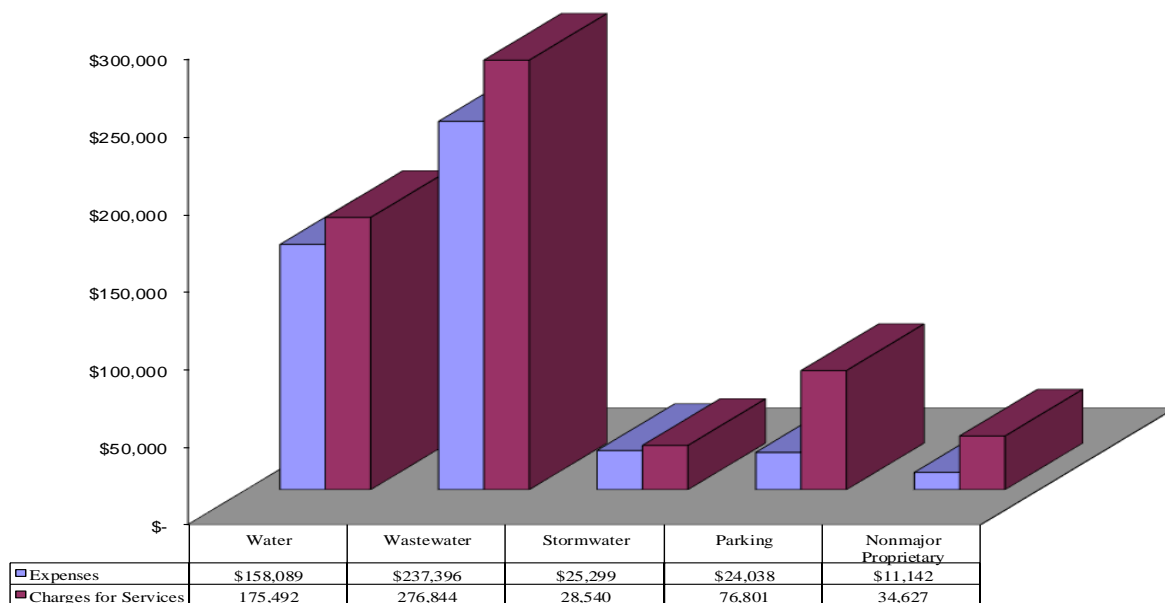
Governmental Activities

During the current fiscal year, expense related to governmental activities amounted to \$3.3 billion; this is more than revenues by \$714.3 million. Total revenue of \$2.5 billion is comprised of program revenues totaling \$555.8 million, which is 21.9% of total revenue. Program revenues are the principal source of funding for the City's general government, health, and economic development activities. Other major activities including public safety and regulation, as well as the highways and streets program, are primarily supported by general revenues. A more detailed analysis of the governmental activities is discussed in the "Financial Analysis of the City's Funds" section.

During fiscal year 2019, governmental revenues increased by \$324.7 million.

Governmental expenses increased by \$859.1 million during fiscal year 2019. This increase is primarily attributable to increases in general government, public safety and education by \$678.1 million. The two main drivers of these increases were: (1) a benefit change in the OPEB plan causing an expense increase of \$563.7 million and (2) an increase in the debt associated with the revitalization of Baltimore City Public Schools which increased expenses by \$174.2 million.

Expenses and Program Revenues – Business-type Activities (expressed in thousands)



Business-type Activities

Business-type activities are presented after adjustments to reflect the consolidation of internal service fund activities related to enterprise funds. Charges for services represent the principal revenue source for the City's business-type activities. During the current fiscal year, revenue from business-type activities totaled \$766.3 million. Expenses for these activities totaled \$455.9 million, income earned of \$310.3 million and net transfer out of \$59.1 million and resulted in an increase in net position of \$251.2 million.

Operating revenues increased by \$15.6 million in fiscal year 2019 in the Water, Wastewater and Stormwater Utility Funds. Capital assets increased by \$344.3 million in the business-type activities primarily as a result of the utilities funds' effort to build environmentally sound facilities.

The City implemented a new Water and Stormwater billing system during fiscal year 2017. As with all new system implementations, process improvements are still being developed. One issue that remained at year end necessitated The City to estimate billings.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the general fund, grants revenue fund, and capital projects fund. Data from the remaining governmental funds are combined into a single, aggregated presentation as other nonmajor funds.

CITY OF BALTIMORE
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2019 and 2018
(Expressed in Thousands)

	2019	2018	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 909,254	\$ 884,410	\$ 24,844
Income taxes	440,144	346,797	93,347
Other local - taxes	185,603	175,196	10,407
Total local taxes	1,535,001	1,406,403	128,598
Licenses and permits	38,880	41,043	(2,163)
Interest, rentals, and other investment income	46,140	27,071	19,069
Federal grants		79	(79)
State grants	98,528	104,644	(6,116)
Other	238,581	216,312	22,269
Total revenues-general fund	1,957,130	1,795,552	161,578
Other governmental funds:			
Grants revenue fund	242,604	233,957	8,647
Capital projects fund	149,195	62,019	87,176
Other funds	64,161	56,090	8,071
Total revenues other governmental funds	455,960	352,066	103,894
Total revenues all governmental funds	2,413,090	2,147,618	265,472
Expenditures:			
General fund:			
General government	267,831	155,606	112,225
Public safety and regulation	831,453	766,230	65,223
Conservation of health	36,077	38,648	(2,571)
Social services	68,539	59,899	8,640
Education	289,410	293,355	(3,945)
Public library	26,784	24,505	2,279
Recreation and culture	45,574	43,845	1,729
Highways and streets	102,468	99,848	2,620
Sanitation and waste removal	78,238	75,384	2,854
Public service	44,863	42,579	2,284
Economic development	52,998	41,634	11,364
Debt service	105,347	94,713	10,634
Total expenditures - general fund	1,949,582	1,736,246	213,336
Other governmental funds:			
Grants revenue fund	242,441	221,811	20,630
Capital projects fund	241,506	186,541	54,965
Other funds	37,119	41,857	(4,738)
Total expenditures other governmental funds	521,066	450,209	70,857
Total expenditures all governmental funds	2,470,648	2,186,455	284,193
Excess of expenditures over revenue	(57,558)	(38,837)	(18,721)
Other financing sources:			
Transfers in	182,999	252,168	(69,169)
Transfers out	(118,222)	(194,465)	76,243
Proceeds from bond issuances	(8,004)		(8,004)
Capital Projects Fund:			
Transportation revenue bonds	3,675	14,924	(11,249)
Payoff of bond anticipation note		(60,148)	60,148
Refunding of obligation bonds	8,792	(133,560)	142,352
Capital leases		29,618	(29,618)
Refunding of capital leases		(4,563)	4,563
Premium on general obligation bonds	83,584	35,923	47,661
Face value of funding and refunding general obligation bonds	37,822	225,155	(187,333)
Total other financing sources	190,646	165,052	25,594
Net changes in fund balances	133,088	126,215	6,873
Fund balances - beginning	848,769	722,554	126,215
Fund balances - ending	\$ 981,857	\$ 848,769	\$ 133,088

Revenues for governmental functions overall totaled approximately \$2.4 billion in the fiscal year ended June 30, 2019, which represents a increase of 12.4% from the fiscal year ended June 30, 2018. Expenditures for governmental functions, totaling \$2.5 billion, increased by approximately 10.5% from the fiscal year ended June 30, 2018. In the fiscal year ended June 30, 2019, expenditures for governmental functions exceeded revenue by \$57.6 million.

The General Fund is the chief operating fund of the City. Revenue in the General Fund increased \$161.6 million as compared to fiscal year 2018. The total expenditures for the General Fund increased by \$213 million, or 12.3%, compared to fiscal year 2018.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$145.9 million, while total fund balance was \$837.3 million. The fund balance in the City's General Fund increased by \$26.2 million during the fiscal year, which was caused by a net transfer in to the General Fund of \$18 million plus higher revenues. The Capital Fund has an assigned fund balance of \$87.9 million, an increase of \$74.4 million over prior year. This increase was primarily caused by proceeds from the sale of general obligation and transportation bonds.

The Grants Revenue Fund is used to account for the spending of various Federal, State and special purpose grant funds. Most of these grants are funded on an expenditure reimbursement basis. Should any portion of the grants receivable be determined uncollectable, the balance may be written off against the General Fund. The Grants Revenue Fund had an assigned fund balance of \$21.6 million, an increase of \$19.2 million over prior year. This increase was primarily caused by transfers from the General Fund.

Proprietary Funds

The City's business-type activities prior to allocation of internal service fund activities are comprised of the funds listed below. The nonmajor funds include the Industrial Development Authority and Conduit Fund.

(Expressed in Thousands)						
	Water, Wastewater and Stormwater Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2019	2018	2019	2018	2019	2018
Operating revenues	\$ 480,876	\$ 465,305	\$ 76,801	\$ 85,257	\$ 34,627	\$ 28,639
Operating expenses	380,142	347,623	10,632	11,816	11,187	8,417
Operating income (loss)	100,734	117,682	66,169	73,441	23,440	20,222
Non operating revenues (expenses), capital contribution, and transfers	132,711	134,378	(72,534)	(65,276)	26	(1,838)
Change in net position	\$ 233,445	\$ 252,060	\$ (6,365)	\$ 8,165	\$ 23,466	\$ 18,384

As discussed in the Business-type activities section, the Water and Wastewater Utilities Fund experienced operating revenue increases in fiscal year 2019. These increases are attributable to rate increases implemented in fiscal year 2019.

General Fund budgetary highlights

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance - Budget and Actual
Budgetary Basis - General Fund
For the Year Ended June 30, 2019

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Total revenues	\$ 1,816,636	\$ 1,833,354	\$ 1,954,995	\$ 138,359	\$ 121,641
Expenditures and encumbrances:					
General government.....	351,180	356,397	333,643	17,537	22,754
Public safety and regulation.....	775,399	787,399	780,670	(5,271)	6,729
Conservation of health.....	46,746	46,746	38,986	7,760	7,760
Social services.....	3,244	3,244	2,650	594	594
Education.....	289,661	289,661	290,977	(1,316)	(1,316)
Public library.....	27,226	27,226	25,666	1,560	1,560
Recreation and culture.....	48,146	48,146	44,942	3,204	3,204
Highways and streets.....	129,352	139,352	125,502	3,850	13,850
Sanitation and waste removal.....	84,721	86,221	84,108	613	2,113
Public service.....	42,559	42,559	38,164	4,395	4,395
Economic development.....	65,313	65,313	66,138	(825)	(825)
Total expenditures and encumbrances.....	1,863,547	1,892,264	1,831,446	\$ 32,101	\$ 60,818
Excess (deficiency) of revenue over expenditures and encumbrances.....	(46,911)	(58,910)	123,549		
Other Financing uses:					
Transfers in.....	39,670	39,670	116,563		
Transfers out.....	(107,986)	(107,986)	(97,937)		
Total other financing uses.....	(68,316)	(68,316)	18,626		
Net changes in fund balances.....	(115,227)	(127,226)	142,175		
Fund balances --- beginning	772,895	772,895	772,895		
Fund balances --- ending.....	\$ 657,668	\$ 645,669	\$ 915,070		

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. During fiscal year 2019, supplemental appropriations totaling \$34.9 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenues sources. Actual expenditures for the year were less than the original budget by \$32.1 million, but were \$60.8 million lower than adjusted appropriations. This amount was primarily related to the governmental activities: lower than budgeted costs for general government operations amounted to \$22.8 million; lower than budgeted costs for public safety and regulation amounted to \$6.7 million; lower than budgeted costs for conservation of health amounted to \$7.8 million; lower than budgeted costs for highways and streets to \$13.9 million; and lower than budgeted costs for public service amounted to \$4.4 million.

On a budgetary basis, revenues for fiscal year 2019 totaled \$2.0 billion and expenditures and transfers totaled \$1.8 billion. The excess of expenditures and transfers over revenues resulted in a budgetary basis fund balance at June 30, 2019 of \$915.1 million, an increase of \$142.2 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$8.6 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and library books. The total increase in the City's net capital assets for the current fiscal year was increase 3.3% (2.1% decrease for governmental activities and an 6.7% increase for business-type activities) as shown in the table below.

Capital Assets, Net of Depreciation For the Fiscal Years 2019 and 2018 (Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land and other	\$ 369,049	\$ 365,900	\$ 36,920	\$ 36,920	\$ 405,969	\$ 402,820
Building and improvements	878,679	875,800	2,639,236	2,718,234	3,517,915	3,594,034
Equipment	114,489	105,088	182,050	184,805	296,539	289,893
Infrastructure	1,513,012	1,547,191	1,465,351	998,619	2,978,363	2,545,810
Library books	17,800	15,591			17,800	15,591
Construction in progress	237,895	202,275	1,172,297	1,213,031	1,410,192	1,415,306
Total	\$ 3,130,924	\$ 3,111,845	\$ 5,495,854	\$ 5,151,609	\$ 8,626,778	\$ 8,263,454

See note number 5 on capital assets.

Debt Administration

As of June 30, 2019, the City had total long-term obligations outstanding of \$4.1 billion. Of this amount, \$572.9 million was general obligation bonds backed by the full faith and credit of the City, \$379.0 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$2.6 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds and other obligations of City business and governmental activities.

During fiscal year 2019, the City sold \$585.9 million in revenue bonds.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position for management, citizens, and investors. A comparison of these indicators follows:

	FY 2019	FY 2018
Net general bonded debt (expressed in thousands)	\$ 461,074	\$ 418,621
Ratio of net general bonded debt to net assessed value	1.10%	1.02%

See note number 7 on long-term obligations.

As of June 30, 2019, the City had \$577.5 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net restricted assets in the Debt Service Fund (which is part of the General Fund beginning in Fiscal Year 2017) of \$116.4 million for net tax-supported bonded debt of \$461.1 million, which is equal to approximately 1.10% of the assessed value of property (net of exemptions). There are an additional \$435.5 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2020 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,555,402,000 of which \$1,967,250,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirements and powers, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property remained at \$2.248 and \$5.62 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.2%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 11, 2019.

Fiscal 2019 Budget – Economic Factors

Fiscal 2019 was once again a strong year of economic activity. As of December 2019, the US economy still enjoys the longest period of economic growth since the Great Depression, with 126 consecutive months of economic expansion. During Fiscal 2019, most indicators suggested a healthy economic environment with no evident signs of immediate risks.

Most indicators suggest that the City remains in a healthy economic environment. The City's average wages continued its steady growth and increased 1.1% during calendar 2018. The most recent data from the Bureau of Labor Statistics (BLS) indicates a year-to-date average of 381,800 jobs located in the City by September 2019, representing an additional increase of 1.1% compared to the 377,500 average of calendar year 2018. As of the third quarter of 2019, there is an estimated average of 282,817 City residents employed, representing an increase of 8,494, or 3.1%. Additionally, the average number of individuals joining the labor force during this period increased by 7,683, or 2.6%, explaining the reduction of the City's unemployment rate to its historical low of 4.8%.

The City's economic activity as measured by the value and amount of sales generated in the City remains strong. The City places as the fifth largest county in Maryland for generation of the State Sale and Use tax. Sale transactions in the City represent 7.3% of the State's total retail sales during Fiscal 2019, slightly lower than fiscal year 2018, but this proportion remains relatively unchanged. Retail sales activity continues to be a leading indicator of the City's economic health, increasing 2.8% or \$160.4 million in taxable sales between fiscals 2018 and 2019.

The City has experienced decline in its household size and the number of income tax return filed; however, data from the Census Bureau and the Comptroller of Maryland indicated that the City has compensated these reductions and has become wealthier. The City's household size has declined from 2.53 individuals in 2010 to 2.44 in 2017, but the average household income has grown 28.6% from \$54,165 in 2010 to \$69,676 in 2017, 15.9% above inflation. There are approximately 114,854, or 47.8%, households earning more than \$50,000, an increase of almost 21,341 or 22.8%. Moreover, the number of households earning less than \$50,000 decreased by 19,006 or 13.2% over the same period. Similarly, the Income Tax Summary Report, released annually by the Maryland Revenue Administration Division, shows that during 2018 there were 193,809 taxable returns filed in Baltimore City. Even though this represents a decrease of more than 7,700 total returns, or -3.8%, the reduction was greatly compensated by the increase of 12.2% in the average local tax per return, generating \$335.0 million in local taxes, \$24.5 million more than in 2017. The composition of filers has changed to reflect the household income distribution explained above. Of the total returns, 78,179 or 40.3% corresponded to individuals whose taxable income was higher than \$50,000, which represent 81.3% of the total taxes. This increase reflects the favorable conditions of the City's labor market.

In Fiscal 2019, the real estate market continued to show mostly healthy market trends, with the total number of transactions decreasing, but prices increasing. The total residential units sold in the City as reported by the Metropolitan Regional Information System (MRIS) decreased in Fiscal 2019 for the first time in seven years. However, some of this decrease was probably due at least in part to the ransomware attack on the City network sustained on May 7, 2019. Despite the decrease to the number of residential units sold, the average sales price increased in Fiscal 2019; homes sold for an average of \$179,046, a \$6,103 or 3.5% increase to Fiscal 2017.

Despite these positive signs, preparation for the Fiscal 2020 Budget was conservative considering that the US economy is approaching to a recessionary period. The City continues monitoring the impact of the negative changes in City's population to its taxable base. However, major concerns have arisen for the financial and fiscal impact of the recently released recommendations from the Kirwan Commission to City school's funding, which will take most of the attention for policy-making decisions in the 2020 General Assembly Legislative Session and future budget discussions.

As referenced in the prior section, the U.S. Census Bureau's most recent population estimate indicate a decrease of more than 9,000 City residents between 2017 and 2018. This represents the second largest one-year decline in population the City has experienced since 2001 when we lost more than 10,400 residents. This reduction brings the City's population to its historical lowest value of 602,495 residents. With this reduction, the City has experienced four consecutive year of population decline totaling more than 21,000 people leaving the City between 2014 and 2018, an average of 5,500 net negative migration. The impact of losing population has started to be noticed in the City's taxable base, and it remains as one of the most concerning long-term threat to the City's financial stability..

The Kirwan Commission recently released its report with their recommendation for future funding to City schools. The report provides recommendations into five categories: Early Childhood Education, High-Quality and Diverse Teachers and Leaders, College and Career Readiness Pathways, More Resources to Ensure All Students are Successful and Governance and Accountability. The cost estimates for all recommendations total \$1.5 billion in Fiscal 2022 and grows to \$3.8 billion

in Fiscal 2030. If adopted, it is estimated that the City would be mandated to increase its contribution to schools by \$138.2 million in Fiscal 2022, which would require substantial adjustments to the City's budget priorities in the next years.

Request for information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Director of Finance at the following address:

Room 469, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

CITY OF BALTIMORE
Statement of Net Position
June 30, 2019
(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental	Business-type	Total	Baltimore City	Baltimore
	Activities	Activities		Public School System	Hotel Corporation
Assets and deferred outflows of resources:					
Assets:					
Cash and cash equivalents	\$ 404,669	\$ 808,420	\$ 1,213,089	\$ 302,350	\$ 3,015
Investments	561,741		561,741	124,895	40,164
Property taxes receivable, net	15,475		15,475		
Service receivable, net		145,130	145,130		
Other receivables, net	48,873	2,474	51,347	4,262	4,832
Due from other governments	292,490	420,578	713,068	32,850	
Internal balances	28,952	(28,952)			
Due from primary government				15,793	
Inventories, at cost	9,298	10,085	19,383	1,312	73
Notes and mortgages receivable, net	269,514	34,075	303,589		
Other assets	30,741	226	30,967	360	3,518
Net pension asset	10,936		10,936		
Capital assets being depreciated, net of accumulated depreciation	2,523,980	4,286,637	6,810,617	791,268	186,838
Capital assets not being depreciated	606,944	1,209,217	1,816,161	183,162	
Total assets	4,803,613	6,887,890	11,691,503	1,456,252	238,440
Deferred outflow of resources:					
Deferred amortization on early extinguishment of debt		59,965	59,965		
Deferred loss on bond refunding	5,820	15,497	21,317		
Deferred outflows related to pension	312,775	19,050	331,825	29,382	
Deferred outflows related to OPEB	214,331	26,414	240,745	72,956	
Interest rate swaps	1,257	8,638	9,895		
Total deferred outflows of resources	534,183	129,564	663,747	102,338	
Total assets and deferred outflows of resources	5,337,796	7,017,454	12,355,250	1,558,590	238,440
Liabilities and deferred inflows of resources:					
Liabilities:					
Accounts payable and accrued liabilities	358,284	208,087	566,371	222,997	15,933
Accrued interest payable	10,840	44,831	55,671		4,448
Unearned revenue	24,626		24,626	1,762	2,045
Notes payable					293,849
Due to other governments		4,691	4,691		
Deposits subject to refund	29,353	15	29,368		4,746
Estimated claims in progress:					
Due within one year	89,075		89,075		
Due in more than one year	273,873		273,873		
Revenue bond payable, net:					
Due within one year	20,457	69,097	89,554		
Due in more than one year	410,947	2,748,834	3,159,781		
Derivative instrument liability	1,257	23,811	25,068		
Long term debt payable:					
Due within one year	46,666	380	47,046	12,656	
Due in more than one year	762,791	4,275	767,066	64,165	
Capital leases payable:					
Due within one year	29,468	100	29,568	3,720	
Due in more than one year	121,141	543	121,684	6,409	
Compensated absences:					
Due within one year	47,858	5,561	53,419	5,572	
Due in more than one year	108,517	9,442	117,959	45,081	
Landfill closure due in more than one year	25,423		25,423		
Other liabilities due in more than one year:					
Net pension liability	1,674,645	120,025	1,794,670	130,470	
Net OPEB liability	1,209,178	51,380	1,260,558	231,937	
Other liabilities	250,000	5,000	255,000	35,818	
Total liabilities	5,494,399	3,296,072	8,790,471	760,587	321,021
Deferred inflows of resources:					
Deferred inflows related to pension	40,982	592	41,574	5,946	
Deferred inflows related to OPEB	115,578	16,927	132,505	72,372	
Deferred inflow for service concession arrangement	54,836		54,836		
Total deferred inflows of resources	211,396	17,519	228,915	78,318	
Total liabilities and deferred inflows of resources	5,705,795	3,313,591	9,019,386	838,905	321,021
Net position:					
Net investment in capital assets	2,520,881	3,345,821	5,866,702	887,480	(107,011)
Restricted for:					
Construction	31,000		31,000	25,814	
Debt service, sanitation, and capital leases	478,236	181,109	659,345		
Perpetual care:					
Expendable	8,847		8,847		
Nonexpendable	9,210		9,210		
Unrestricted (deficits)	(3,416,173)	176,933	(3,239,240)	(193,609)	24,430
Total net position	\$ (367,999)	\$ 3,703,863	\$ 3,335,864	\$ 719,685	\$ (82,581)

The notes to basic financial statements are an integral part of this statement

CITY OF BALTIMORE
Statement of Activities
For the Year Ended June 30, 2019
(Expressed In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business- type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Primary Government:									
Governmental activities:									
General government	\$ 524,515	\$ 61,102	\$ 99,770	\$ 674	\$ (362,969)		\$ (362,969)		
Public safety and regulation	1,228,602	45,689	27,410		(1,155,503)		(1,155,503)		
Conservation of health	169,216	6,945	104,651		(57,620)		(57,620)		
Social services	103,384		44,982		(58,402)		(58,402)		
Education	494,735				(494,735)		(494,735)		
Public library	46,150	85	20,655		(25,410)		(25,410)		
Recreation and culture	68,491	161	6,580	5,607	(56,143)		(56,143)		
Highways and streets	181,100		219	53,468	(127,413)		(127,413)		
Sanitation and waste removal	98,499	7,805			(90,694)		(90,694)		
Public service	103,340		5,408		(97,932)		(97,932)		
Economic development	188,852	1,003	56,096	7,508	(124,245)		(124,245)		
Interest	52,787				(52,787)		(52,787)		
Total governmental activities	3,259,671	122,790	365,771	67,257	(2,703,853)		(2,703,853)		
Business-type activities:									
Water	158,089	175,492		64,860		82,263	82,263		
Wastewater	237,396	276,844		96,609		136,057	136,057		
Stormwater	25,299	28,540				3,241	3,241		
Parking	24,038	76,801				52,763	52,763		
Nonmajor proprietary	11,142	34,627				23,485	23,485		
Total business-type activities	455,964	592,304		161,469		297,809	297,809		
Total primary government	\$ 3,715,635	\$ 715,094	\$ 365,771	\$ 228,726	\$ (2,703,853)	\$ 297,809	\$ (2,406,044)		
Component units:									
Baltimore City Public School System	\$ 1,422,890	\$ 48	\$ 162,253	\$ 53,156				\$ (1,207,433)	
Baltimore Hotel Corporation	61,021	61,106							\$ 85
General revenues:									
Property taxes					909,254		909,254		
Income taxes					440,144		440,144		
Transfer and recordation tax					98,405		98,405		
Electric and gas tax					52,987		52,987		
Telecommunications tax					35,877		35,877		
Admission tax					8,234		8,234		
Other local taxes					67,878		67,878		
State shared revenues					166,082		166,082		
State, federal, and City grants								1,201,837	
Unrestricted investment income					48,730	12,493	61,223	9,270	487
Miscellaneous					161,944		161,944	268,890	
Transfers					59,128	(59,128)			
Total general revenues and transfers					2,048,663	(46,635)	2,002,028	1,479,997	487
Changes in net position					(655,190)	251,174	(404,016)	272,564	572
Net position – beginning					287,191	3,452,689	3,739,880	447,121	(83,153)
Net position – ending					\$ (367,999)	\$ 3,703,863	\$ 3,335,864	\$ 719,685	\$ (82,581)

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Balance Sheet
Governmental Funds
June 30, 2019
(Expressed In Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 234,095		\$ 85,652	\$ 22,786	\$ 342,533
Investments	550,665		1,441	9,635	561,741
Property taxes receivable, net	15,475				15,475
Other receivables, net	45,675		287	1,422	47,384
Due from other governments	164,658	\$ 88,485	36,627	2,720	292,490
Due from other funds	61,465		1,568		63,033
Notes and mortgages receivable, net	269,514				269,514
Inventories, at cost	818				818
Other assets	10,412				10,412
Total assets	\$ 1,352,777	\$ 88,485	\$ 125,575	\$ 36,563	\$ 1,603,400
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities :					
Accounts payable and accrued liabilities	\$ 277,780	\$ 30,934	\$ 29,787	\$ 1,577	\$ 340,078
Retainages payable			7,842		7,842
Estimated liability for claims in progress	89,075				89,075
Due to other funds		34,625			34,625
Deposits subject to refund	29,353				29,353
Unearned revenue	23,306	1,320			24,626
Total liabilities	419,514	66,879	37,629	1,577	525,599
Deferred inflows of resources:					
Unavailable property taxes	14,275				14,275
Unavailable income taxes and other	81,669				81,669
Total deferred inflows of resources	95,944				95,944
Total liabilities and deferred inflows of resources	515,458	66,879	37,629	1,577	621,543
Fund balances:					
Nonspendable	3,028				3,028
Restricted	431,094		31,000	18,057	480,151
Assigned	257,252	21,606	56,946	16,929	352,733
Unassigned	145,945				145,945
Total fund balances	837,319	21,606	87,946	34,986	981,857
Total liabilities and fund balances	\$ 1,352,777	\$ 88,485	\$ 125,575	\$ 36,563	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					3,017,918
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					565,448
Internal service funds are used by management to charge the cost of fleet management, energy conservation, mailing, communications, printing, building maintenance, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position					83,564
Unavailable revenue is not due and payable in the current period and , therefore, is not reported in the funds					95,944
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds					(5,112,730)
Net position of governmental activities					\$ (367,999)

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes -- local	\$ 1,535,001			\$ 13,556	\$ 1,548,557
State shared revenue	146,085			19,997	166,082
Licenses and permits	38,880				38,880
Fines and forfeitures	34,939				34,939
Interest, rentals and other investment income	46,140		\$ 356	1,115	47,611
Federal grants		\$ 105,577	50,921	28,143	184,641
State grants	98,528	84,101	16,336		198,965
Other grants	26	52,926			52,952
Charges for services	48,971				48,971
Miscellaneous	8,560		81,582	1,350	91,492
Total revenues	1,957,130	242,604	149,195	64,161	2,413,090
Expenditures:					
Current:					
General government	267,831	30,341		20,949	319,121
Public safety and regulation	831,453	20,436		2,281	854,170
Conservation of health	36,077	100,128			136,205
Social services	68,539	33,826			102,365
Education	289,410	11,926		42	301,378
Public library	26,784	11,777		72	38,633
Recreation and culture	45,574	6,097		1,059	52,730
Highways and streets	102,468	223			102,691
Sanitation and waste removal	78,238	2,891		864	81,993
Public service	44,863	5,157			50,020
Economic development	52,998	19,639	96,118	11,852	180,607
Debt service:					
Principal	60,922				60,922
Interest	44,425				44,425
Capital outlay			145,388		145,388
Total expenditures	1,949,582	242,441	241,506	37,119	2,470,648
Excess (deficiency) of revenues over (under) expenditures	7,548	163	(92,311)	27,042	(57,558)
Other financing sources (uses):					
Transfers in	116,563	21,023	45,413		182,999
Transfers out	(97,937)	(2,029)	(4,537)	(13,719)	(118,222)
Proceeds to Bond Sinking Fund			(8,004)		(8,004)
Premium on transportation revenue bonds			3,675		3,675
Premium on general obligation bonds			8,792		8,792
Face value of general obligation bonds			83,584		83,584
Face value of transportation revenues bonds			37,822		37,822
Total other financing sources (uses)	18,626	18,994	166,745	(13,719)	190,646
Net changes in fund balance	26,174	19,157	74,434	13,323	133,088
Fund balances -- beginning	811,145	2,449	13,512	21,663	848,769
Fund balances -- ending	\$ 837,319	\$ 21,606	\$ 87,946	\$ 34,986	\$ 981,857

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019
(Expressed in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance -- total governmental funds	\$ 133,088
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year	11,539
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(130,972)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(663,291)
The net effect of the expenses for recording the City's pension liability from employment retirement plans are not reported as expenditures in governmental funds	(9,077)
The net income of certain activities of internal service funds is reported with governmental activities	3,523
Changes in net position of governmental activities	<u>\$ (655,190)</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Net Position
Proprietary Funds
June 30, 2019
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 55,643	\$ 118,783	\$ 38,701	\$ 10,154	\$ 15,475	\$ 238,756	\$ 14,994
Accounts receivable, net:							
Service billings	50,123	85,251	9,756			145,130	
Other	402	305		1,767		2,474	1,489
Due from other governments	20,814	261,057	724			282,595	
Inventories	9,350	261	474			10,085	8,480
Restricted assets:							
Cash and cash equivalents	40,694	62,241	1,675			104,610	
Notes and mortgages receivable				2,397		2,397	
Total current assets	177,026	527,898	51,330	14,318	15,475	786,047	24,963
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	153,525	197,673	51,493	18,452	43,911	465,054	47,142
Due from other governments	44,844	93,139				137,983	
Notes and mortgages receivable				31,678		31,678	
Capital assets, net of accumulated depreciation	1,295,351	2,593,122	236,543	71,779	89,842	4,286,637	113,006
Capital assets not being depreciated	470,838	646,425	32,397	15,290	44,267	1,209,217	
Other assets					226	226	
Total noncurrent assets	1,964,558	3,530,359	320,433	137,199	178,246	6,130,795	160,148
Total assets	2,141,584	4,058,257	371,763	151,517	193,721	6,916,842	185,111
Deferred outflows of resources							
Deferred amortization on early extinguishment of debt	30,878	29,087				59,965	
Deferred loss on bond refunding				15,497		15,497	
Deferred outflows related to pension	9,000	8,155	1,419		476	19,050	
Deferred outflows related to OPEB	12,173	11,296	2,077		868	26,414	
Interest rate swaps				8,638		8,638	
Total deferred outflows of resources	52,051	48,538	3,496	24,135	1,344	129,564	
Total assets and deferred outflows of resources	2,193,635	4,106,795	375,259	175,652	195,065	7,046,406	185,111
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	14,531	23,114	885	993	309	39,832	11,104
Accrued interest payable	18,817	20,855	315	4,844		44,831	
Deposits subject to refund	15					15	
Due to other funds					28,121	28,121	287
Due to other governments		4,691				4,691	
Compensated absences	2,429	2,586	381		165	5,561	1,193
Other liabilities					5,000	5,000	
Accounts payable from restricted assets	52,918	103,066	2,209		10,062	168,255	
Leases payable		100				100	16,585
Revenue bonds payable	21,876	41,385	1,361	4,475		69,097	
General long-term debt payable			380			380	
Total current liabilities	110,586	195,797	5,531	10,312	43,657	365,883	29,169
Noncurrent liabilities:							
Leases payable		543				543	76,040
Revenue bonds payable, net	1,088,161	1,506,859	65,018	88,796		2,748,834	
Derivative instrument liability	1,691			22,120		23,811	
Compensated absences	4,456	4,119	639		228	9,442	2,619
General long-term debt payable			4,275			4,275	
Net pension liability	56,702	51,383	8,941		2,999	120,025	
Net OPEB liability	23,438	22,501	3,629		1,812	51,380	
Total noncurrent liabilities	1,174,448	1,585,405	82,502	110,916	5,039	2,958,310	78,659
Total liabilities	1,285,034	1,781,202	88,033	121,228	48,696	3,324,193	107,828
Deferred inflows of resources:							
Deferred inflows related pension	280	253	44		15	592	
Deferred inflows related OPEB	7,805	7,226	1,343		553	16,927	
Total deferred inflows of resources	8,085	7,479	1,387		568	17,519	
Total liabilities and deferred inflows of resources	1,293,119	1,788,681	89,420	121,228	49,264	3,341,712	107,828
Net position:							
Net investment in capital assets	853,559	2,169,097	156,715	32,341	134,109	3,345,821	112,930
Restricted for:							
Debt service	63,399	80,875	2,767	34,068		181,109	
Unrestricted (deficit)	(16,442)	68,142	126,357	(11,985)	11,692	177,764	(35,647)
Total net position	\$ 900,516	\$ 2,318,114	\$ 285,839	\$ 54,424	\$ 145,801	\$ 3,704,694	\$ 77,283
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(831)	
Net position of business-type activities						\$ 3,703,863	

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019
(Expressed In Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Operating revenues:							
Charges for sales and services							\$ 116,842
Water, sewer and stormwater service	\$ 177,169	\$ 258,730	\$ 27,134			\$ 463,033	
Rents and fees	611	353	210	\$ 76,801	\$ 34,403	112,378	
Other income	7,352	8,121	1,196		224	16,893	
Total operating revenues	185,132	267,204	28,540	76,801	34,627	592,304	116,842
Operating expenses:							
Salaries and wages	36,096	42,947	7,269		4,538	90,850	21,763
Other personnel costs	15,836	16,712	2,818		2,128	37,494	8,754
Contractual services	39,647	83,206	6,924	8,117	2,392	140,286	50,109
Materials and supplies	6,959	13,766	399		140	21,264	4,770
Minor equipment	838	850	44		183	1,915	6,894
Postage and delivery services							2,570
Depreciation	36,222	64,556	5,016	2,515	1,407	109,716	15,907
Program expenses					399	399	
Other		37				37	
Total operating expenses	135,598	222,074	22,470	10,632	11,187	401,961	110,767
Operating income	49,534	45,130	6,070	66,169	23,440	190,343	6,075
Nonoperating revenues (expenses):							
Gain on sale of investments	650					650	1,917
Other			(1,800)	(5,650)	26	(7,424)	
Issuance costs	(226)	(129)				(355)	
Interest income	5,147	5,967	729			11,843	
Interest expense	(22,486)	(15,545)	(1,065)	(7,756)		(46,852)	
Total nonoperating expenses, net	(16,915)	(9,707)	(2,136)	(13,406)	26	(42,138)	1,917
Income before capital contributions and transfers	32,619	35,423	3,934	52,763	23,466	148,205	7,992
Capital contributions	64,860	96,609				161,469	(4,000)
Transfers out				(59,128)		(59,128)	(5,650)
Changes in net position	97,479	132,032	3,934	(6,365)	23,466	250,546	(1,658)
Total net position - beginning	803,037	2,186,082	281,905	60,789	122,335	3,454,148	78,941
Total net position - ending	\$ 900,516	\$ 2,318,114	\$ 285,839	\$ 54,424	\$ 145,801	3,704,694	\$ 77,283
Adjustment to reflect the consolidation of internal service activities related to enterprise funds						(831)	
Net position of business-type activities						\$ 3,703,863	

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Proprietary Funds
to the Statement of Activities
For the Year Ended June 30, 2019
(Expressed in Thousands)

Amounts reported for business-type activities in the statement of activities are different because:

Net change in fund balance -- total proprietary funds.....	\$ 250,546
The net expense of certain activities of internal service funds is reported with business-type activities	628
Change in net position of business-type activities	<u>\$ 251,174</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Enterprise Funds						
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	Internal Service Funds
Cash flows from operating activities:							
Receipts from customers	\$ 191,404	\$ 249,821	\$ 26,534	\$ 76,136	\$ 34,400	\$ 578,295	\$ 113,804
Payments to employees	(54,431)	(62,314)	(8,277)		(7,044)	(132,066)	(30,096)
Payments to suppliers	(48,492)	(95,968)	(7,378)	(8,324)	(2,721)	(162,883)	(60,634)
Net cash provided by operating activities	88,481	91,539	10,879	67,812	24,635	283,346	23,074
Cash flows from noncapital financing activities:							
Transfers out				(59,128)		(59,128)	
Net cash provided (used) by noncapital financing activities				(59,128)		(59,128)	
Cash flows from capital and related financing activities:							
Mortgages receivable principal payments				4,319		4,319	
Proceeds from revenue bonds	195,102	98,590	57,389	22,952		374,033	
Proceeds from general obligation bonds			1,416			1,416	
Proceeds from water quality loans		286,353				286,353	
Principal paid on revenue bonds	(19,985)	(21,895)	(993)	(41,211)		(84,084)	
Principal paid on State water quality loans	(1,073)	(18,910)	(366)			(20,349)	
Principal paid on general long-term debt			(349)			(349)	
Payments on refunded debt	(20,800)					(20,800)	
Interest received	5,147	5,967	729	705		12,548	
Interest paid	(37,117)	(499)	(853)	(5,956)		(44,425)	
Acquisition and construction of capital assets	(214,230)	(263,858)	(5,545)	(937)	(34,590)	(519,160)	(16,414)
Capital lease payments		(182)				(182)	6,292
Capital contributions (distribution) received	84,039	(104,448)	(2,524)		26	(22,907)	(9,650)
Due to other funds					25	25	
Issuance costs	(226)	(129)	(59)			(414)	
Net cash (used) by capital and related financing activities	(9,143)	(19,011)	48,845	(20,128)	(34,539)	(33,976)	(19,772)
Cash flows from investing activities:							
Gain on investments	650					650	
Net cash (used) by investing activities	650					650	
Net increase (decrease) in cash and cash equivalents	79,988	72,528	59,724	(11,444)	(9,904)	190,892	3,302
Cash and cash equivalents, beginning of year	169,873	306,169	32,145	40,050	69,290	617,527	58,834
Cash and cash equivalents, end of year	\$ 249,861	\$ 378,697	\$ 91,869	\$ 28,606	\$ 59,386	\$ 808,419	\$ 62,136
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 49,534	\$ 45,130	\$ 6,070	\$ 66,169	\$ 23,439	\$ 190,342	\$ 6,075
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	36,222	64,556	5,016	2,515	1,407	109,716	15,907
Effect of changes in non cash operating assets and liabilities:							
Accounts receivables	6,272	(17,384)	(2,006)	(665)		(13,783)	(191)
Inventories	(577)	(3)	(28)			(608)	(1,302)
Deferred outflows - pension	1,547	1,453	(164)		146	2,982	
Deferred outflows - OPEB	(11,342)	(10,501)	(1,878)		(782)	(24,503)	
Other assets					(226)	(226)	
Accounts payable and accrued liabilities	181	3,815	368	(207)	54	4,211	2,605
Compensated absences	(215)	26	(27)			(216)	173
Due to (from) other funds		(1,313)				(1,313)	(193)
Deferred inflows - pensions	(202)	(185)	(13)		(13)	(413)	
Deferred inflows - OPEB	7,466	6,419	1,343		553	15,781	
Pension liability - current period	(1,013)	(1,194)	2,070		(407)	(544)	
Opeb liability					6	6	
Other liabilities	608	720	128		418	1,874	
Other noncurrent liabilities					40	40	
Total adjustments	38,947	46,409	4,809	1,643	1,196	93,004	16,999
Net cash provided by operating activities	\$ 88,481	\$ 91,539	\$ 10,879	\$ 67,812	\$ 24,635	\$ 283,346	\$ 23,074
Noncash activity from capital and related financing activities:							
New capital leases							\$ 23,490
Acquisition and construction of capital assets financed by debt	\$ (37,838)	\$ (18,439)	\$ (190)			\$ (56,467)	
Increase in issuance of State water quality loans		202,000	1,416			203,416	
Total noncash activity from capital and related financing activities	\$ (37,838)	\$ 183,561	\$ 1,226			\$ 146,949	\$ 23,490

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(Expressed In Thousands)

	Pension/OPEB	
	Trust	Agency
	Funds	Funds
Assets:		
Cash and cash equivalents	\$ 136,313	\$ 210
Investments:		
Stocks	2,983,133	
Bonds	906,925	56
Real Estate	549,162	
Private equity and hedge fund	618,178	
Securities lending collateral	82,060	
Accounts receivable, net:		
Other	7,977	230
Forward foreign contracts	9,745	
Other assets	67,516	
Total assets	<u>5,361,009</u>	<u>496</u>
Liabilities:		
Obligations under securities lending program	82,060	
Forward foreign contracts	9,777	
Accounts payable	88,699	230
Due to other funds		
Other		266
Total liabilities	<u>180,536</u>	<u>496</u>
Net position:		
Net position restricted for Pensions and OPEB	<u>\$ 5,180,473</u>	

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year Ended June 30, 2019
(Expressed In Thousands)

	Pension/OPEB Funds Total
Additions:	
Contributions:	
Employer	\$ 355,771
Employee	104,582
Total contributions	<u>460,353</u>
Investment income:	
Net appreciation in fair value of investments	166,430
Securities lending income	941
Interest and dividend income	137,203
Total investment income	<u>304,574</u>
Less: investment expense	<u>29,510</u>
Net investment income	<u>275,064</u>
Total additions	<u>735,417</u>
Deductions:	
Retirement benefits	388,191
Health benefits	154,376
Death benefits	1,275
Administrative expenses	8,896
Other	<u>22,564</u>
Total deductions	<u>575,302</u>
Changes in net position	160,115
Net position restricted for Pensions and OPEB - beginning of the year	<u>5,020,358</u>
Net position restricted for Pensions and OPEB - end of year	<u>\$ 5,180,473</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BALTIMORE

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CITY OF BALTIMORE
Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

The City of Baltimore (City) was incorporated under the laws of the State of Maryland in 1797 and operates under an elected Mayor-Council form of government. As required by accounting principles generally accepted in the United States for governmental entities (GAAP), the accompanying financial statements present the City and its component units, entities, for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Blended Component Unit

The Baltimore Industrial Development Authority (IDA), an entity legally separate from the City, finances capital construction projects, which solely benefit the City. The IDA is administered by a Board appointed by the Mayor and is financially accountable to the City. This component unit is so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it is part of the City. The IDA is reported as an enterprise fund.

Discretely Presented Component Units

The Baltimore City Public School System (BCPSS) is responsible for elementary and secondary education within the City's jurisdiction. The BCPSS receives significant funding from the City and is a financial burden to the City. The City is also required to pay certain benefits to its employees. However, the BCPSS is legally separate from the City since it has the authority and responsibility for all its system functions and the Governor of the State of Maryland appoints a majority of its nine member board. The City, however, approves the BCPSS annual budget. The City adjusted the financial results of the BCPSS to record the net pension liability attributable to BCPSS employees that participate in the Employees' Retirement System of the City of Baltimore (ERS) and the net other post employment liability (OPEB) which are detailed in Note 20. Complete financial statements for BCPSS may be obtained from the Chief Financial Officer, Baltimore City Public School System, 200 East North Avenue, Baltimore, Maryland 21202.

The Baltimore Hotel Corporation (BHC) was incorporated on October 14, 2005 as a nonprofit non-stock corporation, and is wholly owned by the City. BHC is financially accountable to the City. The BHC assists the Mayor and City Council of Baltimore on enhancing the economic development in the City by operating a downtown convention center headquarters hotel and parking structure. The City has pledged certain site-specific occupancy tax revenue to pay shortfalls in hotel operating revenues and is responsible for operating deficits.

Complete financial statements for BHC for the year ended December 31, 2018 may be obtained from the Director of Finance, Baltimore City, 469 City Hall, 100 N. Holliday St., Baltimore, Maryland 21202.

Related Organizations

There are other governmental entities that provide services within the City of Baltimore. While the City is responsible for appointing the board members of these entities, the City's accountability for these organizations does not extend beyond making appointments. The City's basic financial statements do not reflect the operations of the:

Baltimore City Foundation	Live Baltimore Home Center
Lexington Market	Healthcare Access Maryland
Visit Baltimore, Inc.	Royal Farms Arena – SMG
Baltimore Community Lending	Family League of Baltimore City, Inc.
City of Baltimore Development Corporation	Hippodrome Foundation
Special Benefits Taxing Districts	Community Media of Baltimore City, Incorporated

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. The HABC is a separate legal entity and is governed by a Commission of five citizens with staggered terms appointed by the Mayor. The Commission establishes the operating policies of the HABC, which was implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains, and manages low-rent housing and administers housing assistance payment programs primarily for the citizenry's benefit and not that of the primary government. These activities are subsidized by the U. S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over or to impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

Government-wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

- Net investment in capital assets - the total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets;
- Restricted - for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation; and
- Unrestricted - the total net position which does not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Grants Revenue Fund. This fund accounts for revenues derived from governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Capital Projects Fund. The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types. Although not required to disclose this fund as a major fund per GASB34, management has opted to disclose the Capital Projects Funds as a major fund due to its importance in the financial statements.

The City also reports nonmajor governmental funds which are classified as Special Revenue Funds and Permanent Funds.

The City reports the following major enterprise funds:

Water Utility Fund. This fund accounts for the operation, maintenance, and development of the City's water supply system.

Wastewater Utility Fund. This fund accounts for the operation, maintenance, and development of the City's sewerage system.

Stormwater Utility Fund. This fund accounts for the operation, maintenance, and development of the City's Stormwater system and infrastructure. This fund is a non-major for fiscal year 2018, however the City elected to show major.

Parking Facilities Fund. This fund accounts for the operation, maintenance, and development of the City-owned offstreet parking facilities.

Although not required to report the Stormwater Utility Fund and the Parking Facilities Fund as major enterprise funds per GASB 34, management has opted to disclose these funds separately.

The City reports the following other fund types:

Internal Service Funds. These funds account for mobile equipment, reproduction and printing, municipal post office, municipal telephone exchange, municipal communications, energy conservation, building maintenance and hardware and software replacement, which provided goods and services to other departments on a cost-reimbursement basis.

Fiduciary Funds. These funds account for assets and activities when a government unit is functioning either as a trustee or an agent of another party, transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The fiduciary funds include the following:

Pension Trust Funds. These funds account for the receipt, investment and distribution of retirement contributions made for the benefit of police officers, firefighters, elected officials and other City employees.

Other Postemployment Benefits Trust Fund. This fund accounts for the receipt, investment and distribution of retiree health and life insurance benefits.

Agency Funds account for assets held by the City as custodians. Agency funds include:

- Unpresented Stock and Coupon Bonds account for principal payments held by the City for matured bonds not yet presented for payment.
- Property Sold for Taxes accounts for the proceeds of tax sales in excess of the City liens that remain unclaimed by the taxpayer.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

- Bid Deposit Refunds account for bid deposits held by the City to secure vendors' bids not yet awarded.
- Recreation Accessory accounts for assets held by the City for the benefit of recreation centers throughout the City.
- Waterloo Summit accounts for assets held by the City as a surety deposit from a developer.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenues which have a 90 day availability period. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general fund revenues.

C. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2019, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Cash Equivalents." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The City does not invest any portion of its cash in derivative investments.

Receivables and Payables

All property tax receivables are shown net of an allowance for uncollectibles.

Mortgage receivables reported in governmental fund and government-wide financial statements, and notes receivable reported in proprietary fund statements consist of loans that are generally not expected or scheduled to be collected in the subsequent year.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Unbilled water and wastewater user charges are estimated and accrued at year-end.

Inventories

Inventories are valued at cost using the moving average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art, and similar items are recorded at acquisition value. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: \$50,000 for buildings, improvements and infrastructure; and \$5,000 for equipment. Library books are capitalized as a collection based on total purchases. Donated capital assets, such as works of art, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	25-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	10
Mobile Equipment	5-10

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual sick, vacation, and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Payments made to terminated employees for accumulated leave are charged as expenditures/expenses, primarily in the General Fund, Special Revenue Funds, and Proprietary Funds, when paid.

Estimated Liability for Claims in Process

The liability for claims in process represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims as of June 30, 2019. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 3.0%, for all claims except medical, for which claims are not discounted.

Property Tax and Property Tax Calendar

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1/2% is allowed for payments made in July. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month. Real property subject to tax liens is sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

The City is responsible for the assessment, collection, and apportionment of property taxes. The City levies an annual tax for the fiscal year ending June 30, due and payable each July 1, based on assessed values as of the previous January 1.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2019 was \$34,346,000,000 which was approximately 86.6% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2019 was \$2.248 per \$100 of assessed value. Pursuant to State Law, the personal property tax and tax rate applied to operating property of public utilities is 2.5 times the real property rate or \$5.62 per \$100 of assessed value. Current collections were 96.6% of the total tax levy.

As of June 30, 2019, the City had property taxes receivable of \$15,475,000, net of an allowance for uncollectible accounts of \$33,959,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

Gains and losses on the early extinguishment of debt from refundings are amortized over the shorter of the life of the new or old debt.

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service, and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick days accumulated and unused at the date of separation; under any other conditions of separation, unused sick leave is forfeited.

Employees earn vacation leave for each completed month of service and can accumulate a maximum of 45 days. Police officers earn vacation leave for each completed month of service and can accumulate a maximum of 125 days. Vacation leave balances can either be taken through time off or carried until paid at termination or retirement. Four personal leave days are granted for usage only on the fiscal year starting July 1st, and expire on June 30th of the same fiscal year.

The City accrues for all salary-related items in the government-wide and proprietary fund types in the fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination or retirement. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for sick, vacation and personal leave pay.

The Baltimore City Public School System's employees are granted sick, vacation and personal leave in varying amounts based on length of service and bargaining unit. A limited number of sick, vacation and personal leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with twenty years of service, employees are paid accumulated sick, vacation and personal leave days at appropriate formula and rates. The unpaid vested sick, vacation and personal leave days have been reported as vested compensated absences.

Restricted Assets

The proceeds of the Water Utility Fund, Wastewater Utility Fund, Stormwater Utility Fund, Parking Facilities Fund, and Nonmajor Funds revenue bonds and Federal and State grants, and restricted accounts receivable are restricted for the purpose of the construction of water, sewer, stormwater, and parking facilities.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until the future period. At June 30, 2019, the City recognized unamortized losses on early extinguishments of debt, refunding, pension and OPEB activity, and interest rate swaps as deferred outflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes and notes receivables. Additionally, the City recognized deferred inflows of resources in the government-wide statement of net position for pension and OPEB.

Fund Balance

The City classifies its fund balance into the following categories:

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in spendable form such as inventories, prepaid amounts, long-term portions of loans and notes receivable and activities that are legally or contractually required to remain intact such as principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by external creditors, grantors, contributors or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by the formal vote of Board of Estimates, the City's highest level decision making authority. Amounts in this category may be redeployed for other purposes with the formal vote of the City's Board of Estimates. Committed amounts cannot be used for any other purpose unless the City removes or changes the specific use by taking the same type of action it used to previously commit the amounts.
- Assigned fund balance includes amounts that are constrained by the City to be used for specific purposes but are neither restricted nor committed for which the City has a stated intended use as established by the Board of Estimates. The Board of Estimates has delegated the authority to assign amounts for a specific purpose to the City's Director of Finance. These are resources where the constraints/restrictions are less binding than that for committed funds. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. The general fund is the only positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for the specific purpose exceed the amounts restricted, committed or assigned to those purposes, negative unassigned fund balance may be reported.

The Board of Estimates is required to take formal action before funds can be committed for a specific purpose. Formal action of the Board of Estimates is also required before committed funds can be rescinded or modified. The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Nonspendable fund balance

Long Term Assets - This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

Inventory - This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available resource for appropriation or expenditure.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Permanent Fund – This portion of fund balance represents amounts for which the City is legally or contractually required to maintain intact.

Restricted fund balance

Landfill closure and development – This portion of fund balance has been set aside to fund the cost of future landfill development and closure cost as required by federal regulation.

Debt Service – This portion of the fund balance represents the amounts needed to service future debt payments.

Assigned fund balance

Encumbrances – This portion of fund balance represents approved contracts for which the City has completed the procurement process and the Board of Estimates has approved the contract.

Requisitions – This portion of fund balance is set aside by the Director of Finance to fund various non-lapsing transactions which have not completed the procurement process at year end.

Subsequent years' expenditures - This portion of fund balance represents the amount to finance certain non-recurring policy initiatives and other expenditures included in the fiscal year 2019 budget.

Unassigned fund balance

Budget stabilization reserve - The City of Baltimore's budget stabilization reserve (reserve) was established by resolution of the Board of Estimates for the purpose of providing a budget defense to stabilize a post-adopted City budget that has been impacted by an uncorrectable shortfall in budgeted revenues and/or unanticipated and uncorrectable emergency expenses, for the sole purpose of avoiding a budget deficit. The Board of Estimates in determining to use the reserve would first need to acknowledge that all reasonable efforts had been made in controlling expenses, and secondly, the City's unreserved fund balance had been exhausted. The reserve under no circumstances can be used as a revenue source to balance a planning year budget. The Board of Estimates determines the amount of annual funding for the reserve. The resolution requires that reserves be maintained on any June 30th at a minimum level of 8% of the value of the general fund's operating budget of the subsequent year. Whenever funds are drawn from the reserve, a Board of Estimates approved reserve replenishment plan must be established and must specify a timetable for full restoration of the reserve not to exceed five years.

Interfund Transactions

The City has three types of transactions among funds:

Statutory transfers - Legally required transfers that are reported when incurred as "Transfers in" by the recipient fund and as "Transfers out" by the disbursing fund.

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Interfund payments - Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and as expenditures or expenses of the disbursing fund.

Uses of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2019, the City adopted Governmental Accounting Standards Board Statement No. 83, “*Certain Asset Retirement Obligations*” and Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The implementation of these standards did not have a significant impact on the City’s presentation.

The City will be required to adopt the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, “*Fiduciary Activities*”. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The City is required to adopt GASB No. 84 for its fiscal year 2020 financial statements.

GASB Statement No. 87

In June 2017, the GASB issued Statement No. 87, “*Leases*”. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The City is required to adopt GASB No. 87 for its fiscal year 2021 financial statements.

GASB Statement No. 89

In June 2018, the GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement supersedes all interest cost that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City is required to adopt GASB No. 89 for its fiscal year 2021 financial statements.

GASB Statement No. 90

In August 2018, the GASB issued Statement No. 90, “*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*”. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement modifies previous guidance for reporting a government’s majority equity interest in a legally separate organization. The City is required to adopt GASB No. 90 for its fiscal year 2020 financial statements.

GASB Statement No. 91

In May 2019, the GASB issued Statement No. 91, “*Conduit Debt Obligations*”. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note

CITY OF BALTIMORE

Notes to Basic Financial Statements

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disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City is required to adopt GASB No. 91 for its fiscal year 2022 financial statements

2. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and the net position for governmental activities as shown on the government-wide statement of net position is presented on the face of the governmental funds balance sheets. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and changes in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenues and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between total net position as reflected on the proprietary funds statement of net position and the net position for business-type activities as shown on the government-wide statement of net position is presented on the face of the proprietary funds statement of net position. The asset element which comprises the reconciliation difference stems from the allocation of internal service fund balance to the business-type activities on the government-wide statement of net position.

A summary reconciliation of the difference between net changes in net position as reflected on the proprietary funds statement of revenues, expenses and changes in net position and changes in net position for business activities as shown on the government-wide statement of activities is presented on the face of the proprietary funds statement of net position. The expense element, which comprises the reconciliation difference, stems from the allocation of internal service funds deficit to the business-type activities on the government-wide statement of activities.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position
(amount expressed in thousands):

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds :	
Capital assets	\$ 6,035,282
Less accumulated depreciation	(3,017,364)
Total	<u>\$ 3,017,918</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	\$ 10,936
Other asset	20,329
Deferred loss on bond refundings	5,820
Deferred outflow of resources (pension).....	312,775
Deferred outflow of resources (OPEB).....	214,331
Interest rate swaps	1,257
Total	<u>\$ 565,448</u>
Internal Service funds are used by management to charge the cost of fleet management, mailing, communications, printing energy conservation and building maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	
	<u>\$ 83,564</u>
Deferred revenue is not due and payable in the current period, and therefore, is not reported in the funds	<u>\$ 95,944</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accounts payable	\$ (4,710)
Accrued interest payable	(10,840)
Long-term bonds	(809,457)
Revenue bonds	(431,404)
Capital leases	(57,984)
Compensated absences and other	(152,563)
Estimated claims in progress	(273,873)
Landfill closure liability	(25,423)
Derivative instrument liability	(1,257)
Net pension liability	(1,674,645)
Net OPEB liability	(1,209,178)
Other liabilities	(250,000)
Deferred inflow of resources (pension).....	(40,982)
Deferred inflow of resources (service concession arrangement).....	(54,836)
Deferred inflow of resources (OPEB).....	(115,578)
Total	<u>\$ (5,112,730)</u>

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances
and the government-wide statement of activities (amount expressed in thousands):

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	\$ 155,587
Depreciation	(144,048)
Total	<u>\$ 11,539</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grants reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	\$ 53,173
Note receipts are not considered as available revenues in the governmental funds	(1,100)
Service concession agreement	(54,836)
Debt issue	(133,873)
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	5,664
Total	<u>\$ (130,972)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Debt service principal	\$ 68,926
Debt service interest (capital leases, GO bonds, and accrued interest)	6,042
Other Liability	(174,200)
Claims liability	219
Landfill closure liability	549
Compensated absences	423
Changes in net OPEB liability.....	(565,250)
Total	<u>\$ (663,291)</u>
The net effect of the expenses for recording the City's pension liability from employee retirement plans are not reported as expenditures in the governmental funds	
	<u>\$ (9,077)</u>
The net income of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	<u>\$ 3,523</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

3. Deposits and Investments

A. SUMMARY OF DEPOSIT AND INVESTMENT BALANCES

The following is a reconciliation of the City's deposit and investment balances at June 30, 2019 (amounts expressed in thousands):

	Government-wide Statements of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalent	\$ 596,283	\$ 136,523	\$ 732,806
Investments	561,741	5,057,454	5,619,195
Restricted cash and cash equivalent	616,806		616,806
Total	\$ 1,774,830	\$ 5,193,977	\$ 6,968,807

B. CASH DEPOSITS

As of June 30, 2019, the carrying amount of the City's bank deposits was \$7,859,000 and the respective bank balances totaled \$8,369,000. All of the City's cash deposits are either insured through the Federal Depository Insurance Corporation, or collateralized by securities held in the name of the City, by the City's agent.

As of June 30, 2019, BCPSS and BHC had demand deposits with carrying values of \$24,300,000 and \$3,015,000, respectively.

C. INVESTMENTS

Primary Government

For other than pension funds, BCPSS and BHC, the City is authorized by State Law to invest in direct or indirect obligations of the United States Government, repurchase agreements that are secured by direct or indirect obligations of the United States Government, certificate of deposit, commercial paper with highest letter and numerical rating, mutual funds registered with the Securities and Exchange Commission and the Maryland Local Government Investment Pool. The City's investment policy limits the percentage of certain types of securities with the exception of obligations for which the United States Government has pledged its full faith and credit. For investments held by the City in trust and/or to secure certain debt obligations, the City complies with the terms of the trust agreements. The City's Board of Finance has formally adopted the above policies and reviews and approves all securities transactions.

Investments are reported at fair value, except that investments with maturities of less than one year from purchase date are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Real estate holdings are valued based on current appraisals. Leveling disclosures for the investments are included in a table on the following page.

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Notes to Basic Financial Statements
(Continued)

This primary government's investments at June 30, 2019, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	\$ 25,945	\$ 19,802		\$ 6,143
U.S. Agencies	452,741	337,115		115,626
Repurchase agreements	230,000	230,000		
Money market mutual funds	1,045,288	1,045,288		
Commercial paper	1,853	1,853		
	1,755,827	\$ 1,634,058		\$ 121,769
Other investments:				
Equity mutual funds	8,249			
	1,764,076			
Less: cash equivalents	1,202,335			
Total investments	\$ 561,741			

Investments and Valuation - The City categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Investment Type	Fair Value	Investment Levels		
		Level 1	Level 2	Level 3
Debt Securities:				
U.S. Treasury	\$ 25,945	\$ 25,945		
U.S. Agencies	452,741	452,741		
Repurchase agreements	230,000	230,000		
Equity mutual funds	8,249	8,249		
Money market mutual funds	1,045,288	1,045,288		
Commercial paper	1,853	1,853		
	1,764,076	\$ 1,764,076		
Less: cash equivalents	1,202,335			
Total investments	\$ 561,741			

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Interest rate risk—Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investment.

The City limits its interest rate risk in accordance with the City's Board of Finance policy by maintaining a minimum of 20 percent of the City's investments in funds in liquid investments to include United States Government securities, overnight repurchase agreements, and the Maryland Local Government Investment Pool, and by limiting the par value of the portfolio invested for a period greater than one year at or below \$100 million.

The Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Credit risk of debt securities—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The City Board of Finance limits City investments to only the highest rated investments in the categories discussed above. The City's rated debt investments as of June 30, 2019 were rated by a nationally recognized statistical rating agency and are presented below using the Moody's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt Securities:			
U.S. Agencies	\$ 452,741	\$ 452,741	
Money market mutual funds	1,045,288	1,045,288	
Commercial paper	1,853		\$ 1,853
Total investments	\$ 1,499,882	\$ 1,498,029	\$ 1,853

Concentration of credit risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has not adopted a formal policy on the concentration of credit risk.

The City had the following debt security investments at June 30, 2019, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement	\$ 230,000	13.04%

Retirement Systems

The City's three Retirement Systems (Systems or System) are authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the Code. The Board of Trustees of each system accomplishes the daily management of the investments through an external investment advisor, who acts as a fiduciary for each system, and through external investment managers. The Board of Trustees for each system invests the assets of the system using the "prudent person standard", which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would in a similar situation. The Boards of Trustees have adopted an investment policy and guidelines for each system to formally document their investment objectives and responsibilities. Leveling tables as required by GASB 72 are available in the separately issued statements for the Systems.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The invested assets of the retirement systems at June 30, 2019 are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 7,894		\$ 57,710	\$ 65,604
U.S. government agency bonds			42,127	42,127
Corporate bonds	80,362	\$ 6,022	117,372	203,756
Commingled fixed income fund	251,127		166,450	417,577
U.S. Quasi and Foreign Government	60,549			60,549
Mutual funds	54,600	287	72,622	127,509
Total debt securities	454,532	6,309	456,281	917,122
Other:				
Domestic equities	498,586	10,377	339,295	848,258
International equities	375,204	5,647	484,446	865,297
Defensive equities	77,739	1,127		78,866
Dynamic US equity fund.....			108,475	108,475
Hedge funds	45,582		302,753	348,335
Commingled equity fund			344,509	344,509
Private equity funds	109,150		241,108	350,258
Energy master limited partnerships			139,104	139,104
Private energy funds			74,317	74,317
Real estate	218,183	2,674	254,730	475,587
Total other	1,324,444	19,825	2,288,737	3,633,006
Total investments	1,778,976	26,134	2,745,018	4,550,128
Less: Cash and cash equivalents	54,600	287	72,622	127,509
Total net investment	\$ 1,724,376	\$ 25,847	\$ 2,672,396	\$ 4,422,619

Foreign Currency Risk Exposure – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The Fire and Police Employee's Retirement System's Board of Trustees has adopted a policy that the external managers demonstrate sensitivity to currency risk. The foreign currency exposure of the Fire and Police Employee's Retirement System may be hedged back to the U.S. dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of the portfolio may be hedged. Cross-hedging to currencies other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted.

The Employees' Retirement Systems Board of Trustees has not adopted a formal policy to limit foreign currency risk.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The foreign currency risk for each system at June 30, 2019 is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	\$ 75,878	\$ 128,029	\$ 203,907
Australian Dollar	15,432	6,029	21,461
Brazil Real	1,752	2,237	3,989
British Pound Sterling		102,651	102,651
Canadian Dollar	22,856	21,610	44,466
Chinese Yuan Renminbi	(889)		(889)
Columbian Peso	1		1
Czech Koruna	1		1
Danish Krone	1,833	8,497	10,330
Hong Kong Dollar	20,850	21,071	41,921
Indonesian Rupian	839	2,939	3,778
Israeli Shekel	797		797
Japanese Yen	51,776	58,387	110,163
Mexican Peso	544		544
New Taiwan Dollar	2,205	1,819	4,024
New Zealand Dollar	5,328	358	5,686
Norwegian Krone	1,494	8	1,502
Polish Zloty	436		436
Pound Sterling	40,729		40,729
Russian Ruble	127		127
Singapore Dollar	11,855		11,855
South African Comm Rand	1,913	1,539	3,452
South Korean Won	2,571	846	3,417
Swedish Krona	11,238	6,525	17,763
Swiss Franc	18,741	34,273	53,014
Thai Baht	797	1,145	1,942
Turkish Lira	23		23
UAE Dirham	47	536	583
Total Foreign Currency	\$ 289,174	\$ 398,499	\$ 687,673

Interest rate risk – The Fire and Police Employee’s Retirement System Board of Trustees uses the Option Adjusted Duration as a measure of interest rate sensitivity for bonds. Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The Fire and Police Employees’ Retirement System Board of Trustees’ fixed income interest rate policy states that the effective duration of a portfolio may not exceed 120% of the effective duration of the underlying Bloomberg Barclay’s U.S. Aggregate Bond Index.

Both the Employees’ Retirement System and the Elected Officials’ Retirement System have selected the duration method to disclose the debt securities exposure to changes in interest rates. However, both plans have not adopted a formal policy to limit interest rate risk.

Credit Risk – The Boards of Trustees of the City’s three retirement systems have not adopted a formal policy to limit credit risk.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The credit rating and duration of investments at June 30, 2019, were as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC thru C	Not Rated
<i>Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	15.19	\$ 7,894	\$ 7,894			
US Quasi and Foreign government	2.23	60,549	34,157	\$ 1,921		\$ 24,471
Corporate bonds	3.00	80,362	41,094	20,145	\$ 591	18,532
Commingled fixed income funds	8.05	251,127		182		250,945
Total debt securities		\$ 399,932	\$ 83,145	\$ 22,248	\$ 591	\$ 293,948
<i>Elected Officials' Retirement System:</i>						
Aggregate bond index fund	5.78	\$ 4,241				\$ 4,241
US Senior loan fund	0.44	1,781				1,781
Total debt securities		\$ 6,022				\$ 6,022
<i>Fire and Police Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	7.64	\$ 57,709	\$ 56,683			\$ 1,026
U.S. Government agency bonds	3.04	42,128	40,786			1,342
Barclay aggregate index	5.78	1,472	1,472			
NHIT agency mbs trust	3.93	23,006	23,006			
Corporate bonds	4.14	117,373	47,944	\$ 48,522		20,907
Emerging market debt fund	6.37	137,661		137,661		
Senior floating rate fund	0.10	4,310		4,310		
Total debt securities		\$ 383,659	\$ 169,891	\$ 190,493		\$ 23,275

The City's Retirement Systems have entered into a Securities Lending Authorization Agreement with BNY Mellon Bank (the Custodian) authorizing them to lend its available securities. All individual securities which are readily marketable and which are not restricted due to an outstanding short option are eligible for loan at the discretion of the custodian bank. The investment manager may lend securities held in custody of commingled funds if authorized in a manager's contract with the Retirement Systems.

Collateral received in exchange for securities loaned is collected in an escrow account for the Retirement Systems' benefit for the duration of the loan. At no time do the Retirement Systems lose custody of either the security or the collateral. Collateral in exchange for the principal lent may be in the form of cash, or securities issued or guaranteed by the U.S. government, or its agencies or instrumentalities. The minimum levels of collateral are set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral is deposited to adjust up to the appropriate minimum level of collateral. All collateral amounts are adjusted to market daily. The City's Retirement Systems do not have the right to sell or pledge securities received as collateral without borrower default.

As of June 30, 2019, the Retirement Systems had no credit risk exposure to borrowers because the amounts they owed borrowers exceeded the amounts the borrowers owed the Retirement Systems. The market value of securities on loan at June 30, 2019, was \$220,060,000, and the market value of the collateral received for those securities on loan was \$233,737,000 which included collateral received in cash in the amount of \$82,137,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on their behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

Substantially all securities loans can be terminated on demand either by the custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the custodian's short-term investment

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar-weighted average maturity of holding must not exceed 90 days.

Other Postemployment Benefits Fund

The City's Other Postemployment Benefits Trust Fund (Trust) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the code. The Baltimore City Director of Finance was made Trustee of the Trust and, under a Memorandum of Understanding between the Director of Finance and the Board of Trustees of the Employees' Retirement System (Board), the Board is charged with administration of the Trust and investment of its assets. As part of its responsibility, the Board has adopted investment policies and guidelines, which formally document its investment objectives and responsibilities.

The investment assets of the OPEB Trust Fund at June 30, 2019, are as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)	
		Less than 6	Greater than 12
Cash and cash equivalents	\$ 8,804	\$ 8,804	
U.S. Treasury obligations	13,268		\$ 13,268
U.S. Government agencies	14,449		14,449
Corporate bonds	89,595		89,595
Subtotal	126,116	\$ 8,804	\$ 117,312
Real estate	73,575		
Stocks	443,892		
Total investments	643,583		
Less: cash and cash equivalents	8,804		
Total net investments	\$ 634,779		

The OPEB Trust Fund categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and given the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Instruments that are measured at fair value using the net asset value per share (or its equivalent) as practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The table on the following page shows the fair value leveling on the investments for the OPEB Trust Fund (amounts expressed in thousands).

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt Securities classified in Level 1 and Level 2 are valued using a bid evaluation, mid evaluation, last trade or official close. Mid evaluations are when a bid and ask evaluation are both present. Last trade is the most recent trade price of a security at market close time. Official close is the closing price as defined by the exchange.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Investment by fair value level	Base Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury Notes and Bonds	\$ 13,268	\$ 13,268		
U.S. Government Agency Bonds	14,449		\$ 14,449	
Corporate Bonds	32,051		32,051	
Total debt securities at fair value level	59,768	13,268	46,500	
Equity securities				
Domestic equities	100,027	100,027		
International equities	19,651	19,651		
Total equity securities at fair value level	119,678	\$ 119,678		
Total investments by fair value level	179,446			
Investments measured at the net asset value (NAV)				
Commingled fixed income	57,545			
Domestic equities	121,753			
Defensive equities	25,915			
International equities	129,823			
Real estate	73,575			
Hedge funds	42,240			
Private equities	4,482			
Total investments measured at the NAV	455,333			
Total net investments	\$ 634,779			

The valuation method for investments measured at the Net Asset Value (NAV) per share, or equivalent, is presented in the table below (amounts expressed in thousands):

Investment Measured at the Net Asset Value (NAV)	Base Annual	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled fixed income.....	\$ 57,545		Daily, weekly & monthly	0 - 30 days (1)
Domestic equities.....	121,753		Daily, weekly & monthly	0 - 30 days (2)
Defensive equities.....	25,915		Daily, weekly & monthly	0 - 30 days (3)
International equities.....	129,823		Quarterly	90-100 days (4)
Real estate.....	73,575		Quarterly	90-100 days (5)
Hedge funds.....	42,240		Quarterly	90-100 days (6)
Private equities.....	4,482	\$ 31,000	Not eligible	N/A (7)
Total investments measured at the NAV	\$ 455,333	\$ 31,000		

(1) Commingled fixed income investment is in two mutual funds. One seeks to provide a high level of current income, consistent with preservation of capital by investing at least 80% of its net assets in adjustable-rate senior loans; while the second one actively tracks the performance of an index

(2) Domestic Equity investments is in funds that seek long-term capital appreciation by investing at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of large capitalization companies. Such large cap companies are those with total market capitalizations of \$5 billion or more at the time of purchase.

(3) International equity investments are in both managed funds and direct investments. Investment in managed funds are in securities where rigorous dividend discount analysis is used to identify value in terms of long term flow of income as well as in funds which employs strategies that seeks to outperform the MSCI World index (half-hedged) while maintaining a similar level of market risk over the long term. The direct investment is focused on protection in a down market while performing a rigorous fundamental analysis by assessing competitive framework, scrutinizing financials, analyzing business environment and evaluating management.

(4) Defensive equity investment is in a fund that seek long-term growth of capital. The fund employs a strategy of writing collateralized put options on the S&P 500 Index. The collateral generally consists of short duration, high quality fixed income positions with a focus on U.S. Treasuries

(5) The system's hedge fund investment is in a multi-strategy fund. The fund has a deep and thorough research process that is harnessed through a dynamic risk budgeting framework. The investment is eligible for redemption with a 90-100 days notice period.

(6) Real estate investments is in a core real estate fund. The investment style is based on strategies and tactics that are designed to take advantage of barrier and rotational market dynamics.

(7) The System's private equity investments are with 7 managers, invested in Diversified, Venture Capital, Distressed Debt, Buyouts, International and Special Situations strategies. These investments are considered illiquid as redemptions are restricted over the life of the investment.

Interest Rate and Credit Risk—The Board has not adopted a formal policy to limit interest rate and credit risk.

Bonds held by the OPEB Trust Fund have ratings from AA1 to AA2.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Baltimore City Public School System (BCPSS)

The BCPSS, through the office of the Chief Financial Officer, pursues a cash management and investment program to achieve the maximum financial return on available funds. Depending on the projected cash needs of the BCPSS, excess funds may be invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are generally in direct or indirect obligations of the U.S. Government and are fully collateralized.

The BCPSS is authorized by State law to invest in direct or indirect obligations of the U.S. Government, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2019, are presented below. All investments are presented by investment type (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)			Max. allowed per Investment Policy
		Less than 4	4 to 12	Percent	
Money market funds	\$ 37,602	\$ 37,602		9.3%	100.0%
Commercial paper	20,652	20,652		5.1%	5.0
Fixed income	644	644		0.2%	100.0
Equity funds	483	483		0.1%	100.0
U.S. Government agencies	346,641	221,746	\$ 124,895	85.4%	100.0
Total invested funds	406,022	\$ 281,127	\$ 124,895	100.0%	
Less: cash equivalents	281,127				
Total net investments	\$ 124,895				

Investments and Valuation - BCPSS categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date, realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

BCPSS investments are comprised of money market funds, fixed income securities, commercial paper and U.S. government securities and are valued at their Fair Value (FVs) or amortized cost.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are value using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

City Schools had the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Balance June 30, 2019
Investments by fair value level:				
Debt Securities:				
Equity Funds	\$ 483			\$ 483
US Government Obligations		\$ 346,642		346,642
Total Debt Securities	483	346,642		347,125
Equity Securities:				
Fixed Income	644			644
Commercial Paper		20,652		20,652
Total Equity Securities	644	20,652		21,296
Investments carried at amortized cost:				
Deposits				24,251
Money Market Mutual Funds				37,602
Total Investments at amortized cost				61,853
Total Investments	\$ 1,127	\$ 367,294	\$	\$ 430,274

Investment Ratings - Ratings apply to all Money Market funds, Checking, Commercial Paper, Repurchase agreements, and U.S. Government Agencies (dollar amounts expressed in thousands):

Moody	Percent	Fair Value	S&P	Percent	Fair Value
Aaa	71.9%	\$ 291,869	AAA	0.5%	\$ 1,967
Aaa	0.5	1,967	AA+	71.9	291,869
P-1	18.6	75,424	A-1+	14.0	56,769
Not rated	9.0	36,762	A-1	4.6	18,655
	100.0%	\$ 406,022	Not rated	9.0	36,762
				100.0%	\$ 406,022

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The BCPSS limits its interest rate risk in accordance with their policy by maintaining a minimum of 20% of the BCPSS's investment in funds in liquid investments which include U.S. Government Securities, Overnight Repurchase Agreements and Money Market Mutual Funds.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As stated above, the BCPSS limits investments to highly rated investments in the categories discussed above.

Cash and cash equivalents include Money Market deposits and other types of investments.

Baltimore Hotel Corporation

The Baltimore Hotel Corporation (BHC) pursues a cash management and investment program to achieve the maximum financial return on available funds. Investments consist of private debt obligations and money market funds with varying maturity dates. Certain portions of the investments are used to fund operating activities of the entity and other portions are used for debt repayment. These investments are stated at market value. Additional disclosures required by GASB 74 are available in the separately issued BHC financial statements.

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of \$40,164,000 consisting of repurchase agreements with various financial institutions and government money market funds.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

4. Receivables, net

Receivable at year-end of the City's major individual governmental funds, enterprise funds, and nonmajor and other funds (including internal service and fiduciary funds) were as follows (expressed in thousands):

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Fund	Non-major and Other Funds	Total
Property taxes.....	\$ 15,475					\$ 15,475
Service billings.....				\$ 145,130		145,130
Due from other governments.....	164,658	\$ 88,485	\$ 36,627	420,578	\$ 2,720	713,068
Notes and mortgages receivable.....	269,514			34,075		303,589
Other.....	45,675		287	2,474	2,911	51,347
Total.....	\$ 495,322	\$ 88,485	\$ 36,914	\$ 602,257	\$ 5,631	\$ 1,228,609

Unavailable property taxes include prepaid property taxes. Service billings are reported net of an allowance for doubtful accounts of \$78,827,000. Bad debt expense for fiscal year 2019 was \$36,326,000.

Adjustments unrelated to consumption that resulted in reductions to income on Water, Wastewater, and Stormwater Utility Fund customer accounts were recorded in the Water Utility Fund.

5. Capital Assets

Capital assets activities for the year ended June 30, 2019, were as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 248,215			\$ 248,215
Other	117,685	\$ 4,576	\$ 1,427	120,834
Construction in progress	202,275	120,435	84,815	237,895
Total capital assets, not being depreciated	568,175	125,011	86,242	606,944
Capital assets, being depreciated				
Building and improvements	2,156,480	49,902		2,206,382
Equipment	486,392	33,252	66,986	452,658
Infrastructure	2,922,105	37,956	1	2,960,060
Library books	37,097	3,248	2,620	37,725
Total capital assets, being depreciated	5,602,074	124,358	69,607	5,656,825
Less: accumulated depreciation for:				
Building and improvements	1,280,680	47,023		1,327,703
Equipment	381,304	21,445	64,580	338,169
Infrastructure	1,374,914	72,133	(1)	1,447,048
Library books	21,506	3,447	5,028	19,925
Total accumulated depreciation	3,058,404	144,048	69,607	3,132,845
Total capital assets, being depreciated, net	2,543,670	(19,690)		2,523,980
Governmental activities capital assets, net	\$ 3,111,845	\$ 105,321	\$ 86,242	\$ 3,130,924

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 36,920			\$ 36,920
Construction in progress	1,213,031	\$ 530,700	\$ 571,434	1,172,297
Total capital assets, not being depreciated	1,249,951	530,700	571,434	1,209,217
Capital assets, being depreciated				
Building and improvements	3,897,094	393	14,540	3,882,947
Equipment	366,091	8,972	65,365	309,698
Infrastructure	1,221,616	492,618		1,714,234
Total capital assets, being depreciated	5,484,801	501,983	79,905	5,906,879
Less: accumulated depreciation for:				
Building and improvements	1,178,860	72,100	7,249	1,243,711
Equipment	181,286	11,730	65,368	127,648
Infrastructure	222,997	25,886		248,883
Total accumulated depreciation	1,583,143	109,716	72,617	1,620,242
Total capital assets, being depreciated, net	3,901,658	392,267	7,288	4,286,637
Business-type activities capital assets, net	\$ 5,151,609	\$ 922,967	\$ 578,722	\$ 5,495,854

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2019 (amounts expressed in thousands):

<i>Governmental activities</i>	
General government	\$ 15,055
Public safety and regulation	7,395
Conservation of health	394
Education	19,644
Public library	4,380
Recreation and parks	8,694
Highways and streets	67,356
Sanitation and waste removal	2,242
Public service	2,136
Economic development	846
Internal service funds	15,907
Total	\$ 144,048
<i>Business-type activities:</i>	
Water	\$ 36,222
Wastewater	64,556
Stormwater	5,016
Parking	2,515
Conduits	1,407
Total	\$ 109,716

As of June 30, 2019, the outstanding commitments relating to projects of the City of Baltimore amounted to approximately \$209,456,000 for governmental activities and \$979,674,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest cost incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. During fiscal year 2019, net interest cost of \$47,130,000 (net of interest income of \$7,170,000) was capitalized.

In July 2018, The City entered into a lease agreement with Maryland Economic Development Corporation (MEDCO) to lease three parking garages terminating at the earlier of the 50th anniversary of closing or the date on which the MEDCO

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Parking Facilities Revenue Bonds Series 2018 bonds (MEDCO Bonds) are fully repaid. The lease requires MEDCO to operate the three parking garages in a first class manner and to adopt, operate, and maintain the facilities in accordance with City operating standards and a long term capital plan. In exchange, MEDCO made an initial rent payment of \$55,955,000 and annually, MEDCO shall pay to the City of Baltimore rent in the amount of a distributable portion of the Surplus Fund, as defined in the trust indenture. In accordance with GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", the arrangement between MEDCO and the City of Baltimore qualifies as a service concession arrangement. In the Statement of Net Position under governmental activities, \$54,836,000 is reflected as a deferred inflow of resources (initial rent payment of \$55,955,000 less \$1,119,000 recognized as revenue). The parking garages are continuing to be depreciated and are reflected in the above governmental activities capital asset table.

6. Interfund Balances and Activity**A. BALANCE DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at June 30, 2019, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 61,465	
Grants revenue		\$ 34,625
Capital projects	1,568	
Nonmajor Proprietary		28,121
Internal service		287
Totals	\$ 63,033	\$ 63,033

The Interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, as of June 30, 2019, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2019, were as follows (amounts expressed in thousands):

Fund	General	Grants Revenue	Capital Projects	Nonmajor Governmental	Parking	Internal Service	Total Transfer To
General	\$ 58,804		\$ 4,537		\$ 53,222		\$ 116,563
Grants revenues	15,118				5,905		21,023
Capital projects	24,015	\$ 2,029		\$ 13,719		\$ 5,650	45,413
Total transfers from	\$ 97,937	\$ 2,029	\$ 4,537	\$ 13,719	\$ 59,127	\$ 5,650	\$ 182,999

Transfers were primarily to the General Fund to provide funds for debt service and to transfer excess revenue from the Proprietary Funds to the General Fund.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

7. Long-term Obligations

A. LONG-TERM OBLIGATION ACTIVITY

The City does not have a debt limit; however, the Constitution of Maryland requires a three-step procedure for the creation of debt:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council
- Ratification by the voters of Baltimore City

Changes in long-term obligations for the year ended June 30, 2019, are as follows (amounts expressed in thousands):

	June 30, 2018	New Debt Issued	Debt Retired	June 30, 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES*					
<i>General Obligation Bonds:</i>					
Highways	\$ 1,171	\$ 198	\$ 168	\$ 1,201	\$ 184
Health	1,618		160	1,458	166
Public safety	1,882	83	240	1,725	180
Off-street parking	5,373		157	5,216	647
Recreation and parks	31,213	4,265	2,070	33,408	1,979
Public buildings and facilities	71,052	27,918	4,682	94,288	4,685
School	183,445	10,096	11,677	181,864	12,070
Urban renewal	226,751	41,024	17,471	250,304	20,661
Unallocated	4,052		629	3,423	691
Total general obligation bonds	526,557	83,584	37,254	572,887	41,263
<i>Special Obligation Bonds</i>					
Special Obligation Bonds	198,176		1,973	196,203	2,615
<i>Long-term financing with the Federal Government:</i>					
Federal economic development loans	20,320		3,613	16,707	2,788
Total Governmental Activities	\$ 745,053	\$ 83,584	\$ 42,840	\$ 785,797	\$ 46,666
BUSINESS-TYPE ACTIVITIES					
<i>General Obligation Bonds:</i>					
Stormwater	\$ 3,589	\$ 1,416	\$ 349	\$ 4,656	\$ 380
Total Business-Type Activities	\$ 3,589	\$ 1,416	\$ 349	\$ 4,656	\$ 380
COMPONENT UNIT - BALTIMORE CITY PUBLIC					
SCHOOL SYSTEM					
<i>Bonds:</i>					
Schools	\$ 96,985		\$ 20,164	\$ 76,821	\$ 12,656

*Included in the Statement of Net Position for Governmental Activities is a remaining unamortized premium of \$23,660,000

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fixed Rate General Obligation Bonds

On May 21, 2019, the City issued general obligation bonds, Series 2019-A and 2019-B, in the amounts of \$64,855,000 and \$21,145,000, respectively, and totaling \$85,000,000 for various capital projects. Interest on the bonds is due each April 15th and October 15th, and mature on October 15, 2039.

Variable Rate General Obligation Bonds

As of June 30, 2019, the City had \$17,620,000 of taxable variable rate demand Consolidated Public Improvement Bonds 2003 Series C and D outstanding, to construct various capital projects throughout the City. The bonds mature on October 15, 2020 and 2022, respectively.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. Under terms of the remarketing agreement, the City at its option may change the bond rate to a monthly or long-term rate at any time until maturity upon notification of bondholders.

In conjunction with the bonds, State Street Bank and Trust Company issued an irrevocable letter of credit with a current value of \$17,967,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires October 15, 2022. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed.

The interest rate on draws made under this agreement includes a base rate defined as the greater of prime rate plus 1.00%, federal funds rate plus 2.00% or 8.5%. The City is required to pay the Bank's fee throughout the term of the Agreement equal to 0.65% per annum of the average daily amount of the available commitment. During fiscal year 2019, the City made no draws under the Agreement, and there were no amounts drawn against the Agreement outstanding at June 30, 2019.

Compensated Absences

Compensated absences as of June 30, 2019, totaled \$156,375,000 for governmental activities and \$15,003,000 for business-type activities, of which \$47,858,000 and \$5,561,000, respectively, were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$50,653,000.

Changes in compensated absences during fiscal year 2019, are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2018	\$ 156,628	\$ 15,160	\$ 171,788
Leave earned	47,605	5,405	53,010
Leave used	(47,858)	(5,561)	(53,419)
Balance, June 30, 2019	\$ 156,375	\$ 15,004	\$ 171,379
<hr/>			
Due in one year	\$ 47,858	\$ 5,561	\$ 53,419

Parking Facilities Fund Revenue Sharing Agreement

The Parking Facilities Fund entered into two revenues sharing arrangements with the State of Maryland in 2001 and 2003 for the development of two parking garages. In exchange for a \$9,000,000 investment from the State, the City agreed to share 5% interest annually on the investment, payable to the State when the garages began to generate positive cash flow. In fiscal year 2019, the Parking Facilities Fund reflected \$450,000 of interest expense and paid \$543,150 of interest as part of this agreement.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2019, are as follows (amounts expressed in thousands):

Governmental Activities							
Fiscal Year	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest
2020	\$ 41,255	\$ 24,297	\$ 423	\$ 2,788	\$ 734	\$ 2,645	\$ 10,952
2021	49,070	22,671	346	2,901	612	3,102	10,816
2022	52,669	20,399	225	3,023	483	3,560	10,652
2023	55,516	17,959	77	2,329	356	4,107	10,487
2024	33,494	15,868		2,410	234	4,661	10,230
2025-2029	167,710	54,909		3,256	139	32,440	46,687
2030-2034	106,303	22,853				44,303	36,239
2035-2039	61,009	5,972				61,977	23,098
2040-2044	5,861	92				32,835	5,744
2045-2049						6,573	368
Totals	\$ 572,887	\$ 185,020	\$ 1,071	\$ 16,707	\$ 2,558	\$ 196,203	\$ 165,273

(a) Interest Rate Swap Net payments represent estimated additional interest payable to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2019, assuming current interest rates remain the same for the remaining term of the swap. As rates vary, variable rate bond interest payments and net swap payments will vary.

Business-type Activities			
Fiscal Year	General Obligation Bonds		
	Principal	Interest	
2020	\$ 380	\$ 198	
2021	480	176	
2022	511	152	
2023	539	126	
2024	216	107	
2025-2029	800	417	
2030-2034	797	268	
2035-2039	836	93	
2040-2044	96	1	
Totals	\$ 4,655	\$ 1,538	

A summary of general obligation bonds outstanding and bond anticipation notes outstanding, and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2019, are as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued
		Interest Rates	Amount	Amount
Fire, police, and public protection	2018 to 2035	1.0% to 5.0%	\$ 1,725	\$ 64
Off-street parking	2018 to 2026	1.0% to 5.0%	5,216	345
Recreation and parks	2018 to 2035	1.0% to 6.0%	33,408	11,857
Public buildings and facilities	2018 to 2035	1.0% to 5.0%	94,288	149,981
Schools	2018 to 2035	1.0% to 5.8%	181,864	114,899
Urban renewal and development	2018 to 2035	1.0% to 6.0%	250,304	134,300
Highways	2018 to 2026	1.0% to 5.0%	1,201	22
Finance				20,000
Health	2018 to 2032	1.0% to 6.0%	1,458	4,071
Stormwater	2018 to 2026	1.0% to 5.5%	4,656	
Unallocated	2018 to 2026	1.0% to 5.0%	3,423	
Totals			\$ 577,543	\$ 435,539

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Baltimore City Public School System (BCPSS) Bonds

BCPSS has issued the City Schools Qualified School Construction Bonds Series 2009 (the Series 2009 Construction Bonds) in the amount of \$50,800,000, maturing through the year ending June 30, 2025. The net proceeds of Series 2009 Construction Bonds were used to fund various capital improvements to existing schools within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. Principal sinking fund payment started on December 15, 2014. As of June 30, 2019, the outstanding balance of the Series 2009 Construction Bonds is \$34,438,000.

In January 2011, BCPSS issued the City Schools Qualified School Construction Bonds Series 2011 in the amount of \$60,825,000, maturing through the year ending June 30, 2026. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are drawn from the Series 2011 Bonds escrow account to fund capital expenditures. The interest rates on the Bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. As of June 30, 2019, the outstanding balance on the Series 2011 Bonds is \$42,383,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2019 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 12,656	\$ 4,097	\$ 16,753
2021	12,675	4,097	16,772
2022	13,373	4,097	17,470
2023	16,156	4,097	20,253
2024	15,372	4,097	19,469
2025 - 2026	6,589	5,511	12,100
Totals	\$ 76,821	\$ 25,996	\$ 102,817

C. CAPITAL LEASES

Primary Government

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. During fiscal year 2019, the City's capital lease obligations for governmental activities decreased by \$9,938,000 (which is net of new leases in the amount of \$23,490,000 and lease principal payments in the amount of \$32,889,000) from the fiscal year 2018 total of \$73,674,000. During fiscal year 2019 the City's capital lease obligations for business-type activities decreased by \$182,000 for lease principal payments.

	Governmental Activities	Business-type Activities	Total
Balance June 30, 2018	\$ 160,007	\$ 826	\$ 160,833
Lease payments	(32,889)	(182)	(33,071)
New leases	23,490		23,490
Balance June 30, 2019	\$ 150,608	\$ 644	\$ 151,252
Due in one year	\$ 29,468	\$ 100	\$ 29,568

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Future minimum lease payments at June 30, 2019, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Fund	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2020	\$ 14,833	\$ 120	\$ 19,190	\$ 34,143
2021	10,281	123	17,510	27,914
2022	7,386	130	15,572	23,088
2023	6,121	137	14,719	20,977
2024	5,933	141	11,645	17,719
2025-2029	15,928	58	24,521	40,507
2030-2034	7,594			7,594
Total minimum lease payments	68,076	709	103,157	171,942
Less: interest	(10,093)	(65)	(10,532)	(20,690)
Present value minimum lease payments	\$ 57,983	\$ 644	\$ 92,625	\$ 151,252

The following is a schedule of leased property under capital leases by major class at June 30, 2019 (amount expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 193,620			\$ 193,620
Equipment	270,740	\$ 3,187	\$ 157,150	431,077
Total	\$ 464,360	\$ 3,187	\$ 157,150	\$ 624,697

Amortization of assets recorded under capital leases is included in depreciation expense.

Baltimore City Public School System (BCPSS)

In November 2011, BCPSS entered into leases with two financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease-Key Government Finance, Inc. in the amount of \$22,341,000 (at an interest rate of 2.755% for 11 years) and the 2011 Refunding Lease-M&T in the amount of \$24,217,000 (at an interest rate of 2.582% for 11 years) refunded \$22,300,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinanced leases. As of June 30, 2019, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$2,357,000 and \$7,497,000, respectively.

On August 8, 2014, BCPSS entered into a \$3,926,000 capital lease agreement (the Master Equipment Lease) with TD Equipment Finance, Inc., for the acquisition of 29 buses. The lease was issued at an interest rate of 1.53% for a term of five years. At June 30, 2019, the outstanding balance on the 2014 Master Lease was \$136,000.

On January 16, 2017 City School entered a \$0.7 million capital lease agreement (the Master Equipment Lease) with M&T Bank, for the purchase of computers. The lease was issued at a rate of 2.284% for a term of three years. At June 30, 2019, the outstanding balance on the 2017 Master Lease was \$139,000.

Future minimum lease payments as of June 30, 2019, are as follow (expressed in thousands):

Fiscal Year	Capital Leases
	Principal
2020	\$ 3,938
2021	3,694
2022	2,878
Total minimum lease payments	10,510
Less: deferred interest	(381)
Present value minimum lease payments	\$ 10,129

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2019 (amounts expressed in thousands):

Classes of Property		
Buildings	\$	67,610
Equipment		3,926
Total	\$	71,536

8. Revenue Bonds

Water, Wastewater and Stormwater Revenue Bonds

The City has issued revenue bonds, the proceeds of which were used to provide funds for capital improvements to water and wastewater facilities. Assets with a carrying value of \$6,625,158,000 at June 30, 2019, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2019 consist of (amounts expressed in thousands):

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	\$ 7,800	\$ 4,500	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		4,355	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	6,295		
Serial bonds series 1999-B maturing in annual installments from \$92,000 to \$636,000 through February 1, 2021, with interest rate at 2.61%, payable semiannually		727	
Serial bonds series 2001-A maturing in annual installments from \$632,000 to \$800,000 through February 1, 2022, with interest rate at 2.30%, payable semiannually		2,215	
Serial bonds series, 2003-B maturing in annual installments from \$69,954 to \$73,094 through February 1, 2031, with interest rate at 0.40%, payable semiannually	827		
Serial bonds series, 2003-B maturing in annual installments from \$287,000 to \$328,000 through February 1, 2023, with interest rate at 0.40%, payable semiannually		1,268	
Serial bonds series, 2004-A maturing in annual installments from \$207,842 to \$218,042 through February 1, 2032, with interest rate at 0.40%, payable semiannually	2,748		
Serial bonds series 2004-A maturing in annual installments from \$340,000 to \$369,000 through February 1, 2022, with interest at 0.40%, payable semiannually			\$ 1,077
Serial bonds series, 2004-B maturing in annual installments from \$547,000 to \$972,000 through February 1, 2022, with interest rate at 0.45%, payable semiannually		2,487	
Serial bonds series, 2004-C maturing in annual installments from \$896,000 to \$907,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		4,501	
Serial bonds series, 2005-A maturing in annual installments from \$104,000 to \$1,102,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		4,486	
Serial bonds series, 2006-A maturing in annual installments from \$495,000 to \$1,548,000 through February 1, 2025, with interest rate at 0.40%, payable semiannually		8,175	
Serial bonds series, 2006-B maturing in annual installments from \$185,000 to \$361,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		2,328	
Serial bonds series, 2007-A maturing in annual installments from \$74,007 to \$78,574 through February 1, 2035, with interest rate at 0.40%, payable semiannually	1,153		
Serial bonds series, 2007-A maturing in annual installments from \$1,704,000 to \$2,174,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		14,625	
Serial bonds series, 2007-B maturing in annual installments from \$156,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		1,272	
Serial bonds series 2009 maturing in annual installments from \$102,451 to \$124,415 through June 15, 2024, with interest at 4.00% to 5.00%, payable semiannually			463
Serial bonds series, 2009-A maturing in annual installments to \$500,000 through July 1, 2019, with interest rates of 2.00% to 4.50%, payable semiannually	500		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		4,262	
Serial bonds series, 2009-B maturing in annual installments of \$91,149 through February 1, 2030, with an interest rate at 0.00%		919	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2019 through February 1, 2043, with an interest rate at 0.00%	14,068		
Serial bonds series, 2009-C maturing in annual installments from \$665,000 to \$715,000 through July 1, 2019, with interest rates of 2.00% to 4.50%, payable semiannually		715	
Serial bonds series, 2009-E maturing in annual installments of \$157,842 through February 1, 2032, with an interest rate at 0.00%		2,052	
Serial bonds series, 2011-A maturing in annual installments of \$1,180,000 to \$2,000,000 through July 1, 2031, with interest rates from 3.00% to 5.00%	7,415		

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bond series 2011-A with interest at 4.50%, payable semiannually, due July 1, 2036	\$ 10,915		
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2042	16,830		
Serial bonds series, 2011-A maturing in annual installments of \$2,030,000 to \$3,940,000 through July 1, 2031, with interest rates from 4.00% to 5.00%		\$ 14,655	
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2036		22,870	
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2041		29,185	
Serial bonds series, 2011-B maturing in annual installments of \$134,138 to \$172,023 through February 1, 2043, with interest rates of 1.00%	3,691		
Serial bonds series, 2011-B maturing in annual installments of \$178,688 to \$203,363 through February 1, 2033, with interest rates of 1.00%		2,671	
Serial bonds series 2012 maturing in annual installments from \$207,900 to \$256,850 through October 1, 2027, with interest rates of 2.00% to 5.00%, payable semiannually			\$ 1,876
Serial bonds series, 2013-A maturing in annual installments of \$1,608,956 to \$1,798,836 through February 1, 2034, with interest rate at 0.80%, payable semiannually		25,534	
Serial bonds series, 2013-A maturing in annual installments of \$2,515,000 to \$4,980,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually	54,250		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2038	28,880		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2043	36,860		
Serial bonds series, 2013-B maturing in annual installments of \$3,160,000 to \$6,815,000 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	82,720		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2038	26,705		
Term bond series 2013-B with interest at 4.50%, payable semiannually, due July 1, 2038	1,115		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2043	36,900		
Serial bonds series, 2013-C maturing in annual installments of \$1,335,000 to \$2,540,000 through July 1, 2032, with interest rates from 3.00% to 5.00%, payable semiannually	26,890		
Serial bonds series, 2013-C maturing in annual installments of \$2,205,000 to \$4,725,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		51,505	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2038		27,420	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2043		35,000	
Serial bonds series, 2013-D maturing in annual installments from \$2,980,000 to \$3,640,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		59,080	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2038		14,835	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2042		15,845	
Serial bonds series, 2013-E maturing in annual installments of \$1,840,000 to \$3,030,000 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually		19,930	
Serial bonds series, 2014-A maturing in annual installments of \$2,123,032 to \$2,464,774 through February 1, 2035, with interest rates at 1.00% payable semiannually		32,991	
Serial bonds series, 2014-A maturing in annual installments of \$1,840,000 to \$3,785,000 through July 1, 2034, with interest rates from 2.00% to 5.00% payable semiannually	43,105		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2037	12,535		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2039	9,430		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2044	28,040		
Serial bonds series, 2014-B maturing in annual installments of \$1,005,000 to \$4,825,000 through July 1, 2034, with interest rates of 5.00% payable semiannually	31,175		
Term bond series 2014-B with interest at 5.00%, payable semiannually, due July 1, 2037	7,065		
Serial bonds series, 2014-C maturing in annual installments of \$725,000 to \$3,905,000 through July 1, 2034 with interest rates from 3.00% to 5.00% payable semiannually	28,420		
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039	6,225		
Serial bonds series, 2014-C maturing in annual installments of \$1,630,000 to \$3,350,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually		38,150	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039		19,445	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2044		24,815	
Serial bonds series, 2014-D maturing in annual installments of \$4,150,000 to \$10,835,000 through July 1, 2031 with interest rates from 3.00% to 5.00%, payable semiannually		111,865	
Serial bonds series, 2014-E maturing in annual installments of \$170,000 to \$3,935,000 through July 1, 2032 with interest rates from 2.00% to 5.00%, payable semiannually		22,515	
Serial bonds series, 2015-A maturing in annual installments of \$981,000 to \$1,122,000 from through February 1, 2035, with interest rates of 0.90%, payable semiannually		16,805	
Serial bonds series, 2015-B maturing in annual installments of \$3,366,356 to \$3,920,216 through February 1, 2037, with interest rates of 0.90%, payable semiannually		65,460	
Serial bonds series, 2016-A maturing in annual installments of \$1,000 to \$903,935 through February 1, 2047 through with interest rates of 0.70%, payable semiannually		23,072	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series 2016 maturing in annual installments from \$447,055 to \$662,235 through April 1, 2031, with interest rates of 2.75% to 5.00%, payable semiannually			\$ 4,629
Serial bonds series 2017-A maturing in annual installments from \$2,650,000 to \$6,080,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually	\$ 74,615		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041	35,270		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046	45,010		
Serial bonds series 2017-B maturing in annual installments from \$1,250,000 to \$1,680,000 through July 1, 2028, with interest rates of 5.00%, payable semiannually	10,195		
Serial bonds series 2017-C maturing in annual installments from \$90,000 to \$2,825,000 through July 1, 2038, with interest rates of 5.00%, payable semiannually	27,045		
Serial bonds series 2017-D maturing in annual installments from \$170,000 to \$5,800,000 through July 1, 2035, with interest rates of 5.00%, payable semiannually	43,910		
Serial bonds series 2017-E maturing in annual installments from \$2,474,024 to \$3,092,422 through Feb 1, 2050, with interest rates of 0.80%, payable semiannually	83,509		
Serial bonds series 2017-A maturing in annual installments from \$1,720,000 to \$6,415,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		\$ 48,350	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041		22,845	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046		29,165	
Serial bonds series 2017-B maturing in annual installments from \$780,000 to \$10,500,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		73,720	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2039		17,595	
Serial bonds series 2017-C maturing in annual installments from \$795,000 to \$6,835,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		52,450	
Serial bonds series 2017-D maturing in annual installments from \$138,414 to \$175,375 through Feb 1, 2040, with interest rates of 0.80%, payable semiannually		4,498	
Serial bonds series 2018-A maturing in annual installments from \$4,613,248 to \$5,812,490 through Feb 1, 2051, with interest rates of 0.80%, payable semiannually		155,718	
Serial bonds series 2018 maturing in annual installments from \$280,772 to \$513,317 through April 1, 2034, with interest rates of 3.5% to 5.00%, payable semiannually			5,758
Serial bonds series 2018-C maturing in annual installments from \$521,314 to \$606,526 through Feb 1, 2040, with interest rates of 0.80%, payable semiannually		11,258	
Serial bonds series 2019-A maturing in annual installments from \$2,375,000 to \$8,310,000 through July 1, 2050, with interest rates of 4.00% to 5.00%, payable semiannually	76,335		
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044	31,615		
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2049	38,465		
Serial bonds series 2019-A maturing in annual installments from \$1,620,000 to \$3,755,000 through July 1, 2039, with interest rates of 4.00% to 5.00%, payable semiannually		51,185	
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044		21,150	
Term bond series 2019-A with interest at 5.00%, payable semiannually, due July 1, 2049		26,255	
Serial bonds series 2019-A maturing in annual installments from \$760,000 to \$1,710,000 through July 1, 2029, with interest rates of 3.00% to 5.00%, payable semiannually			23,390
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044			9,635
Term bond series 2019-A with interest at 5.00%, payable semiannually, due July 1, 2049			11,965
Serial bonds series 2019-B maturing in annual installments from \$165,000 to \$3,465,000 through July 1, 2038, with interest rates of 3.00% to 4.00%, payable semiannually	15,400		
Term bond series 2019-B with interest at 4.00%, payable semiannually, due July 1, 2033	995		
Serial bonds series 2019-C maturing in annual installments from \$105,000 to \$2,855,000 through July 1, 2038, with interest rates of 3.00% to 4.00%, payable semiannually	9,520		
Term bond series 2019-C with interest at 4.00%, payable semiannually, due July 1, 2034	765		
Serial bonds series 2019-D maturing in annual installments from \$4,329,075 to \$9,862,630 through July 1, 2053, with interest rates of 2.88%, payable semiannually		202,000	
Unamortized bond premiums	1,025,206	1,448,724	58,793
	84,831	99,520	7,586
	\$ 1,110,037	\$ 1,548,244	\$ 66,379

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Notes to Basic Financial Statements

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Fixed Rate Water, Wastewater and Stormwater Utility Revenue Bonds

On May 29, 2019 the City issued Water Revenue Bonds, Series 2019-A, 2019-B, and 2019-C, in the amounts of \$146,415,000, \$16,395,000, and \$10,285,000, respectively, and totaling \$173,095,000. Of these amounts, \$146,415,000 was issued for various capital projects, and \$26,680,000 was refunding bonds that current refunded certain outstanding maturities totaling \$20,800,000. This results in an aggregate reduction of debt service of \$753,000. Interest on the bonds is due July 1st and January 1st, and mature between 2020 and 2049 depending on the particular series.

The Series 2019 Water Refunding Revenue Bond issuance reduced total debt service to obtain an economic gain of approximately \$753,000. In addition, the City used the proceeds to reduce its derivative swap exposure.

The City also issued Wastewater Revenue Bonds, Series 2019-A and Stormwater Revenue Bonds, Series 2019-A, in the amount of \$98,590,000 and \$44,990,000, respectively. The proceeds will be used to finance various capital projects. Interest on the bonds is due July 1st and January 1st, and mature July 1, 2049.

On December 20, 2018, the City entered into a Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement with the U.S. Environmental Protection Agency (EPA) Revolving Loan in the amount of \$202,000,000 to fund various wastewater capital projects. The rate on interest is set at 2.88 %, maturing July 1, 2052.

Fixed Rate Parking Facilities Refunding Fund Bonds

On August 14, 2018, the City issued Parking Refunding Revenue Bonds, Series 2018 in the amount of \$23,595,000. These refunding bonds current and advanced refunded certain outstanding maturities totaling \$28,940,000. Interest on the bonds is due July 1st and January 1st, and maturing on July 1, 2035.

The Series 2018 Parking Refunding Revenue Bond issuance reduced aggregate debt service by approximately \$15,499,000, to obtain an economic gain of approximately \$4,078,000. This amount was used to reduce the City's future debt service costs.

Variable Rate Parking Facilities Revenue Bonds

The City has issued revenue bonds, the proceeds of which were used to finance construction of parking facilities and refinance existing debt of the Parking Facilities Fund. Assets with a carrying value of \$34,068,000 at June 30, 2019, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2019, consist of (amounts expressed in thousands):

Term bond series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021	\$ 2,540
Variable rate demand bonds series 2008, payable monthly, due July 1, 2032	65,420
Term bond series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020	745
Term bond series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025	785
Term bond series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035	830
Parking Refunding Series 2018 (refunded 2005, 2010)	23,595
	<u>\$ 93,915</u>

The City had \$65,420,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2019. The Series 2008 Bonds are subject to redemption prior to maturity at any time, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds annual principal amounts starting on July 1, 2019 through July 1, 2032 range from \$1,620,000 to \$7,965,000.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. Initially, the Remarketing Agent will use a "Dutch Auction" to set the weekly rate that will be used to remarket the bonds. Under the

CITY OF BALTIMORE

Notes to Basic Financial Statements

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terms of the indenture, the City at its options may change the bond rate to a monthly or long-term rate at any time until maturity upon notification of the bondholders.

In conjunction with the bonds, Bank of America issued an irrevocable letter of credit with a current value in the amount of \$66,495,397 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires December 1, 2020. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement is a defined base rate plus up to an additional 2.00% depending on the terms of the draw. The City is required to pay the letter of credit fee throughout the effectiveness of the Agreement equal to 0.42% per annum of the average daily amount of the available commitment. During fiscal year 2019, the City made no draws under the letter of credit and there were no amounts drawn against the letter of credit outstanding at June 30, 2019.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued as special limited obligations of the City to refund the Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from the revenues which consist of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. At June 30, 2019, the balance outstanding on the Series 1998 bonds was \$4,425,000 of 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on March 1 and September 1 in each year. The bonds are subject to redemption prior to maturity at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2019 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2017, at annual principal amounts ranging from \$4,220,000 to \$4,425,000. These revenue bonds have been recorded in governmental activities because they are expected to be paid by general revenues.

Stormwater Special Revenue Bond

The City has issued a Stormwater Special Revenue Bond, Series 2004 with \$1,077,114 outstanding. This bond funded various City stormwater capital projects associated with road construction. The bond is secured by a pledge of the City's share of state highway user revenues.

County Transportation Revenue Bonds

The City has entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$107,245,000 outstanding. The proceeds from these bonds will be used to fund certain highway improvements and stormwater projects throughout the City. These bonds are secured by a pledge of the City's share of the highway user revenues.

Convention Center Hotel Revenue Bonds

The City issued Convention Center Hotel Revenue Bonds in the amount of \$300,940,000. The proceeds of these bonds were used to finance the acquisition, demolition, construction and equipping of a convention center hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2019, consist of (amounts expressed in thousands):

Serial bond series 2017, maturing in installments from \$2,100,000 to \$10,775,000 through	
September 2036, with interest rates ranging from 3.0% to 5.00% payable semiannually	\$ 115,915
Term bonds series 2017 with interest at 5.00% due September 1, 2039	35,655
Term bonds series 2017 with interest at 5.00% due September 1, 2042	41,280
Term bonds series 2017 with interest at 5.00% due September 1, 2046	74,455
Totals	<u>\$ 267,305</u>

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Changes in revenue bond obligations for the year ending June 30, 2019, are as follows (amounts expressed in thousands):

	June 30, 2018	New Debt Issues	Debt Retired	June 30, 2019	Due within One Year
<i>Governmental Activities*</i>					
Convention Center and Hotel	\$ 277,400		\$ 5,670	\$ 271,730	\$ 6,525
Transportation	81,835	\$ 37,822	12,412	107,245	13,932
Total Governmental Activities	\$ 359,235	\$ 37,822	\$ 18,082	\$ 378,975	\$ 20,457
<i>Business - Type Activities**</i>					
Water	\$ 893,969	\$ 173,095	\$ 41,858	\$ 1,025,206	\$ 21,876
Waste Water	1,188,945	300,584	40,805	1,448,724	41,385
Storm Water	9,916	49,936	1,059	58,793	1,361
Parking Facilities	111,530	23,595	41,210	93,915	4,475
Total Business-Type Activities	\$ 2,204,360	\$ 547,210	\$ 124,932	\$ 2,626,638	\$ 69,097

* Included in the Statement of Net Position for Governmental Activities is a remaining unamortized portion of bond premium of \$52,429,000.

** Included in the Statement of Net Position for Business Type Activities is a remaining unamortized portion of bond premium of \$191,293,000.

Principal maturities and interest of revenue bonds, shown at gross, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities					
	Hotel Revenue Bonds		Convention Center		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,100	\$ 13,302	\$ 4,425	\$ 111	\$ 13,932	\$ 5,032
2021	2,500	13,198			11,712	4,425
2022	2,950	13,062			12,303	3,845
2023	3,485	12,901			10,026	3,268
2024	4,050	12,712			10,475	2,798
2025-2029	27,720	59,843			33,458	8,246
2030-2034	42,305	51,043			15,339	2,052
2035-2039	53,990	39,063				
2040-2044	68,910	23,774				
2045-2049	59,295	5,652				
Totals	\$ 267,305	\$ 244,550	\$ 4,425	\$ 111	\$ 107,245	\$ 29,666

Fiscal Year	Business-type Activities									
	Water Utility			Wastewater Utility		Stormwater Utility		Parking Facilities		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)
2020	\$ 21,876	\$ 41,473	\$ (127)	\$ 41,385	\$ 43,128	\$ 1,361	\$ 1,779	\$ 4,475	\$ 4,979	\$ 2,354
2021	28,018	43,514	(127)	44,742	46,086	\$2,173	\$2,541	4,775	4,744	2,281
2022	28,181	42,307	(127)	47,353	46,990	\$2,222	\$2,464	4,995	4,490	2,202
2023	29,178	41,060	(127)	47,351	46,493	\$1,954	\$2,384	5,190	4,227	2,102
2024	29,146	39,767	(127)	53,006	44,961	\$2,040	\$2,300	5,565	3,953	1,976
2025-2029	166,207	177,721	(633)	268,983	197,890	\$10,622	\$10,132	32,280	14,981	7,641
2030-2034	211,916	135,488	(607)	302,693	145,664	\$9,775	\$7,862	34,295	4,710	2,218
2035-2039	214,786	86,017	(452)	256,958	91,561	7,620	6,046	2,340	101	
2040-2044	197,792	39,758	(135)	209,068	46,247	9,265	4,363			
2045-2049	86,679	8,292		122,007	15,917	9,131	2,128			
2050-2054	11,427	191		55,178	2,501	2,630	65			
Totals	\$ 1,025,206	\$ 655,588	\$ (2,462)	\$ 1,448,724	\$ 727,438	\$ 58,793	\$ 42,064	\$ 93,915	\$ 42,185	\$ 20,774

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rates as of June 30, 2019, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

CITY OF BALTIMORE

Notes to Basic Financial Statements

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9. Pledged Revenue

The Water, Wastewater and Stormwater Utility Funds

The Water, Wastewater and Stormwater Utility Funds have pledged future customer revenue to repay \$1,025,206,000, \$1,448,724,000, and \$58,793,000 of revenue bond debt, respectively. Proceeds from these revenue bonds were used to build and improve various aspects of the City's Water, Wastewater and Stormwater Utility systems. The bonds are payable solely from the revenues of the Water and Wastewater Utility Funds and are payable through 2047. Payments for the Stormwater Utility Fund's bonds have been made with General Funds and subsequently reimbursed from Stormwater Utility Fund revenues. Annual principal and interest payments on these revenue bonds are expected to require 58.3% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,678,332,000, \$2,176,163,000, and \$100,857,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$60,105,000 and \$118,513,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$81,868,000 and \$116,587,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$1,560,000 and \$10,939,000, respectively.

The Parking Facility Fund

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$93,915,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2035. Annual principal and interest payments are expected to require 26.2% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$156,875,000. For the current year, principal and interest payments and current pledged revenue were \$17,986,000 and \$68,684,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$196,203,000 in incremental property taxes bonds issued to finance various development projects. The pledged revenue is limited to the incremental taxes on the projects financed by the bond. Should the incremental taxes fail to generate sufficient revenue to pay the required principal and interest, the City has established special taxing districts to generate additional taxes sufficient to pay principal and interest on the bonds. Total principal and interest remaining to be paid on these bonds is \$361,476,000. For the current year, principal and interest payments and current pledged revenue were \$10,072,000 and \$14,111,000, respectively.

Baltimore Hotel Corporation

The City has pledged a portion of its hotel occupancy tax as security for revenue bonds, the proceeds of which were used to build the City's Convention Center Headquarters Hotel. The City's hotel occupancy tax is one of several pledged revenue sources the City used to issue \$267,305,000 Convention Center Headquarters Hotel Bonds. Following the net operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 15% (of the maximum annual debt service) of the citywide occupancy tax is also pledged. If a shortfall still remains, and following a Hilton Hotel guarantee of 10% of the Maximum Annual Debt Service, 10% (maximum annual debt service) is pledged. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$511,853,000. For the current year, principal and interest payments were \$14,816,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay \$4,425,000 of revenue bond debt. Proceeds from these revenue bonds were used to expand the Baltimore Convention Center. The bonds are payable solely from pledged revenue and are payable through 2020. Annual principal and interest payments on these revenue bonds are expected to require 100% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$4,536,000. For the current year, principal and interest payments and current pledged revenue were \$4,547,000 and \$4,563,000, respectively.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

10. Prior-Year Defeasance of Debt

Primary Government

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2019, \$166,345,000 of debt outstanding is considered defeased.

11. Interest Rate Swaps

Objectives of the swaps. The City has entered into swaps for three reasons: first, the majority of its swaps have been used to create synthetic fixed rate financing (by issuing floating-rate bonds and swapping them to fixed) as a way to provide lower-cost fixed rate financing to meet the City's capital needs. Second, the City has used swaps from fixed to floating to help the City manage its balance sheet for an appropriate mix of fixed and floating rate exposure. And, third, the City has used basis swaps to amend the floating rate on certain of its existing synthetic fixed rate swaps in order to provide a better hedge on the underlying floating rate bonds.

Terms, fair value and credit risk. The terms, fair values and credit rating of the outstanding swaps as of June 30, 2019, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated "bonds payable" category.

Hedged Derivative Instruments

At June 30, 2019, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$1,256,578) and (\$8,637,826), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2019, were \$17,620,000 and \$64,800,000, for governmental and business-type activities, respectively. During fiscal year 2019, the fair values of these instruments increased \$28,141 for governmental-type and decreased by \$8,548,078 for business-type activities. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2019:

MAYOR AND CITY COUNCIL OF BALTIMORE
SWAP PROFILE as of June 30, 2019

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
Hedged Derivative Instruments - Governmental Activities							
General Obligation Bonds							
<i>Floating to Fixed Swaps</i>							
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	\$ 465,000	\$ (8,383)	BBB+/A3
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	(1,248,195)	BBB+/A3
Total Governmental Activities					<u>\$ 17,620,000</u>	<u>\$ (1,256,578)</u>	
Hedged Derivative Instruments - Business-type Activities							
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	\$ 59,700,000	\$ (8,332,504)	A+/Aa3
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	5,100,000	(305,322)	A+/Aa3
Total Parking Facilities Fund					<u>64,800,000</u>	<u>(8,637,826)</u>	
Total Business-type Activities					<u>\$ 64,800,000</u>	<u>\$ (8,637,826)</u>	

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Credit risk — As of June 30, 2019, the City is not exposed to credit risk on any of the outstanding swaps because the swaps have negative fair value. All fair values were calculated using the mark-to-market or par value method. However, should interest rates change and the fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with counterparties. In general, these agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below Baa as issued by Moody's or BBB as issued by Standard and Poor's. Collateral on all swaps may be in the form of cash or U. S. government securities held by the City. Although the City executes transactions with various counterparties, two swaps or approximating 21% of the notional amount of swaps outstanding, is held with a counterparty that is currently rated BBB+/A3. The remaining two swaps are held with a counterparty rated A+/Aa3, approximating 79% of the outstanding notional value.

Basis risk — The City's variable rate bonds are of two types: remarketed variable rate demand bonds (VRDBs) and auction rate bonds (ARBs). For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on one-month LIBOR. For two of the swaps, the City will receive a percent of LIBOR or a percent of LIBOR plus a basis point spread, each rate was chosen to closely approximate the City's tax-exempt variable rate bond payments. Because these swaps are LIBOR-based, there is an additional degree of basis risk. For four of the swaps, the City receives the one month LIBOR, chosen to approximate the City's taxable variable rate bond payments. As of June 30, 2019, LIBOR for the prior 52-weeks ranged from 2.08% to 2.49%, whereas the City's taxable market ranged from 1.98% to 2.44%.

Interest rate risk - For those swaps for which the City pays a floating rate and receives fixed rate payments, the City is exposed to interest rate risk. As floating rates increase, the City's expected savings could decrease. The City would, however, benefit from offsetting increases in its earnings on short-term investments, whose return would be expected to go up in a higher interest rate environment.

Termination risk — The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap contract has a negative fair value, the City would be liable to the counterparty for that payment.

Investment Derivative Instruments

The fair value balance and notional amounts of derivative instruments outstanding are classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2019 are as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		
	Classification	Amount	Classification	Amount	Notional
Business-Type Activities					
Water Utility Fund					
Floating to Floating	Investment Revenue	\$ 1,928,904	Debt	\$ (1,690,624)	\$ (71,455,000)
Total Business-Type Activities		\$ 1,928,904		\$ (1,690,624)	\$ (71,455,000)

Credit Risk - At June 30, 2019, the government is not exposed to credit risk on the interest rate swaps, because they are in a negative fair value or liability position. However, if interest rates change and the fair values become positive, the City would have exposure to credit risk. The counter party rating for the Water Utility Fund was AA-/Aa2. The change in the fair value of investment swaps in the amount of a loss of \$1,928,904 is netted and reported within the investment revenue classification.

Interest rate risk - For those swaps for which the City pays a floating rate, the City is exposed to interest rate risk. As floating rates increase, the City's expected savings could decrease. The City would, however, benefit from offsetting increases in its earnings on short-term investments, whose return would be expected to go up in a higher interest rate environment.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fiduciary Fund Types

Forward Currency Contracts

The City's Retirement Systems entered into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. They also entered into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase (payable) or sell (receivable) a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Unrealized gains or losses on forward currency contracts are the difference between the contract and the closing market value of such contract and is included in the statement of changes in fiduciary net position as net appreciation/depreciation in the fair value of investments.

The table below summarizes the market value of foreign currency contracts as of June 30, 2019:

Currency	Forward Foreign Contracts Cost Receivable (a)	Forward Foreign Contracts Cost Payable (b)	Forward Foreign Contracts Fair Value Receivable (c)	Forward Foreign Contracts Fair Value Payable (d)	Unrealized Net Gain/(Loss) (c-a) + (b-d)
Brazilian Real	\$ 27,242	\$ 27,242	\$ 27,138	\$ 27,242	\$ (104)
British Pound Sterling	293,936	293,936	294,501	294,099	402
Canadian Dollar	2,801	2,801	2,801	2,814	(13)
Chinese Yuan Renminbi	880,671	880,671	880,671	888,778	(8,107)
Euro Currency Unit	3,207,780	3,220,161	3,207,780	3,229,847	(9,686)
Hong Kong Dollar	74,060	74,060	74,060	74,091	(31)
Japanese Yen	734,014	734,014	733,955	734,361	(406)
Pound Sterling	1,901	1,901	1,901	1,906	(5)
Swiss Franc	456,612	456,612	456,685	457,193	(508)
U.S. Dollar	4,066,564	4,114,806	4,066,564	4,066,564	48,242
Total	\$ 9,745,581	\$ 9,806,204	\$ 9,746,056	\$ 9,776,895	\$ 29,784

12. Pension Plans

All City employees, other than the professional employees of the Enoch Pratt Free Library and the Baltimore City Public School System (BCPSS), who are members of the Maryland State Retirement and Pension Systems to which the City and the BCPSS make no contributions, are covered under one of the following Public Employees Retirement Systems (PERS) or the Maryland State Retirement and Pension System:

The City contributes to two single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System (F&P Plan), established July 1, 1962 and the Elected Officials' Retirement System (EOS Plan), established December 5, 1983. The City also contributes to two cost-sharing multiple employer defined benefit plan, the Employees' Retirement System (ERS Plan), established January 1, 1926 and the Maryland State Retirement and Pension System (the State System). The F&P Plan, the EOS Plan, and the ERS Plan (the City Plans) are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provisions may be amended only by the City Council. The City Plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. The City Plans and the State System issue separate financial statements which may be obtained from the following websites:

For Employees' Retirement System and Elected Officials' Retirement System: www.bcers.org

For Fire and Police Employees' Retirement System: www.bcfpers.org

For the Maryland State Retirement and Pension System: www.sra.state.md.us

The financial statements for the City Plans and the State System are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

A. PLAN DESCRIPTIONS-SINGLE EMPLOYER PLANS

Fire & Police Employees' Retirement System

The F&P Plan covers all uniformed personnel of the Baltimore City Fire and Police Departments. Based on criteria established by the GASB, the F&P Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2018, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefit	6,296
Active plan members	4,049
Total	<u>10,345</u>

The F&P Plan provides normal service retirement benefits, as well as death and disability benefits. Membership in the F&P Plan is mandatory upon employment. The F&P Retirement System does not have a vested benefit plan; however, members have vested rights to their contributions and interest.

F&P members were required to contribute 10% of their regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. According to plan provisions, contribution requirements of the plan members and the City are established and may be amended by the Mayor and City Council. The valuation method is stipulated in the plan provisions. An expense load of 1.5% is included in the annual employer contribution requirement to cover administrative costs.

Members are eligible for a normal service retirement if they acquire 25 or more service credit years with at least 15 years of services credit as an F&P contributing member regardless of age, or if the member is age 55 and acquires 15 or more years of service credit as an F&P contributing member. Normal service retirement benefits are calculated at 2.5% of the average final compensation for the first 20 years plus 2% of the average final compensation for each year over 20 years of service. Members are eligible for early service retirement which is a reduced retirement benefit. To be eligible for early retirement, members must acquire 20 years of service credit with at least 10 years of service credit as an F&P contributing member regardless of age or attain age 50 with at least 10 years of service credit as an F&P contributing member.

Members are also eligible for a deferred retirement option program, DROP and DROP 2. Members with more than 20 years of service on or before December 31, 2009 can elect to participate in DROP at any time. A member's DROP participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time he/she began his/her DROP participation, plus
2. A lump sum equal to the member's DROP account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP participation period, plus interest at 8.25%.

Members with more than 20 years of service on or after January 1, 2010 can elect to participate in DROP 2. On July 1, 2010, this requirement was changed to members with more than 25 years of service for non-grandfathered members. A member's DROP 2 participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time the member began his/her DROP 2 participation, plus

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

2. A lump sum equal to the member's DROP 2 account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP 2 participation period, plus interest at 5.50% for grandfathered members and 3.0% for non-grandfathered participants.

Post-retirement benefit increases are provided to retirees and beneficiaries based on age, type of retirement and having received benefits for two or more years as of each June 30 eligibility determination date.

Elected Officials' Retirement System

The EOS Plan covers the Mayor, the Comptroller, and the President and all members of the City Council. Based on criteria established by the Governmental Accounting Standards Board, the EOS Plan is a fiduciary fund of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2018, the measurement date, the EOS Plan membership consisted of:

Retirees and beneficiaries currently receiving benefit	29
Active plan members	17
Total	<u>46</u>

The EOS Plan provides retirement benefits as well as death and disability benefits and the reduction of benefits is precluded by the City Code. Membership in the EOS Plan is mandatory upon taking the oath of office, unless the elected official is already a member of the Employees' Retirement System of the City of Baltimore.

EOS plan members were required to contribute 5% of their regular contribution through payroll deduction. The City's annual employer contribution is determined through an actuarial valuation. Baltimore City Code grants the authority to establish and amend the contributions of the active plan members to the Mayor and City Council of Baltimore. Administrative costs of the EOS Plan are paid from investment earnings.

Members are eligible to retire after the earlier of acquiring at least 16 years of service credit or attaining age 50 with at least 12 years of service credit. A member shall be entitled to receive a maximum service retirement allowance which shall consist of:

1. An annuity which shall be the actuarial equivalent of accumulated contributions at the time of retirement,
2. A pension, in addition to the annuity, which together shall be equal to 2.5% of the current annual earnable compensation applicable to the office multiplied by the number of years of membership credit.

Post-retirement benefit increases are indexed to future increases in the compensation for the position held by the elected official prior to retirement.

B. PLAN DESCRIPTIONS-MULTIPLE EMPLOYER PLANS

Employees Retirement System

ERS is a cost sharing multiple plan that covers City employees and the Baltimore City Public School System employees with the exception of those required to join the Maryland State Retirement System, or the two other Baltimore City retirement systems, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System. Based on criteria established by the Governmental Accounting Standards Board, the ERS Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

At June 30, 2018, the measurement date, the ERS Plan membership consisted of:

Active plan members	8,013
Retirees and beneficiaries currently receiving benefit	9,203
Inactive plan members eligible to but not yet receiving benefits	1,030
Total	<u>18,246</u>

The ERS Plan provides service retirement benefits as well as death and disability benefits. Only the Mayor and City Council may amend the ERS Plan Provisions. The reduction of benefits is precluded by the City Code.

The ERS Plan is divided into three Classes: A, C and D for amendment of membership and benefit changes of the ERS Plan Provisions.

Class "A" has 13 members. The "A" contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to Class C, the non-contributory class. Membership was mandatory on the member's second anniversary of employment. However, the member could voluntarily enroll within the first two years of employment.

Class "C" is composed of 7,223 members of the ERS membership and consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the Class "A" contributory class.

Effective July 1, 2013, Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS Plan non-contributory members and eliminating the post retirement variable benefit increase. The Ordinance provides that effective July 1, 2013, members will contribute 1% of pay, to continue each year at 1% increments provided that 2% compensation is received for each year of contribution until employee contribution reach 5% of compensation.

The ERS defined benefit class "C" was closed to new members on June 30, 2014 to establish the City of Baltimore's Retirement Saving Plan (RSP). The RSP consist of a 401a contributory non-hybrid and a hybrid contributory defined benefit "D" Plan. The RSP is not a separate plan, but is a separate class of the existing ERS plan, if the employee choses to belong to the hybrid defined benefit "D" plan. The waiting period of entry for the contributory non-hybrid plan is 180 days. The hybrid contributory defined benefit plan waiting period is one year. Employees hired as of July 1, 2014 have 150 days of employment to select between the two plans. Employees who do not select a plan after 150 days of employment will automatically default into the hybrid contributory defined benefit "D" plan. Class "D" has 807 members. The mandatory contribution to each of the plan's is 5%. Members have an option in both plans to contribute to the City of Baltimore's 457 Deferred Compensation plan and will receive a 50% match on the first two percent of their contributions.

The contributions required by the ERS Plan provisions for each membership class are as follows:

Membership classes	Percentage of compensation
A	4.0%
C	1.0-5.0%*

* Class C contributions increased to 4% for the fiscal year ending June 30, 2018.

Members of Classes A and B are eligible to retire at age 60 with 5 years of service or 30 years of membership service, regardless of age. Members of Classes C and D are eligible to retire at age 65 with 5 years of service or 30 years of service, regardless of age. Early retirement is allowed at age 55 with 5 years of service payable at age 65 or reduced for payment before age 65. Benefits for service retirement are paid as follows:

Classes A and B – The sum of:

1. An annuity of the actuarial equivalent of a members accumulated contributions; and,
2. A pension, which together with the annuity shall equal 1.935% (Class A) or 1.785% (Class B) of average final compensation times years of service.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Class C:

A pension of (1) 1.6% of average final compensation times years of service up to 30 years, plus (2) .25% of average final compensation in excess of covered compensation, times years of service up to 30 years, plus (3) 1.85% of average final compensation, times years of service in excess of 30 years.

Class D:

A pension of 1.00% of average final compensation, times years of service. If the member retires at or after age 62 with at least 20 years of service the member receives an enhanced benefit of 1.10% of average final compensation times years of service.

Maryland State Retirement and Pension System

Certain city employees are covered by the Maryland State Retirement and Pension System, primarily employees of the Sheriff's Office. The State system is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension System (ERPS), and Law Enforcement Officers' Pension System (LEOPS). The City employees currently participate in the Employees' Retirement and Pension System, and the Law Enforcement Officers' Pension System, with the majority participating in the LEOPS Plan. The State System was established by the State Personnel and Pension Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The State Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15- member Board of Trustees.

Membership in the LEOPS is a condition of employment of the Baltimore City Sheriff's Department. LEOPS consists of two separate components a retirement plan (closed to new members January 1, 2005) and a pension plan. Members contribute either 5%, 6% or 7% of annual earnable compensation, depending on whether the member elected to receive limited or unlimited COLA's or whether the member is subject to pension or retirement plan provisions. The City's total required contributions during the year ended June 30, 2019 was \$3,343,000.

LEOPS members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service. For members subject to retirement plan provisions, full service retirement allowances equal 2.3% of average final compensation (AFC) for the first 30 years of creditable service, plus 1.0% of AFC for each additional year. For members subject to the pension system provisions who became members of LEOPS on or before June 30, 2011, full service pension allowances equal 2.0% of AFC for the three highest consecutive years as an employee. For members subject to pension system provisions on or after July 1, 2011, full service pension allowances equal 2.0% of AFC for the five highest consecutive years as an employee. LEOPS members are not eligible for early service retirement allowances, but are eligible for disability and death benefits if certain conditions are met.

LEOPS members are eligible to participate in a Deferred Retirement Option Program (DROP). To participate, the LEOPS members must have at least 25 years of creditable service, but less than 30 years. Depending on the entry date of the member into DROP, the retirement allowance is placed into an account earning either 6% or 4% interest.

At June 30, 2019, the City reported a liability of \$35,463,000 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2018. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2019, the City's proportionate share was .1690%.

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Notes to Basic Financial Statements
(Continued)

C. NET PENSION LIABILITY (ASSET)

The measurement date for the City Plans and the State System is June 30, 2018. Measurements are based on the fair value of assets as of June 30, 2018. The following schedules are the net pension liability (NPL) or the net pension asset (NPA) and the sensitivity of the NPL or NPA to the discount rate.

The component of the net pension liability (asset) of the City Plans is as follows:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System		Elected Officials' Retirement System
Total pension liability	\$	3,884,617	\$ 15,261
Less: plan fiduciary net position		2,691,302	26,197
Net pension liability (asset)	\$	1,193,315	\$ (10,936)
Plan fiduciary net position as a percentage of total pension liability (asset)		69.3%	171.7%

The actuarial assumptions and the current year contributions for the City Plans are:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
Contributions required	\$ 137,738		\$ 87,542
% of Contribution made	100.00%		100.00%
Covered payroll	323,351		304,333
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.50%	7.00%	7.50%
Post retirement	7.50%	7.00%	6.50%
Projected salary increases	3.00%	2.5%	2.65%
Includes inflation rate at	3.00%	2.5%	2.65%
Cost-of-living adjustment	3.00%	2.5%	1.5 - 2.0%
Mortality	RP-2014 Blue Collar Mortality Table using the RPEC_2014 Model	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females
Last Experience Study Covered	July 1, 2015 - June 30, 2018	July 1, 2010 - June 30, 2014	July 1, 2010 - June 30, 2014

The actuarial assumptions and the current year contributions for the State System are:

(Dollars Expressed in Thousands)	
	Maryland State Retirement and Pension System
Contributions made	\$ 3,343
Actuarial assumptions:	
Investment rate of return:	7.45%
Projected salary increases	3.10% to 9.10%, including inflation
Inflation rate	2.60% general, 3.10% wage
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience\
Last Experience Study Covered	2010 - 2014

D. EXPECTED RETURNS, DISCOUNT RATE AND DEFERRED INFLOWS/OUTFLOWS

The long-term expected rate of return on pension plan investments for the City Plans and the State System was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce

CITY OF BALTIMORE

Notes to Basic Financial Statements

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the long-term expected rate or return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rate of return for each major asset class included in the City Plans' target asset allocation are summarized in the following table:

Long-Term Expected Real Rate of Return/Target Allocation			
Asset Class	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
U.S. equities	4.5%/22.5%	7.3%/39%	7.3%/27.0%
International equities	5.2%/24.5%	7.7%/21%	7.7%/20.0%
Private equities	7.3%/10.0%		11.2%/13.0%
Fixed income	3.1%/13.0%	3.2%/25%	3.2%/22.0%
Real estate	4.6%/10.0%	7.4%/10%	7.4%/13.0%
Hedge funds	3.5%/10.0%		
Energy MLP	6.0%/5.0%		
Private energy	7.3%/5.0%		
Cash	1.5%/0.0%		
Defensive Equities		6.9%/5%	6.9%/3.0%
Risk Premium			6.3%/2.0%

The F&P Plan- The projection of the cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will continue to be made at the rates specified in the City Code and the written contribution policy. Based on these assumptions, the Fire and Police Plan retirement contribution was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2018 measurement date. The discount rate used to determine the total pension liability as of June 30, 2018 is 7.50%.

The EOS Plan- The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Employer contributions were assumed to be made in accordance with the contributions policy in effect for July 1, 2016 actuarial valuation. As of June 30, 2018, the plan is fully funded and the amortization of the surplus is greater than the normal costs resulting in a required contribution amount of zero. The discount rate at June 30, 2018, 7.00%, is the assumed long-term expected rate of return on EOS investments.

The ERS Plan- The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Expected member contributions for FYE 2017 were 4% of pay increasing to 5% of pay for FYE 2018 will continue to increase annually up to 5% of compensation thereafter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2016 actuarial valuation. Based on these assumptions, the ERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2018 measurement date. The discount rate at June 30, 2018 is 7.50% for active and terminated vested participants and 6.50% for in-pay participants. The assumed long-term expected rate of return on ERS investments is 7.50%.

The major asset classes included in the State System's target asset allocation and returns are summarized in the following table:

Asset Class	Maryland State Retirement and Pension System
Public equity	5.8%/37%
Private equities	6.7%/13%
Rate sensitive	1.1%/19%
Credit opportunity	3.6%/9%
Real assets	4.8%/14%
Absolute return	3.2%/8%

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The State System-The projection of cash flows used to determine discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate at June 30, 2018, 7.55%, is the expected long-term rate of return on State System investments.

The sensitivity of the net pension liability (asset) presents the net pension liability (asset) of the City Plans and the State System calculated using the current discount rates as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate.

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Notes to Basic Financial Statements
(Continued)

Sensitivity of the pension liability (asset) to changes in the discount rate:

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Fire and Police Employees' Retirement System	6.25%	7.25%	8.25%
Net pension liability	\$ 1,649,652	\$ 1,193,315	\$ 814,280
Plan fiduciary net position as a percentage of total pension liability	62.0%	69.3%	76.8%

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Elected Officials' Retirement System	6%	7%	8%
Net pension (asset)	\$ (9,452)	\$ (10,936)	\$ (12,203)
Plan fiduciary net position as a percentage of total pension (asset)	156.4%	171.7%	187.2%

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	6.50% Active Part.	7.50% Active Part.	8.50% Active Part.
Employees' Retirement System (City of Baltimore Portion)	5.50% Retired Part.	6.50% Retired Part.	7.50% Retired Part.
Net pension liability	\$ 774,696	\$ 565,892	\$ 388,310
Plan fiduciary net position as a percentage of total pension liability	64.3%	71.1%	78.2%

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Maryland State Retirement and Pension System	6.55%	7.55%	8.55%
LEOPS	\$ 39,642	\$ 28,528	\$ 19,516
ERPS	10,335	6,935	4,119

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Total City Plans and State (exclude Baltimore City Public School Portion)			
Net pension liability	\$ 2,474,325	\$ 1,794,670	\$ 1,226,225

(Dollars Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	6.50% Active Part.	7.50% Active Part.	8.50% Active Part.
Employees' Retirement System (Baltimore City Public Schools Portion)	5.50% Retired Part.	6.50% Retired Part.	7.50% Retired Part.
Net pension liability	\$ 178,610	\$ 130,470	\$ 89,527
Plan fiduciary net position as a percentage of total pension liability	64.3%	71.1%	78.2%

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Notes to Basic Financial Statements

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Deferred Inflows and Deferred Outflows- The reported deferred outflows/inflows of resources associated with the City Plans and the State System is as follows:

(Expressed in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Fire and Police Employees' Retirement System		
Pension contributions subsequent to measurement date	\$ 140,453	
Differences between actual and expected experience	2,858	\$ 24,147
Assumption change	64,788	
Differences between actual and projected earnings	20,945	
Total	\$ 229,044	\$ 24,147

	Deferred Outflows of Resources	Deferred Inflows of Resources
Elected Officials' Retirement System		
Differences between actual and expected experience	\$ 593	
Differences between actual and projected earnings		\$ 551
Total	\$ 593	\$ 551

	Deferred Outflows of Resources	Deferred Inflows of Resources
Maryland State Retirement and Pension System		
Pension contributions subsequent to measurement date	\$ 3,283	
Differences between actual and expected experience		\$ 2,593
Change in proportionate share		
Assumption change	1,034	
Differences between actual and projected earnings	2,751	1,729
Total	\$ 7,068	\$ 4,322

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employees' Retirement System (City of Baltimore Portion)		
Pension contributions subsequent to measurement date	\$ 74,136	
Differences between actual and expected experience	11,105	\$ 2,793
Change in proportionate share	5,302	10,312
Assumption change	4,235	
Differences between actual and projected earnings	342	
Total	\$ 95,120	\$ 13,105

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total City Plans and State (exclude Baltimore City Public School Portion)		
Pension contributions subsequent to measurement date	\$ 217,872	
Differences between actual and expected experience	14,556	\$ 29,533
Change in proportionate share	5,302	10,312
Assumption change	70,057	
Differences between actual and projected earnings	24,038	1,729
Total	\$ 331,825	\$ 41,574

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employees' Retirement System (Baltimore City Public Schools Portion)		
Pension contributions subsequent to measurement date	\$ 15,453	
Differences between actual and expected experience	2,561	\$ 644
Change in proportionate share	10,312	5,302
Assumption change	977	
Differences between actual and projected earnings	79	
Total	\$ 29,382	\$ 5,946

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Notes to Basic Financial Statements

(Continued)

A summary of the net deferred outflows/(inflows) of resources to be recognized in pension expense in future years for the City Plans and the State System is presented below:

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Fire and Police		Employees' Retirement		Employees' Retirement System	
	Employees' Retirement System		Elected Officials' Retirement System		System (City of Baltimore Portion)	
2020	\$	53,496	\$	286	\$	11,625
2021		23,404		76		2,442
2022		(7,939)		(249)		(4,593)
2023		(4,517)		(71)		(1,596)
Total	\$	64,444	\$	42	\$	7,878

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:		Maryland State Retirement and Pension System	
2020	\$		946
2021			145
2022			(1,017)
2023			(501)
2024			(110)
Total	\$		(537)

In addition to the amounts disclosed above \$217,872,000 in deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

E. PENSION EXPENSE AND CHANGES IN NET PENSION LIABILITY (ASSET)

Pension expense (income) includes charges in the net pension liability (asset), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The components of pension expense for the City Plans are as follow:

(Dollars Expressed in Thousands)

Pension expense (income)	Fire and Police Employees' Retirement System		Elected Officials' Retirement System		Employees' Retirement System (City of Baltimore Portion)		Employees' Retirement System (Baltimore City Public Schools Portion)	
	\$	171,073	\$	(276)	\$	55,109	\$	20,887

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The schedule of the changes in net pension liability (asset) and related ratios for the City Plans for the year ended June 30, 2019 is as follows:

(amounts expressed in thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability		
Interest (included interest on service cost)	\$ 275,197	\$ 1,023
Service cost	70,244	221
Changes of benefits terms		(64)
Changes in assumptions	86,384	
Differences between expected and actual experience	(20,544)	245
Benefit payments, including refunds of member contribution	(246,971)	(1,110)
Net change in total pension liability	164,310	315
Total pension liability - beginning	3,720,307	14,946
Total pension liability - ending	\$ 3,884,617	\$ 15,261
Plan fiduciary net position:		
Net investment income	\$ 211,668	\$ 2,309
Contributions - employer	137,738	
Contributions - member	31,286	69
Benefit payments, including refunds of member contribution	(246,971)	(1,110)
Administrative expense	(4,984)	(37)
Net change in plan fiduciary net position	128,737	1,231
Plan fiduciary net position - beginning	2,562,565	24,966
Plan fiduciary net position - ending	2,691,302	26,197
Net pension liability (asset) - ending	\$ 1,193,315	\$ (10,936)
Plan fiduciary net position as a percentage of the total pension liability	69.28%	171.7%
Covered employee payroll	\$ 323,351	\$ 1,399
Net pension liability (asset) as a percentage of covered employee payroll	369.05%	-781.7%

F. ALLOCATION OF PLANS

ERS balances have been allocated between the government activities, business-type activities (Enterprise funds), and discretely presented component units as follows:

	(Dollars Expressed in Thousands)							Component Unit
<i>Employee Retirement System</i>	-----Enterprise Funds-----							
	Employees' Retirement System	Governmental Activities	Water	Wastewater	Stormwater	Nonmajor Proprietary Fund	Baltimore City Public Schools	
Net pension liability (asset), end of year	\$ 696,362	\$ 445,867	\$ 56,702	\$ 51,383	\$ 8,941	\$ 2,999	\$ 130,470	

The total of all retirement plan balances for City (City Plans and State Plans) are shown below:

	(Dollars Expressed in Thousands)					
<i>City Plans and State of Maryland</i>	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion	Maryland State Retirement System (LEOP/ERPS)	Primary Government Total	
Net pension liability (asset), end of year	\$ 1,193,315	\$ (10,936)	\$ 565,892	\$ 35,463	\$ 1,783,734	

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Notes to Basic Financial Statements

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G. THE UNFUNDED POLICE DEPARTMENT RETIREMENT PLAN

Additionally, the City's Police Department is the administrator of the City's unfunded single-employer defined benefit local retirement plan. The plan is managed by the City's Police Department under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All 9 members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. The unfunded accrued liability represents the actuarial present value of future benefits based on assumed annual salary increases of 3.0%, and a discount rate of 3.13%. There is no covered payroll for the plan. The City's annual contributions equal the employee benefits paid under the terms of the plan. The City's employer contributions for the last three years are as follows:

Three - Year Trend Information

(Expressed in thousands)

	Employer Contribution	Net Pension Liability
June 30, 2019	\$ 189	\$ 677
June 30, 2018	241	763
June 30, 2017	281	941

H. THE MARYLAND STATE RETIREMENT AND PENSION SYSTEMS – BCPSS

The BCPSS employees, who are not covered under the City's ERS, are members of the Maryland State Retirement and Pension System.

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. City Schools and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by City Schools of Trustees for the System. Contributions are deducted from participant's salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the BCPSS, the employer's share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2019, the State paid \$62.9 million in such costs. This amount has been recorded by the BCPSS as both revenue and expenditure in the General Fund in the accompanying Statement of Activities. The Special Funding arrangement between BCPSS and the State is disclosed in the BCPSS's financial statements.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State's contribution for the fiscal year ended June 30, 2019, was \$2,135,000. This amount has also been recognized as both revenue and expenditure in the accompanying Statement of Activities.

I. DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan in accordance with the Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

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Notes to Basic Financial Statements
(Continued)

13. Other Postemployment Benefits

A. PLAN DESCRIPTION

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. The Plan is a contributory cost sharing multiple employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

The following schedule outlines the eligibility requirements to participants in the Plan by employee group:

Post Retirement Medical Benefit Eligibility Requirement*	
Employee Group	Requirement
Maryland State Retirement and Pension Systems	If hired before January 1, 1980: Age 60 or 30 years of service If hired on or after January 1, 1980: Based on age at retirement and years of service
Fire and Police Employees' Retirement System	If hired before July 1, 2003: Age 50 with at least 10 years of service or 20 years of service If hired after July 1, 2003: Age 55 with at least 15 years of service or 25 years of service
Employees' Retirement System & Elected Officials' Retirement System	If hired before July 1, 1979: Age 60 with at least 5 years of service or any age with 30 years of service If hired after July 1, 1979: Age 55 with at least 5 years of service or any age with 30 years of service

*All employees are eligible for disability benefits depending on years of service and reasons for disability.

In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Saving is the Trust Fund's asset custodian. The Plan does not issue stand alone financial statements; however, the OPEB Trust Fund is included in the City's financial statement as a fiduciary fund.

The number of participants in the Plan as of July 1, 2018 per actuary report was as follows:

	Number of Participants		
	City	Baltimore City Public School	Total
Active employees	12,214	8,727	20,941
Inactive employees or beneficiaries currently receiving benefits	9,234	5,743	14,977
Inactive employees entitled to but not yet receiving benefits	1,026		1,026
Totals	22,474	14,470	36,944

B. SIGNIFICANT ACCOUNTING POLICIES OF THE OPEB TRUST FUND

Basis of Accounting- The financial statements for the OPEB Trust Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments- Plan investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sale price at the current exchange rates.

C. FUNDING POLICY

The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$57 to \$2,193 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

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D. ACTUARIAL METHOD AND ASSUMPTIONS

Data was obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 2018, using census data and recent health care costs information which was provided by the City.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method used is the Entry-Age Normal (EAN). Under the EAN cost method, the actuary develops a “normal cost” that can be expected to fund projected benefits at retirement for a new entrant into the plan. The normal cost of benefits are calculated as a level percentage of covered payroll. The unfunded actuarial liability is being amortized over 30 years on a level dollar basis.

The discount rate is based on the rate of return expected to be earned by the assets used to pay to benefits, if the plan is appropriately funded. The liability discount rate is based on the actuary’s review of the current and historical commitment the City has shown to fully fund the plan, and our determination that current assets plus future contributions will be sufficient to cover all future benefit payments. The plan will not incur a “depletion point”. The discount rate used is 7.00%. Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 5.50% healthcare trend for fiscal year 2018, reduced by decrements to a rate of 3.84% in 2075. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

Inflation	2.75%
Salary increases, including wage inflation	2.75%-3.50%
Discount rate	
Prior measurement date	7.00%
Measurement date	7.00%
Long-term expected asset return for current measurement date	7.00%
Health care cost trends	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075

E. NET OPEB LIABILITY (NOL) AND DISCOUNT RATE

Beginning with the plan year ending June 30, 2018, the City has implemented GASB Statement No. 75 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.” This requires the City to account for those benefits on a full accrual basis and the net OPEB liability is reflected in the City’s financial statements.

The measurement date for OPEB liability is June 30, 2019 and the valuation date is as of June 30, 2018. The Total OPEB Liability (TOL), the Plan Fiduciary Net Position (i.e. fair value of the Plan assets), and the Net OPEB Liability as of June 30, 2019 is as follows:

(Expressed in Thousands)			
	City Portion	BCPSS Portion	Total
Total OPEB liability	\$ 1,808,278	\$ 332,715	\$ 2,140,993
Less: plan fiduciary net position	547,719	100,778	648,497
Net OPEB liability	\$ 1,260,559	\$ 231,937	\$ 1,492,496
Plan fiduciary net position as a percentage of the total OPEB liability	30.3%	30.3%	30.3%

CITY OF BALTIMORE

Notes to Basic Financial Statements

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Changes in the discount and healthcare trend rate affect the measurement of the total OPEB liability (TOL). Because the trend rates do not affect the measurement of assets, the percentage change in the NOL can be very significant for a relatively small change in the trend rates. The table below show the sensitivity of the NOL to the discount rate and trend.

(Expressed in Thousands)

	1% Increase 8.00%	Current Discount Rate 7.00%	1% Decrease 6.00%
Health Care Cost Trend Rates			
1% decrease		\$ 1,197,796	
Current	\$ 1,233,620	1,492,496	\$ 1,811,814
1% increase		1,865,489	

(Expressed in Thousands)

	1% Increase 8.00%	Current Discount Rate 7.00%	1% Decrease 6.00%
Health Care Cost Trend Rates (City Portion)			
1% decrease		\$ 1,011,656	
Current	\$ 1,041,913	1,260,559	\$ 1,530,254
1% increase		1,575,588	

(Expressed in Thousands)

	1% Increase 8.00%	Current Discount Rate 7.00%	1% Decrease 6.00%
Health Care Cost Trend Rates (BCPSS Portion)			
1% decrease		\$ 186,140	
Current	\$ 191,707	231,937	\$ 281,560
1% increase		289,901	

F. DEFERRED INFLOWS AND OUTFLOWS

The reported deferred outflows/inflows of resources associated with the plan are as follows:

(Expressed in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB		
Differences between actual and expected experience		\$ 175,688
Change in assumptions or other inputs	\$ 274,563	
Net difference between projected and actual earnings on OPEB plan investments ...	9,949	
Total	\$ 284,512	\$ 175,688

(Expressed in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB (City of Baltimore Portion)		
Differences between actual and expected experience		\$ 131,625
Change in assumptions or other inputs	\$ 204,672	
Net difference between projected and actual earnings on OPEB plan investments ...	7,416	
Change in proportionate share	28,657	880
Total	\$ 240,745	\$ 132,505

(Expressed in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB (Baltimore City Public School Portion)		
Differences between actual and expected experience		\$ 44,063
Change in assumptions or other inputs	\$ 69,891	
Net difference between projected and actual earnings on OPEB plan investments ...	2,533	
Change in proportionate share	532	28,309
Total	\$ 72,956	\$ 72,372

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The net deferred outflows/inflows of resources to be recognized in OPEB expense in future years is presented below:
(Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Baltimore City Public			
	City Portion	Schools Portion		Total
2020	\$ 23,388	\$ 126	\$	23,514
2021	23,388	126		23,514
2022	23,388	126		23,514
2023	22,476	121		22,597
2024	15,600	85		15,685
Total	\$ 108,240	\$ 584	\$	108,824

G. OPEB EXPENSE

The OPEB expense includes charges in the net OPEB liability and projected earnings on plan investment and is presented as follows:

(Expressed in Thousands)

	Baltimore City Public			
	City Portion	School Portion		Total
Service Cost	\$ 28,954	\$ 1,002	\$	29,956
Interest on total OPEB liability	96,925	3,356		100,281
Current-period benefit changes	544,869	18,865		563,734
Difference between expected and actual experience in the total OPEB liability	(33,961)	(1,176)		(35,137)
Expensed portion of current-period difference between expected and actual return on investment	2,626	91		2,717
Expected investment return net of investment expenses	54,062	1,872		55,934
Projected earnings on plan investments	(40,713)	(1,410)		(42,123)
OPEB expense (income) June 30, 2019.....	\$ 652,762	\$ 22,600	\$	675,362

H. COMPONENT ALLOCATION

OPEB balances have been allocated between the governmental activities, the business-type activities (Enterprise Funds), and the discretely presented component unit as follows:

(Expressed in Thousands)

	Total OPEB	Enterprise Funds						Component Unit	
		Governmental Activities					Nonmajor Proprietary Fund	Baltimore City Public Schools	
		Activities	Water	Wastewater	Stormwater				
Net OPEB Liability, Beginning of Year	\$ 862,102	\$ 564,431	\$ 22,831	\$ 21,782	\$ 3,501	\$ 1,806	\$		247,751
OPEB Expense	675,362	647,276	2,556	2,286	428	216			22,600
Employer Contributions	(124,579)	(82,025)	(5,824)	(5,648)	(836)	(441)			(29,805)
Deferred Outflows/(Inflows)	79,611	79,496	3,876	4,081	536	231			(8,609)
Net OPEB Liability, End of Year	\$ 1,492,496	\$ 1,209,178	\$ 23,439	\$ 22,501	\$ 3,629	\$ 1,812	\$		231,937

14. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; civil rights violations; and natural disasters. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The risk management program services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Beginning in fiscal year 2013, the City has included the accounting for violations of a person's civil rights. The civil rights liability is recorded within the General Fund. Commercial insurance coverage is provided for each property damage claim in excess of \$500,000 with a cap of \$550,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service program.

All funds of the City and the Baltimore City Public School System participate and make payments to the risk management program based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2019, the City has determined that the range of potential claims liability for the program to be between \$362,948,000 and \$396,240,000. Liabilities include an amount for claims that have been incurred but not reported

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

(IBNR). This liability, which has been discounted at 3.0% at June 30, 2019 does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material.

Changes in the Risk Management Program claims liability in fiscal years 2019 and 2018 were (amounts expressed in thousands):

	2019	2018
Unpaid claims, beginning	\$ 358,505	\$ 327,521
Claims incurred	256,719	298,291
Claims paid	(252,276)	(267,307)
Unpaid claims, ending	\$ 362,948	\$ 358,505

The City estimates that \$89,075,000 of the estimated claims liability is due within one year.

15. Operating Leases

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 2019, future minimum lease payments are as follows (amounts expressed in thousands):

2020	\$ 4,829
2021	4,659
2022	4,352
2023	4,186
2024	2,873
2025-2029	5,744
2030-2034	1,205
Total	\$ 27,848

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2019, rent expenditures approximated \$28,804,000 for all types of leases. Approximately \$24,544,000 in expenditures are related to governmental activities and \$4,260,000 are related to business-type activities. These expenditures were made primarily from the General Fund.

The BCPSS has entered into a lease for rental of office equipment. During the year ended June 30, 2019, rent and lease expenditures approximated \$1,200,000. These expenditures were made primarily from the General Fund. As of June 30, 2019, future minimum lease payments approximate \$1,061,000, which relates to July 1, 2019 through July 1, 2022 when the leases expire.

16. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$25,423,000 as of June 30, 2019, which is based on 81.17% usage (filled capacity) of the landfill. This is a decrease in the liability of \$549,000, and a decrease in the usage of 2%, since June 30, 2018. It is estimated that an additional \$5,899,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (the year 2026). The estimated total current cost of the landfill closure and postclosure care, \$31,323,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2019. However, the actual cost of closure and postclosure

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

care may be higher due to inflation, changes in technology, or changes in the landfill laws and regulations. The City does not expect to pay any closure and postclosure care costs during fiscal year 2020.

	Governmental Activities
Balance June 30, 2018	\$ 25,972
Decrease in Estimate	(549)
Balance June 30, 2019	\$ 25,423
Due in one year	

In addition, the City is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements, and at June 30, 2019, cash and cash equivalents of \$24,889,000 were held in the City's General Fund. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure and postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

17. Notes and Mortgages Receivable

Notes and mortgages receivable as of June 30, 2019, consist of the following:

- A. The General Fund has notes receivable of \$269,514,000 net of a \$1,000,000 allowance for losses. A note receivable from the Baltimore Hotel Corporation for \$267,305,000 bears interest at rates ranging from 3% to 5% and mature over 30 years. A portion of this note receivable totaling \$265,205,000 is scheduled to be collected in 2020 through 2046. The other portion of the notes receivable unrelated to the Baltimore Hotel Corporation is for notes totaling \$2,209,000 net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% over 30 years.
- B. The Parking Facilities Fund has mortgages receivable of \$34,074,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years. A portion of this note receivable totaling \$31,677,000 is scheduled to be collected in 2020 through 2036.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

18. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2019, are as follows (amounts expressed in thousands):

	General*	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets	\$ 3,028				\$ 3,028
Restricted:					
Education				2,460	2,460
Highways and streets			31,000	6,387	37,387
Sanitation and waste removal	47,321				47,321
Debt service	383,773				383,773
Public library				2,362	2,362
Recreation and culture				6,848	6,848
Total restricted	431,094		31,000	18,057	480,151
Assigned to:					
General government	75,435		56,946	5,806	138,187
Public safety and regulation	59,120				59,120
Conservation of health	5,507	21,606			27,113
Social services	3,678				3,678
Education	87,000			3,731	90,731
Public library	3,493				3,493
Recreation and culture	5,499				5,499
Highways and streets	6,377				6,377
Sanitation and waste removal	4,532				4,532
Public service	2,905				2,905
Economic development	3,706			7,392	11,098
Total assigned**	257,252	21,606	56,946	16,929	352,733
Unassigned	145,945				145,945
Total fund balances	\$ 837,319	\$ 21,606	\$ 87,946	\$ 34,986	\$ 981,857

* General fund unassigned fund balance includes \$145,945,000 for the budget stabilization reserve.

** The assigned fund balance include encumbrances as follows: General Fund \$100,456,000, Grants Revenue Fund \$21,606,000, Capital Projects \$56,946,000, and Other Funds \$12,891,000

19. Commitments and Contingencies

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 14. The City has determined, in consultation with outside counsel that certain claims are in too early of a stage to make a reasonable assessment of the City's liability. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies, including the \$400,000 ceiling per individual claim. It is the opinion of City management, in consultation with outside legal counsel, that any additional liability for remaining litigation will not be material to the City's financial position or results of operations.

The City has received Federal and State grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 2019, the City estimates that no material liabilities will result from such audits.

The Northeast Maryland Waste Disposal Authority Act was enacted by the Maryland General Assembly to assist in the provision of waste disposal facilities for the Northeast Maryland area, including the facilities for the disposal of wastewater treatment residue. The City agreed to perform the obligations of the Authority. The current agreement, approved in March 2008, provided that the Authority and Mayor and City Council of Baltimore "the City" entered into a service agreement, through June 30, 2013, with Veolia Water North America-Central, LLC, a Delaware limited liability company, which now owns and operates the facility. The agreement has now been extended through June 30, 2019. The agreement allows the Wastewater Utility to deliver up to approximately 2,167 wet tons of sewerage sludge per month and to pay a tipping fee comparable to alternative methods of sludge disposal currently being used by the Wastewater Utility. The debt service on variable rate bonds has been satisfied and is no longer a component of the tipping fee. The Wastewater Utility's current tipping fee expense per wet ton for delivering sewerage sludge was \$94.16 and \$45.82 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2019 were \$2.9 million. The maximum commitment by the City is 26,004 wet tons per year.

The Wastewater Utility also has an agreement with Synagro-Baltimore, LLC, a wholly owned subsidiary of Synagro Technologies for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. Under the agreements, the Wastewater Utility delivers approximately 14,000 dry tons of biosolids per year at each facility and pays base and service tipping fees. The debt service on the bonds is a component of the tipping fees. The base tipping fee at the Patapsco Wastewater Treatment Plant terminated in fiscal year 2019 with the completion of debt service payment. The average service tipping fees were \$424.15 and \$421.90 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2019 were \$15.1 million. The agreements extend to 2025 for the Back River and 2027 for the Patapsco Wastewater Treatment Plants.

In 2002, the City voluntarily entered into a Consent Decree to rehabilitate its sanitary sewer system and address sanitary sewer overflows (SSOs). The 2002 Consent Decree expired on January 1, 2016. On October 6, 2017, the U.S. District Court approved a Modified Consent Decree (MCD). The Modified Consent Decree supersedes the 2002 Consent Decree and provides a revised schedule to address SSOs through a hybrid level of protection. The Modified Consent Decree is one of many that the U.S. Department of Justice has negotiated with major cities with aging sewer infrastructure. These efforts are ambitious and the costs are estimated at \$2.7 billion, which is comprised of \$1.6 billion in costs incurred through June 2019; \$90 million projected for completion of Phase I through January 1, 2021 (capital only); \$691 million projected for completion of Phase II through December 31, 2030 (capital only); and \$303 million projected for related costs, including program management, flow monitoring, asset management, and preventative maintenance.

The MCD is composed of two (2) phases. Phase I provides the greatest environmental benefits and constructs the Headworks Project at the Back River Wastewater Treatment Plant. Phase II further increases hydraulic capacity to achieve the hybrid level of protection against SSOs. The City will continue to address sewage backups and sanitary discharges of unknown origin (SDUOs), while performing proactive maintenance throughout the sanitary sewer system. The City will also implement an Expedited Reimbursement Program that budgets up to \$2 million per year from the Wastewater Utility to reimburse City homeowners up to \$2,500 per dwelling, per incident for reasonable, verified disinfection and cleanup costs arising from verified sewage backups resulting from surcharging in the sanitary sewer system caused by wet weather. Applicants must exhaust applicable insurance coverage before seeking reimbursement, and applications must be filed within 90 days after the incident – historical backups are not eligible. In exchange for reimbursement of reasonable, verified expenses, applicants must sign a waiver for any claim to compensation for cleanup or disinfection arising from the incident. Eligibility under the Expedited Reimbursement Program is not premised on a determination of liability, and the program is limited to City homeowners and renters who meet the above criteria. Collectively, the MCD extends the deadline to address SSOs to December 31, 2030. A close-out report is due by July 31, 2033.

Several Baltimore Police Department officers have filed a complaint against the City of Baltimore and the Baltimore Police Department, alleging violations of the Fair Labor Standard Act. The matter has been conditionally certified by the Court as a collective action. Discovery is progressing, and there is currently no estimate of the amount of the damages claimed.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

20. Beginning Balance Adjustments

Discretely Presented Component Units

As of and for the year ended June 30, 2019, the BCPSS did not record its proportionate share of the pension liability and related amounts related to its participation in the City's cost sharing retirement plan. The BCPSS also did not record its proportionate share of net OPEB liability and related amounts related to its participation in the City's other post-employment benefits (OPEB). For June 30, 2019, the City made adjustments to the BCPSS financials statements to correct the BCPSS's financial statements. As such, the City has included the BCPSS's financials, after adjustments, in the accompanying financials statements. The auditors for the City have audited the adjustments made to the BCPSS financial statements as listed below. The adjustments to the BCPSS financial statements were to include the BCPSS proportionate share of the net pension liability for those employees in the Employees' Retirement System of the City of Baltimore (ERS) and the BCPSS proportionate share of the net OPEB liability for employees eligible for other post-employment benefits as of June 30, 2019 and related deferred outflows, deferred inflows and expense. Additionally, the required footnote disclosure for such balances have also been added to the notes to the financial statements.

The adjustments recorded are listed below:

	As reported by BCPSS	Adjustments for recordation of Net Pension Liability	Adjustments for recordation of Net OPEB Liability	Restated per City's Financial Statements
Deferred outflows		\$ 29,382	\$ 72,956	\$ 102,338
Net pension liability		130,470		130,470
Net OPEB liability			231,937	231,937
Deferred inflows		5,946	72,372	78,318
Expenses	\$ 1,425,332	4,763	(7,205)	1,422,890
Net position, June 30, 2019	1,058,070	(107,032)	(231,353)	719,685

21. Tax Abatement

As of June 30, 2019, the City approves Tax Abatements and Payment In Lieu of Taxes (PILOT) for the purpose of encouraging economic development and to provide better residential housing for the disabled and senior citizens:

- The economic development program provides PILOTs to businesses, landowners and developers to substitute payment for annual real estate taxes with negotiated payment called PILOTs for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City's support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtained by application to the Baltimore Development Corporation (BDC) with final approval by the City's Board of Estimates.
- The disable and senior residential housing program provides PILOTs to developers and not-for profit organizations who provide housing for disabled and senior citizens to replace their annual real estate taxes with a negotiated payment for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City's support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtain by application directly to the City's Department of Housing. Final approval rests with the City's Board of Estimates.

Additionally, the State of Maryland makes PILOT payments to the City for various port facilities that are operated by the State. The amount below reflects the amount of tax revenue that was reduced in the current fiscal year.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Economic development	
Market based housing	\$ 5,724
Business development	11,000
Garages	308
Affordable housing	8,775
State of Maryland Port Authority	2,632
Total	\$ 28,439

22. Subsequent Events

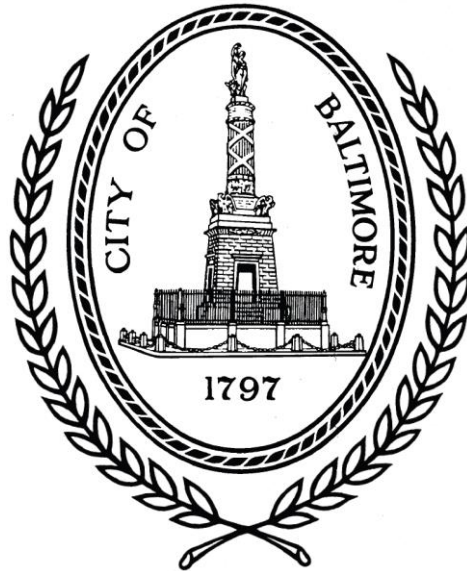
On August 29, 2019, the City entered into two Master Lease Purchase Agreements with Grant Capital Management, Inc. totaling \$23,970,000 to purchase motor vehicles and heavy equipment for the Department of General Services. One agreement was for \$4,373,000, with a 6-year term and an interest rate of 2.69%. The other agreement was for \$19,597,000 with a 10-year term and an interest rate of 3.017%.

On November 1, 2019, the City entered into a Master Lease Agreement with Grant Capital Management, Inc. to refinance an existing lease agreement in the amount of \$2,895,000 for a 5-year term with an interest rate of 2.6423%. The refinancing reduced the total debt service by \$57,000 annually.

On November 22, 2019, the City entered into a Water Quality Loan Agreement with the Maryland Water Quality Financing Administration Water Quality Revolving Loan in the amount of \$9,601,000 and \$9,622,000. The rate on interest is set at 0.50%, maturing February 1, 2043 and February 1, 2050, respectively.

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Required Supplementary Information



See Report of Independent Public Accountants

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CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balances – Budget and Actual – Budgetary Basis (1), (2)
General Fund
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local.....	\$ 1,424,189	\$ 1,440,907	\$ 1,535,001	\$ 94,094
State shared revenue.....	142,877	142,877	146,085	3,208
Licenses and permits.....	37,037	37,037	38,880	1,843
Fines and forfeitures.....	26,016	26,016	34,939	8,923
Interest, rentals and other investment income.....	29,531	29,531	46,140	16,609
Federal grants.....	300	300		(300)
State grants.....	100,978	100,978	96,393	(4,585)
Other grants.....	26	26	26	
Charges for current services.....	52,815	52,815	48,971	(3,844)
Miscellaneous.....	2,867	2,867	8,560	5,693
Total revenues.....	1,816,636	1,833,354	1,954,995	121,641
Expenditures and Encumbrances:				
Baltimore City Public School System.....	278,412	278,412	279,247	(835)
Board of Liquor License Commissioners.....	2,265	2,265	2,108	157
City Council.....	7,481	7,481	7,263	218
Civil Service Commission.....	12,270	12,270	9,831	2,439
Comptroller.....	8,444	8,444	7,109	1,335
Courts.....	17,165	17,165	16,875	290
Department of Finance.....	28,453	28,453	28,078	375
Department of Fire.....	239,600	246,600	239,688	6,912
Department of General Services.....	13,852	13,852	11,578	2,274
Department of Health.....	46,746	46,746	38,986	7,760
Department of Housing and Community Development.....	65,622	65,622	65,126	496
Department of Law.....	8,780	8,780	8,290	490
Department of Legislative Reference.....	1,244	1,244	1,083	161
Department of Municipal and Zoning Appeals.....	633	633	584	49
Department of Planning.....	5,752	5,752	5,583	169
Department of Police.....	507,056	512,056	513,139	(1,083)
Department of Public Works.....	111,199	112,699	109,843	2,856
Department of Recreation and Parks.....	42,158	42,158	39,067	3,091
Department of Transportation.....	129,352	139,352	125,502	13,850
Enoch Pratt Free Library.....	27,226	27,226	25,666	1,560
Mayoralty.....	236,918	242,135	229,005	13,130
Office of Civil Rights.....	2,270	2,270	1,907	363
Office of Financial Review.....	770	770	763	7
Office of Sheriff.....	22,189	22,189	21,513	676
Office of State's Attorney.....	36,897	36,897	36,087	810
Supervisor of Elections.....	10,793	10,793	7,525	3,268
Total expenditures and encumbrances.....	1,863,547	1,892,264	1,831,446	60,818
Excess of revenues over expenditures and encumbrances.....	(46,911)	(58,910)	123,549	182,459
Other financing sources (uses):				
Transfers in.....	39,670	39,670	116,563	76,893
Transfers out.....	(107,986)	(107,986)	(97,937)	10,049
Total other financing sources (uses).....	(68,316)	(68,316)	18,626	86,942
Net changes in fund balances.....	(115,227)	(127,226)	142,175	269,401
Fund balances - beginning.....	772,895	772,895	772,895	
Fund balances - ending.....	\$ 657,668	\$ 645,669	915,070	\$ 269,401
Adjustments to reconcile to GAAP basis:				
Residual Equity Transfer In				
Addition of encumbrances outstanding.....			93,302	
Less: Accounts payable not recorded for budgetary purposes				
and other GAAP adjustments.....			(171,053)	
Fund balance - June 30, 2019 (GAAP basis).....			\$ 837,319	

(1) Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue, Community Development Block Grant Funds and the Scholarship Fund, on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

(2) The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

(3) This schedule does not include a non-budgetary revenue and expense item in the amount of \$2,135,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for certain employees of the Enoch Pratt Free Library.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Employees' Retirement System Plan
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2015	2016	2017	2018	2019
City's share of the net pension liability	85.92%	85.19%	80.03%	81.56%	72.51%
City's proportionate share of the net pension liability	\$ 610,998	\$ 614,236	\$ 644,079	\$ 597,470	\$ 565,892
City's covered payroll	344,809	347,656	319,693	318,999	304,333
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	177.2%	176.7%	201.5%	187.3%	185.9%
Plan fiduciary net position as a percentage of the total pension liability	67.83%	68.00%	65.17%	65.17%	71.11%

The reporting date is June 30, 2019 and the measurement date is June 30, 2018

CITY OF BALTIMORE
Schedule of Employer Contributions
Employees' Retirement System Plan
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

Description	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 78,437	\$ 77,088	\$ 60,712	\$ 68,895	\$ 63,481	\$ 73,025
Contribution in relation to the actuarially determined contribution	81,558	82,780	61,704	68,904	63,481	73,025
Contribution deficiency (excess)	\$ (3,121)	\$ (5,692)	\$ (992)	\$ (9)	\$	\$
Covered payroll	\$ 344,809	\$ 347,656	\$ 319,693	\$ 318,999	\$ 304,333	\$ 341,037
Contribution as a percentage of covered payroll	23.65%	23.81%	19.30%	21.60%	20.86%	21.41%

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2016	2017	2018	2019
City's share of the net pension liability	0.02%	0.02%	0.03%	0.03%
City's proportionate share of the net pension liability	\$ 4,595	\$ 5,894	\$ 7,001	\$ 6,935
City's covered payroll	952	850	1,400	1,423
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	482.7%	693.4%	500.0%	487.2%
Plan fiduciary net position as a percentage of the total pension liability	66.27%	62.97%	66.71%	68.36%

Note: The reporting date is June 30, 2019 and the measurement date is June 30, 2018

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

Description	2015	2016	2017	2018
Actuarially determined contribution	\$ 556	\$ 486	\$ 659	\$ 659
Contribution in relation to the actuarially determined contribution	466	486	659	659
Contribution deficiency (excess)	\$ 90	\$	\$	\$
Covered payroll	\$ 952	\$ 850	\$ 1,400	\$ 1,423
Contribution as a percentage of covered payroll	48.95%	57.18%	47.07%	46.30%

Note: 2019 data is not available.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2016	2017	2018	2019
City's share of the net pension liability	0.11%	0.13%	0.13%	0.14%
City's proportionate share of the net pension liability	\$ 23,578	\$ 30,244	\$ 28,519	\$ 28,528
City's covered employee payroll	172	214	220	232
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	13708%	14165.2%	12982.3%	12301.8%
Plan fiduciary net position as a percentage of the total pension liability	61.30%	58.88%	62.80%	63.82%

Note: The reporting date is June 30, 2019 and the measurement date is June 30, 2018

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

Description	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,392	\$ 2,497	\$ 2,497	\$ 2,711
Contribution in relation to the actuarially determined contribution	2,392	2,497	2,497	2,711
Covered payroll	172	214	220	232
Contribution as a percentage of covered payroll	1390.70%	1166.82%	1135.00%	1169.03%

Note: 2019 data is not available.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Fire and Police Employees' Retirement System - Single Employer Plan
Pension Trust Funds
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2015	2016	2017	2018	2019
Total pension liability					
Interest (includes interest on service cost)	\$ 248,633	\$ 256,066	\$ 260,001	\$ 296,220	\$ 275,197
Service cost	65,548	66,199	70,730	70,987	70,244
Change in assumption		35,494			86,384
Differences between expected and actual experience	1,396	28,065	11,353	(17,476)	(20,544)
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)	(245,080)	(246,971)
Net change in total pension liability	95,769	162,465	104,889	104,651	164,310
Total pension liability - beginning	3,252,533	3,348,302	3,510,767	3,615,656	3,720,307
Total pension liability - ending	\$ 3,348,302	\$ 3,510,767	\$ 3,615,656	\$ 3,720,307	\$ 3,884,617
Plan fiduciary net position:					
Net investment income	\$ 312,131	\$ 53,526	\$ 2,982	\$ 291,978	\$ 211,668
Contribution - employer	113,004	118,190	120,279	129,689	137,738
Contribution - member	28,058	30,130	30,339	29,902	31,285
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)	(245,080)	(246,970)
Administrative expense	(3,786)	(4,281)	(4,377)	(4,328)	(4,984)
Net change in plan fiduciary net position	229,599	(25,794)	(87,972)	202,161	128,737
Plan fiduciary net position - beginning	2,244,571	2,474,170	2,448,376	2,360,404	2,562,565
Plan fiduciary net position - ending	2,474,170	2,448,376	2,360,404	2,562,565	2,691,302
Net position liability (asset) - ending	\$ 874,132	\$ 1,062,391	\$ 1,255,252	\$ 1,157,742	\$ 1,193,315
Plan fiduciary net position as a percentage of the total pension liability	73.89%	69.74%	65.28%	68.88%	69.28%
Covered payroll	\$ 290,581	\$ 320,408	\$ 298,779	\$ 296,357	\$ 323,351
Net pension liability (asset) as a percentage of covered employee payroll	300.82%	331.57%	420.13%	390.66%	369.05%

The reporting date is June 30, 2019 and the measurement date is June 30, 2018

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Elected Officials' Retirement System - Single Employer Plan
Pension Trust Funds
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2015	2016	2017	2018	2019
Total pension liability					
Interest (includes interest on service cost)	\$ 1,177	\$ 1,219	\$ 983	\$ 965	\$ 1,023
Service cost	399	410	260	250	221
Changes of benefit terms					(64)
Change in assumption		(3,523)	315		
Differences between expected and actual experience	(256)	(440)	(474)	662	245
Benefit payments, including refunds of member contributions	(725)	(765)	(763)	(933)	(1,110)
Net change in total pension liability	595	(3,099)	321	944	315
Total pension liability - beginning	16,185	16,780	13,681	14,002	14,946
Total pension liability - ending	\$ 16,780	\$ 13,681	\$ 14,002	\$ 14,946	\$ 15,261
Plan fiduciary net position:					
Net investment income	\$ 3,508	\$ 629	\$ 45	\$ 3,116	\$ 2,309
Contribution - employer	307	85			
Contribution - member	56	61	62	90	69
Benefit payments, including refunds of member contributions	(725)	(765)	(763)	(934)	(1,110)
Administrative expense	(32)	(33)	(35)	(55)	(37)
Net change in plan fiduciary net position	3,114	(23)	(691)	2,217	1,231
Plan fiduciary net position - beginning	20,349	23,463	23,440	22,749	24,966
Plan fiduciary net position - ending	23,463	23,440	22,749	24,966	26,197
Net position liability (asset) - ending	\$ (6,683)	\$ (9,759)	\$ (8,747)	\$ (10,020)	\$ (10,936)
Plan fiduciary net position as a percentage of the total pension liability	139.83%	171.33%	162.47%	167.00%	171.70%
Covered payroll	\$ 1,267	\$ 1,298	\$ 1,334	\$ 1,297	\$ 1,399
Net pension liability (asset) as a percentage of covered employee payroll	(527.37)%	(751.38)%	(655.70)%	(772.55)%	(781.70)%

The reporting date is June 30, 2019 and the measurement date is June 30, 2018

CITY OF BALTIMORE
Schedule of Employer Contributions-Single Employer Plans
Ten-Year Trend Information
Pension Trust Funds
(Dollars Expressed in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire and Police Employees' Retirement System:										
Actuarially determined contribution	\$ 94,098	\$ 107,540	\$ 107,488	\$ 107,779	\$ 113,843	\$ 119,020	\$ 121,115	\$ 129,689	\$ 137,738	\$ 141,326
Contribution in relation to the actuarially determined contribution	94,098	107,540	107,488	104,779	113,843	119,020	121,115	129,689	137,738	141,326
Covered payroll	276,577	275,648	284,601	277,524	292,739	322,667	300,855	296,357	323,351	322,382
Contribution as a percentage of covered payroll	34.02%	39.01%	37.77%	38.84%	38.89%	36.39%	40.26%	43.76%	42.60%	43.84%
Elected Officials' Retirement System:										
Actuarially determined contribution	\$ 340	\$ 957	\$ 998	\$ 419	\$ 307	\$ 85				
Contribution in relation to the actuarially determined contribution	340	957	998	419	307	85				
Covered payroll	1,206	1,206	1,237	1,236	1,267	1,299	1,334	1,297	1,399	1,363
Contribution as a percentage of covered payroll	28.19%	79.35%	80.68%	33.90%	24.23%	6.54%	0.00%	0.00%	0.00%	0.00%

Source is individual Retirement Systems' stand-alone audit reports.

CITY OF BALTIMORE
Schedule of Changes in the Net OPEB Liabilities and Related Ratios
OPEB Fund
For the Ended June 30, 2019
(Expressed in thousands)

	2017	2018	2019
Total OPEB Liability			
Service Cost at end of year	\$ 29,652	\$ 30,838	\$ 29,956
Interest	93,367	94,514	100,281
Changes of benefit term			563,734
Difference between expected and actual experience			(210,824)
Changes of assumption or other inputs		30,644	304,959
Benefits payments	(106,880)	(106,352)	(97,821)
Net changes in Total OPEB Liability	16,139	49,644	690,285
Total OPEB Liability - beginning	1,384,925	1,401,064	1,450,708
Total OPEB Liability - ending (a)	\$ 1,401,064	\$ 1,450,708	\$ 2,140,993
Plan Fiduciary Net Position			
Contribution - Employer	\$ 138,931	\$ 145,466	\$ 124,579
Net investment income	46,166	32,933	33,133
Benefit payments	(106,880)	(106,352)	(97,821)
Net change in Plan Fiduciary Net Position	78,217	72,047	59,891
Plan Fiduciary Net Position - beginning	438,342	516,559	588,606
Plan Fiduciary Net Position - ending (b)	516,559	588,606	648,497
Net OPEB liability - ending (a) - (b)	\$ 884,505	\$ 862,102	\$ 1,492,496

Note: This is the third year of presentation per GASB 74. This will build into a 10 year schedule.

	2017	2018	2019
Total OPEB liability	\$ 1,401,064	\$ 1,450,708	\$ 2,140,993
Plan fiduciary net position	516,559	588,606	648,497
Net OPEB liability	884,505	862,102	1,492,496
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	36.9%	40.6%	30.3%
Covered payroll	1,464,035	1,345,680	1,196,671
Net OPEB liability as a percentage of covered payroll	60.4%	64.1%	124.7%
Average money weighted rate of return	10.5%	6.4%	5.8%

Note: This is the third year of presentation per GASB 74. This will build into a 10 year schedule.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net OPEB Liability
For the Year Ended June 30, 2019
(Dollars Expressed in Thousands)

	2017	2018	2019
City's share of the net OPEB liability	71.4%	71.3%	84.5%
City's proportionate share of the net OPEB liability	\$ 625,170	\$ 614,351	\$ 1,260,559
City's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	42.7%	64.1%	124.7%
Plan fiduciary net position as a percentage of the total OPEB liability	36.9%	40.6%	30.3%

CITY OF BALTIMORE
Schedule of Employer Contributions
Ten-Year Trend Information
OPEB Fund
(Dollars Expressed in Thousands)

	2019
Actuarial determined contribution	\$ 175,567
Contributions in relations to the actuarial determined contributions	124,579
Contribution deficiency (excess)	\$ 50,988
Covered payroll	\$ 1,196,671
Contributions as a percentage of covered payroll	10.41%

Note: This is the first year of presentation, per GASB 74. This will build into a 10 year schedule.
Prior to 2019 this information was not available

CITY OF BALTIMORE
Notes to the Required Supplementary Information
(Unaudited)

1. Budgetary Data

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue, Community Development Block Grant Funds and the Scholarship Fund, on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends its recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require

CITY OF BALTIMORE
Notes to the Required Supplementary Information
(Unaudited)

supplemental appropriation ordinances. During fiscal year 2019, a supplemental appropriation ordinance was required for the general fund in the amount of \$28,718,000.

Budgetary data, as revised, is presented as required supplementary information for the general fund and the motor vehicle fund.

2. Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Employer Contributions, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

The City Plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. The State System Plans are included in the City's basic financial statements in governmental activities and these plans also issue a publicly available financial report. Financial statements for the City Plans and the State System may be obtained from the following websites:

For Employees' Retirement System and Elected Officials' Retirement System: www.bcercs.org

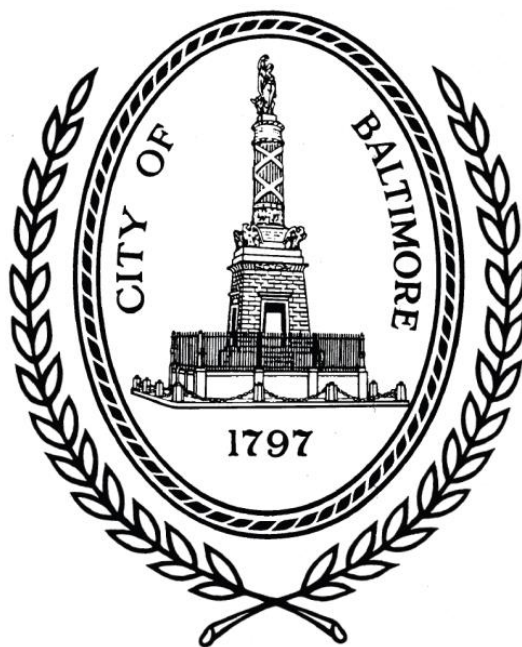
For Fire and Police Employees' Retirement System: www.bcfpers.org

For the Maryland State Retirement and Pension System: www.sra.state.md.us

3. Schedule of the City's Proportionate Share of the Net OPEB Liability and Schedule of Changes in Net OPEB Liability

The City of Baltimore provides other post-employment benefits (OPEB) to all qualified City and BCPSS employees. The OPEB Trust Fund does not issue separate financial statements but is included in the City's financial statements as a fiduciary trust fund.

Combining and Individual Fund Statement and Schedules



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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant, Special Racetrack Funds, School Construction, Baltimore Casino, State Video Lottery Terminal Funds, Table Games Fund and Affordable Housing Trust Fund - These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Scholarship Fund - This fund accounts for the contributions received and related interest income. The fund can be used to provide scholarships to City residents.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that fund and support the reporting government's programs.

Enoch Pratt Free Library Fund - This fund accounts for principal trust amounts received and the related interest income. The interest portion of the trust can be used for the operations of the Enoch Pratt Free Library.

Memorial Fund - This fund accounts for the principal trust amounts received and the related interest income. The interest portion of the trust can be used by the City for memorials.

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(Expressed in Thousands)

	Special Revenue Funds								Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Table Game Fund	Affordable Housing Trust Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
Assets:												
Cash and cash equivalents.....	\$ 7,129	\$ 2,159	\$ 209	\$ 4,455	\$ 5,558	\$ 441	\$ 2,460	\$ 22,411	\$ 52	\$ 323	\$ 375	\$ 22,786
Investments.....					826			826	2,299	6,510	8,809	9,635
Other receivables, net.....		1,393			3			1,396	11	15	26	1,422
Due from other government.....	1,652	179	595	115		179		2,720				2,720
Total assets.....	\$ 8,781	\$ 3,731	\$ 804	\$ 4,570	\$ 6,387	\$ 620	\$ 2,460	\$ 27,353	\$ 2,362	\$ 6,848	\$ 9,210	\$ 36,563
Liabilities, deferred inflows of resources and fund balances:												
Liabilities:												
Accounts payable and accrued liabilities.....	\$ 1,389		\$ 163	\$ 1		\$ 24		\$ 1,577				\$ 1,577
Total liabilities.....	1,389		163	1		24		1,577				1,577
Total liabilities	1,389		163	1		24		1,577				1,577
Fund balances:												
Restricted.....					\$ 6,387		\$ 2,460	\$ 8,847	\$ 2,362	\$ 6,848	\$ 9,210	\$ 18,057
Assigned.....	\$ 7,392	\$ 3,731	\$ 641	\$ 4,569		\$ 596		16,929				16,929
Total fund balances	7,392	3,731	641	4,569	6,387	596	2,460	25,776	2,362	6,848	9,210	34,986
Total liabilities, deferred inflows of resources and fund balances	\$ 8,781	\$ 3,731	\$ 804	\$ 4,570	\$ 6,387	\$ 620	\$ 2,460	\$ 27,353	\$ 2,362	\$ 6,848	\$ 9,210	\$ 36,563

CITY OF BALTIMORE
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Special Revenue Funds								Permanent Funds			Total Nonmajor Governmental Funds
	Community	School	State Video				Affordable	Enoch Pratt Free Library Fund	Memorial Fund	Total		
	Development	Construction	Baltimore	Lottery	Scholarship	Table Game	Housing					
	Block Grant Fund	Fund	Casino Fund	Terminal Fund	Fund	Fund	Trust Fund				Total	
Revenues:												
Taxes - local		\$ 11,096					\$ 2,460	\$ 13,556				\$ 13,556
State shared revenue		2,641	\$ 6,998	\$ 7,718		\$ 2,640		19,997				19,997
Interest, rentals and other investment income.....					\$ 175			175	\$ 121	\$ 819	\$ 940	1,115
Federal grants.....	\$ 28,143							28,143				28,143
Miscellaneous.....		1,350						1,350				1,350
Total revenues.....	28,143	15,087	6,998	7,718	175	2,640	2,460	63,221	121	819	940	64,161
Expenditures:												
Current:												
General government.....	2,372	16,386	875	1,316				20,949				20,949
Public safety and regulation			2,281					2,281				2,281
Education.....					42			42				42
Public library.....				46				46	26		26.00	72
Recreation and culture.....			199	5		717		921		138	138.00	1,059
Sanitation and waste removal			864					864				864
Economic development.....	11,339		513					11,852				11,852
Total expenditures.....	13,711	16,386	4,732	1,367	42	717		36,955	26	138	164	37,119
Excess of revenues over expenditures.....	14,432	(1,299)	2,266	6,351	133	1,923	2,460	26,266	95	681	776	27,042
Other financing sources (uses):												
Transfers out.....	(6,548)		(3,500)	(3,671)				(13,719)				(13,719)
Total other financing sources (uses).....	(6,548)		(3,500)	(3,671)				(13,719)				(13,719)
Net change in fund balances.....	7,884	(1,299)	(1,234)	2,680	133	1,923	2,460	12,547	95	681	776	13,323
Fund balances - beginning	(492)	5,030	1,875	1,889	6,254	(1,327)		13,229	2,267	6,167	8,434	21,663
Fund balances - ending.....	\$ 7,392	\$ 3,731	\$ 641	\$ 4,569	\$ 6,387	\$ 596	\$ 2,460	\$ 25,776	\$ 2,362	\$ 6,848	\$ 9,210	\$ 34,986

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Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for the operating of various City activities that are provided to the public on a cost reimbursement basis.

Industrial Development Authority - This fund accounts for the activities of the City's Industrial Development Authority.

Conduit Fund - This fund accounts for the rental and maintenance of the City's Conduits.

CITY OF BALTIMORE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2019
(Expressed in Thousands)

	Industrial Development Authority Fund	Conduit Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents.....	\$ 15,475		\$ 15,475
Total current assets.....	15,475		15,475
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents.....		\$ 43,911	43,911
Capital assets, net of accumulated depreciation.....		89,842	89,842
Capital assets not being depreciated.....		44,267	44,267
Other assets.....		226	226
Total noncurrent assets.....		178,246	178,246
Total assets.....	15,475	178,246	193,721
Deferred outflows of resources			
Deferred outflows related to pension		476	476
Deferred outflows related to OPEB		868	868
Total deferred outflows of resources.....		1,344	1,344
Total assets and deferred outflows of resources.....	15,475	179,590	195,065
Liabilities and deferred inflows of resources:			
Current liabilities:			
Accounts payable and accrued liabilities.....		309	309
Due to other funds.....	1,568	26,553	28,121
Compensated absences.....		165	165
Other liabilities.....		5,000	5,000
Current liabilities payable from restricted assets:			
Accounts payable from restricted assets.....		10,062	10,062
Total current liabilities.....	1,568	42,089	43,657
Noncurrent liabilities:			
Net pension liability		2,999	2,999
Net OPEB liability		1,812	1,812
Compensated absences.....		228	228
Total noncurrent liabilities.....		5,039	5,039
Total liabilities.....	1,568	47,128	48,696
Deferred inflows of resources:			
Deferred inflows related pension		15	15
Deferred inflows related opeb		553	553
Total deferred inflows of resources.....		568	568
Total liabilities and deferred inflows of resources.....	1,568	47,696	49,264
Net position:			
Net investment in capital assets		134,109	134,109
Unrestricted.....	13,907	(2,215)	11,692
Total net position.....	\$ 13,907	\$ 131,894	\$ 145,801

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Industrial Development Authority Fund	Conduit Fund	Total
Operating revenues:			
Rents, fees, and other income.....		\$ 34,403	\$ 34,403
Interest income on loans.....	\$ 224		224
Total operating revenues.....	224	34,403	34,627
Operating expenses:			
Salaries and wages.....		4,538	4,538
Other personnel costs.....		2,128	2,128
Contractual services.....		2,392	2,392
Program expenses.....		399	399
Materials and supplies.....		140	140
Minor equipment.....		183	183
Depreciation.....		1,407	1,407
Total operating expenses.....		11,187	11,187
Operating income	224	23,216	23,440
Capital contributions		26	26
Changes in net position.....	224	23,242	23,466
Total net position - beginning	13,683	108,652	122,335
Total net position - ending.....	\$ 13,907	\$ 131,894	\$ 145,801

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Industrial Development Authority Fund	Conduit Fund	Total
Cash flows from operating activities:			
Receipts from customers.....	\$ 223	\$ 34,177	\$ 34,400
Payments to employees.....		(7,044)	(7,044)
Payments to suppliers.....		(2,721)	(2,721)
Net cash provided by operating activities.....	223	24,412	24,635
Cash flow from capital and related financing activities:			
Principal paid on revenue bonds		(34,590)	(34,590)
Acquisition and construction of capital assets.....	25		25
Capital contributions (reduction).....		26	26
Net cash used by capital and related financing activities.....	25	(34,564)	(34,539)
Net increase in cash and cash equivalents.....	248	(10,152)	(9,904)
Cash and cash equivalents, beginning of year.....	15,227	54,063	69,290
Cash and cash equivalents, end of year.....	<u>\$ 15,475</u>	<u>\$ 43,911</u>	<u>\$ 59,386</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 223	\$ 23,216	\$ 23,439
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense.....		1,407	1,407
Other assets.....		(226)	(226)
Deferred outflows - pension		146	146
Deferred outflows - OPEB		(782)	(782)
Accounts payable and accrued liabilities.....		54	54
Other liabilities		418	418
Other noncurrent liabilities		40	40
Pension liability - current period		(407)	(407)
OPEB liability		6	6
Deferred inflows - pension.....		(13)	(13)
Deferred inflows - opeb.....		553	553
Total adjustments.....		1,196	1,196
Net cash provided by operating activities.....	<u>\$ 223</u>	<u>\$ 24,412</u>	<u>\$ 24,635</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, and to other governmental units, on a cost reimbursement basis.

Energy Conservation Fund - This fund accounts for the operation of the City's energy conservation office.

Municipal Communication Fund - This fund accounts for the repair and maintenance of the City's radios.

Mobile Equipment Fund - This fund accounts for the service, repair, operation, and replacement of the City's equipment fleet.

Reproduction and Printing Fund - This fund accounts for the operation of the City's printing shop.

Municipal Post Office Fund - This fund accounts for the operations of the City's internal post office facility.

Municipal Telephone Exchange Fund - This fund accounts for the administration and operations of the City's telephone exchange.

Building Maintenance Fund - This fund accounts for repairs and maintenance in City-owned buildings.

Hardware and Software Replacement Fund - This fund accounts for the cost of maintaining the City's software licensing agreements and hardware refreshes.

CITY OF BALTIMORE
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2019
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Total
Assets:									
Current assets:									
Cash and cash equivalents	\$ 1,113	\$ 3,390	\$ 2,398		\$ 1,275	\$ 689	\$ 3,668	\$ 2,461	\$ 14,994
Accounts receivable, net:									
Other	204		244	\$ 42		93	906		1,489
Inventories			7,607	784	89				8,480
Total current assets	1,317	3,390	10,249	826	1,364	782	4,574	2,461	24,963
Noncurrent assets:									
Restricted cash			47,142						47,142
Capital assets, net		140	112,791		75				113,006
Total noncurrent assets		140	159,933		75				160,148
Total assets	1,317	3,530	170,182	826	1,439	782	4,574	2,461	185,111
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	299	409	7,238	457	14	409	2,267	11	11,104
Due to other funds				287					287
Leases payable			16,585						16,585
Compensated absences	7	18	749	60	13	56	290		1,193
Total current liabilities	306	427	24,572	804	27	465	2,557	11	29,169
Noncurrent liabilities:									
Leases payable			76,040						76,040
Compensated absences		59	1,890	58	14	120	478		2,619
Total noncurrent liabilities		59	77,930	58	14	120	478		78,659
Total liabilities	306	486	102,502	862	41	585	3,035	11	107,828
Net position:									
Net investment in capital assets		140	112,790						112,930
Unrestricted (deficit)	1,011	2,904	(45,110)	(36)	1,398	197	1,539	2,450	(35,647)
Total net position	\$ 1,011	\$ 3,044	\$ 67,680	\$ (36)	\$ 1,398	\$ 197	\$ 1,539	\$ 2,450	\$ 77,283

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Total
Operating revenues:									
Charges for services.....	\$ 2,436	\$ 5,549	\$ 63,710	\$ 2,794	\$ 3,932	\$ 8,742	\$ 26,691	\$ 2,988	\$ 116,842
Operating expenses:									
Salaries and wages.....	261	586	14,305	681	279	982	4,638	31	21,763
Other personnel costs.....	167	194	5,759	262	130	433	1,808	1	8,754
Contractual services.....	968	902	22,065	952	81	6,155	18,986		50,109
Materials and supplies.....	17		2,872	1,012		1	868		4,770
Minor equipment.....	12	3,846			18	33	141	2,844	6,894
Postage and delivery service.....					2,570				2,570
Depreciation.....		109	15,784		14				15,907
Total operating expenses.....	1,425	5,637	60,785	2,907	3,092	7,604	26,441	2,876	110,767
Operating income (loss).....	1,011	(88)	2,925	(113)	840	1,138	250	112	6,075
Nonoperating revenues (expenses):									
Gain on sale of equipment.....			1,917						1,917
Total nonoperating revenues (expenses), net ..			1,917						1,917
Other financing sources (uses):									
Capital contribution (reduction)			(4,000)						(4,000)
Transfer out							(5,650)		(5,650)
Change in net position.....	1,011	(88)	842	(113)	840	1,138	(5,400)	112	(1,658)
Total net position - beginning		3,132	66,838	77	558	(941)	6,939	2,338	78,941
Total net position - ending.....	\$ 1,011	\$ 3,044	\$ 67,680	\$ (36)	\$ 1,398	\$ 197	\$ 1,539	\$ 2,450	\$ 77,283

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Services Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Total
Cash flows from operating activities:									
Receipts from customers.....	\$ 1,053	\$ 5,549	\$ 62,466	\$ 3,037	\$ 3,890	\$ 8,068	\$ 26,752	\$ 2,989	\$ 113,804
Payments to employees.....	(458)	(757)	(20,066)	(953)	(410)	(1,234)	(6,186)	(32)	(30,096)
Payments to suppliers.....	239	(4,738)	(22,433)	(2,084)	(2,763)	(6,145)	(19,698)	(3,012)	(60,634)
Net cash provided (used) by operating activities.....	834	54	19,967		717	689	868	(55)	23,074
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets.....			(16,326)		(88)				(16,414)
Leases Payable.....			6,292						6,292
Capital contributions (reduction).....			(4,000)				(5,650)		(9,650)
Net cash (used) by capital and related financing activities.....			(14,034)		(88)		(5,650)		(19,772)
Net increase in cash and cash equivalents.....	834	54	5,933		629	689	(4,782)	(55)	3,302
Cash and cash equivalents, beginning of year.....	279	3,336	43,607		646		8,450	2,516	58,834
Cash and cash equivalents, end of year.....	\$ 1,113	\$ 3,390	\$ 49,540	\$	\$ 1,275	\$ 689	\$ 3,668	\$ 2,461	\$ 62,136
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss).....	\$ 1,011	\$ (88)	\$ 2,925	\$ (113)	\$ 840	\$ 1,138	\$ 250	\$ 112	\$ 6,075
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation.....		109	15,784		14				15,907
Changes in noncash operating assets and liabilities:									
Accounts receivable.....	(204)		16	24		(88)	61		(191)
Inventories.....			(1,260)		(42)				(1,302)
Other assets.....									
Accounts payable and accrued liabilities.....	57	21	2,534	(123)	(96)	49	330	(167)	2,605
Compensated Absences.....	(30)	12	(32)	(7)	1	2	227		173
Due to other funds.....				219		(412)			(193)
Total adjustments.....	(177)	142	17,042	113	(123)	(449)	618	(167)	16,999
Net cash provided (used) by operating activities.....	\$ 834	\$ 54	\$ 19,967	\$	\$ 717	\$ 689	\$ 868	\$ (55)	\$ 23,074
Noncash activity from capital and related financing activities:									
New capital leases			\$ 23,490						\$ 23,490
Total noncash activity from capital and related financing activities			\$ 23,490						\$ 23,490

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Fiduciary Funds

Fiduciary funds include the following funds, which account for assets held by the City as a trustee or as an agent for individuals.

Pension Trust Funds – These funds account for the receipt, investment, and distribution of retirement contributions made for the benefit of police officers, firefighters, elected officials, and other City employees.

Agency Fund - This fund accounts for assets held by the City as a custodian.

OPEB Trust Fund – This fund accounts for the receipts of City and retiree contributions into the OPEB Trust Fund and payment of all retiree related health and life insurance benefits.

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension and OPEB Trust Funds
June 30, 2019
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
Assets:					
Cash and cash equivalents	\$ 54,600	\$ 287	\$ 72,622	\$ 8,804	\$ 136,313
Investments:					
Stocks	1,106,261	17,151	1,415,829	443,892	2,983,133
Bonds	399,932	6,022	383,659	117,312	906,925
Real estate	218,183	2,674	254,730	73,575	549,162
Private equity and hedge fund			618,178		618,178
Securities lending collateral	74,444		7,616		82,060
Forward foreign contracts	7,806		1,939		9,745
Other receivables				7,977	7,977
Other assets	49,118	3	17,307	1,088	67,516
Total assets	1,910,344	26,137	2,771,880	652,648	5,361,009
Liabilities:					
Obligations under securities lending program	74,444		7,616		82,060
Forward foreign contracts	7,836		1,941		9,777
Accounts payable	72,469	14	12,065	4,151	88,699
Total liabilities	154,749	14	21,622	4,151	180,536
Net position:					
Net position restricted for pensions	\$ 1,755,595	\$ 26,123	\$ 2,750,258	\$ 648,497	\$ 5,180,473

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the year Ended June 30, 2019
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
Additions:					
Contributions:					
Employer	\$ 89,866		\$ 141,326	\$ 124,579	\$ 355,771
Employee	17,246	\$ 70	30,711	56,555	104,582
Total contributions	107,112	70	172,037	181,134	460,353
Investment income:					
Net appreciation fair value of investments	64,633	911	77,098	23,788	166,430
Securities lending income, net	535		406		941
Interest and dividend income	37,297	205	88,396	11,305	137,203
Total investment income	102,465	1,116	165,900	35,093	304,574
Less: investment expense	9,649	60	17,841	1,960	29,510
Net investment income	92,816	1,056	148,059	33,133	275,064
Total additions	199,928	1,126	320,096	214,267	735,417
Deductions:					
Retirement benefits	152,950	1,164	234,077		388,191
Health benefits				154,376	154,376
Death benefits	988		287		1,275
Administrative expenses	3,716	36	5,144		8,896
Other	932		21,632		22,564
Total deductions	158,586	1,200	261,140	154,376	575,302
Changes in net position	41,342	(74)	58,956	59,891	160,115
Net position restricted for Pensions - beginning of the year	1,714,253	26,197	2,691,302	588,606	5,020,358
Net position restricted for Pensions - end of the year	\$ 1,755,595	\$ 26,123	\$ 2,750,258	\$ 648,497	\$ 5,180,473

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2019
(Expressed in Thousands)

	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents.....	\$ 55	\$ 86	\$ 69			\$ 210
Investments.....				\$ 56		56
Accounts receivable.....					\$ 230	230
Total assets.....	55	86	69	56	230	496
Liabilities:						
Accounts payable and accrued liabilities					230	230
Other.....	55	86	69	56		266
Total liabilities.....	\$ 55	\$ 86	\$ 69	\$ 56	\$ 230	\$ 496

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019
(Expressed in Thousands)

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<i>Unpresented Stock and Coupon Bonds</i>				
Assets:				
Cash.....	\$ 55			\$ 55
Total assets.....	55			55
Liabilities:				
Other.....	55			55
Total liabilities.....	55			55
<i>Property Sold for Taxes</i>				
Assets:				
Cash.....	86			86
Total assets.....	86			86
Liabilities:				
Other.....	86			86
Total liabilities.....	86			86
<i>Bid Deposit Refunds</i>				
Assets:				
Cash.....	92		\$ 23	69
Total assets.....	92		23	69
Liabilities:				
Other.....	92		23	69
Total liabilities.....	92		23	69
<i>Waterloo Summit</i>				
Assets:				
Investments.....	53	\$ 3		56
Total assets.....	53	3		56
Liabilities:				
Other.....	53	3		56
Total liabilities.....	53	3		56
<i>Recreation Accessory</i>				
Assets:				
Cash.....	347	3,062	3,179	230
Total assets.....	347	3,062	3,179	230
Liabilities:				
Other.....	347	3,062	3,179	230
Total liabilities.....	347	3,062	3,179	230
<i>Total All Agency Funds</i>				
Assets:				
Cash.....	580	3,062	3,202	440
Investments.....	53	3		56
Total assets.....	633	3,065	3,202	496
Liabilities:				
Other.....	633	3,065	3,202	496
Total liabilities.....	\$ 633	\$ 3,065	\$ 3,202	496

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STATISTICAL SECTION



See Report of Independent Public Accountants

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Debt Capacity	
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Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	143
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Source: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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Financial Trends

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CITY OF BALTIMORE
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year		
	2010	2011	2012
Governmental activities			
Invested in capital assets,			
net of related debt.....	\$ 2,681,668	\$ 2,989,607	\$ 2,739,761
Restricted.....	14,787	14,931	13,013
Unrestricted.....	(360,180)	(595,687)	(321,033)
Total governmental activities			
net position.....	\$ 2,336,275	\$ 2,408,851	\$ 2,431,741
Business-type activities			
Invested in capital assets,			
net of related debt.....	\$ 1,377,641	\$ 1,461,618	\$ 1,646,769
Restricted.....	124,756	142,070	160,955
Unrestricted.....	182,655	172,004	83,148
Total business-type activities			
net position.....	\$ 1,685,052	\$ 1,775,692	\$ 1,890,872
Primary government			
Invested in capital assets,			
net of related debt.....	\$ 4,059,309	\$ 4,451,225	\$ 4,386,530
Restricted.....	139,543	157,001	173,968
Unrestricted.....	(177,525)	(423,683)	(237,885)
Total primary government			
net position.....	\$ 4,021,327	\$ 4,184,543	\$ 4,322,613

	Fiscal Year						
	2013	2014	2015	2016	2017	2018	2019
Governmental activities							
Net investment in capital							
assets	\$ 2,988,956	\$ 2,569,231	\$ 2,520,873	\$ 2,464,962	\$ 2,528,116	\$ 2,574,640	\$ 2,520,881
Restricted.....	40,548	22,598	15,946	24,669	400,063	483,623	527,293
Unrestricted.....	(650,914)	(442,540)	(1,759,089)	(1,662,259)	(1,951,655)	(2,771,072)	(3,416,173)
Total governmental activities							
net position.....	\$ 2,378,590	\$ 2,149,289	\$ 777,730	\$ 827,372	\$ 976,524	\$ 287,191	\$ (367,999)
Business-type activities							
Net investment in capital,							
assets	\$ 1,785,501	\$ 2,215,884	\$ 2,379,232	\$ 2,386,644	\$ 2,981,404	\$ 3,383,394	\$ 3,345,821
Restricted.....	152,197	180,965	157,613	165,076	162,084	161,308	181,109
Unrestricted.....	133,419	123,976	136,251	413,302	85,565	(92,013)	176,933
Total business-type activities							
net position.....	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096	\$ 2,965,022	\$ 3,229,053	\$ 3,452,689	\$ 3,703,863
Primary government							
Net investment in capital,							
assets	\$ 4,774,457	\$ 4,785,115	\$ 4,900,105	\$ 4,851,606	\$ 5,509,520	\$ 5,958,034	\$ 5,866,702
Restricted.....	192,745	203,563	173,559	189,745	562,147	644,931	708,402
Unrestricted.....	(517,495)	(318,564)	(1,622,838)	(1,248,957)	(1,866,090)	(2,863,085)	(3,239,240)
Total primary government							
net position.....	\$ 4,449,707	\$ 4,670,114	\$ 3,450,826	\$ 3,792,394	\$ 4,205,577	\$ 3,739,880	\$ 3,335,864

CITY OF BALTIMORE
Changes in Net Position
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Government activities:										
General government	\$ 545,037	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892	\$ 294,987	\$ 303,696	\$ 249,415	\$ 404,025	\$ 524,515
Public safety and regulation	504,730	525,792	577,963	661,829	673,680	692,155	744,940	764,040	781,830	1,228,602
Conservation of health	164,751	151,192	154,105	130,911	125,383	112,575	116,592	119,811	134,743	169,216
Social services	435	14,581	31,156	125,515	112,301	102,809	109,591	120,630	95,107	103,384
Education	228,788	265,204	260,935	288,227	306,128	302,568	299,699	278,881	383,934	494,735
Public library	33,915	33,309	33,390	33,184	34,550	35,063	34,150	34,531	35,189	46,150
Recreation and culture	39,205	48,165	49,291	50,297	52,540	51,367	53,657	58,124	59,049	68,491
Highways and streets	191,536	140,309	162,290	159,022	172,330	185,601	192,487	169,147	165,800	181,100
Sanitation and waste removal	52,905	61,605	65,677	73,536	63,623	67,445	70,823	76,638	81,877	98,499
Public service	24,316	25,059	26,676	50,710	50,260	51,041	49,475	53,188	50,052	103,340
Economic development	182,816	183,331	169,896	170,002	208,870	141,772	126,430	133,594	131,347	188,852
Interest	50,105	47,391	32,624	29,605	41,967	41,078	30,518	28,857	77,530	52,787
Total governmental activities expenses	2,018,539	1,948,387	2,007,960	2,172,004	2,120,524	2,078,461	2,132,058	2,086,856	2,400,483	3,259,671
Business-type Activities:										
Water	107,982	120,736	131,271	136,171	155,308	160,208	170,637	167,667	147,289	158,089
Waste water	157,605	159,776	173,106	178,221	179,306	182,769	193,563	193,055	207,730	237,396
Stormwater					18,292	15,747	19,365	21,521	26,175	25,299
Parking	24,832	19,853	25,332	17,681	23,528	19,183	18,125	27,939	17,797	24,038
Nonmajor proprietary	11,538	13,860	13,287	11,826	10,753	11,607	12,148	13,703	10,087	11,142
Total business-type activities expenses	301,957	314,225	342,996	343,899	387,187	389,514	413,838	423,885	409,078	455,964
Total primary government expenses	\$ 2,320,496	\$ 2,262,612	\$ 2,350,956	\$ 2,515,903	\$ 2,507,711	\$ 2,467,975	\$ 2,545,896	\$ 2,510,741	\$ 2,809,561	\$ 3,715,635
Program Revenues										
Governmental activities:										
Charges for services (a)	\$ 85,683	\$ 109,872	\$ 118,556	\$ 114,163	\$ 103,331	\$ 107,482	\$ 103,190	\$ 103,151	\$ 111,154	\$ 122,790
Operating grants and contributions	359,769	399,844	400,678	385,841	431,515	318,266	347,636	344,684	324,457	365,771
Capital grants and contributions	63,437	72,758	71,258	109,488	71,806	54,788	25,284	83,501	41,095	67,257
Total governmental activities revenue	508,889	582,474	590,492	609,492	606,652	480,536	476,110	531,336	476,706	555,818
Business-type activities:										
Charges for services:										
Water	130,512	129,292	132,340	154,680	158,678	176,439	160,865	163,563	178,367	175,492
Waste water	166,016	160,076	179,873	183,521	221,181	216,428	229,300	235,133	258,386	276,844
Stormwater					27,511	25,971	27,807	29,309	28,552	28,540
Parking	67,760	83,040	81,476	83,542	87,398	85,634	87,145	88,544	85,257	76,801
Nonmajor proprietary	9,989	9,979	12,046	18,400	14,385	13,916	37,505	11,744	28,639	34,627
Capital Grants and Contributions	38,313	72,257	100,922	129,608	131,574	201,880	259,288	217,959	169,154	161,469
Total Business-type Activities Revenue	412,590	454,644	506,657	569,751	640,727	720,268	801,910	746,162	748,355	753,773
Total Primary Government Revenues	921,479	1,037,118	1,097,149	1,179,243	1,247,379	1,200,804	1,278,020	1,277,498	1,225,061	1,309,591
Net (Expense)/Revenue										
Government Activities	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)	(1,597,925)	(1,655,948)	(1,555,520)	(1,923,777)	(2,703,853)
Business-type Activities	110,633	140,419	163,661	225,852	253,540	330,754	388,072	322,277	339,277	297,809
Total Primary Government Net Expenses	\$ (1,399,017)	\$ (1,225,494)	\$ (1,253,807)	\$ (1,336,660)	\$ (1,260,332)	\$ (1,267,171)	\$ (1,267,876)	\$ (1,233,243)	\$ (1,584,500)	\$ (2,406,044)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes	\$ 770,320	\$ 813,613	\$ 769,094	\$ 806,258	\$ 810,824	\$ 816,199	\$ 852,114	\$ 853,197	\$ 886,417	\$ 909,254
Income taxes	251,731	234,955	257,893	276,111	284,437	300,014	346,727	335,923	346,797	440,144
Other local taxes	115,472	147,366	178,441	188,803	204,391	193,595	242,426	240,278	187,754	263,381
State shared revenues	135,226	127,433	130,286	128,707	131,180	147,608	153,195	159,022	170,240	166,082
Unrestricted investment Income	27,308	23,905	17,404	17,879	16,722	19,431	34,782	21,634	28,296	48,730
Miscellaneous	15,806	35,695	36,794	43,861	32,581	88,734	33,073	32,523	124,395	161,944
Transfers	40,707	55,522	50,446	47,742	(195,564)	61,495	100,737	62,095	59,295	59,128
Total Governmental Activities	1,356,570	1,438,489	1,440,358	1,509,361	1,284,571	1,627,076	1,763,054	1,704,672	1,803,194	2,048,663
Business-type Activities:										
Unrestricted investment Income		5,743	3,075	2,135	2,186	5,809	4,591	3,849	5,535	12,493
Transfers	(40,707)	(55,522)	(50,446)	(47,742)	195,564	(61,495)	(100,737)	(62,095)	(59,295)	(59,128)
Total Business-type activities	(40,707)	(49,779)	(47,371)	(45,607)	197,750	(55,686)	(96,146)	(58,246)	(53,760)	(46,635)
Total primary government	1,315,863	1,388,710	1,392,987	1,463,754	1,482,321	1,571,390	1,666,908	1,646,426	1,749,434	2,002,028
Change in Net Position										
Governmental activities	(153,080)	72,576	22,890	(53,151)	(229,301)	29,151	107,106	149,152	(120,583)	(655,190)
Business-type activities	69,926	90,640	116,290	180,245	451,290	275,068	291,926	264,031	285,517	251,174
Total primary government	\$ (83,154)	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989	\$ 304,219	\$ 399,032	\$ 413,183	\$ 164,934	\$ (404,016)

(a) Changes for services include charges for various City services such as rental of recreational facilities, solid waste disposal fees, port and stadium security services, impound lot fees and library video rental.

CITY OF BALTIMORE
Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)
(Modified Accrued Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year
	2010
General Fund	
Reserved	\$ 157,131
Unreserved	20,441
Total General Fund	<u>\$ 177,572</u>

All Other Governmental Funds	
Reserved	\$ 151,855
Unreserved reported in:	
Special revenue funds	(43,687)
Capital projects fund	(43,974)
Debt service fund	41,319
Total all other Governmental Funds	<u>\$ 105,513</u>

	Fiscal Year									
	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019	
General Fund										
Nonspendable	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519	\$ 5,519	\$ 297,255	\$ 2,260	\$ 2,210	\$ 3,028	
Restricted		30,338					380,996	423,673	431,094	
Assigned	104,862	128,415	203,425	188,946	174,647	244,257	197,220	221,658	257,252	
Unassigned	93,884	91,700	90,070	106,022	112,642	134,300	134,327	163,604	145,945	
Total General Fund	<u>\$ 204,900</u>	<u>\$ 255,972</u>	<u>\$ 299,014</u>	<u>\$ 300,487</u>	<u>\$ 292,808</u>	<u>\$ 675,812</u>	<u>\$ 714,803</u>	<u>\$ 811,145</u>	<u>\$ 837,319</u>	

All Other Governmental Funds										
Nonspendable										
Motor vehicle fund	\$ 2,658									
Other nonmajor funds	2,811									
Restricted										
Grants revenue fund								\$ 2,449	\$ 21,606	
Capital projects fund			\$ 27,400	\$ 9,256	\$ 2,190	\$ 10,743	\$ 5,081	8,448	31,000	
Other nonmajor funds		\$ 13,013	13,148	13,342	13,756	13,926	13,986	14,688	18,057	
Assigned										
Motor vehicle fund	15,177									
Capital projects fund	128,813	7,128	5,702					5,064	56,946	
Other nonmajor funds	48,837	37,333	46,060	53,217	58,095	10,068	11,234	8,794	16,929	
Unassigned										
Grants revenue fund	(32,688)	(40,248)	(62,864)	(83,355)	(77,836)	(36,799)	(13,584)			
Capital projects fund	(80,539)	(12,393)	(3,490)	(13,612)	(7,576)	(14,628)	(8,966)			
Other nonmajor funds	(10,733)	(7,192)	(9,255)	(9,451)	(12,399)			(1,819)		
Total all other Governmental Funds	<u>\$ 74,336</u>	<u>\$ (2,359)</u>	<u>\$ 16,701</u>	<u>\$ (30,603)</u>	<u>\$ (23,770)</u>	<u>\$ (16,690)</u>	<u>\$ 7,751</u>	<u>\$ 37,624</u>	<u>\$ 144,538</u>	

CITY OF BALTIMORE
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Expressed in Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue:										
General fund:										
Taxes - Local	\$1,137,523	\$1,176,038	\$1,206,584	\$1,219,656	\$1,258,118	\$1,284,515	\$1,426,286	\$1,410,593	\$1,406,403	\$1,535,001
State shared revenue				\$128,707	\$131,180	\$137,714	142,213	140,451	146,174	146,085
Licenses and permits	34,438	42,129	37,585	40,572	41,457	41,584	48,829	44,450	41,043	38,880
Fines and forfeitures	7,116	8,055	6,604	29,445	14,673	15,325	8,365	7,192	27,085	34,939
Interest, rentals, and other investment income	24,148	21,903	16,244	16,816	15,833	17,181	33,991	21,082	27,071	46,140
Federal grants	213		226	245	261	275	217	480	79	
State grants	97,320	89,453	95,651	93,376	102,786	105,059	104,585	105,705	104,644	98,528
Other grants	46	25	25	25	26	26	26	26	27	26
Charges for services	29,251	26,654	35,044	44,146	47,201	50,573	45,996	51,509	43,026	48,971
Miscellaneous	4,528	18,579	9,976	4,365	5,757	5,730	459	7,300		8,560
Total revenues - general fund	1,334,583	1,382,836	1,407,939	1,577,353	1,617,292	1,657,982	1,810,967	1,788,788	1,795,552	\$1,957,130
Other governmental funds:										
Motor vehicle fund	156,590	160,974	169,768							
Grants revenue fund	270,692	292,887	285,240	251,949	242,805	223,148	222,291	226,145	233,957	242,604
Capital projects fund	75,296	84,230	93,966	121,065	91,069	66,983	45,370	105,487	62,019	149,195
Other funds	28,641	26,245	29,339	21,860	36,279	41,327	40,792	47,068	56,090	64,161
Total revenues - other governmental funds	531,219	564,336	578,313	394,874	370,153	331,458	308,453	378,700	352,066	455,960
Total revenues all government funds	1,865,802	1,947,172	1,986,252	1,972,227	1,987,445	1,989,440	2,119,420	2,167,488	2,147,618	\$2,413,090
Expenditures:										
General fund:										
General government	410,746	375,814	387,650	223,730	216,329	258,028	281,616	249,579	155,606	267,831
Public safety and regulation	437,031	452,977	463,410	594,077	625,432	679,202	702,632	730,093	766,230	831,453
Conservation of health	44,950	44,076	44,033	20,811	23,778	20,887	19,663	21,882	38,648	36,077
Social services	396	1,361	707	89,235	76,857	64,249	73,851	86,353	59,899	68,539
Education	207,657	247,074	254,626	257,770	273,241	265,939	269,937	276,324	293,355	289,410
Public library	24,246	23,890	23,829	23,131	24,577	24,942	24,856	24,812	24,505	26,784
Recreation and culture	30,212	37,981	34,749	39,235	39,796	39,349	41,884	44,392	43,845	45,574
Highways and streets	16,376	16,838	19,336	83,051	102,308	113,452	125,440	96,537	99,848	102,468
Sanitation and waste removal	37,862	39,503	40,936	69,381	59,837	64,422	72,642	72,380	75,384	78,238
Public service	21,455	16,403	17,350	43,024	41,241	43,895	42,947	44,769	42,579	44,863
Economic development	36,186	36,589	46,741	48,544	49,348	49,069	39,499	34,276	41,634	52,998
Debt service-Principal							42,956	60,646	51,466	60,922
Debt service-Interest							24,786	37,042	43,247	44,425
Other bonds cost							2,033	6,318		
Total expenditures - general fund	1,267,117	1,292,506	1,333,367	1,491,989	1,532,744	1,623,434	1,764,742	1,785,403	1,736,246	1,949,582
Other government funds:										
Motor vehicle fund	191,558	140,223	148,769							
Grants revenue fund	280,603	292,497	298,287	280,319	275,977	223,964	238,344	218,716	221,811	242,441
Capital projects fund	275,701	199,217	208,837	202,458	160,874	172,688	173,201	154,671	186,541	241,506
Debt service fund:										
Principal	60,054	61,282	64,781	69,877	44,483	38,912				
Interest	39,014	38,256	32,624	23,678	31,708	31,005				
Other bond costs	9,847	5,882			6,178	6,135				
Other funds	11,863	14,330	17,116	22,600	23,133	31,107	29,565	34,101	41,857	37,119
Total expenditures - other government funds	868,640	751,687	770,414	598,932	542,353	503,811	441,110	407,488	450,209	521,066
Total expenditures all governmental funds	2,135,757	2,044,193	2,103,781	2,090,921	2,075,097	2,127,245	2,205,852	2,192,891	2,186,455	2,470,648
Excess (deficiency) of revenues over expenditures	(269,955)	(97,021)	(117,529)	(118,694)	(87,652)	(137,805)	(86,432)	(25,403)	(38,837)	(\$57,558)
Other financing sources (uses):										
Transfers, net	40,707	27,422	50,446	76,110	56,828	61,495	100,038	60,289	57,703	64,777
Capital leases	75,099	11,020	41,460	11,804			8,978		29,618	
Refunding capital leases									(4,563)	
Face value of bonds and loans	54,688	54,730		283,535	5,414	64,249	92,317	1,907	225,155	121,406
Refunding of bonds				(214,336)				(377,111)	(133,560)	3,675
Transportation revenue bonds						9,609	(13,833)		14,924	(8,004)
Swap termination				(18,760)						
Premium (discount) on sale of bonds				42,443		1,606	3,220		35,923	
Proceeds from bond issuances								403,750		8,792
Capital contributions					(20,421)					
Payoff of bond anticipation note									(60,148)	
Total other financing sources	170,494	93,172	91,906	180,796	41,821	136,959	190,720	88,835	165,052	190,646
Net changes in fund balances	(\$99,461)	(\$3,849)	(\$25,623)	\$62,102	\$(45,831)	\$(846)	\$104,288	\$63,432	\$126,215	\$133,088
Debt service as a percentage of noncapital expenditures	5.26%	5.24%	5.03%	4.87%	3.89%	3.52%	3.26%	4.66%	4.61%	4.53%

Revenue Capacity

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CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Total Tax Levy	Collected within due Fiscal Year of the Levy	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collection	Percent of Total Tax Collections to Tax Levy
2010	\$ 751,510	\$ 723,533	96.3	\$ 29,647	\$ 767,251	98.7 %
2011	777,332	750,144	96.5	10,643	770,399	99.9
2012	761,237	743,352	97.7	7,668	743,538	95.5
2013	778,346	732,467	94.1	10,961	752,648	99.6
2014	755,711	741,449	98.1	14,263	774,648	99.5
2015	778,380	762,772	98.0	12,061	772,040	96.0
2016	804,391	760,686	94.6	3,278	808,328	95.0
2017	851,099	808,328	95.0	33,196	841,524	98.8
2018	892,079	865,223	97.0	9,597	874,820	98.1
2019	901,885	870,822	96.6		870,822	96.6

CITY OF BALTIMORE
Assessed and Estimate Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimate Actual Value %	Total Direct Tax Rate
	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value		
2010	\$ 28,511,521	\$ 35,600,999	\$ 1,805,889	\$ 1,805,889	\$ 30,317,410	\$ 37,406,888	81.0	\$ 2.380
2011	29,613,826	36,799,638	1,767,656	1,767,656	31,381,482	38,567,294	81.4	2.380
2012	28,762,325	35,431,581	1,878,997	1,878,997	30,641,322	37,310,578	82.1	2.380
2013	28,844,799	34,386,667	1,845,424	1,845,424	30,690,223	36,232,091	84.7	2.380
2014	29,209,703	33,938,341	1,966,795	1,966,795	31,176,498	35,905,136	86.8	2.360
2015	29,063,381	33,749,836	1,895,006	1,895,006	30,958,387	35,644,842	86.9	2.360
2016	31,577,756	35,782,497	2,011,722	2,011,722	33,589,478	37,794,219	88.9	2.360
2017	32,550,695	37,113,758	2,123,826	2,123,826	34,674,521	39,237,584	88.4	2.360
2018	33,909,100	38,844,708	2,241,053	2,309,659	36,150,153	41,154,367	87.8	2.360
2019	34,346,269	39,649,866	2,261,405	2,381,099	36,607,674	42,030,965	87.1	2.360

Note: Assessed values are established by the Maryland State Department of Assessments and Taxation on July 1 of each year. Each real property's assessment is reevaluated every three years. Tax rates are for each \$100 of assessed value. The Baltimore City real property tax rate is \$2.248 and the Maryland State real property tax rate is \$0.112, for a total of \$2.360.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (1)

Fiscal Year	City Tax Rate	State Rate (2)	Tax Total (3)
2010	\$ 2.268	\$ 0.112	\$ 2.380
2011	2.268	0.112	2.380
2012	2.268	0.112	2.380
2013	2.268	0.112	2.380
2014	2.248	0.112	2.360
2015	2.248	0.112	2.360
2016	2.248	0.112	2.360
2017	2.248	0.112	2.360
2018	2.248	0.112	2.360
2019	2.248	0.112	2.360

Notes:

(1) Tax rates are for each \$100 of assessed valuation.

(2) The State tax rate is shown for information purpose only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.

(3) The City has no special assessments.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Principal Property Taxpayer
Current Year and Nine Years Ago
(Dollars Expressed in Thousands)

	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
BGE (Baltimore Gas & Electric Company).....	\$ 891,449	1	2.4%	\$ 603,525	1	2.0%
Amazon.com.....	309,703	2	0.8%			
Harbor Point Parcel 2 Holdings.....	223,737	3	0.6%			
CSX Transportation.....	194,675	4	0.5%	132,401	7	0.4%
Baltimore Hotel Corporation.....	169,583	5	0.5%	162,321	5	0.5%
Harbor East Parcel D.....	167,194	6	0.5%			
SSA Baltimore Holdings, LLC.....	166,932	7	0.5%			
100 Pratt St. Ventures LLC.....	163,042	8	0.4%	185,399	3	0.6%
Verizon MD.....	159,861	9	0.4%	247,975	2	0.8%
Harbor East Limited.....	143,119	10	0.4%	140,066	6	0.5%
Baltimore Center Associates.....				185,311	4	0.6%
ABB South Street Associates.....				81,400	8	0.3%
Canton Crossing Tower LLC.....				77,073	9	0.3%
Harbor East Limited - Parcel B.....				70,796	10	0.2%
Total	\$2,589,295		7.1%	\$1,886,267		6.2%

Debt Capacity

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CITY OF BALTIMORE
Ratios of Outstanding Debt by Type, Primary Government
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Governmental Activities						Business-type Activities						Total Primary Government	Percentage of Personal Income (b) %	Per Capita (a)
	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with Federal of Maryland	Revenue Bonds	Capital Leases	General Obligation Bonds	Sewer Construction Loans	Revenue Bonds	Capital Leases					
2010	\$ 631,993	\$ 116,205	\$ 45,436	\$ 1,186	\$ 431,155	\$ 169,100	\$ 576	\$ 143	\$ 1,370,497			\$ 2,766,291	11.16	\$ 4,455	
2011	630,957	115,600	42,151	925	422,011	160,930		63	1,513,270			2,885,907	11.01	4,653	
2012	570,148	114,993	39,355	1,855	411,377	179,161		19	1,477,473	\$ 3,003		2,797,384	10.17	4,502	
2013	569,097	114,435	36,461	1,430	424,599	193,368			1,467,888	2,628		2,809,906	11.51	4,517	
2014	524,969	149,824	33,461	1,016	395,501	189,600	3,113		1,735,806	2,240		3,035,530	11.49	4,874	
2015	553,761	147,218	30,357	662	391,894	161,477	3,018		1,920,369	1,840		3,210,596	11.48	5,163	
2016	575,793	145,990	27,132	230	394,224	160,368	3,602		1,864,330	1,427		3,173,096	10.84	5,162	
2017	527,049	199,876	23,792		358,666	144,969	3,291		2,127,319	1,087		3,386,049	11.34	5,536	
2018	526,557	198,176	20,320		359,235	160,006	3,589		2,204,360	826		3,472,217	11.22	5,763	
2019	572,887	196,203	16,707		378,975	150,608	4,656		2,626,638	644		3,947,318	N/A	N/A	

(a) Per capita calculation utilize calendar year figures provided by U.S. Department of Commerce, Census Bureau, in thousands.

(b) Personal Income data from the Bureau of Economic Analysis, U.S. Department of Commerce.

N/A Information not available

CITY OF BALTIMORE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Cash Available for Debt Service Activities (b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property %	Per Capita (a)
2010	\$ 631,993	\$ 41,319	\$ 590,674	1.58	\$ 950.84
2011	630,957	36,261	594,696	1.54	957.66
2012	570,148	36,796	533,352	1.69	856.90
2013	569,097	45,523	523,574	1.45	841.62
2014	528,082	49,947	478,135	1.33	767.73
2015	556,779	51,130	505,649	1.42	813.14
2016	579,395	62,486	516,909	1.21	840.96
2017	469,340	53,552	415,788	1.06	679.78
2018	530,146	111,525	418,621	1.02	694.82
2019	577,543	116,468	461,075	1.10	756.06

(a) Per capita calculation utilize calendar year figures provided by U.S. Department of Commerce, Census Bureau, in thousands.

(b) Externally restricted for repayment of principal on debt; through fiscal year 2015, debt service was accounted for in a separate Debt Service Fund; as of fiscal year 2016, debt service is included in the General Fund.

N/A Information not available

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2019

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2019

The City has no Legal Debt Margin.

CITY OF BALTIMORE
Pledged Revenue Coverage
June 30, 2019
(Dollars Expressed in Thousands)

Water Revenue Bonds							Wastewater Revenue Bonds						
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		Wastewater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
Fiscal Year				Principal	Interest						Principal	Interest	
2010	\$ 130,666	\$ 88,394	\$ 42,272	\$ 6,754	\$ 20,202	1.55	\$ 166,072	\$ 115,762	\$ 50,310	\$ 16,822	\$ 25,627	1.19	
2011	129,292	90,586	38,706	8,036	20,552	1.27	160,076	110,131	49,945	20,171	25,031	1.10	
2012	132,340	95,386	36,954	8,937	22,239	1.19	179,873	119,356	60,517	20,677	27,412	1.26	
2013	154,680	100,845	53,835	10,343	23,545	1.59	183,521	125,035	58,486	22,676	28,910	1.13	
2014	158,678	113,947	44,731	10,830	21,126	1.40	221,181	123,993	97,188	24,083	27,140	1.90	
2015	176,439	114,341	62,098	12,250	27,894	1.55	216,428	122,937	93,491	24,951	33,151	1.61	
2016	160,865	112,771	48,094	15,880	33,432	0.98	229,300	126,379	102,921	31,485	39,359	1.45	
2017	163,563	117,547	46,016	17,298	33,627	0.90	235,133	130,532	104,601	33,886	37,475	1.47	
2018	178,367	93,837	84,530	18,441	38,044	1.51	258,386	141,648	116,738	40,251	38,934	1.55	
2019	185,132	99,376	85,756	21,058	39,047	1.43	267,204	157,518	109,686	40,805	41,063	1.34	

Stormwater Revenue Bonds							Parking Facilities Revenue Bonds						
	Stormwater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
Fiscal Year				Principal	Interest						Principal	Interest	
2010							\$ 67,760	\$ 10,866	\$ 56,894	\$ 6,915	\$ 9,352	3.50	
2011							83,040	10,728	72,312	7,250	8,934	4.47	
2012							81,476	10,937	70,539	8,395	10,324	3.77	
2013							83,542	9,737	73,805	8,410	9,829	4.05	
2014	\$ 27,511	\$ 13,585	\$ 13,926	\$ 436	\$ 466	15.44	87,398	10,919	76,479	9,280	9,407	4.09	
2015	25,971	10,632	15,339	441	441	17.39	85,634	7,133	78,501	9,800	8,753	4.23	
2016	27,807	14,641	13,166	616	140	17.65	87,145	6,662	80,483	10,350	8,217	4.33	
2017	29,309	16,799	12,510	1,771	1,037	4.46	88,454	10,159	78,295	10,960	7,669	3.98	
2018	28,552	19,733	8,819	1,312	533	5.33	85,257	9,015	76,242	11,490	6,992	4.13	
2019	28,540	17,454	11,086	1,059	500	7.11	76,801	8,117	68,684	12,270	5,716	3.82	

Convention Center Revenue Bonds					
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
Fiscal Year			Principal	Interest	
2010	\$ 4,344	\$ 4,344	\$ 2,645	\$ 1,794	0.98
2011	4,654	4,654	2,770	1,796	1.02
2012	4,655	4,655	2,935	1,637	1.02
2013	4,577	4,577	3,095	1,475	1.00
2014	4,560	4,560	3,260	1,302	1.00
2015	5,968	5,968	3,435	1,118	1.31
2016	4,517	4,517	3,625	924	0.99
2017	4,120	4,120	3,825	729	0.90
2018	4,580	4,580	4,015	533	1.01
2019	4,220	4,220	4,220	327	0.93

Note: Details regarding the City's outstanding debt can be found in note number 8 in the notes to the financial statements
Operating expenses do not include interest, depreciation or amortization expenses.
Beginning in fiscal year 2014, the Stormwater Utility Fund is presented as a separate proprietary fund.

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Demographic and Economic Information

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CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar		Personal Income (a) (thousands of dollars)	Per Capita Personal Income (b)	Total Employment (c)	Unemployment Rate (c)
Year	Population (a)				
2010	620,961	23,422,681	37,720	262,347	11.2
2011	620,792	24,638,760	39,689	264,134	10.6
2012	622,705	25,142,165	40,376	267,128	10.2
2013	623,215	25,597,551	41,073	267,697	9.7
2014	623,711	26,923,439	43,167	269,052	8.6
2015	621,849	28,011,281	45,045	272,019	7.7
2016	614,664	28,913,526	47,040	276,430	6.6
2017	611,648	30,073,681	49,168	281,066	6.1
2018	602,495	30,942,036	51,357	273,304	5.7
2019	609,841	N/A	N/A	N/A	N/A

Source:

(a) U.S. Bureau of Economic Analysis

(b) Per capita personal income is calculated based on the personal income divided by the estimated population

(c) Maryland Department of Labor, Licensing and Regulation

N/A Information not available

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2019 [1]			2010 [4]		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [2]						
State	33,933	1	9.98	41,093	1	12.58 %
Other Government authority (City, School, etc.)	24,267	2	7.14	28,579	2	8.75
Federal	10,613	3	3.12	8,204	3	2.51
Subtotal Government	<u>68,813</u>		<u>20.24 %</u>	<u>77,876</u>		<u>23.84 %</u>
Ten Largest Private Sector Employers [3]						
Johns Hopkins Hospital and Health System	20,485	1	6.02	15,753	2	4.82
Johns Hopkins University	18,600	2	5.47	22,700	1	6.95
University of Maryland Medical System	11,450	3	3.37	8,900	4	2.72
University System of Maryland	8,965	4	2.64	9,790	3	3.00
MedStar Health	6,175	5	1.82	6,202	5	1.90
LifeBridge Health - Sinai	5,315	6	1.56	4,940	6	1.51
Amazon.com	4,500	7	1.32			
Mercy Health Services	4,030	8	1.19	2,305	10	0.71
St. Agnes HealthCare	3,265	9	0.96	2,730	8	0.84
Exelon / Constellation Energy / BGE	2,950	10	0.87	3,150	7	0.96
Abacus				2,482	9	0.76
Subtotal Ten Largest Private Sector Employer	<u>85,735</u>		<u>25.22 %</u>	<u>78,952</u>		<u>24.17 %</u>
Total Government and Ten Largest Private Sector Employers	<u>154,548</u>		<u>45.46 %</u>	<u>156,828</u>		<u>48.01 %</u>

Source:

[1] For the government and private sectors: Maryland Dept of Commerce

[2] Data only available for the first quarter of 2019

[3] Data as of 2017 (most recent available)

[4] For 2010, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2010

Operating Information

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CITY OF BALTIMORE
Full Time Equivalent Employees By Function
Last Ten Years

Function/program	Full-time equivalent Employees at June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	1,725	1,700	1,754	1,674	1,666	1,700	1,577	1,785	1,858	1,934
Public safety										
Police.....	3,897	3,897	3,892	3,796	3,608	3,444	3,259	3,125	3,243	3,235
Fire	1,795	1,795	1,789	1,732	1,699	1,699	1,639	1,731	1,733	1,733
Other	795	791	721	683	695	700	813	735	751	757
Conservation of health	878	875	873	862	719	890	842	800	784	820
Public library	432	430	399	399	394	391	389	389	437	450
Recreation and parks	400	399	389	368	385	310	327	310	311	312
Highways and streets	1,499	1,458	1,382	1,352	1,331	1,428	1,024	1,079	1,074	1,070
Public work										
Water	878	875	850	893	857	717	899	810	846	847
Wastewater	1,011	1,012	991	985	1,096	797	694	761	750	751
Solid waste	875	856	889	853	705	802	995	880	866	864
Other	621	625	579	537	682	504	487	423	438	440
Public service	68	67	62	70	260	65	73	65	65	68
Economic development	564	563	554	560	461	559	426	382	383	389
	15,438	15,343	15,124	14,764	14,558	14,006	13,444	13,275	13,539	13,670

Source: Baltimore City Bureau of Budget and Management Research

CITY OF BALTIMORE
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Police</i>										
Arrests*	62,341	56,606	53,169	45,275	44,110	33,462	25,339	24,453	25,841	49,163
<i>Fire</i>										
Fire Suppression Units Dispatched	135,421	121,483	129,977	137,667	140,718	143,889	147,249	163,872	163,959	166,977
Structural Fires	2,154	2,460	2,682	2,401	1,839	2,541	2,377	2,760	2,841	2,898
EMS Transports	86,985	86,901	90,615	94,883	92,225	92,094	97,502	100,894	100,009	100,043
Inspections	24,156	N/A	N/A	N/A	N/A	N/A	24,339	16,505	29,296	18,126
<i>Solid Waste</i>										
Refuse Collected (tons)	148,077	145,345	144,926	142,543	149,137	155,624	149,582	153,793	159,204	125,383
Recyclables Collected (tons)	25,836	25,557	24,929	26,468	25,248	28,979	28,253	29,512	29,632	22,003
<i>Water/Wastewater</i>										
Number of Accounts	441,209	445,335	446,142	450,427	454,008	426,642	407,000	420,681	427,040	427,773
Average Daily Water Production (MGD)	218	218	218	218	220	223	193	190	183	194
Average Daily Sewage Treatment (MGD)	192	208	208	208	208	199	205	180	176	232
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	152.0	185.0	189.0	98.0	101.0	122.0	122	61	109	109
Potholes Repaired	127,727	105,731	81,191	74,487	126,432	126,771	122,985	12,466	93,270	118,513
Traffic Citations Issued**	1,341	63	63	63	118	88	140	83	6	12
Parking Citations Issued	379,633	388,338	355,344	331,067	341,384	380,239	405,721	256,551	310,655	326,361
Traffic Signals Repaired	6,901	5,538	4,751	4,312	4,645	4,450	4,328	4,771	5,582	4,918
Street Lights Repaired	25,415	29,012	29,633	28,096	25,091	24,254	21,311	20,139	22,558	2,758
<i>Housing</i>										
Number of inspections (housing and code enforcement)	206,467	363,720	267,508	270,607	254,871	254,646	196,698	224,727	261,588	271,385
Number of permits issued	36,630	27,600	25,307	24,537	28,351	27,060	30,183	40,718	39,964	35,389
Property Management Service Requests Completed***	28,971	31,987	41,995	60,585	78,824	78,824	44,452	39,645	82,546	79,093
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	135,547	154,528	169,608	146,598	138,103	144,077	158,483	148,300	162,230	14,893
Permits Issued for Park Facilities	653	741	1,518	1,581	1,616	1,894	1,935	1,711	1,929	1,681
<i>Library</i>										
Volumes in Collection (millions)	2.6	2.6	2.0	2.4	2.2	2.3	2.2	2.2	2.2	2.3
Volumes Borrowed (millions)	1.5	1.7	1.7	1.7	1.3	1.3	1.2	1.1	1.3	1.7

N/A Data not available.

* Yearly arrests are based on calendar year data, not fiscal year.

** This figure includes only DOT officer-written citations and does not include automatic camera citations.

*** Property Management represents primarily cleaning and boarding of vacant properties.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Police/Sheriff</i>										
Buildings	10	13	12	16	16	16	16	16	16	16
Marked Patrol Units	487	479	373	403	463	576	480	620	680	680
Other vehicles	633	616	602	448	311	309	510	538	594	575
<i>Fire Stations</i>										
Buildings	39	39	41	61	62	62	62	62	62	62
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet)	160	137	122	154	142	138	155	146	115	117
Other vehicles	164	176	235	142	217	228	224	218	241	240
<i>Recreation and Parks</i>										
Buildings	148	148	148	210	210	210	210	210	210	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	4,874	4,874	4,874	4,874
Vehicles	123	120	119	120	121	120	121	142	129	128
Equipment	296	183	157	157	158	151	145	137	104	156
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	30	30	82	119	119	119	119	119	121	121
Vehicles	952	984	967	942	1,017	987	981	1,055	943	965
Equipment	515	595	545	552	538	537	534	570	372	499
Streets (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,800	4,800
<i>Water/Wastewater/Stormwater</i>										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Other Buildings	31	31	95	221	221	221	221	221	221	221
Vehicles	599	632	608	631	641	636	594	481	688	66
Equipment	429	495	487	489	482	481	466	605	259	331
Water Mains (Miles)	3,400	3,400	3,400	3,400	3,400	3,669	3,692	3,748	3,748	3,884
Water Treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,335	1,335	1,335	1,335	1,335	1,361	1,380	1,398	1,398	1,416
Storm sewers (miles)	1,100	1,100	1,100	1,100	1,100	1,108	1,108	1,180	1,180	1,213
Wastewater Treatment capacity (MGD)	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	34	22	30	30	29	24	24	24	24	24
Vehicles	16	20	18	16	17	17	16	14	17	17
<i>Other-General Government</i>										
Buildings	1,353	4,250	4,250	132*	132*	132*	132	132	132*	132
Vehicles	1,141	753	907	869	514	175	532	1,643	316	221
Equipment	61	249	151	101	72	14	76	191	49	13

* The total number of buildings excludes residential properties under the ownership of the Mayor and City Council.

N/A Data not available

Source: Baltimore City Department of Finance

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